

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 11th April, 2013

10.00 am

Darent Room, Sessions House, County Hall, Maidstone





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 11th April, 2013, at 10.00 am
Darent Room, Sessions House, County
Hall, Maidstone

Ask for: **Andrew Tait**
Telephone: **01622 694342**

Tea/Coffee will be available 15 minutes before the start of the meeting

Membership (13)

Conservative (12) Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman),
Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd,
Mr D A Hirst, Mr R A Marsh, Mr J Tansley, Mr R Tolputt and
Mr C T Wells

Liberal Democrat (1): Mr T Prater

Webcasting Notice

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UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes (Pages 1 - 12)
Committee – 19 December 2012
Trading Activities Sub-Group – 1 March 2013 (for Information)

5. Committee Work Programme (Pages 13 - 16)
6. Member Development Programme (Pages 17 - 18)
7. Updated Financial Regulations (Pages 19 - 20)
8. Revised Accounting Policies (Pages 21 - 22)
9. Update on Savings Programme (Pages 23 - 26)
10. KCC Insurance Overview (Pages 27 - 34)
11. Treasury Management Quarterly Report (Pages 35 - 40)
12. Update on development of Management Guides (Pages 41 - 48)
13. RIPA Report on Surveillance (Pages 49 - 52)
14. Annual Review of the Code of Corporate Governance (Pages 53 - 56)
15. Trading Activities Sub-Group Terms of Reference (Pages 57 - 60)
16. Internal Audit Annual Audit Plan 2013-14 (Pages 61 - 92)
17. Internal Audit Progress Report (Pages 93 - 114)
18. External Audit Update March 2013 (Pages 115 - 132)
19. Grant Thornton: Certification of claims and returns - annual report (Pages 133 - 146)
20. Grant Thornton Audit Plans Year Ended 2013 - KCC and Kent Superannuation Fund (Pages 147 - 190)
21. External Audit Fee Letter 2013/14 (Pages 191 - 196)
22. Fraud, law and regulations and going concern considerations (Pages 197 - 214)
23. Anti-Fraud and Corruption Progress Report (Pages 215 - 224)
24. Other items which the Chairman decides are urgent

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services
(01622) 694002

Wednesday, 3 April 2013

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

TERMS OF REFERENCE

Governance and Audit Committee

13 Members

Conservative: 12; Liberal Democrat: 1.

The purpose of this Committee is to:

1. ensure the Council's financial affairs are properly and efficiently conducted, and
2. review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

On behalf of the Council this Committee will ensure the following outcomes:

- (a) Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- (b) The Council's Corporate Governance framework meets recommended practice (currently set out in the CIPFA/SOLACE Good Governance Framework), is embedded across the whole Council and is operating throughout the year with no significant lapses.
- (c) The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- (d) The appointment and remuneration of External Auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- (e) The External Audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- (f) The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- (g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- (h) Accounting policies are appropriately applied across the Council.

- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 19 December 2012.

PRESENT: Mr R L H Long, TD (Chairman), Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr R A Marsh, Mr R J Parry, Mr T Prater, Mr J Tansley, Mr R Tolputt and Mr C T Wells

ALSO PRESENT: Mr A J King, MBE, Mr J D Simmonds and Mr D Wells

OFFICERS: Ms N Major (Interim Head of Internal Audit), Ms A Simmonds (Commercial Services Internal Audit Manager), Mr N Vickers (Head of Financial Services), Mr M Rolfe (Trading Standards Manager (East)), Mr R Hallett (Head of Business Intelligence), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells from Grant Thornton

UNRESTRICTED ITEMS

47. Election of Vice Chairman

(Item 3)

The chairman moved, seconded by Mr B R Cope that Mr J R Parry be elected Vice-Chairman of the Committee.

Carried with no opposition

48. Minutes

(Item 5)

RESOLVED that:-

- (a) the Minutes of the meeting of the Committee held on 25 September 2012 are correctly recorded and that they be signed by the Chairman; and
- (b) the Minutes of the Trading Activities Sub-Group held on 28 September 2012 be noted.

49. Committee Work and Member Development Programme

(Item 6)

- (1) The Interim Head of Internal Audit proposed an updated forward committee work and Member development programme.
- (2) RESOLVED that approval be given to the forward work programme to December 2013 to meet the Committee's Terms of Reference.

50. Corporate Risk Register

(Item 7)

(1) The Head of Business Intelligence reported that the Corporate Risk Register had recently been refreshed. He therefore presented it to the Committee, together with an overview of the key changes and an outline of the ongoing process of monitoring and review.

(2) The Corporate Risk Manager agreed to send all Members of the Committee an update on the benefit of the ICT actions set out in the Summary Risk Profile appended to the report.

(3) RESOLVED that the report be noted for assurance.

51. Treasury Management 6 Month Review 2012/13

(Item 8)

(1) The Head of Financial Services presented the Treasury Management 6 Month Review.

(2) Members of the Committee recorded their compliments to the Treasury Management Team.

(3) RESOLVED that the report be endorsed for submission to the County Council.

52. Debt Management

(Item 9)

(1) The Head of Financial Services gave a report on the County Council's debt position. In response to Members' questions, he agreed to provide all Members of the Committee with specific information on PCTs, EduKent and Woodard Academies.

(2) RESOLVED that the report be noted for assurance and that a further report be presented to a future meeting of the Committee highlighting some of the actions that are taking place.

53. RIPA report on surveillance , covert human intelligence source and telephone data requests carried out by KCC between 1 April 2012 and 30 September 2012

(Item 10)

(1) The Trading Standards Manager outlined work undertaken by KCC officers on surveillance, the use of covert human intelligence source and access to telecommunications governed by the Regulation of Investigatory Powers Act (RIPA) during the first half of the 2012/13 business year. He also reported the necessary changes to KCC policy to meet the requirements of the Protection of Freedoms Act 2-012 which had taken effect on 1 November 2012.

(2) The Committee agreed that owing to public concern over local authority actions under RIPA, it would request details on the authorisations granted to be reported at its next meeting.

- (3) RESOLVED that the report be noted for assurance and that a further report be presented to the next meeting giving details on the authorisations granted.

54. Audit Commission Annual Letter

(Item 11)

(1) Mr Darren Wells from Grant Thornton (representing the Audit Commission for this item) provided a summary of the most important findings from the Audit Commission's 2011/12 audit.

(2) RESOLVED to:-

- (a) receive the Annual Audit Letter for assurance;
- (b) note that the requirement of the External Auditors to prepare and issue an Annual Audit letter to the County Council had been met;
- (c) note the proposed actions for publication of the Annual Audit Letter; and
- (d) place on record the Committee's appreciation of the work of the Cabinet portfolio holder; the Corporate Director of Finance and Procurement and all staff in the Finance and Procurement Team for their work in enabling the production of the Annual Audit letter (containing unqualified opinions) earlier than nearly every other local authority.

55. External Audit progress report December 2102

(Item 12)

(1) Mr Darren Wells from Grant Thornton provided recent updates and information on the external auditor's programme of audit planning, grants certification and publications in 2012/13.

(2) The Committee noted that this was the first report it had received from Grant Thornton as the external auditors and welcomed Mr Darren Wells in that capacity.

(3) RESOLVED that the report be noted.

56. External Audit Fee Letter 2012/13

(Item 13)

(1) Mr Darren Wells from Grant Thornton presented the external audit fee for the County Council in 2012/13.

(2) RESOLVED that approval be given to the fees proposed in the fee letter.

57. Internal Audit Progress Report

(Item 14)

(1) The Interim Head of Internal Audit summarised the outcomes of Internal Audit activity since the previous Committee meeting in September 2012.

(2) Committee Members commented on the terminology of the Assurance Levels and agreed to consider this issue at its next meeting.

(3) RESOLVED that:-

- (a) progress against the 2012/13 Audit Plan and proposed additions be noted;
- (b) the assurances provided in relation to the County Council's control environment as a result of the outcome of Internal Audit work completed to date be noted; and
- (c) a report giving consideration to the terminology of the Assurance Levels be presented to a future meeting of the Committee.

58. Kent Commercial Services Internal Audit work programme (June 2012 - March 2013)

(Item 15)

(1) The Commercial Services Internal Audit Manager gave a report detailing the Kent Commercial Services Internal Audit Work Programme for 2012/13.

(2) RESOLVED that the report be noted.

59. Effectiveness of Internal and External Audit Liaison

(Item 16)

(1) The Interim Head of Internal Audit summarised the effectiveness of the liaison arrangements between Internal and External Audit.

(2) Mr Darren Wells from Grant Thornton informed the Committee that he agreed with the report's conclusions.

(3) RESOLVED that the report be noted for assurance.

60. Anti-Fraud and Corruption Progress Report

(Item 17)

(1) The Interim Head of Internal Audit gave a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the last meeting of the Committee in September 2012.

(2) RESOLVED that the progress of anti-fraud and corruption be noted, together with the assurance provided in relation to the anti-fraud culture and fraud prevention/investigation activity.

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB GROUP

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub Group held in the Wantsum Room, Sessions House, County Hall, Maidstone on Friday, 1 March 2013.

PRESENT: Mr R L H Long, TD, Mr T Prater and Mr C T Wells

ALSO PRESENT: Mr B J Sweetland

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance and Procurement), Mr G Record (Finance and Procurement Officer), Mr D Crilley (Director of Community Cultural Services), Mr J White (Capital Project Officer), Mr M Austerberry (Corporate Director, Environment and Enterprise), Mr I McPherson (Managing Director Commercial Services), Mr K Abbott (Finance Business Partner, ELS Directorate), Mr P McSweeney (EduKent Officer), Ms N Major (Interim Head of Internal Audit) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Minutes - 28 September 2012

(Item 3)

RESOLVED that the Minutes of the meeting held on 28 September 2013 are correctly recorded and that they be signed by the Chairman.

2. Statutory Accounts for those companies in which KCC has an interest

(Item 4)

(1) The Chairman informed the Sub-Group that he had been a director of Kentish Fare (a dormant company which was now a subsidiary of Produced in Kent).

(2) The Corporate Director of Finance and Procurement tabled the accounts for Kent on Canvas and Kent Cultural Trading. He explained that these had been sent by Companies House.

(3) The Corporate Director of Finance and Procurement presented those 2011/12 Statutory Accounts which had not been available to the previous meeting of the Sub-Group.

(4) The Corporate Director of Finance and Procurement replied to a question from Mr Prater by saying that he had been unable to establish the grounds for objection by HMRC over the proposed dissolution of Invicta Services Ltd. It was therefore agreed that the next meeting of the Sub-Group would receive an update on this matter.

(5) The Corporate Director of Finance and Procurement agreed to circulate to the Members of the Sub-Group the reasons for Kentish Fare Ltd being transferred to the ownership of Produced in Kent Ltd rather than being dissolved.

(6) Mr Wells asked whether the intended merger of Groundwork Kent and Medway into Groundwork South had taken full account of the risk of loss of control and benefits to Kent. He asked for a report on this question. It was agreed that Internal Audit would examine this question during its next tranche of auditing KCC companies.

(7) The Chairman asked for the report to the next meeting to include an explanation of the role and function of The North Kent Architecture Centre Ltd.

(8) RESOLVED that the report be noted for assurance and that the report to the next meeting of the Sub-group encompass responses to the matters set out in paragraphs (4) to (7) above.

3. Proposed Dissolution of Kent Cultural Trading and Kent on Canvas

(Item 5)

(1) The Director of Customer Services set out the background to Kent on Canvas and Kent Cultural Trading and the steps taken to re-align the business following recent developments, including the rationale for the proposed dissolution of both companies. He said that the intention had been to grow returns against the County's cultural assets. In the light of the findings of the 2012 Internal Audit examination of Kent Cultural Trading's activities, the decision had been taken to temporarily cease trading and to suspend a member of staff. Following a review of the Companies' potential, he would be recommending their voluntary dissolution.

(2) The Members of the Sub-Group asked for assurance in terms of monitoring and legal advice. The Director of Customer Services replied that he was looking closely at all the controls and systems that had been in place at the time with a view to improving them. He confirmed that future ventures would seek advice from a Legal Services representative with experience of company law as well as an independent legal advisor who would look at the same questions from the company's perspective.

(3) Mr Prater asked when Kent Cultural trading had made the decision to pursue the "cleansing product" and "patient essentials" trading activities set out in the report. The Director of Customer Services replied that consideration of these activities had never reached the point where a business plan had needed to be produced.

(4) The Director of Customer Services confirmed that the losses accrued by the companies would be transferred to KCC, which was now the only shareholder. The debts to all other creditors had been settled in full.

(5) The Director of Finance and Procurement informed the Sub-Group that Internal Audit had made 17 recommendations of which 16 had been implemented. He was unable to comment further at this stage as to do so would involve naming individuals.

(6) RESOLVED that the report be noted for assurance and that the actions taken be endorsed, including:-

(a) the approach to minimising the reputational loss to the Authority;

- (b) the actions taken to reduce the financial impact of losses to local companies and the Authority; and
- (c) the final steps being taken to carry out the proposed dissolution of Kent Cultural Trading and Kent on Canvas.

4. Progress report on the transformation programme to re-align Commercial Services following external review of its activities

(Item 6)

(1) Mr Sweetland introduced the report on the significant progress made towards implementing the Commercial Services transformation programme since September 2012. This programme and its progress had also been the subject of an internal audit review which was appended to the report.

(2) The Managing Director, Commercial Services referred the Sub-Group to paragraph 1.5 of the report for a list of the activities carried out to implement the transformation programme. He drew particular attention to the reorganisation into five customer-focused Divisions and the work in building up the advisory shareholder board, including 2 or 3 independent representatives. He also confirmed that the risk policy was being re-aligned to meet business needs and that the business planning process was now in place. He expected to be able to provide KCC with a £10m Dividend within the next three years.

(3) The Corporate Director, Enterprise and Environment underlined the crucial importance of the shareholder role in the new companies and said that there would be a shareholder agreement.

(4) The Managing Director, Commercial Services replied to a question from the Chairman by saying that legal advice had been taken both internally and externally. The latter advice had been essential in order to ensure that his responsibilities to KCC did not conflict with his role as a shareholder. Eversheds had been employed to draft the articles for the Teckal companies, and further advice had been sought on the transfer of assets. This would ensure that trading could continue if the Teckal provision were to be overturned. The aim was for all companies to become operational (including the TUPE transfers) by 1 April 2013.

(5) The Managing Director, Commercial Services confirmed that trading would be at arms length and that this would include paying separately for Human Resources, ICT and back office functions rather than buying them in from KCC.

(6) The Managing Director, Commercial Services said that the employees were responding very positively to the developments described.

(7) Mr Sweetland summed up the presentation by saying that he could assure the Sub-Group that it could be absolutely certain of the legal and financial governance arrangements.

(8) RESOLVED that the progress in implementing the Commercial Services transformation programme be noted for assurance, together with the contents of the Internal Audit report dated 21 January 2013 (appended to the report).

5. EduKent Progress Report

(Item 7)

- (1) The Director of School Resources reported on the development of EduKent during 2011 and 2012 and on the governance arrangements put in place.
- (2) RESOLVED that the development of EduKent during 2011 and 2012 be noted for assurance, together with its governance arrangements.

EXEMPT ITEMS

(The Sub-Group resolved under Section 100A of the Local Government Act 1972 to exclude the public from the meeting on the grounds that it would involve the disclosure of Exempt information as defined in Paragraph 3 of Schedule 12A of the Act)

6. EduKent progress report

(Item 9)

- (1) Hard copies of the report were tabled at the meeting as these had not been sent out with the agenda papers. Members of the Sub-Group had received them electronically at the time of publication.
- (2) The Director of School Resources referred to the development of EduKent during 2011 and 2012 and the governance arrangements that had been put in place (see Minute 5 above) He reported the EduKent Business Plan for the years 2012/13 to 2014/15 and set out options for the future direction of EduKent.
- (3) The Director of School Resources said that KCC Education, Learning and Skills had been trading some of its services to schools for the past 13 years. In the light of recent developments, a range of services for schools and academies had been consolidated into EduKent. As this process was now complete, it was the right time to move on to consider options for the future.

(4) Mr Prater asked how EduKent would ensure that the profits generated were ringfenced to be reinvested in improvements to services to schools. The Director of School Resources replied that this would be achieved partially through the work of the EduKent Board and that this would be monitored in turn by the Schools Funding Forum.

(5) The Director of Finance and Corporate Procurement confirmed that it was currently the strategic intention to ensure that such profits would be reinvested in the manner described. It was, however, possible that future Councils could decide to use them to support KCC overall.

(6) RESOLVED that in addition to the development of EduKent during 2011 and 2012 and its governance arrangements the Sub-Group note the following for assurance:-

(a) the 2012 to 2014/15 EduKent Business Plan; and

(b) the plans to assess alternative options for the future structure of EduKent.

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By: Richard Long, Chairman of Governance and Audit Committee
Neeta Major, Interim Head of Internal Audit

To: Governance and Audit Committee – 11 April 2013

Subject: **COMMITTEE WORK PROGRAMME**

Classification: Unrestricted

Summary: This report provides an updated forward committee work programme.

FOR DECISION

Introduction and background

1. This is a standing item on each agenda to allow Members to review the plan for the year ahead, and provide Members with the opportunity to identify any additional items that they would wish to include.

Current work programme

3. Annex 1 shows the latest programme of work for the Committee, up to April 2014. The content of the programme is matched to the Committee Terms of Reference and aims to provide at least the minimum coverage necessary to meet the responsibilities set out.
4. The programme reflects requests made from Committee members for additional reports on specific items of interest.

Recommendations

5. It is recommended that Members:
 - approve the forward work programme to April 2014 to meet the Committee's Terms of Reference;
 - identify any additional items that members would wish to include.

Appendices

Annex 1 Committee work programme

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Category / Item	Owner	Apr-13	Jul-13	Sep-13	Dec-13	Apr-14
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	NM	✓	✓	✓	✓	✓
Member Development Programme	NM	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH		✓		✓	
Review of the Risk Management Strategy, Policy and Programme	RH				✓	
Report on Insurance and Risk Activity	NV	✓				✓
Treasury Management quarterly report/six monthly review	NV	✓		✓	✓	✓
Treasury Management Annual Report	NV		✓			
Ombudsman Complaints	GW			✓		
Annual Complaints Report	DC			✓		
Update on Savings programme	AW	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	MR	✓				✓
Corporate Governance						
Progress update on Change to Keep Succeeding	AB	Adhoc as requested				
Update on development of Management Guides (previously Statements of Required Practice).	DW	✓				✓
Annual review of Terms of Reference	NM			✓		
Debt Recovery	NV		✓		✓	
Annual review of the Council's Code of Corporate Governance	GW	✓				✓
Review of Bribery Act Policy and any related amendments to Constitution	GW				✓	
Internal Audit						

Category / Item	Owner	Apr-13	Jul-13	Sep-13	Dec-13	Apr-14
Internal Audit Progress Report	NM	✓		✓	✓	✓
Internal Audit Annual Report	NM		✓			
Internal Audit Benchmarking Results	NM			✓		
Internal Audit Strategy and Annual Plan	NM	✓				✓
Review of Charter of Internal Audit	NM		✓			
External Audit						
External Audit Update	NM	✓	✓	✓	✓	✓
External Audit Governance Report	NM		✓			
External Audit Annual Audit Letter	NM				✓	
External Audit Certification of Claims and Returns Report	NM	✓				✓
Effectiveness of Internal and External Audit Liaison	NM				✓	
External Audit Plan	NM	✓				✓
External Audit Pension Fund Plan	NM	✓				✓
External Audit Fee letter	NM	✓				✓
External Audit Fraud, Law & Regulations and Going Concern Considerations	AW	✓				✓
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW		✓			
Revised Accounting Policies	CH	✓				✓
Review of Financial Regulations	EF	✓				
Fraud						
Anti-fraud and anti-corruption compliance with CiPFA Red Book	NM		✓			
Review of the Anti-fraud and anti-corruption Strategy	NM		✓			
Anti-Fraud and Corruption Progress Report	NM	✓	✓	✓	✓	✓

Category / Item	Owner	Apr-13	Jul-13	Sep-13	Dec-13	Apr-14

By: Neeta Major, Interim Head of Internal Audit
 To: Governance and Audit Committee – 11 April 2013
 Subject: **Member Development Programme**
 Classification: Unrestricted

Summary: To provide an update on the introduction of the training programme for members of the Committee.

FOR DECISION

Introduction

1. On 30 November 2010, the Committee agreed that a training programme would be commenced from March 2011. It would be targeted at Committee members but would also be made available to all members of the Council.
2. On 18 April 2012, the Committee agreed a training programme for 2012-13 and that a proposed 2013-2014 post election training programme would be presented to the April 2013 Committee for consideration.

Issues to note

1. Members' training is important to ensure that the Governance and Audit Committee remains effective and delivers against its terms of reference.
2. In November 2010, it was agreed by a group of members and officers that the best time for formal training would be immediately prior to the start of the formal meeting and that these sessions could be open to all members. The training could be recorded and added to any induction material given to new committee members or used as a refresher if required by existing members.
3. In addition, Corporate Finance delivers a learning and development programme on financial management for Members and senior officers that will continue in 2013-14. This will include sessions on the role of internal audit and fraud awareness refresher training.
4. The 2013-14 Financial Management Development programme is currently being formulated and the proposed programme will be as follows;
- 5.

Description	Proposed Timing
Introduction to Finance and how Local Government is funded	July 2013
Internal Audit, internal controls and their role in preventing fraud	July 2013
Risk Management and Insurance	September 2013
How to scrutinise the budget	October 2013

Description	Proposed Timing
Treasury Management	15 October 2013
Pension Fund Investments	19 November 2013

6. The areas that this programme does not propose to cover but which are important to the effectiveness of the audit committee are as follows
- The role and responsibilities of an effective audit committee
 - Financial statements – what do they tell us?
 - The role and responsibilities of the external auditors
7. It is therefore proposed that as well as the offering within the Financial Management Development programme, the following sessions will be offered at the start of the meetings indicated:

Description of training	Proposed timing	Rationale for timing
Financial Statements - what do they tell us?	July 2013	This is the annual meeting where the financial statements are considered by the Committee
The role and responsibilities of an effective audit committee	September 2013	Essential briefing. By September all Committee members will have attended at least one meeting and be aware of the format and agenda programme considered by the Committee.
The role and responsibilities of the external auditors	December 2013	G&A has an ongoing oversight function in relation to the appointment, performance and reports of the external auditors.

Recommendation

8. Members of the Committee are asked to:
- Support the proposed training programme for 2013-14 available to Committee members and other Members
 - Support delivery of training through the Financial Management Development Programme, as well as specific training sessions at the start of indicated Committee meetings.

Neeta Major
Interim Head of Internal Audit
(Ext: 4664)

By: Cabinet Member for Finance and Business Support – John Simmonds
Corporate Director of Finance & Procurement – Andy Wood

To: Governance and Audit Committee – 11 April 2013

Subject: Updated Financial Regulations

Classification: Unrestricted

Summary: This report asks Members to note the updated financial regulations, prior to approval by County Council.

FOR ASSURANCE

1. Introduction

- 1.1 The Financial Regulations have been reviewed and updated. Whilst there has been no major re-write or change to the format of the regulations, amendments have been made to reflect changes in structures/working practices, to ensure our regulations reflect current best practice and strengthen areas where there were known gaps.
- 1.2. In line with the terms of reference of this Committee, the revised regulations need to be agreed before being submitted to County Council for approval as an amendment to the Constitution.
- 1.3 This review has been undertaken as part of a programme of work looking not only at the Financial Regulations but also a Delegation Matrix and Financial Procedures. The aim is to publish the whole suite of updated financial documentation on Knet with appropriate links between the documents as well as to other relevant procedures/publications, making it easily accessible to all staff.

2. Main Amendments

- 2.1 The process for conducting this review included:
 - Looking at the Constitution to ensure the regulations comply with the Constitution;
 - Addressing concerns/gaps raised by finance staff;
 - Ensuring other relevant procedures/publications are still relevant and available on Knet.
- 2.2 The amendments made to the regulations can be seen in detail at Appendix A, as they are presented showing all tracked changes.
- 2.3 The main areas of change to highlight are:

- Regulation relating to the Kent Pension Fund has been revised. (Ref. Section A.6)
- The earmarking of a capital receipt has been added into the regulations. (Ref. Section A.22)
- The regulations relating to the Corporate Director of Finance and Procurement being responsible for developing or maintaining system for risk management have been removed and replaced with the monitoring of systems for risk management. (Ref. Section C. 3 and C.5)
- Regulations relating to audit requirements have been expanded. (Ref. Sections C.10 and C.11)
- Regulations relating to procurement and ordering of good and services have been amended to reflect i-Procurement. (Ref. Sections D.9 and D.10)
- Regulations relating to Companies have been strengthened. (Ref. Sections E.8 to E.12)
- Introduction of a delegated authority matrix setting out approval limits. (Ref. Appendix 1)
- It has been made explicit that that the Financial Regulations are a KCC policy and failure to follow the regulations could be seen as misconduct, as set out in the Blue Book. (Ref. Section 2.15)

3. **Recommendation**

Members are asked to note the updated Financial Regulations, including the delegated authority matrix, that are to be put forward to County Council for approval.

Emma Feakins
Chief Accountant
Ext: 4634



KENT COUNTY COUNCIL

FINANCIAL REGULATIONS

Amended by the Council: 22 July 2010

| Updated April 2013

Deleted: April 2010

The Council's Financial Regulations set the control framework for five key areas of activity:

A. Financial Planning

Covers Performance Planning, Capital Strategy, Treasury Management Strategy, Pension Fund Investment and Administration Strategy, Revenue Strategy, Revenue Budgeting, Capital Programme and Budgeting, Reserves and Key Decisions.

Full Council is responsible for receiving the Medium Term Financial Plans and formally agreeing the annual budget, in line with statutory guidance.

The Corporate Directors are responsible for contributing to the development of these plans, while the Corporate Director of Finance and Procurement is responsible for preparing and presenting them to the Cabinet for consideration.

Deleted: Group Managing Director, Managing Directors and Executive Directors

Deleted: Director of Finance

B. Financial Management

Covers Revenue budget monitoring and control, Virement, Treatment of year-end balances, Capital Budget Monitoring, Accounting Policies, Accounting records and returns, Annual Statement of Accounts, Contingent Liabilities, Financial implications of Reports.

The Corporate Director of Finance and Procurement is responsible for developing, maintaining and monitoring compliance with an effective corporate financial framework. This will encompass detailed financial regulations, professional standards, key controls and good financial information.

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The Corporate Directors will operate within this framework, alerting the Corporate Director of Finance and Procurement to any risk of non-compliance.

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C. Risk Management and Control of Resources

Covers Risk Management and insurance, Internal Control, Audit requirements, Preventing fraud and corruption, Assets, Treasury Management, Investments and Borrowing, Trust funds and funds held for third parties, Banking, Imprest Accounts, Staffing Costs.

Cabinet and the Governance and Audit Committee are jointly responsible for agreeing the Council's risk management strategy, policy and supporting guidance and for reviewing the effectiveness of risk management within the Council.

The Corporate Director of Finance and Procurement is responsible for monitoring systems for risk management and systems of internal control. This will be monitored through an effective internal audit function.

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The Corporate Directors are responsible for establishing sound arrangements within these systems and notifying the Corporate Director Business Strategy and Support of any suspected non-compliance.

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D. Systems and Procedures

Covers general processes and procedures, Income, Ordering and Paying for

Works, Goods and Services, Payments to employees and Members, Taxation, trading accounts/business units, Internal Recharges.

The Corporate Director of Finance and Procurement is responsible for the Council's accounting control systems, the financial accounts, supporting information and all financial processes or procedures.

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The Corporate Directors are responsible for the proper operation of all systems, processes and procedures. All exceptions to the corporately agreed standards will be agreed with Corporate Director of Finance and Procurement.

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E. External Arrangements

Covers Partnerships, External Funding, Work for third parties, Local Authority Companies.

The Corporate Director of Finance and Procurement is responsible for promoting the same high standards of conduct in the financial management of partnerships and companies as within the Council.

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The Corporate Directors are responsible for ensuring that the Council's interests are protected in such arrangements and that appropriate advice is taken at all stages.

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OVERALL FINANCIAL RESPONSIBILITIES

Introduction

2.1 Financial management covers all financial accountabilities in relation to the running of the Council including the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in Financial Regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.

2.2 **The full Council** is responsible for:

- i. setting the policy framework;
- ii. approving and monitoring compliance with the Council's overall framework of accountability and control as set out in the Constitution;
- iii. directly and through ~~Scrutiny Committee~~, for monitoring compliance with agreed policy, including revenue and capital budgets;
- iv. approving procedures for recording and reporting decisions taken. This includes key decisions and other decisions delegated by the Leader and those decisions taken by the Council and its Committees or delegated by them to officers. These delegations and details of who has responsibility for which decisions are set out in the Constitution;
- v. agreeing the annual budget and Council Tax;
- vi. determining and keeping under review how much money the Council can afford to borrow for capital expenditure;
- vii. approving the annual treasury management strategy;
- viii. setting and revising the prudential indicators for capital finance and borrowing;
- ix. approving the policy on Minimum Revenue Provision (MRP) as set out in the annual MRP statement;
- x. setting the limits for virement or other budget changes through the Financial Regulations and decision making procedure rules;
- xi. setting the limits defining key financial decisions;
- xii. determining any expenditure proposed by the Leader or the Cabinet that is outside the limits referred to in v above;
- xiii. Approving the Standing Orders for Contracts and Tenders.

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2.3 **The Leader** is responsible for:

- i. proposing the Medium Term Financial Plan, Budget, Council Tax and prudential indicators to the Council;
- ii. approving revenue, capital ~~strategies~~;
- iii. determining which executive functions are exercised by him/herself, the Cabinet collectively, other individual members of the Cabinet or officers;
- iv. ensuring that all executive decisions are taken in accordance with the Council's agreed principles of decision making including due consultation and the taking of professional advice from officers.

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2.4 **Individual Cabinet Members** are responsible, within their allocated responsibility area and approved budget for:

- i. taking decisions in accordance with the framework of responsibilities delegated to them from the Leader;
- ii. consulting with the Leader in relation to any proposed decisions as the Leader may direct;

- iii. complying with Financial Regulations in force as agreed by or on behalf of the County Council;
- iv. taking decisions which are otherwise delegated to officers but which are:
 - (a) not in accord with the Policy Framework or budget agreed by the Council or management and business plans within their portfolio;
 - (b) withdrawn from the delegation to Corporate Directors;
- v. taking account of legal and financial liabilities when taking decisions including due consultation with and the taking of advice from officers;
- vi. processing decisions in accordance with the decision making and reporting framework set out in the Constitution.

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2.5 **The Scrutiny Committee Suite** is responsible for reviewing or scrutinising decisions made, or other action taken, in connection with the discharge of any executive of non-executive functions as defined in the Terms of Reference in Appendix 2 Part 2 of the Constitution. It is also responsible for co-ordinating the Council's Select Committee programme.

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2.6 **The Governance and Audit Committee** is responsible for ensuring that:

- i. Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- ii. the Council's Corporate Governance framework meets recommended practice, is embedded across the whole Council and is operating throughout the year with no significant lapses.
- iii. the Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of work to be carried out is appropriate.
- iv. The appointment and remuneration of External Auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- v. The External Audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- vi. The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- vii. Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- viii. Accounting policies are appropriately applied across the Council.
- ix. The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.
- x. The Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.

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2.7 **The Director of Law and Governance, as the Monitoring Officer,** is responsible for:

- i. after consulting with the Head of Paid Service and the Corporate Director of Finance and Procurement, reporting to the full Council (or to the Leader or Cabinet in relation to an executive function) if he/she considers that any proposal, decision or omission would give, is likely to give, or has given, rise to a contravention of any enactment or rule of law, or any maladministration or

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injustice. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered;

- ii. ensuring that records of executive decisions, including the reasons for those decisions and relevant officer reports and background papers, are made publicly available;
- iii. advising whether decisions of the executive are in accordance with the Budget and Policy Framework. Actions that may be 'contrary to the Budget' include:
 - initiating a new policy for which no budget exists;
 - committing expenditure in future years above the approved budgeted level;
 - **Effecting intra- and inter-portfolio transfers above virement limits;**
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase beyond that provided for in the approved budget;
- iv. providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Members.

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2.8 The **Head of Paid Service** is responsible for:

- i. overall corporate management and operational responsibility (including overall management responsibility for all staff);
- ii. the provision of professional advice to all parties in the decision making process (the executive, scrutiny, full council and other committees);
- iii. together with the Monitoring Officer, a system of record keeping for all the local authority's decisions (executive or otherwise);
- iv. reporting to the Council on the manner in which the discharge by the authority of its functions is co-ordinated;
- v. arrangements for internal control and the inclusion of the Annual Governance Statement in the annual accounts.

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2.9 The **Corporate Director of Finance and Procurement**, as the **Chief Financial Officer**, has statutory duties in relation to the financial administration and stewardship of the authority. These statutory responsibilities cannot be overridden. The statutory duties arise from:

- i. Section 151 of the Local Government Act 1972
- ii. Local Government Finance Act 1988
- iii. The Local Government and Housing Act 1989
- iv. The Local Government Acts 2000 and 2003
- v. The Accounts and Audit Regulations 2011
- vi. **The Local Government Pension Scheme (Administration) Regulations 2008**
- vii. **The Local Government Pension Scheme Regulations (Management and Investment of Funds) 2009**
- viii. The Local Authorities Goods and Services Acts 1970 and 1988.

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2.10 The **Corporate Director of Finance and Procurement** is responsible for:

- i. after consulting with the **Head of Paid Service** and the Monitoring Officer, reporting to the full Council (or to the Leader or Cabinet in relation to an Executive function) and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully;
- ii. the proper administration of the financial affairs of the **Council**;

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- iii. maintaining an adequate and effective system of internal audit;
- iv. contributing to the corporate management of the Council, in particular through the provision of professional financial advice;
- v. providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Members and supporting and advising Members and officers in their respective roles;
- vi. providing financial information about the Council to Members, the media, members of the public and the community.

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2.11 And in particular is responsible for:

- i. setting financial management standards, including financial procedures, and monitoring their compliance;
- ii. advising on the corporate financial position and on the key financial controls necessary to secure sound financial and risk management;
- iii. providing financial information to support the proper financial planning of the authority, to inform policy development, and to assist Members and officers in undertaking their financial responsibilities;
- iv. preparing the revenue budget, and reporting to the Council, when considering the budget and Council Tax, on the robustness of the estimates and the adequacy of reserves;
- v. monitoring income and expenditure against the budget and taking action if overspends of expenditure or shortfalls in income emerge;
- vi. preparing the capital programme and ensuring effective forward planning and sound financial management in its compilation;
- vii. producing prudential indicators, reporting them to the Leader and the Council for consideration and establishing procedures to monitor and report on performance in relation to these indicators;
- viii. treasury management, the management of the Council's banking arrangements and monitoring the Council's cashflow;
- ix. issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow;
- x. ensuring that effective arrangements are in place for payments of creditors, income collection, payment of pensions, risk management and insurances and the production of financial management information;
- xi. ensuring that any partnership arrangements (or other innovative structures for service delivery) are underpinned by clear and well documented internal financial controls;
- xii. advising on anti-fraud and anti-corruption strategies and measures;
- xiii. contributing to cross-authority issues and to the development of the Council;
- xiv. ensuring that statutory and other accounts and associated claims and returns in respect of grants are prepared;
- xv. ensuring that due consideration is given to the Council's wellbeing, correct financial management and security of the Council's assets when establishing a company or partnership arrangement; **LINK**
- xvi. ensuring that the MRP calculation is prudent;
- xvii. taking ownership of the Council's corporate financial system;
- xviii. supporting the Superannuation Fund Committee in the management of the Kent Pension Fund.

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LINK (CIPFA role of DOF document)

2.12 The Corporate Director of Finance and Procurement in accordance with Section 114 of the 1988 Act will nominate a properly qualified member of staff to deputise for him / her as Chief Financial Officer should he/she be unable to personally perform the duties under Section 114.

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2.13 The Corporate Directors are responsible for:

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- i. ensuring that the Leader or relevant Cabinet Member is advised of the financial implications and other significant risks of all proposals for the changes in services or the development of new services and that the financial implications have been agreed by the Corporate Director of Finance and Procurement;
- ii. the signing of contracts on behalf of the Council provided that the expenditure to be incurred has the necessary budgetary approval. Further guidance regarding persons authorised to sign contracts on behalf of the Council can be found in the relevant directorate's Scheme of Financial Delegation;
- iii. promoting the financial management standards set by the Corporate Director of Finance and Procurement in their Directorates and to monitor adherence to standards and practices, liaising as necessary with the Corporate Director of Finance and Procurement;
- iv. promoting sound financial practices in relation to standards, performance and development of staff in their Directorates;
- v. consulting with the Corporate Director of Finance and Procurement and seeking his/her approval regarding any matters which are liable to affect the Council's finances materially, before any commitments are incurred;
- vi. ensuring that all staff in their Directorates are aware of the existence and content of the Council's Financial Regulations and any related procedures and other internal regulatory documents appertaining to or amplifying them and that they comply with them. They must also ensure that all of these documents are readily available for reference within their Directorates;
- vii. managing service delivery within the agreed revenue and capital budgets and other relevant strategies and plans;
- viii. developing performance, corporate and service targets and contributing to the Medium Term Financial Plan;
- ix. ensuring that budget estimates reflecting agreed service plans are prepared, and that these are prepared in line with issued guidance;
- x. ensuring that financial management arrangements and practice are agreed with the Corporate Director of Finance and Procurement, are legal and consistent with best practice and Council policy;
- xi. consulting with the Corporate Director of Finance and Procurement on the financial implications of matters relating to policy development;
- xii. putting in place a scheme of financial delegation setting out arrangements for the discharge of the Head of Paid Services, and Corporate Directors responsibilities contained within Financial Regulations;
- xiii. arrangements for internal control and for inclusion in the annual accounts of the statement of internal control;
- xiv. ensuring that the Bribery Act Policy is implemented, promoted and complied with.

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Personal Responsibilities

2.14 Any person concerned with the use or care of the County Council's resources or assets should ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any

suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Concerns may also be raised via the Whistleblowing Procedure. **LINK**

2.15 The Financial Regulations are a KCC policy and failure or refusal to follow the regulations along with the procedures/protocols identified in this document can be seen as misconduct as set out in the Blue Book.

FINANCIAL REGULATION A – FINANCIAL PLANNING

Introduction

- A.1 The full Council is responsible for agreeing the Budget, which will be proposed by the Leader. In terms of financial planning, the key elements are:
- i. the Medium Term Financial Plan
 - ii. **Bold Steps for Kent**
 - iii. Vision for Kent
 - iv. Public Service Agreement
 - v. Annual Performance Plans
 - vi. the Revenue Strategy and Budget
 - vii. the Capital Strategy and Programme
 - viii. the Treasury **Management** Strategy
 - ix. the Risk Management Strategy

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Medium term budget and financial strategy

- A.2 The **Corporate Directors** are responsible for ensuring that Revenue, Capital and Treasury strategies on a three year basis are prepared for consideration by the Cabinet and for ensuring that such strategies are consistent with other plans and strategies.

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- A.3 The Leader will publish to all Council Members each year a review of the issues relating to the Medium Term Financial Plan.

Performance Planning

- A.4 The **Corporate Director of Finance and Procurement** is responsible for:
- i. advising and assisting Directorates in producing the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables;
 - ii. the production of corporate guidance on the development of unit cost indicators and cost effectiveness measures;
 - iii. contributing, in collaboration with the **Corporate Directors**, to the development of corporate and service targets and objectives and performance information;
 - iv. assisting in building priorities identified within performance plans into corporate and Directorate budgets to enable delivery.
- A.5 The **Corporate Directors** are responsible for:
- i. contributing to the development of performance plans in line with the Council's requirements;
 - ii. contributing to the development of corporate and service targets and objectives and performance information;
 - iii. ensuring that Directorate service plans are clearly aligned with budgets, to enable the delivery of service priorities;
 - iv. ensuring that targets identified within performance plans are built into local work programmes and targets for management and service delivery staff.

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The Kent Pension Fund

- A.6 The Corporate Director of Finance and Procurement is responsible, in accordance with the Local Government Pension Scheme regulations, for ensuring the proper administration of the financial affairs of the Fund and:
- i. having taken appropriate professional advice, for preparing and submitting to the Superannuation Fund Committee, regular reviews of investment strategy, monitoring of investment managers and reporting on the pensions administration service delivered;
 - ii. the preparation and publication of the pension fund annual report.

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Deleted: having taken appropriate professional advice, for preparing and submitting to the Superannuation Fund Committee the Statement of Investment Principles, the Funding Strategy Statement, regular reviews of investment strategy, monitoring of investment managers and reporting on the pensions administration service delivered

Revenue budgeting

Budget format

- A.7 The general format of the Budget will be proposed to the Leader by Corporate Director of Finance and Procurement. The draft Budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.
- A.8 Guidelines on budget preparation are issued to Cabinet Members, Corporate Directors by the Leader on the recommendation of the Corporate Director of Finance and Procurement. The guidelines will take account of:
- i. legal requirements
 - ii. the Medium Term Financial Plan
 - iii. Bold Steps for Kent
 - iv. Vision for Kent
 - v. Public Service Agreement
 - vi. available resources
 - vii. spending pressures
 - viii. relevant Government guidelines
 - ix. other internal policy documents
 - x. cross cutting issues (where relevant).

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Budget preparation

- A.9 The Leader is responsible for developing and proposing to the County Council the general content of the revenue budget in consultation with the Corporate Director of Finance and Procurement.
- A.10 Budgets will be produced in a format compatible with the portfolios allocated by the Leader to individual Cabinet Members.
- A.11 The Head of Paid Services and the Corporate Director of Finance and Procurement are responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Leader and Cabinet before submission to the Full Council, in accordance with the Budget Procedure Rules, as set out in the Constitution.
- A.12 The Corporate Director of Finance and Procurement is responsible for:
- i. ensuring that a process is in place to identify potential pressures on the budget;
 - ii. reporting to the Full Council, when the Budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for.

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A.13 The Corporate Directors are responsible for ensuring that budget estimates reflect agreed service plans, are submitted to the relevant Cabinet Member and the Leader and that these estimates are realistic and prepared in line with guidance issued by the Leader.

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Resource allocation

A.14 The Leader in consultation with the Corporate Director of Finance and Procurement is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

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Budget Amendment

A.15 Approved revenue budgets may be amended during a financial year in accordance with the virement regulations in B6-B9.

A.16 The Corporate Directors may make changes to revenue budgets resulting from additional grant or other external income receivable during a financial year. Such changes must be notified to the Corporate Director of Finance and Procurement.

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A.17 The Corporate Directors may make technical adjustments to revenue budgets during a financial year resulting from changes to grant rules or realignment of resources to approved business plans. Such changes must be notified to the Corporate Director of Finance and Procurement.

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Capital Programme and capital budgeting

A.18 The Leader is responsible for developing and proposing the capital programme to the County Council in consultation with the Corporate Director of Finance and Procurement.

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A.19 The Head of Paid Service and Corporate Director of Finance and Procurement are responsible for ensuring that a medium term capital programme and financing plan is prepared on an annual basis for consideration by the Leader before submission to the Full Council in accordance with the budget procedure rules as set out in the Constitution.

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A.20 The Corporate Director of Finance and Procurement is responsible for advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and for ensuring that all matters required to be taken into account in setting prudential indicators are reported to the Leader and the Council.

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A.21 The Corporate Director of Finance and Procurement is responsible for:

- i. setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and asset management objectives and are achievable;
- ii. setting up procedures for corporate monitoring of external sources of capital funding;
- iii. ensuring that expenditure treated as capital expenditure by the County Council is in accordance with best accounting practice.

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A.22 The Corporate Directors are responsible for:

- i. ensuring that capital proposals reflect agreed service plans, are prepared in line with guidance issued, are realistic, that necessary business case development and option appraisals have been carried out and any risks identified. Any impact of capital expenditure proposals on service running costs must be identified and included in revenue budget estimates or forecasts; **LINK**
- ii. consulting with the Corporate Director of Finance and Procurement, the relevant Cabinet Member and the Cabinet Member for Finance and Business Support where it is proposed to bid for funding from external sources to support capital expenditure;
- iii. ensuring that the Capital Process and Procedures are followed. This includes ensuring that projects only proceed when they have received the necessary Project Advisory Group (PAG) approval and confirmation that any external funding is secured. **LINK**. For schemes and headings where the total cost is estimated to be £1m or more this consent must be obtained from the Leader following procedures issued by the Corporate Director of Finance and Procurement. The Leader may take the decision himself/herself or specifically delegate the decision to Cabinet or the relevant Cabinet Member. For schemes where the total cost is estimated to be less than £1m consent must be obtained from the relevant Cabinet Member. However, if a project requires an earmarked capital receipt for funding, the earmarking of such receipt should also be requested via the PAG route, to be endorsed by the Leader. This applies to all earmarked receipts, regardless of the value;
- iv. ensuring that any new capital expenditure proposals which would require an increment to the total three year capital programme in order to proceed, regardless of funding, are agreed with the Corporate Director of Finance and Procurement and are submitted to the Leader for consideration via the PAG process;
- v. ensuring that, in addition to the PAG process, appropriate approval is sought where relevant from the Leader, the Cabinet or an authorised Cabinet Member in accordance with the Constitution.

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By way of clarification, PAG is a process for keeping track of current spending and cash flows. PAG does not replace the process for obtaining formal authority for a project and this is still needed.

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*Before a project can proceed, formal authority needs to have been obtained either through an explicitly approved budget in the Budget Book or business plan or through an explicit approval obtained by following the decision making procedures set out in the Council's Constitution and the Code of Practice for Contracts and Tenders (as detailed in Spending the Council's Money). **LINK** This applies even if PAG has already approved the proposed spending on the project.*

- vi. carrying out post completion evaluation of projects as required, in order to review performance in implementation of the project against budget and project plans and to evaluate performance of the project in the delivery of expected outcomes. **LINK**

Maintenance of reserves & provisions

- A.23 The Corporate Director of Finance and Procurement is responsible for:
- i. advising the Leader and the Council on prudent levels of reserves for the Authority when the annual budget is being considered having regard to assessment of the financial risks facing the Authority;
 - ii. ensuring that reserves are not only adequate but also necessary;
 - iii. ensuring that there are clear protocols for the establishment and use of each earmarked reserve. Reserves should not be held without a clear purpose or without a planned profile of spend and contributions;
 - iv. ensuring that all renewals reserves are supported by a plan of budgeted contributions, based on an asset renewal plan that links to the fixed asset register;
 - v. ensuring that no money is transferred into reserves after 31st December each financial year without prior agreement.

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- A.24 The Corporate Director of Finance and Procurement is responsible for ensuring that provisions are set up for any liabilities of uncertain timing or amount that have been incurred and are required to be recognised when:
- i. the Council has a present obligation (legal or constructive) as a result of a past event
 - ii. it is probable that a transfer of economic benefits will be required to settle the obligation, and
 - iii. a reliable estimate can be made of the amount of the obligation.
 - iv. If the Council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then a reserve should be set up and the regulations in A.23 above apply.

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Key decisions

A.25 Cabinet Members are responsible, within their allocated responsibility area and approved budget, for taking decisions as agreed by the Leader of the County Council.

A.26 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions Cabinet Members must comply with the County Council's Financial Regulations.

FINANCIAL REGULATION B - FINANCIAL MANAGEMENT

Introduction

- B.1 The Corporate Director of Finance and Procurement is responsible for:
- i. ensuring that a prudential financial framework is in place and effective systems of financial administration are operating within the Council;
 - ii. maintaining and updating financial regulations and the management of a process for monitoring compliance with them;
 - iii. ensuring proper professional practices are adhered to and acting as head of profession in relation to the standards, performance and development of finance staff throughout the Council;
 - iv. advising on the key strategic controls necessary to secure sound financial management;
 - v. ensuring that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators;
 - vi. ensuring that Internal Audit carry out the necessary probity and system checks required to verify that proper Financial Management Standards are maintained.

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Revenue Budget Monitoring and Control

- B.2 The Corporate Director of Finance and Procurement is responsible for:
- i. providing appropriate financial information to enable budgets to be monitored effectively;
 - ii. monitoring and controlling overall expenditure against budget allocations and publishing a report to the Cabinet on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.

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- B.3 It is the responsibility of the Corporate Directors to:
- i. control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide;
 - ii. have a robust system in place for monitoring activity levels which drive major budget headings (over £10m);
 - iii. report to the Corporate Director of Finance and Procurement and to the relevant Cabinet Member on variances within their own areas;
 - iv. ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast, alerting the Corporate Director of Finance and Procurement and Cabinet Member to any problems;
 - v. ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Corporate Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure;
 - vi. ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively;
 - vii. ensure prior approval by the Leader and the relevant Cabinet Member and notification to the Scrutiny Committee of new proposals, which fulfil one or more of the following criteria:

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- a. create financial commitments in future years in excess of existing budgets
 - b. change existing policies, initiate new policies or cease existing policies
 - c. materially extend or reduce the Council's services
 - d. exceed the limit defined by the Council as a key financial decision
 - e. exceed any limit set by the Leader as requiring reference to him or a Cabinet Member
 - f. any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available within approved budgets
- viii. ensure compliance with the scheme of virement as set out in paragraph B6 below.

Financial Implications of Reports

- B.4 The Corporate Director of Finance and Procurement is responsible for:
- i. monitoring the quality of the financial implications information included in reports by the Corporate Directors;
 - ii. providing financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- B.5 The Corporate Directors are responsible for:
- i. ensuring that financial implications in either the current or future years are identified within Directorates for all relevant reports and that such financial implications are agreed by or on behalf of the nominated responsible professional finance officer (Section 151 Officer or Finance Business Partner),
 - ii. where reports impact on other Directorates or have implications for corporate resources, ensuring that the report includes the impacts or implications for all Directorates affected and that a copy of the report is submitted to the Corporate Director of Finance and Procurement, or nominated representative for clearance;
 - iii. ensuring in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions or the medium term financial plan.

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Virement

B.6 Transfers between revenue budget headings can take place as follows provided that they do not involve new policy or policy change and do not involve an increasing commitment in future years that cannot be contained within existing approved budget allocations. If these transfers do not change the purpose for which the funding was approved then these will be considered technical adjustments and not virements. If a change to the purpose of the funding is required so that funding will be used for a purpose different to that for which it was approved, then a virement is required. Once again this must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. Virements must be approved as follows:

- a. Virement within a Portfolio:

Less than £200,000	the <u>Head of Paid Service</u> or relevant <u>Corporate Director</u> in agreement with the appropriate Cabinet Member and the <u>Corporate Director of Finance and Procurement</u> .	Deleted: Group Managing Director
From £200,000 up to (but not including) £1m	the relevant Cabinet Member in agreement with the Cabinet Member for Finance <u>and Business Support</u> , <u>Corporate Director</u> and <u>Corporate Director of Finance and Procurement</u> .	Deleted: Managing Director or Executive Director
£1m and above	The Leader or Cabinet	Deleted: Director of Finance

b. Virement between portfolios:

Less than £200,000	the <u>Head of Paid Service</u> or relevant <u>Corporate Directors</u> in agreement with the appropriate Cabinet Members and the <u>Corporate Director of Finance and Procurement</u> .	Deleted: Group Managing Director
From £200,000 up to (but not including) £1m	the relevant Cabinet Members in agreement with the Cabinet Member for Finance <u>and Business Support</u> , <u>relevant Corporate Directors</u> and <u>Corporate Director of Finance and Procurement</u> .	Deleted: Managing Directors or Executive Directors
£1m and above	The Leader or Cabinet	Deleted: Director of Finance

B.7 Transfers involving a new policy or a change in an existing policy require prior approval by the Leader and Cabinet Member and notification to the Scrutiny Committee in accordance with regulation B3(vi) above. **Deleted:** Cabinet

B.8 For the purpose of the amounts referred to in regulation B6, where transfers are a single transaction they must be effected as such and must not be effected as two or more smaller transactions.

B.9 Virement limits are cumulative, therefore when transferring budget from a heading, all previous virements from this heading must be taken into account when deciding the level of approval required, ensuring the highest level of approval has been/ will be sought.

B.10 Where an approved budget is a lump sum budget or a contingency intended for allocation during the year, its allocation will not be treated as virement, provided that the amount has been used in accordance with the purposes for which it was established and the Corporate Director of Finance and Procurement has agreed the basis and the terms, including financial limits, on which it will be allocated. **Deleted:** Director of Finance

B.11 The Corporate Director of Finance and Procurement is responsible for monitoring and recording virements agreed and reporting to the Cabinet on the impact on revenue budgets. **Deleted:** Director of Finance

Treatment of year-end balances

B.12 Cabinet is responsible for agreeing the detail of any annual roll forward of under and overspending on budgets.

Capital Budget Monitoring

B.13 The Corporate Director of Finance and Procurement is responsible for preparing and submitting reports on the Council's projected capital expenditure and resources compared with the budget on a regular basis. **Deleted:** Director of Finance

B.14 The Corporate Director of Finance and Procurement is responsible for establishing procedures to monitor and report on performance compared to the prudential indicators set by the Council. **Deleted:** Director of Finance

B.15 The Corporate Directors are responsible for:

- i. preparing regular reports reviewing the capital programme provisions for their services; **Deleted:** Group Managing Director, Managing Directors and Executive Directors

- ii. preparing regular returns of estimated final costs of schemes in the approved capital programme for submission to the Corporate Director of Finance and Procurement for inclusion in the report to Cabinet on the overall Capital programme position; **Deleted:** Director of Finance

- iii. reporting to the Corporate Director of Finance and Procurement circumstances when it is considered that additional County Council capital resources will be required to implement a project that has previously been given approval to spend, where such additional resources cannot be identified from within the Portfolio programme concerned; **Deleted:** Director of Finance

- iv. reporting to the Corporate Director of Finance and Procurement on any proposed variations to the Capital Programme during a financial year; **Deleted:** Director of Finance

- v. reporting to the Corporate Director of Finance and Procurement on any proposed additions to the Capital Programme resulting from the receipt of additional grant or other external funding. If this relates to an entirely new scheme then it must be considered by PAG and approved by the relevant Cabinet Member. **Deleted:** Director of Finance

- vi. Reporting the completion dates on major projects, over £1m.

B.16 Resources may be vired from one capital project or heading as follows provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy changes:-

Less than £50,000	the <u>Head of Paid Service</u> or relevant <u>Corporate Director(s)</u>	Deleted: Group Managing Director
From £50,000 up to (but not including) £200,000	the relevant <u>Corporate Director(s)</u> in agreement with the relevant Cabinet Member(s) and the <u>Corporate Director of Finance and Procurement</u>	Deleted: Managing Director or Executive Director
£200,000 up to (but not including) £1m	the relevant Cabinet Member(s) in agreement with the Cabinet Member for Finance and Business Support, <u>Corporate Director(s)</u> and <u>Corporate Director of Finance and Procurement</u>	Deleted: Managing Director or Executive Director
£1m and above	the Leader or Cabinet	Deleted: Director of Finance
		Deleted: Managing or Executive Director
		Deleted: Director of Finance

Virement limits are cumulative, please refer to B9 for explanation

For the purpose of the amounts above, where transfers are a single transaction they must be effected as such and not effected as two or more smaller transactions.

Accounting policies

B.17 The Corporate Director of Finance and Procurement is responsible for selecting and notifying to the Corporate Directors accounting policies which comply with the current Accounting Code(s) of Practice, ensuring that such policies are applied consistently, and for ensuring that effective systems of internal control are in place that ensure that financial transactions are lawful.

Deleted: Director of Finance

Deleted: Group Managing Director, Managing Directors and Executive Directors

B.18 The Corporate Directors are responsible for adhering to the accounting policies notified by the Corporate Director of Finance and Procurement.

Deleted: Group Managing Director, Managing Directors and Executive Directors

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Accounting records and returns

B.19 The Corporate Director of Finance and Procurement is responsible for:

Deleted: Director of Finance

- i. determining the accounting records for the Authority including the Kent Pension Fund, its form of accounts and supporting accounting records;
- ii. ensuring that accounting records are maintained in accordance with proper practices and legislative requirements;
- iii. establishing arrangements for the compilation of all accounts and accounting records whether within the Finance Group or within other Directorates.

B.20 The Corporate Directors are responsible for:

Deleted: Group Managing Director, Managing Directors and Executive Directors

- i. consulting with the Corporate Director of Finance and Procurement on the accounting procedures and records to be utilised within their Directorate;
- ii. ensuring the proper retention of accounting records in accordance with the requirements established by the Corporate Director of Finance and Procurement, including the retention of prime financial documents i.e. invoices, delivery notes and purchase orders for the year they relate to plus a further 6 years. Invoices paid for by EU Grants must be identified and kept for 12 years; **LINK**
- iii. ensuring that all claims for funds including grants are made by the due date, are recorded in the central register, and in line with the 'corporate grant procedure'; **LINK**
- iv. maintaining adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements;
- v. providing information required for, or to ensure completion of, all statutory and other financial returns by the due dates;
- vi. complying with any compliance testing which the Corporate Director of Finance and Procurement requires in relation to the Directorate accounts;
- vii. operating control accounts as agreed by the Corporate Director of Finance and Procurement, ensuring that these are regularly reconciled, and cleared as part of the regular monitoring procedures.

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The annual statement of accounts

B.21 The Governance and Audit Committee is responsible for approving the annual statement of accounts of the Authority and the Pension Fund on behalf of the Council.

B.22 The Corporate Director of Finance and Procurement is responsible for:

Deleted: Director of Finance

- i. ensuring that the annual statement of accounts is prepared by the required statutory date in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: Based on International Financial Reporting

Deleted: Council

- Standards for the relevant year and that the accounts present a true and fair view of the financial position of the Council and its expenditure and income;
- ii. liaising with External Audit on the completion of the Statement of Accounts and the arrangements for the audit of these;
 - iii. ensuring that adequate documentation is available to support the Statement of Accounts. This will include copies of grant claims, reconciliations with financial ledgers and other records, and other working papers to demonstrate the derivation of data used;
 - iv. the preparation of the Pension Fund's Statement of Accounts in accordance with practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

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B.23 The Corporate Directors are responsible for:

- i. complying with accounting guidance agreed with the Corporate Director of Finance and Procurement;
- ii. supplying the Corporate Director of Finance and Procurement with information required to complete the Statement of Accounts;
- iii. producing the documentation required to support the Statement of Accounts;
- iv. ensuring that the final accounts information pack for the Directorate is completed in accordance with the annual timetable agreed with the Corporate Director of Finance and Procurement.

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Contingent Liabilities

B.24 The Corporate Director of Finance and Procurement is responsible for:

- i. reviewing at least annually in consultation with Corporate Directors the existing contingent liabilities for inclusion as a note in the statement of accounts, to ensure they are still contingent and to ensure that adequate reserves exist to cover the potential liability if necessary;
- ii. taking steps wherever possible, in consultation with the Corporate Directors, to minimise the risk of contingent liabilities.

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Deleted: Managing Directors and Executive Directors

Deleted: Group Managing Director, Managing Directors and Executive Directors

B.25 The Corporate Directors are responsible for:

- i. setting up procedures and processes to minimise the risk of creating contingent liabilities;
- ii. reviewing at least annually their service areas for contingent liabilities;
- iii. informing the Corporate Director of Finance and Procurement of any new contingent liabilities and of any changes in the circumstances of existing contingent liabilities.

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FINANCIAL REGULATION C – RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

C.1 It is essential that robust systems are developed and maintained for identifying and evaluating all significant strategic, operational and financial risks to the Authority on an integrated basis. This should include the proactive participation of all those associated with planning and delivering services.

Risk management and insurance

C.2 The Cabinet and the Governance and Audit Committee are jointly responsible for approving the Council’s Risk Management Strategy, Policy and guidance and for reviewing the effectiveness of risk management.

C.3 The Corporate Director Business Strategy and Support is responsible for preparing the Authority’s Risk Management Strategy and Policy and for promoting it throughout the Council. The Corporate Director of Finance and Procurement is responsible for:

- i. advising the Leader, Cabinet Member for Finance and Business Support and Cabinet on proper insurance cover where appropriate;
- ii. effecting, in consultation with the Cabinet Member for Finance and Business Support, corporate insurance cover, through external insurance and internal funding;
- iii. establishing arrangements for the handling of all insurance claims, in consultation with other officers where necessary;
- iv. undertaking a review of requirements to support the annual renewal of insurance contracts;
- v. ensuring that internal insurance provisions are adequate to meet anticipated claims.

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Deleted: preparing the Authority’s Risk Management Strategy and Policy, for promoting it throughout the Council and for

Deleted: Group Managing Director, Managing Directors and Executive Directors

Deleted: Further guidance can be found in the Risk Management Strategy and supporting Toolkit; **LINK**

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Deleted: advising on effective systems of internal control. Internal control refers to the systems of control devised by management to help ensure the Council’s objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council’s assets and interests are safeguarded. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use;¶

C.4 The Corporate Directors are responsible for:

- i. the identification and management of risk within their Directorate and for having in place monitoring processes for reviewing regularly the effectiveness of risk management arrangements.
- ii. complying with procedures agreed regarding the instigation, renewal, maintenance and amendment of the Council’s insurance arrangements.

Internal control

C.5 The Corporate Director of Finance and Procurement is responsible for:

- i. monitoring the systems for risk management and systems of internal control. This will be monitored through an effective internal audit function.
- ii. reviewing systems of internal control at least annually and providing an opinion on internal control within the Council in order to advise the Head of Paid Service on an Annual Governance Statement to be included in the Statement of Accounts.

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Deleted: Group Managing Director, Managing Directors and Executive Directors

- improvement, economy, efficiency and effectiveness and for achieving their financial performance targets;
- ii. promoting compliance with Council Policy, Standing Orders, Financial Regulations, Codes of Conduct and any statutory requirements;
 - iii. promoting an overall effective internal control system. Managerial Control Systems, including appropriate organisation structures, personnel arrangements and supervision, as well as Financial and Operational Control Systems and procedures, including physical safeguards of assets, segregation of duties, authorisation and approval procedures and information systems, should be documented and regularly reviewed;
 - iv. providing assurances for the annual governance statement, that financial and operational control processes are in place to enable Directorates to achieve their objectives and manage significant risks.

Audit requirements

- C.7 The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit of its accounting records and its system of internal control. Deleted: 2003 (as amended)
- C.8 The Audit Commission is responsible for appointing external auditors to each local authority, though this is due to change once the Local Audit Bill becomes statute. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.9 The Council may, from time to time, be subject to inspection or investigation by external bodies such as H.M. Revenue and Customs who have statutory rights of access.
- C.10 The Corporate Director of Finance and Procurement is responsible for: Deleted: Director of Finance
- i. ensuring an effective internal audit function, through adequate resourcing and coverage properly planned and determined through assessment of risk and consultation with management;
 - ii. ensuring that effective procedures are in place to investigate promptly any fraud or irregularity;
 - iii. ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work;
 - iv. ensuring there is effective liaison between external and internal audit;
 - v. ensuring that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable and in any event within fourteen days of the request being made. Formatted: Bullets and Numbering
- C.11 The Corporate Directors are responsible for: Deleted: Group Managing Director, Managing Directors and Executive Directors
- i. notifying the Head of Internal Audit immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources. Pending investigation and reporting, all necessary steps should be taken to prevent further loss and to secure records and documentation against removal or alteration; Deleted: Head of Audit and Risk

- ii. ensuring that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
- iii. ensuring that all records and systems are up to date and available for inspection;
- iv. ensuring that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable and in any event within fourteen days of the request being made.

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Preventing fraud and corruption

C.12 The Corporate Director of Finance and Procurement is responsible for developing, reviewing and maintaining an Anti Fraud and Corruption Strategy and for advising on effective systems of internal control to prevent, detect and pursue fraud and corruption. **LINK**

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C.13 The Corporate Directors are responsible for ensuring compliance with the Anti fraud and Corruption Strategy and with systems of internal control to prevent, detect and pursue fraud and corruption.

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Assets

Security of Assets

C.14 The Corporate Director of Finance and Procurement is responsible for ensuring that processes are in place for maintaining asset registers in accordance with good practice for fixed assets. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained, as well as for accounting purposes.

Deleted: Director of Finance

C.15 The Corporate Directors should ensure that assets, and records relating to these, are properly maintained. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Deleted: Group Managing Director, Managing Directors and Executive Directors

Inventories

C.16 The Corporate Directors are responsible for maintaining and reviewing annually inventories of equipment, plant and machinery which has a value of over £200 or is portable and attractive.

Deleted: Group Managing Director, Managing Directors and Executive Directors

Asset Disposal

C.17 The Corporate Director of Finance and Procurement in conjunction with the Head of Paid Service is responsible for issuing guidelines representing best practice for the disposal of equipment, plant and machinery.

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Deleted: Group Managing Director

C.18 Corporate Directors are responsible for complying with issued guidelines in respect of all asset disposals.

Deleted: Managing Directors and Executive Directors

Stocks of goods and materials

C.19 Corporate Directors are responsible for:

- i. ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council;
- ii. ensuring that adequate arrangements are in place for their care and custody;
- iii. writing off the value of obsolete stock in their Directorates of up to £10,000 in consultation with the Corporate Director of Finance and Procurement. All sums above £10,000 should be reported by the relevant Corporate Director to the Corporate Director of Finance and Procurement and Cabinet Member for Finance and Business Support and then to the Scrutiny Committee for write off action.

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Intellectual Property

C.20 The Head of Paid Service is responsible in conjunction with the Director of Governance and Law for developing and disseminating best practice regarding the treatment of intellectual property.

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Deleted: Director of Law and Governance

C.21 The Corporate Directors are responsible for:

- i. ensuring that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council;
- ii. complying with copyright, designs and patent legislation and, in particular, to ensure that:
 - a. only software legally acquired and installed by the Council is used on its computers,
 - b. staff are aware of legislative provisions, and
 - c. in developing systems, due regard is given to the issue of intellectual property rights.

Deleted: Group Managing Director, Managing Directors and Executive Directors

Treasury Management

C.22 The Corporate Director of Finance and Procurement is responsible for:

- i. reporting to the Cabinet Member for Finance and Business Support, in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services Code of Practice and accordingly will create and maintain, as the cornerstones for effective treasury management:
 - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
 - b. suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;The content of the policy statement and TMPs will follow the recommendations contained in sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the Council materially deviating from the Code's key principles.
- ii. reporting to the Council on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of

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- the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs;
- iii. establishing procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
 - iv. ensuring that all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

C.23 This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Corporate Director of Finance and Procurement, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's standard of professional practice on treasury management.

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C.24 This Council nominates the Treasury Advisory Group and Governance & Audit Committee to be responsible for ensuing effective scrutiny of the treasury management strategy and policies.

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Loans to third parties and acquisition of third party interests

C.25 The Corporate Director of Finance and Procurement is responsible for ensuring, jointly with the Corporate Directors, that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Full Council, the Leader, Cabinet or the Cabinet Member for Finance and Business Support. **LINK**

Deleted: Director of Finance

Deleted: Group Managing Director, Managing Directors and Executive Directors

Trust Funds and funds held for third parties

C.26 Corporate Directors are responsible for arranging for all Trust Funds to be held, wherever possible, in the name of the Council and ensuring that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

Deleted: Managing Directors and Executive Directors

Banking

C.27 The Corporate Director of Finance and Procurement is responsible for:

- i. the control of all money in the hands of the Council;
- ii. operating central bank accounts as are considered necessary to the efficient operation of the Council's activities, within the terms agreed with the Council's bankers and reconciled weekly or monthly as required;
- iii. approving the opening or closing of any bank account operated by the County Council.

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C.28 The Corporate Directors are responsible for operating bank accounts opened with the approval of the Corporate Director of Finance and Procurement in accordance with issued guidelines.

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Deleted: Director of Finance

Imprest Accounts

C.29 The Corporate Director of Finance and Procurement is responsible for providing, in agreed circumstances and where such need is proven to be essential, cash or bank imprest accounts to meet minor or other agreed expenditure and for prescribing procedures for operating these accounts. **LINK**

Deleted: Director of Finance

C.30 The Corporate Directors are responsible for the operation of approved cash and bank imprest accounts in accordance with procedures issued by the Corporate Director of Finance and Procurement. **LINK**

Deleted: Group Managing Director, Managing Directors and Executive Directors

Deleted: Director of Finance

Credit Cards and Purchase Cards

C.31 The Corporate Director of Finance and Procurement is responsible for:

Deleted: Director of Finance

- i. providing credit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff;
- ii. prescribing procedures for the use of credit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards.

C.32 The Corporate Directors are responsible for:

Deleted: Group Managing Director, Managing Directors and Executive Directors

- i. Operating the use of credit cards and purchase cards in accordance with the procedures issued by the Director of Finance. **LINK**

Staffing Costs

C.33 The Head of Paid Service is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Deleted: Group Managing Director

C.34 The Corporate Directors are responsible for:

Deleted: Group Managing Director, Managing Directors and Executive Directors

- i. the management of total staff numbers by:
 - a. advising the Leader and the relevant Cabinet Member on the budget necessary in any given year to cover estimated staffing levels;
 - b. adjusting the staffing numbers to that which can be funded within approved budget provision;
- ii. the proper use of appointment procedures;
- iii. monitoring staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff;
- iv. ensuring that the staffing budget is not exceeded unless the necessary additional ongoing funding is available and the agreement of the relevant Cabinet Member or the Leader or Cabinet is obtained as required.

Further guidance regarding authorisations to appoint members of staff is available in the relevant directorate's Scheme of Financial Delegation. **LINK**

FINANCIAL REGULATION D – SYSTEMS AND PROCEDURES

Introduction

D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

- D.2 The Corporate Director of Finance and Procurement is responsible for:
- i. determining the Council's accounting control systems, the form of accounts and the supporting financial records and for ensuring that systems determined by him/her are observed; Deleted: Director of Finance
 - ii. approving any changes proposed by the Corporate Directors to the existing financial systems or procedures or the establishment of new systems or procedures; Deleted: Group Managing Director, Managing Directors or Executive Directors
 - iii. compiling, in consultation with the Corporate Directors, a Business Continuity Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting systems used to deliver those services. Deleted: Group Managing Director, Managing Directors and Executive Directors
- D.3 The Corporate Directors are responsible for:
- i. the proper operation of financial procedures and financial processes in their own Directorates in accordance with the systems and procedures set out by the Corporate Director of Finance and Procurement; Deleted: Group Managing Director, Managing Directors and Executive Directors
 - ii. obtaining the approval of the Corporate Director of Finance and Procurement for any developments of new systems and changes to existing systems, by Corporate Directors that involve a financial operation or produce output that may influence the allocation of resources; Deleted: Director of Finance
 - iii. ensuring that their staff receive relevant financial training; Deleted: Director of Finance
 - iv. ensuring that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. The Corporate Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation; Deleted: Managing Directors or Executive Directors
 - v. ensuring, jointly with the Corporate Director of Finance and Procurement, that there is a documented and tested Business Continuity Plan to allow information system processing to resume quickly in the event of an interruption; Deleted: Group Managing Director, Managing Directors and Executive Directors
 - vi. ensuring that Oracle Financials is utilised except where otherwise agreed by the Corporate Director of Finance and Procurement; Deleted: Director of Finance
 - vii. ensuring that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the Corporate Director of Finance and Procurement. [LINK](#) Deleted: Director of Finance

Income

D4 The Governance and Audit Committee is responsible for approving procedures for writing off debts as part of the overall framework of accountability and control.

- D.5 The Corporate Director of Finance and Procurement is responsible for:
- i. setting the debt management policy for the County Council in order to maximise the income due to the Council and its collection; Deleted: Director of Finance
 - ii. approving the procedures, systems and documentation for the collection of income;

- iii. examining and actioning requests for write offs submitted by Corporate Directors; Deleted: Managing Directors and Executive Directors
- iv. maintaining a record of all sums written off and adhering to the requirements of the Accounts and Audit Regulations;
- v. ensuring that appropriate accounting adjustments are made following write off action;
- vi. ensuring, in consultation with the Corporate Directors, that adequate provision is made for potential bad debts arising from uncollected income. Deleted: Group Managing Director, Managing Directors or Executive Directors

- D.6 The Corporate Director of Finance and Procurement is authorised to write-off the following types of debt where:
- i. the debtor has gone into liquidation or is deceased and there are no funds nor estate on which to claim for recovery of the debt;
 - ii. the evidence against a debtor is inconclusive, and the Director of Governance and Law recommends write-off; Deleted: Director of Finance
 - iii. the debtor has absconded and all enquiries have failed;
 - iv. the debtor is in prison and has no means to pay. Deleted: Director of Law and Governance

- D.7 Other than covered in D6, all debt write offs over £10,000 should be put forward by the relevant Corporate Director to the Corporate Director of Finance and Procurement and Cabinet Member for Finance and Business Support for agreement and then approved by Scrutiny Committee. Deleted: Managing Director or Executive Director

- D.8 The Corporate Directors are responsible for:
- i. compliance with the agreed debt management policy of the Council; **LINK**
 - ii. the write-off of irrecoverable debts in their Directorates of up to £10,000 in consultation with the Corporate Director of Finance and Procurement; Deleted: Director of Finance
 - iii. ensuring that there is an annual review of fees and charges and that proposals for the level of fees and charges are approved by the Leader or relevant Cabinet Members; Deleted: the
 - iv. ensuring that the agreed charging policy is implemented and consistently applied in respect of each relevant activity and service; Deleted: relevant Policy Overview and
 - v. separating, as far as is practicable, the responsibility for identifying amounts due and the responsibility for collection; Deleted: Group Managing Director, Managing Directors and Executive Directors
 - vi. ensuring official receipts are issued and to maintain any other documentation for income collection purposes; Deleted: Director of Finance
 - vii. holding securely receipts, tickets and other records of income;
 - viii. ensuring the security of cash handling.

Ordering and Paying for Works, Goods and Services

- D.9 The Corporate Director of Finance and Procurement is responsible for:
- i. ensuring that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered; Deleted: Director of Finance
 - ii. agreeing, in consultation with the Corporate Directors where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced; Deleted: Group Managing Director, Managing Directors or Executive Directors
 - iii. agreeing the form of official orders and associated terms and conditions;
 - iv. making payments from the Authority's funds on the Corporate Director's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations; Deleted: Group Managing Director, Managing Director's or Executive Director's

- v. defining the requirements for the electronic approval of order or checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and is certified for payment by the nominated budget manager. The Corporate Director of Finance and Procurement will set and review a value for invoices, currently £100, below which payment will be made on certification that goods or services have been received and that the invoice is in order but will not require the additional certification of the budget manager;
- vi. making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order;
- vii. making payments to contractors on the certificate of a Corporate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

Deleted: Director of Finance

Deleted: the Group Managing Director or appropriate Managing Director or Executive Director

D.10 The Corporate Directors are responsible for:

- i. ensuring that the Council's corporate financial systems are used for payment for work, goods and services except where specialist systems are used in agreement with the Corporate Director of Finance and Procurement. Staff should not use personal credit cards to pay for work, goods or services on behalf of the Council;
- ii. ensuring that i-Procurement is used for raising orders in the first instance, any verbal orders for works, goods or services are only placed exceptionally and are confirmed with an official j-Procurement order;
- iii. ensuring that orders are only used for goods and services provided to their Directorates. Individuals must not use official orders to obtain goods or services for their private use;
- iv. ensuring that only those staff authorised in the delegated authority matrix (see appendix 1) approve expenditure and sign orders or where necessary ensure they are sealed by Legal Services.
- v. ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different person from the person who authorised the order;
- vi. ensuring that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;
- vii. ensuring that payments are not made in advance of goods being supplied, work done or services rendered to the Council except with the approval of the Corporate Director of Finance and Procurement;
- viii. ensuring that invoices are approved for payment by staff authorised by the Corporate Directors and that details of such authorised staff, including specimen signatures and limits of authority, are provided to the Payments Team;
- ix. ensuring that all undisputed invoices are settled within 20 days from receipt of the invoice;
- x. ensuring that the Directorate obtains best value from purchases by contacting Strategic Sourcing and Procurement Team for any purchases over £50k, following the guidance in the Knet Procurement pages LINK and complying with the Council's Code of Practice for Tenders and Contracts 'Spending the Council's Money'. LINK
- xi. Compliance with spend mandates, which are published in the how to buy guides accessible via the Knet Procurement page. LINK

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Deleted: and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority;

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Deleted: Group Managing Director, Managing Director or Executive Director

Deleted: Exchequer Services

Deleted: department

Deleted: taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with best value principles as contained in the Council's Procurement Strategy. The financial values at which competitive processes become mandatory are contained within 'Spending the Council's Money'; **LINK**

Deleted: <#>utilising the purchasing procedures outlined in the Council's Code of Practice for Tenders and Contracts, contained within 'Spending the Council's Money'. **LINK**

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D.11 All transactions must fall within the powers delegated to officers or have been approved by a decision (in accordance with the Council's Constitution) of the Cabinet, the Leader, an authorised Cabinet Member, the Council or one of its committees or sub-committees.

D.12 No contract, agreement or other document shall be signed or sealed unless it gives effect to:

- i. a decision or resolution (in accordance with the Council's Constitution) of the Leader, the Cabinet, an authorised Cabinet Member or one of its committees or sub committees or
- ii. a decision by an officer exercising delegated powers

D.13 Budgetary provision must exist before any contract can be entered into. This provision should be explicit in a budget approved by resolution of the Council. Where budgetary approval exists for a specific item further Member approval is not generally required.

D.14 Where there is no specific budget line, the officer with delegated authority may approve expenditure up to £100,000 provided the expenditure can be met within budget. Above £100,000 a formal decision by the Leader, the Cabinet or an authorised Cabinet Member is required in accordance with the Council's Constitution.

Contract Management

D.15 Staff should refer to Spending the Council's Money for advice and guidance regarding contract management. [LINK](#)

Ex Gratia Payments

D.16 The Corporate Directors are responsible for approving reasonable ex gratia payments of £6,000 or less and for ensuring that a record of such payments is maintained.

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D.17 For ex gratia payments in excess of £6,000 the Corporate Directors are responsible for obtaining the approval of the relevant Cabinet Member, the Cabinet Member for Finance and Business Support and the Corporate Director of Finance and Procurement.

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Deleted: Director of Finance

Payments to employees and Members

D.18 The Corporate Director of Finance and Procurement is responsible for:

Deleted: Director of Finance

- i. arranging and controlling secure and reliable payment of pensions making arrangements for recording and for the accurate and timely payment of PAYE, Income Tax, National Insurance, pension and all other statutory and non-statutory payroll deductions;
- ii. ensuring that there are adequate arrangements for administering pension matters on a day-to-day basis;
- iii. ensuring the accurate and timely production of statutory returns to the H.M. Revenue and Customs, particularly in respect of the financial year-end and the declaration of employee taxable benefits.

Deleted: Inland Revenue

D.19 The Corporate Director of Human Resources is responsible for arranging and controlling secure and reliable payment, on the due date, of salaries, compensation payments or other emoluments, staff expenses and Members' expenses and allowances in accordance with procedures prescribed by him or her.

Deleted: Director of Personnel and Development

D.20 The Corporate Directors are responsible for:

- i. ensuring that all appointments are made in accordance with the Council's regulations and approved establishments, grades and scales of pay.
- ii. ensuring that adequate budget provision exists for:
 - (a) all employee appointments
 - (b) all permanent and temporary variations relating to employee appointments
 - (c) all engagements of self-employed persons.

Deleted: Group Managing Director, Managing Directors and Executive Directors

Taxation

D.21 The Corporate Director of Finance and Procurement is responsible for:

- i. maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate;
- ii. advising Corporate Directors on all taxation issues that affect the Council in the light of relevant legislation as it applies and guidance issued by appropriate bodies.

Deleted: Director of Finance

Deleted: Managing Directors and Executive Directors

D.22 Where the Corporate Directors are owners of financial systems they are responsible for maintaining the appropriate records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Deleted: Group Managing Director, Managing Directors and Executive Directors

D.23 The Corporate Directors are responsible for consulting with, and seeking advice from, the Corporate Director of Finance and Procurement on the potential tax implications of any new initiatives for the delivery of Council activity and Services, including those that could impact on our partial exemption.

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Trading accounts

D.24 The Corporate Director of Finance and Procurement is responsible for advising on the establishment and operation of trading accounts.

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D.25 The Corporate Directors are responsible for:

- i. observing all statutory requirements in relation to trading activity, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged in accordance with the CIPFA Service Reporting Code of Practice;
- ii. ensuring that the same accounting principles are applied in relation to trading accounts as for other services or business units;
- iii. ensuring that each business unit prepares an annual business plan.

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Deleted: Best Value Accounting

Internal Recharges

D.26 The Corporate Director of Finance and Procurement is responsible for:

- i. maintaining a system of delegating budgets to Directorates for support services;
- ii. establishing a framework for the carrying out of internal recharges in accordance with laid down timetables;

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- iii. arbitrating on disputed recharges where these cannot be satisfactorily resolved between Directorates;
- iv. recharges for support services in accordance with the CIPFA Service Reporting Code of Practice for both budget and final accounts purposes.

Deleted: Best Value Accounting

D.27 The Corporate Directors are responsible for:

- i. ensuring that budgets for the purchase and provision of internal services are agreed between purchaser and provider and properly reflected in annual budgets and business plans and budget monitoring statements;
- ii. raising and/or processing recharges in accordance with the timescales laid down;
- iii. notifying and/or responding to disputed recharges in accordance with the timescales laid down;
- iv. monitoring the processing of recharges in accordance with the timetable agreed with the Corporate Director of Finance and Procurement.

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Deleted: Director of Finance

FINANCIAL REGULATION E – EXTERNAL ARRANGEMENTS

Partnerships

- E.1 The Corporate Director of Finance and Procurement is responsible for:
- i. promoting the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council
 - ii. advising on the financial implications resulting from entering into partnership agreements including tax treatment, limitation of liability, valuation of transferred assets or the grant of a right to use existing assets and any other long term issues;
 - iii. advising on the terms of any payment and performance mechanism relating to partnerships entered into by the Council.
- E.2 The Corporate Directors are responsible for:
- i. ensuring that, when entering into partnerships, the Council's financial and operational interests are protected;
 - ii. ensuring that appropriate financial and legal advice is taken before entering into partnership agreements;
 - iii. ensuring that, before entering into partnership agreements with external bodies, a risk management appraisal is carried out and an exit strategy is in place where appropriate;
 - iv. ensuring that necessary approvals are obtained before negotiations are concluded in relation to partnership agreements;
 - v. ensuring that the accounting and financial arrangements for partnerships satisfy the requirements of the Council and allow for any required audit of the partnerships affairs.

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More detailed guidance can be found in 'Risk Management of Key Partnerships – A guide to good practice' and the Companies' Protocol. **LINK**

External funding

- E.3 The Corporate Director of Finance and Procurement is responsible for:
- i. ensuring that procedures are in place so that all the financial implications, including long term issues, resulting from entering into external funding agreements are identified;
 - ii. ensuring that all external funding agreed with external bodies is received and is properly recorded in the Council's accounts;
 - iii. maintaining a record of expected grants in liaison with the Corporate Directors;
 - iv. investigating ways of maximising grant income;
 - v. building in any agreed financial implications (e.g. matched funding) into the budget strategy;
 - vi. accounting for non-specific Government Grants received and receivable and submitting any required returns in respect of these.
- E.4 The Corporate Directors are responsible for:
- i. ensuring that external funding which is sought supports the Councils service priorities;
 - ii. ensuring that any matched funding requirements relating to external funding agreements are identified and provided for in the budget prior to any external funding agreement being concluded;

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Deleted: Group Managing Director, Managing Directors and Executive Directors

- iii. ensuring that necessary approvals are obtained before external funding agreements are concluded;
- iv. ensuring that the conditions of external funding agreements and any statutory requirements are complied with;
- v. ensuring that expenditure met from external funding is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that audit requirements of the funding body can be met;
- vi. maintaining a record of external funding agreements in place;
- vii. ensuring that any other expenditure associated with the grant (e.g. matching funding) is contained within the agreed Directorate budget;
- viii. accounting for specific Government Grants received and receivable in respect of services for which they are responsible and submitting any required returns in respect of these;
- ix. ensuring that all grants received are recorded in the central register, and in line with the 'corporate grant procedure'. **LINK**

Work for third parties

E.5 The Corporate Director of Finance and Procurement is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.

Deleted: Director of Finance

E.6 The Corporate Directors are responsible for:

- i. ensuring that work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
- ii. ensuring that guidance issued by the Corporate Director of Finance and Procurement is complied with and that all agreements and arrangements are properly documented.

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Deleted: Director of Finance

E.7 The Leader or relevant Cabinet Member is responsible for approving the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £200,000.

Companies

E.8 In relation to companies that the Council has an interest, it is imperative that they are set up, managed and run according to rules of good governance so that risks are mitigated. The 'Protocol relating to companies in which KCC has an interest' establishes processes and provides additional controls to ensure such rules are in place.

E.9 Anyone within the Council intending to set up a company must first read both the 'Protocol relating to companies in which KCC has an interest' and the more detailed Local Authority Companies guidance document. Sanctions are in place for non compliance which can include disciplinary action. **LINK**

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E.10 The Corporate Director of Finance and Procurement is responsible for advising on the financial implications resulting from the creation of a company including tax treatment and accounting arrangements.

Deleted: Director of Finance

E.11 The Director of Governance and Law is responsible for advising on the legal requirements and implications with respect to the creation and ongoing running of a company.

E.12 The Corporate Directors are responsible for:

i. ensuring that the 'Protocol relating to companies which KCC has an interest and the more detailed Local Authority Companies guidance document is complied with;

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Deleted: Group Managing Director, Managing Directors and Executive Directors

ii. ensuring that legal and financial advice provided by the Director of Governance and Law and the Corporate Director of Finance and Procurement respectively are complied with. **LINK**

Deleted: no company is formed without first seeking financial and legal advice

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Delegated Authority Matrix - Approval Limits

Stage or Transaction Approval	Notes	The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Procurement	Category Manager	Procurement Manager	Procurement Officer	PSP Buyer
Procurement & Invoice Approval Process												
Contract Award Recommendation acceptance	7/16		Unlimited	£1m	£500k	£250k	£50k	Nil	Nil	Nil	Nil	Nil
Contract/Framework Signature	8		Nil	Unlimited	Unlimited	Nil	Nil	Unlimited	£250k	£100k	£50k	Nil
Requisition (Budget expenditure) Approval i-Procurement	9/10/17		Nil	Unlimited	£1m	£500k	£50k	Nil	Nil	Nil	Nil	Nil
Purchase Order Approval	11		Nil	Nil	Nil	Nil	Nil	Unlimited	£250k	£100k	£50k	£8k
Variation Approval	14			£1m	£500k	£250k	£50k	Nil	Nil	Nil	Nil	Nil
Receipt Confirmation	12		Nil	Unlimited	Unlimited	Unlimited	Unlimited	Nil	Nil	Nil	Nil	Nil
Invoice Payment	13/17		Nil	Unlimited	£1m	£500k	£50k	Nil	Nil	Nil	Nil	Nil
Contract Extension			Nil	Nil	Nil	Nil	Nil	Unlimited	£250k	£100k	£50k	£8k
Revenue Virement Limits												
Within Portfolio	1	Above £1m	From £200k up to (but not including) £1m	From £200k up to (but not including) £1m								
Within Portfolio	2		Less than £200k	Less than £200k								
Between Portfolios	1	Above £1m	From £200k up to (but not including) £1m	From £200k up to (but not including) £1m								
Between Portfolios	2		Less than £200k	Less than £200k								
Capital Virement Limits												
Within or across Portfolios	1	Above £1m	From £200k up to (but not including £1m	From £200k up to (but not including £1m								
Within or across Portfolios	3		From £50k up to (but not including) £200k	From £50k up to (but not including) £200k								
Within or across Portfolios				Less than £50k								
Writing off of obsolete stock	4			Up to £10k								
Ex Gratia Payments	5		More than £6k	Up to £6k								
Writing off irrecoverable debts	6			Up to £10k								
Contractual arrangements for work with 3rd parties/external bodies		Above £200k	Above £200k									
Bidding for External/Grant funding			Unlimited	£1m	£500k	£250k	£50k					

Notes:

1. Virement of £1m to £200k has to be signed off by Portfolio Cabinet Member, relevant Corporate Director, Cabinet Member for Finance and Corporate Director of Finance and Procurement
2. Virement less than £200k has to be signed off by the Corporate Director of Finance and Procurement along with the relevant Cabinet Member and Corporate Director.
3. Virement of £200k to 50k has to be signed off by the Corporate Director of Finance and Procurement along with the relevant Cabinet Member and Corporate Director.
4. Write off of obsolete stock up to £10k is in consultation with the Corporate Director of Finance and Procurement. Above £10k to be reported to Corporate Director of Finance and Procurement and Cabinet Member for Finance and then taken to Scrutiny Committee for write off.
5. Ex gratia payments above £6k Corporate Directors are responsible for obtaining approval from relevant Cabinet Member, Cabinet Member for Finance and Corporate Director of Finance and Procurement.
6. Write off of irrecoverable debts up to £10k is in consultation with the Corporate Director of Finance and Procurement. Above £10k to be reported to Corporate Director of Finance and Procurement and Cabinet Member for Finance and then taken to Scrutiny Committee for write off.
7. Award recommendation prepared by Procurement lead
8. Authorities only valid if Contract Award Recommendation acceptance has been approved; will also require a review schedule e.g. with Legal Services for non-standard contract use; decisions on signing under seal or under hand
9. Only valid for approved budgets/expenditure within plan – values will be used within i-Procurement
10. Procurement authorities relate to own budget only
11. For simple contracts only, those that are required to be sealed as required in "Contracts and Tenders Standing Orders" must be dealt with by Legal Services.
12. May be exercised by any member of staff who can directly confirm correct receipt of goods, services or works
13. Relates to signature on invoices; post i-Procurement implementation this authority is no longer required (3-way system match provides authorisation)
14. Approval of a variation against an existing contract
15. Approval of an extension to an existing contract, only valid if budget expenditure has been approved by relevant Service Officer
16. Cabinet Member Approval where authority has been delegated, in some instances this may require Cabinet Approval in line with the Constitution
17. For areas with high expenditure e.g. Highways, Property, ICT approval level can be increased to £5m for Service Directors at Corporate Directors discretion

By: Cabinet Member for Finance – John Simmonds
Corporate Director of Finance & Procurement – Andy Wood

To: Governance and Audit Committee – 11 April 2013

Subject: Revised Accounting Policies

Classification: Unrestricted

Summary: This report asks Members to note that there have been no relevant revisions to accounting policies

FOR ASSURANCE

1. The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - *Accounting Policies, Changes in Accounting Estimates and Errors*. Accounting policies are defined as "... the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements".
2. For 2012-13 there are no changes to the accounting policies to report. There is an amendment to IFRS 7 Financial Instruments disclosures (transfer of financial assets which have not been de-recognised) in the Code but this is not a change in accounting policy.

3. Recommendation

Members are asked to note that there are no changes to the accounting policies.

Cath Head
Head of Financial Management
Ext: 1135

Emma Feakins
Chief Accountant
Ext: 4634

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By: Cabinet Member for Finance – John Simmonds
Corporate Director of Finance and Procurement
– Andy Wood

To: Governance and Audit Committee – 11 Apr 2013

Subject: Update on Savings Programme

Classification: Unrestricted

Summary: This report asks Members to note the position

FOR ASSURANCE

1. Introduction

- 1.1 The savings target for the 2013-14 financial year is £95m. This is being continually monitored to ensure that savings targets are met or that alternatives are found. The attached Appendix shows the position as at the 13th March and is as follows:

£41m of savings are Blue (banked)
£18m is Green
£36m is Amber

2. Current Position

- 2.1 The latest monitoring report for 2012-13 forecasts an underspend of £8.5m. £5m is included in the 2013-14 budget and is shown as green on the attached appendix and £2.1m relates to committed roll forwards and re-phased projects. When taken with the 2013-14 savings position there is some confidence that we remain on track to meet our savings target.
- 2.2 Heads of Service within directorates will own these savings and must deliver them (or an alternative). The Finance Business Partners attend Directorate Management Teams and will be closely monitoring the progress and delivery of these savings. Any concerns of non delivery will be raised with the Director and Cabinet Member. The position will be closely monitored by the Budget Programme Board.

3. Recommendation

- 3.1 Members are asked to receive this report for assurance.

Andy Wood
Corporate Director of Finance and
Procurement
Ext: 4622

Appendix A

WHOLE COUNCIL 2013/14 SUMMARY		
Income Generation		
EHW	Increased income from sale of recyclable waste materials	-500
ASC&PH	Increase in Social Care charges in line with benefits uplift	-1,649
C&C	Registration charges	-50
ELS	Increased income from trading with Schools and Academies	-609
BSS	Increased income from trading with Schools and Academies	-388
Various	Other	-84
		-3,280
Savings and Mitigations:		
	Removal of one-off spending in previous years	-9,706
Efficiency and Other Savings		
<u>Staffing</u>		
All	Full Year Effect of non frontline staffing & management restructure from previous years	-742
C&C	Contact Centre to enable savings with units transferring services/budgets in and synergies achieved through integration	-573
F&BS	Review of Staff Terms and Conditions & further reduction of 100 non frontline posts (to be allocated)	-2,300
SCS	Review of support services and central functions relating to the running of Children's Centres	-1,379
SCS	Reduction in the use of Agency staff	-640
C&C	Other staffing efficiencies	-280
SCS	Other staffing efficiencies	-360
<u>Premises</u>		
BSP&HR	Total Place - Rephased Rationalisation of office accommodation and improved cost control through the implementation of corporate landlord model	-151
<u>Contracts and Procurement</u>		
EHW	Waste contract and procurement efficiencies	-3,521
EHW	Waste contract renewals	-813
ELS	Full year effect of Connexions contract renegotiation in 2012/13	-500
BSP&HR	Multi Agency ICT provision	-1,250
C&C	Full year effect of Supporting People contract negotiation in 2012/13	-750
SCS	Contract and Procurement efficiencies within Specialist Children's Services	-805
EHW	Reduction in street lighting energy contract prices	-383
<u>Demand</u>		
EHW	Reduction in waste tonnage	-1,400
ELS	Fewer children being transported to school	-950
<u>Other</u>		
F&BS	Treasury management	-2,000
F&BS	Moratorium on discretionary spend within Directorates (to be allocated)	-2,500
EHW	Highway Maintenance and Management - reduced reactive/discretionary maintenance due to increased planned maintenance from capital	-1,500
C&C	Contribution to Turner Contemporary	-100
C&C	Full year effect of review of management and support across Communities	-490

Appendix A

WHOLE COUNCIL 2013/14 SUMMARY		
	Country Parks staff rationalisation 2013/14	-80
ELS	Continuation of previous policy decision on discretionary transport	-300
Various	Other efficiencies and service reductions	-573
Various	Other efficiencies and service reductions	-455
Various	Other efficiencies and service reductions	-150
		-24,945
	Transformation	
	<u>Staffing</u>	
ELS	Full year effect of ELS staff restructuring including Kent Challenge in 2012/13	-3,534
C&C	Full year effect of Youth Service review in 2012/13	-555
ASC&PH	Full year effect of in house services for vulnerable Adults in 2012/13	-450
SCS	Review of commissioning and support services	-350
C&C	Other transformation savings	-700
	<u>Contracts and Procurement</u>	
EHW	Street Lighting energy saving through Part Night approach or removal - this would be achieved through selective turning off streetlights between midnight and 5 am	-467
ELS	SEN Transport - reduction in costs through continued efficient procurement and a more flexible approach to provision including personalised budgets	-750
ASC&PH & C&C	Other contract and procurement savings	-370
	<u>Transformation</u>	
SCS	Net savings arising from investment in prevention services to reduce the number of looked after children	-1,043
SCS	Legal charges on Specialist Children's Services - reduced cost through process change	-756
SCS	Other preventative Specialist Children's Services	-100
ASC&PH	Adults Transformation Programme	-18,115
	<u>Other</u>	
C&C	Reduction in Home Office community safety grants	-631
Various	Other	-284
		-28,105
	One-off savings	
F&BS	Drawdown from Council Tax Equalisation Reserve	-9,370
F&BS	Use of 2011/12 uncommitted underspend	-5,000
F&BS	Use of 2012/13 forecast underspend	-5,000
F&BS	Drawdown from previously earmarked reserves (see Appendix F)	-9,000
F&BS	Big Society Fund re-phasing	-1,000
		-29,370
	Total Savings and Mitigations	-95,406

By: Cabinet Member for Finance
Corporate Director of Finance & Procurement

To: Governance and Audit Committee –

Subject: **KCC INSURANCE OVERVIEW**

Classification: Unrestricted

Summary: To report a summary of Insurance Activity
up to March 2013

FOR ASSURANCE

INTRODUCTION

1. The Council's insurance programme is extensive and designed to provide increased financial control of the risks flowing from the diverse nature of activities undertaken to meet statutory duties, support general business functions as well as income generating operations.
2. This report provides a review of activity within the programme and points of interest up to March 2013.

INSURANCE PROGRAMME

3. The insurance programme, which covers all directorate operations and schools, is made up of a number of policies of which Employers Liability, Public Liability, Property and Motor are the four main covers and make up 84% of the overall annual premium cost which, for 2012, amounted to £3.08m.
4. The cost of individual premiums is controlled by working with self insured excesses which are typically between £50k and £250k per event dependant upon the policy under which a claim is recorded. Working with high excess levels is not unusual for a county council and these are kept under review to ensure that the right balance is achieved between self insured and premium expenditure.
5. Premiums and excess payments are met through the corporate Kent Insurance Fund to which all directorates and schools contribute in accordance with their risk profile and claims experience. The level of contribution made by directorates and schools is calculated each year at a level estimated to be sufficient to meet the costs incurred during the period. For 2012/13 this was set at £9.25m.
6. The Fund is supported by the Insurance Reserve. This has been considerably reduced in recent years and as at February 2013 was £3.6m in credit. The Reserve exists to meet future insurance liabilities

such as those relating to uninsured claims where the insurer no longer exists or contribute to the insolvent run-off of the Municipal Mutual Insurance company.

7. The bulk of the insurance programme is insured with Zurich Municipal Insurance. This has been the case since 2002. In 2009 the Council entered into a new five year contract with the insurer with a two year option to extend to December 2015. Revised terms to extend the contract have been offered by the insurer and these are currently being considered to assess whether they represent best value. It is hoped that a decision will be taken by the end of May 2013. If the contract is not extended it will be put out for tender.

COLLABORATION WITH OTHER COUNTY COUNCILS

- 8 Discussions have taken place with other county councils to explore potential cost efficiencies by purchasing insurance through collaborative or framework arrangements. Due to the complex nature of insurance neither option has demonstrated any clear financial advantage and to date no tested vehicle exists which the Council might use. Developments in this area will continue to be monitored in order to maximise any opportunities that might be available through a viable alternative vehicle when the insurance programme is next put out for tender.

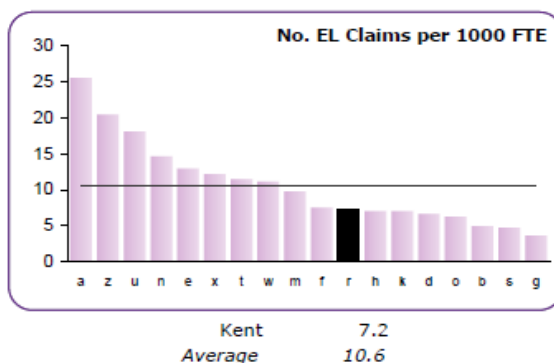
CLAIMS

9. Claims fall into two categories; claims for compensation made against the Council and those made by the Council generally relating to the repair or reinstatement of lost or damaged assets.

Below is a summary of activity relating to the four main policies.

Employers Liability Claims

10. The number of claims received continues to hold steady at an average of 40 per annum.
11. When compared with 17 other county councils, which form part of the CIPFA Insurance Benchmarking Club, the Council's claims experience is shown to be below the recorded average.



12. Claims made under this policy can be quite difficult to defend because of the strict liability upon the employer. Due to improved record keeping, health and safety management and case investigation the number of claims being successfully defended since 2007 has increased from under 30% to over 50%.
13. For accidents occurring from 2009 onwards £473k (KCC £456k : Insurer £17k) has been paid out with £1.5m (KCC £1.1m : Insurer £0.4m) reserved for claims that have yet to be resolved.
14. A high percentage of the claims made by employees have resulted in litigation. This is either because the Council believed that it was not responsible for the accident but the claimant would not accept this or because the amount to be paid in damages could not be agreed. Due to the high cost of litigation over the past year the Insurance Section and Zurich Municipal have worked much closer particularly in the initial stages of new claims in order to determine liability more quickly and decide upon future tactics. Whilst some cases will always become litigated early results show that the number reaching this stage has significantly reduced producing a saving on third party legal costs without any compromise in rejection rates.

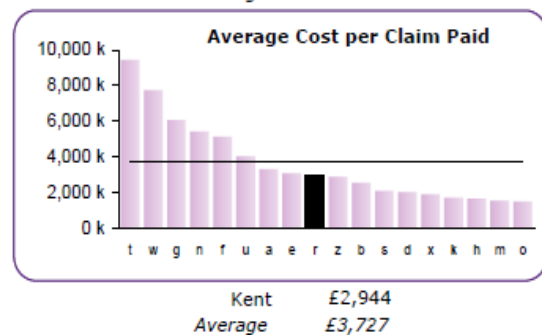
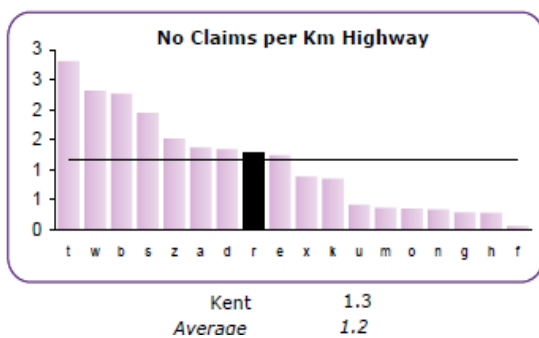
Public Liability

15. For the period 2009 – 2012 a total of 10,133 claims have been made against the Council. The majority of these claims have been rejected. In 2010 and 2011 overall rejection rates of 87% and 80% respectively have been achieved which demonstrates an improvement upon 2009 which has a recorded rejection rate of 74%. Figures for 2012 are relatively immature but at this stage the rejection rate is running at 87%. This is likely to deteriorate slightly as the more complicated claims are concluded.
16. The vast majority of claims fall between the value range of £1 - £25k. Large loss claims are regarded as those with a reserved or settled value of £50k+. Since 2009 a total of 34 such claims have been received. Of these, 73% relate to incidents on the highway. The remainder are more generally spread across the Council.

17. Public liability claims can be broken down into two groups; highway and non highway.

Highway

- (1) Highway incidents have traditionally made up the largest single category of claims. For the period 2009 - 2012 a total of 9,446 claims have been received. The effects of the 2009/10 and 2010/11 winters upon the condition of the highway produced unprecedented levels of claims. For the periods Nov – May 2009/10 and 2010/11, when the effects of wintry conditions had their greatest impact on the condition of the highway, a total of 3,760 and 1,785 claims respectively were received. For the same period in 2011/12 only 716 claims were received and it is thought that the outturn for the 2012/13 winter period will again be at this reduced level.
- (2) The expenditure on highway claims is significant. For incidents occurring between 2009 and 2012 a total of £2.9m has been paid out (KCC £2.83m : Insurer £0.07m) with £11.8m in reserve (KCC £8m : Insurer £3.8m). It should be noted that reserves have been set for many claims which are likely to be concluded without any payment to a third party by the Council or insurer.
- (3) When compared against other county councils within the CIPFA Insurance Benchmarking Club the total number of claims received slightly exceeds the average however the cost per claim is under the average by £783.



- (4) As previously mentioned, highway incidents tend to generate the high value claims. During 2012 all of the large loss claims (£50k+) received related to the highway. The Insurance Section continues to work with Highways to ensure that any lessons learnt from these incidents are reflected within relevant policies and procedures.
- (5) It is inevitable that a number of cases will end up litigated. These can on occasions attract local and national media attention. One such case was that of Lawrence v KCC where the initial trial judge found in favour of the claimant. This decision was challenged up to

the Court of Appeal and eventually concluded in 2012 when the original decision was overturned in favour of the Council. This was a case where the claimant tripped on a defect measuring only 15mm in height. Differences in levels between paving slabs etc below 20mm in height should not ordinarily create a liability upon a highway authority and do not require automatic repair. By successfully challenging the original trial decision the Council has reaffirmed the defence available to all highway authorities across the UK for minor defects on the footway.

Non Highway

- (1) This group consists of all claims made by pupils and other third parties. Since 2009 a total of 687 claims have been received of which £254k has been paid out (KCC £25k: Insurer £229k) and £1.95m reserved (KCC £1.6m: Insurer £352k) for claims that have yet to be resolved. There are no claims of significant interest to mention within this report.

PROPERTY

18. The number of claims continues to reduce and losses are generally low value. The reduction in claims is due to schools converting to academy status and leaving KCC's Insurance programme plus improved security at sites. The schools that have converted have in the main been secondary schools which traditionally present a heavy risk due to the propensity for attacks of arson and vandalism. The cost of claims for 2012 is currently listed at £880k which is a significant reduction on previous years largely due to no major fire losses having been reported.
19. The theft of lead remains one of the main causes of claims. It has proven to be very difficult to protect properties from attack however by carrying out increased repairs with lead substitutes, installing roof alarms at the most vulnerable sites and the general improved management of the scrap metal industry it is hoped that losses will start to reduce.

MOTOR

- 20 The Council operates 3 types of fleet; commercial vehicles, leased cars and bus fleet.
 - (1) Claims received involving the commercial fleet reduced in 2012 by 25% to 266. The corresponding cost of claims has also reduced by 50% and is currently listed at £220k. The number of claims received should reduce further after 31 March 2013 when part of the fleet transfers to Commercial Services (Kent) Ltd and ceases to be insured by the Council.
 - (2) The number of lease cars insured by the Council has reduced following the closure of the scheme. This has been reflected in the

number of claims being received which, for 2012, reduced by 30% with a corresponding reduction in overall costs.

- (3) The bus fleet is a heavy risk to insure due to the propensity for high volume passenger injuries. It is a reducing fleet and will cease to be insured by the Council after 31 March 2013.

21. No claims of significant interest have been reported across any of the three fleets.

DESK TOPPING

22. The winters of 2009/10 and 2010/11 generated an unprecedented number of pothole related vehicle damage claims against the Council. This created considerable pressures upon staff resources both within Highways and the Insurance Section.
23. Since then the system for processing claims has been thoroughly reviewed. Improvements have been made to the information held by Highways within its WAMS database and as a result has enabled the Insurance Section to introduce 'desk topping' of damage only claims.
24. As a result pothole claims are now processed by the Insurance Section in their entirety by accessing information held in WAMS. This has saved on staff resources within Highways and has drastically reduced the time taken to process claims. With increased pothole claims now being received following the 2012/13 winter the new desk topping approach is proving to be an essential element in helping to maintain processing times.

MUNICIPAL MUTUAL UNSURANCE

25. The Municipal Mutual Insurance company ceased writing business in 1992 and ever since has been operating in run-off. It was hoped that a solvent run-off could be achieved however this is no longer the case due to an adverse decision by the Supreme Court in 2012 which has increased the exposure of the MMI to costly mesothelioma claims.
26. Now that an insolvent run-off has been announced what is referred to as the 'Scheme of Arrangement' has been triggered and will involve the clawing back of monies from past members of the mutual to meet the outstanding future costs of claims. It is not known when any claw back will take place or how much it might involve. KCC's broker advises that any claw back could be up to 40% of the £4m paid out by the insurer on behalf of the Council between 1989 - 1992. The first stage payment could be requested within the next 12 months but this has yet to be confirmed. No debt rescheduling was undertaken in the year.

27. This situation is not unique to KCC. Municipal Mutual Insurance insured the majority of local councils up to 1992 and all are facing exposure to claw back.

CHANGES TO THE PROCESSING TIMES AND COST OF CLAIMS

28. For a number of years the Ministry of Justice has been consulting on how to speed up the time taken to process personal injury claims and reform the heavy burden of third party legal costs payable by defendants.
29. The legal costs generated by claimant solicitors can be excessive when compared to the actual amount received by the claimant in damages. Like many other local authorities, and defendants in general, the Council has experience of these high costs. Claimant legal costs of at least three times that of the level of damages awarded to a claimant are not unusual and on occasions can be very much higher.
30. Changes to the construction and payment of legal costs have been set out in what are known as the Jackson Reforms which will start to become effective from April 2013. It is hoped that these Reforms will provide some relief from excessively high third party legal costs however this will not be capable of proper assessment until all elements of the Reforms have been implemented.
31. In addition to the above, from July 2013 the time allowed by a defendant to reach a decision on liability will be reduced from the current time frame of 111 days from receipt of notification of a claim to 30 - 40 working days.
32. The Insurance Section is currently revising its procedures to ensure that these time frames are met wherever possible and that any cost advantages in achieving compliance are maximised. The impact of these changes will be reported within the next annual report.

ACADEMIES

33. Local authorities do not have an insurable interest in academies and as such cannot insure these schools through their existing insurance arrangements. As a result, the Kent Insurance Fund has suffered a direct fall in income as schools have converted to academy status and left the Council's insurance scheme. Since the majority of conversions relate to secondary schools this has also had the benefit of removing a significant heavy element of risk from the insured property portfolio.
34. Although academy schools no longer contribute to the Kent Insurance Fund the Council will remain liable to meet the cost of claims from pupils or employees for injury or financial loss for many years to come where the cause or event occurred whilst the school was under the control of the Council.

RECOMMENDATION

35. Members are asked to note this report for assurance.

**Darryl Mattingly
Insurance Manager
BSS Finance & Procurement**

By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance & Procurement

To: Governance & Audit Committee – 11 April 2013

Subject: **TREASURY MANAGEMENT QUARTERLY REPORT**

Clarification: Unrestricted

Summary: To report an update on treasury management issues.

FOR ASSURANCE

INTRODUCTION

1. This Committee is charged with responsibility for oversight of the Council's treasury management arrangements and receives a quarterly report.

STATEMENT OF DEPOSITS

2. A statement of deposits as at 15 March is attached in Appendix 1. This is circulated to members of Treasury Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

3. A performance report is produced monthly for the Treasury Advisory Group. The February report is attached in Appendix 2.

SUMMARY OF DEVELOPMENTS

4. The Treasury Advisory Group met on 16 November where the focus was the Treasury Strategy. The 2013-14 Treasury Strategy was approved by Council on 14 February 2013 though this is in effect little changed from the 2012-13 strategy.
5. The maximum duration limits for deposits have been increased; with Lloyds Banking Group from 100 days to 6 months from 18 February, and with RBS Group from overnight to 100 days from 15 March. These revised limits are within the Arlingclose recommended limits.
6. The Council is continuing to hold off new borrowing given the low rates we can get for deposits and critically the Council's cash flow is proving to be highly resilient. In November the Council repaid a £20m maturing PWLB loan bringing the total loans repaid in 2012 - 13 to £77m.
7. Current recoveries from Icelandic banks are £38m consisting of:
 - Heritable dividends 77.3p in £ or £14.2m

- Landsbanki - 3 dividends of £8.1m, 47.63% of the total due
- Glitnir –full recovery.

RECOMMENDATION

8. Members are asked to note this report for assurance.

Alison Mings
Treasury and Investments Manager

Appendix 1

KCC Deposits as at 15 March 2013

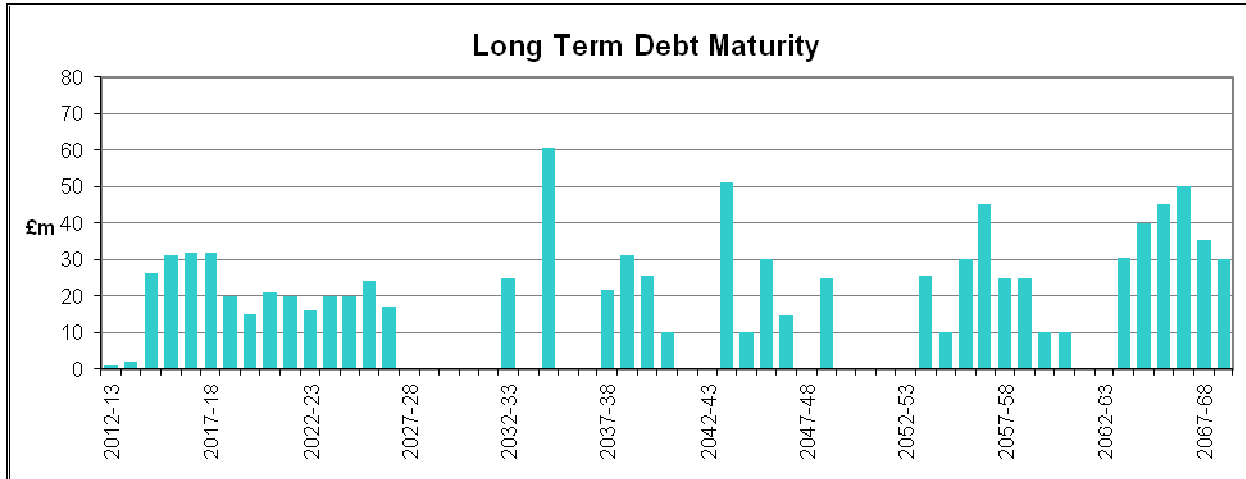
Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate	Territory
		£		%	
Same Day Call Deposit	Bank of Scotland	£20,000,000	n/a	0.75	UK Bank
Fixed Deposit	Bank of Scotland	£5,000,000	07/05/2013	1.6	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	31/05/2013	6.8	UK Bank
Same Day Call Deposit	Barclays Bank	£25,000,000	n/a	0.5	UK Bank
Same Day Call Deposit	Barclays FIBCA	£20,000,000	19/10/2030	0.7	UK Bank
Fixed Deposit	HSBC	£13,000,000	22/03/2013	0.35	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	03/05/2013	1.6	UK Bank
Same Day Call Deposit	Lloyds TSB	£25,000,000	n/a	0.75	UK Bank
Fixed Deposit	Lloyds TSB	£10,000,000	15/05/2013	0.7	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	19/08/2013	0.8	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000	21/08/2013	0.8	UK Bank
Same Day Call Deposit	NatWest	£25,000,000	n/a	0.8	UK Bank
Same Day Call Deposit	Royal Bank of Scotland	£45,000,000	n/a	1.25	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000	18/10/2013	1.1113	UK Bank
Same Day Call Deposit	Santander UK	£50,000,000	n/a	0.8	UK Bank
	Total Bank Deposits	£263,000,000			

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Treasury Management Report for the month of February 2013

1. Long Term Borrowing

The Council's strategy continues to be to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles. The total amount of debt outstanding at the end of February was unchanged at £1,013.29million, with the maturity profile being as follows.

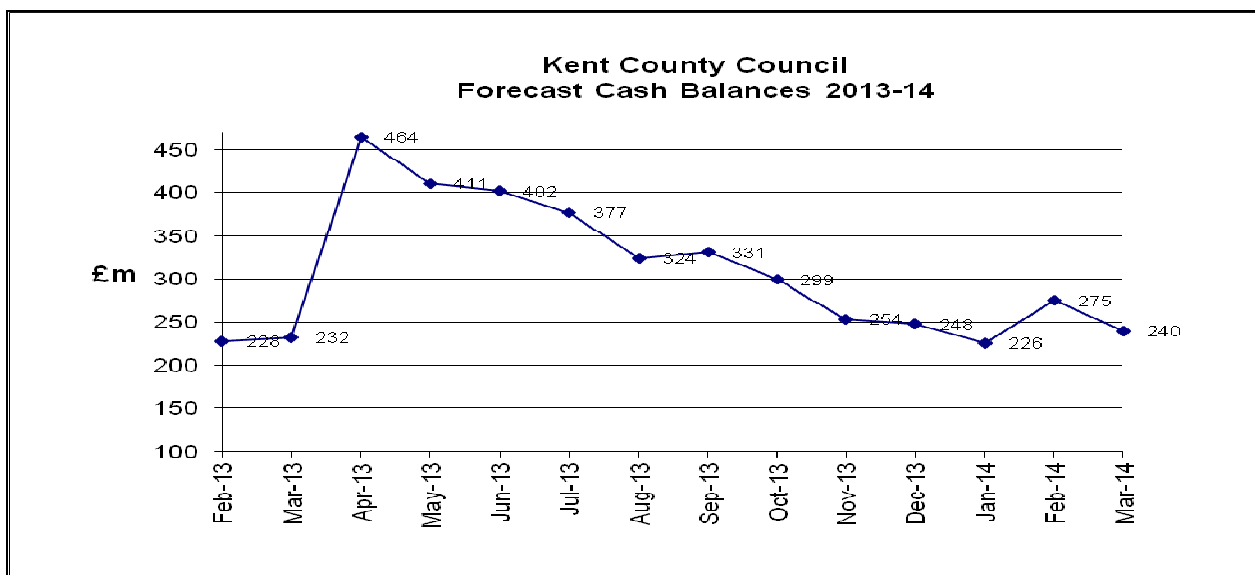


Total external debt managed by KCC includes £43.9m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding Council (£1.76m), Magistrates Courts (£0.827m).

2. Investments

2.1 Cash Balances

During February the total value of cash under management fell to £228.29m. Overall during 2012-13 total cash balances are expected to have fallen by £50m mainly as the result of the repayment of maturing PWLB loans (£77m). Forecast cash balances are now expected to rise significantly in April due to the front loading of government grants.

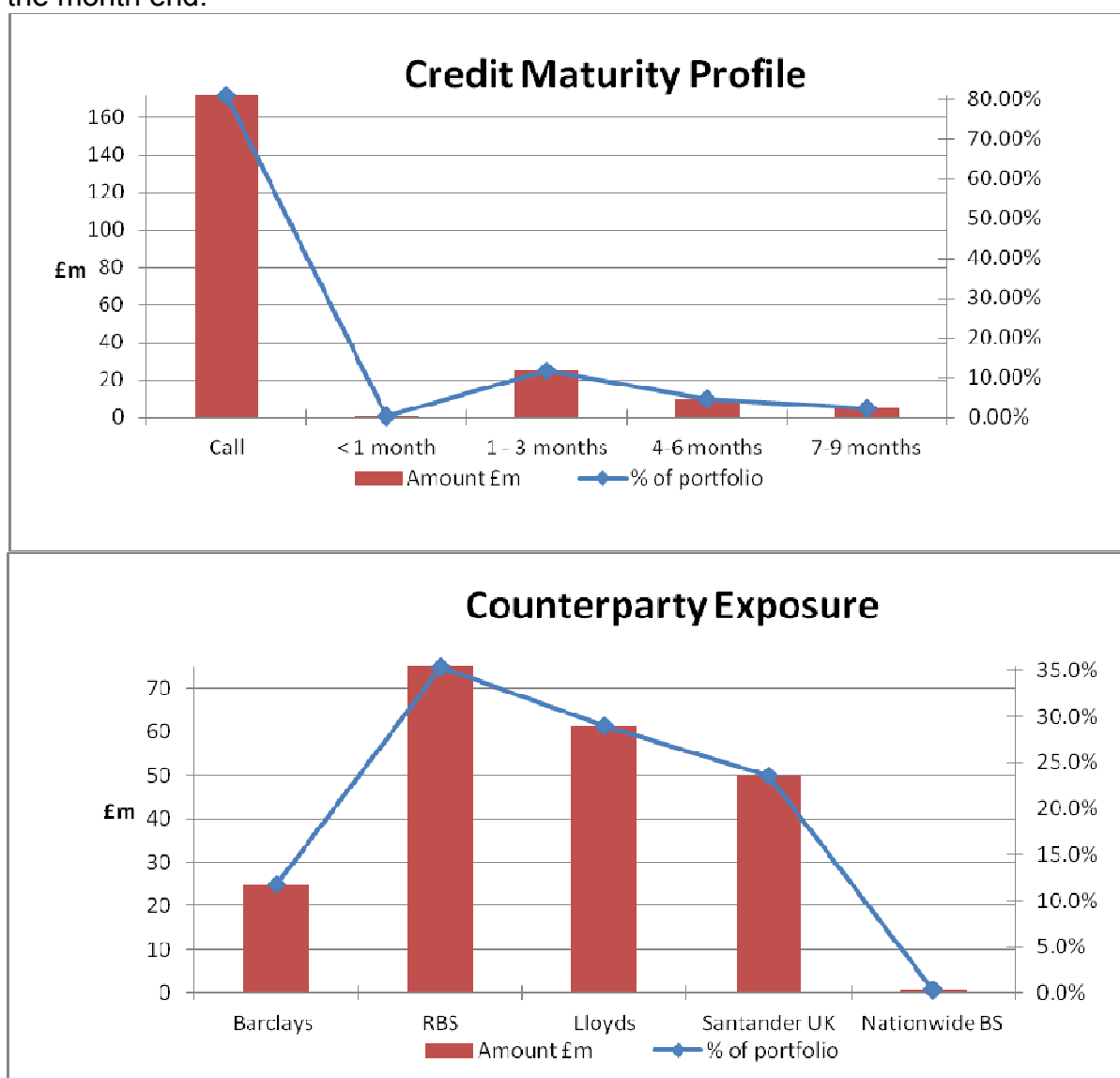


2.2 Average return on new deposits

The average return on new deposits in February was 0.8194% vs 7 day LIBID 0.3582%. Interest rates on call accounts and short term deposits are falling as banks have access to cheaper sources of finance.

2.3 Credit maturity profile and counterparty exposure

The following charts show the credit maturity profile and counterparty exposure as at the month end.



2.4 Credit Score matrix

	January 2013		February 2013	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A	6.07	A	6.08
Time Weighted Average	A	6.03	A	6.05

Credit risk scored 1 – 10; 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D

3. Interest on Cash Balances / Debt Charges for 2012-13

The forecast underspend remains unchanged at £4.272m largely due to the reinstatement of previously suspended counterparties and some lengthening of deposit duration leading to an improvement in interest returns, together with an earlier than expected full repayment of an outstanding loan balance from the Probation Service.

Alison Mings, 11 March 2013

By: Roger Gough, Cabinet Member for Business Strategy, Performance and Health Reform
 David Cockburn, Corporate Director, Business Strategy & Support

To: Governance and Audit Committee - 11 April 2013

Subject: **UPDATE ON DEVELOPMENT OF MANAGEMENT GUIDES**

Classification: Unrestricted

Summary:

This report provides Members with an annual update on the development of 'Management Guides', and asks Members to agree the recommendations regarding their ongoing assurance and governance.

FOR DECISION

1. Introduction

- 1.1 A set of management guides have been developed to support managers in understanding the way that essential management tasks are carried out in KCC. They are intended to be a helpful reference guide to signpost to more detailed information, policies and procedures, and to provide suggestions on how to carry out common management tasks more effectively.
- 1.2 Management guides underpin the "one council" approach, and aim to improve consistency in the way that business tasks are carried out. They are accompanied by various tools and templates for staff to use, saving managers time and further promoting consistency.
- 1.3 The guides have been published as of a series of webpages in a defined area of KNet, so staff can easily find all the guidance in one place. Previously, there was no central area where staff could find guidance about management activities, with policies and guides saved in various places around KNet and shared drives. These were often hard to find, out of date, and only relevant to specific Directorates.
- 1.4 Management guides have replaced and improved upon 'Statements of Required Management Practice,' which had started to be developed as formal, mandatory requirements that managers must follow when carrying

out management tasks. In April 2012, Governance and Audit Committee agreed that Statements of Required Management Practice should be redeveloped into management guides. The more helpful signposting style of management guides was considered to be a more appropriate and practical way to support KCC managers.

2. Development of the management guides

2.1 The nine management guides cover the following management topics. The content for each guide has been developed by the KCC unit that oversees that area of the business, working with Policy and Strategic Relationships who are responsible for the development of the management guides.

Management guide topic (author)	Brief description	Supporting tools / templates
1. Managing the council's performance (Richard Fitzgerald, Performance Manager, BSS)	Explains the open and honest performance management culture, guides managers through the performance management cycle and explains performance management responsibilities at all levels of the council.	Including guidance on target setting and defining performance indicators, data quality policy, quarterly performance report guidance and 10 principles of good performance management.
2. Managing risk (Mark Scrivener, Corporate Risk Manager, BSS)	Introduces the principles of KCC's Risk Management Policy and guides managers through the four steps that they need to follow to effectively manage risk.	Various more detailed guidance on the stages of identifying and managing risks, an introductory guide for new staff and the risk register sheet.
3. Business and financial planning (David Whittle, Head of Policy & Strategic Relationships and Paul McCallum, Strategic Finance, BSS)	Explains the principles of good financial and business planning sets out the business and financial planning framework, and provides guidance on developing a divisional business plan.	Tools for completing a divisional business plan including the template, guidance, checklist and timetable. Also documents on roles and responsibilities and the tiers of formal business planning.
4. Programme and project management (Jeremy Blackman, Business Transformation Programme Manager, C&C)	Sets out the principles and methodology of programme and project management in a series of stages for staff to adapt to specific programmes and projects.	Extensive supporting documents including a comprehensive library of templates to use for programme and project documentation.
5. Information governance (Elizabeth Barber, Records Manager and Caroline Dodge, Team Leader Information Resilience & Transparency, BSS)	Clearly explains the key legislation related to information governance and the principles of managing information that managers must follow.	Links as well as government guidance on information and transparency and will shortly link to the recently approved suite of new KCC information governance policies and factsheets.

6. Procurement (Henry Swan, Head of Procurement, BSS)	Explains how the category management approach changes the way that we buy goods and services, and what staff should do if they need to undertake a procurement exercise.	Links to procurement 'How to buy' guides for different goods and services, guidance on using the iProcurement system and guidance and form templates for different types of procurement exercises.
7. Customer Service (Peter Brook, Partnership & Change Manager, C&C)	Sets out how we should work so everyone is clear how they contribute to delivering the Customer Service Strategy.	Includes diagrams to explain concepts like channel shift and customer journey and KCC's customer service principles.
8. Consultation and engagement (Steve Charman, Head of Consultation & Engagement, C&C)	Explains actions that managers can take to ensure residents and service users are at the heart of everything we do by embedding equality and diversity, community engagement and consultation in our work.	Includes guidance on what the Consultation & Engagement team can do, engagement tools available and ten consultation principles.
9. Communication (Marcus Chrysostomou, Head of External Communications, C&C)	How to promote a strong KCC brand that everyone can identify with using a consistent 'one council' approach to promoting our services to the public.	Links to KCC corporate guidelines on branding etc and explains how Communications can support managers.

- 2.2 Importantly, each management guide clearly explains who to contact for further help and support.
- 2.3 Appendix 1 shows screen shots of the management guide introduction and index page on KNet.
- 2.4 It was anticipated that all of the management guides would be published by the end of September 2012. The first four guides were published by September, with the following two published shortly afterwards in October. The final three guides were published in February 2013. It was necessary to delay the publication of some of the guides due to changes that have impacted on the content. For example, the Communication guide has been shaped by KCC's Communication Strategy 2013/14 and corporate branding guidelines, which were only approved in January 2013. The high workload of the Internal Communications Team has also contributed to the later publication of some of the guides on KNet.
- 2.5 Throughout the development of management guides, staff have received regular updates and alerts through KMail and KNet features. In February, the full set of management guides were launched to staff through KMail, a feature on the front page of KNet and a film by Roger Gough. These initial communication messages aimed to alert staff that the management guides were available, explain how they will help them and encourage

them to view and start using the guides. Communication with staff will continue as explained in section 3 of this paper.

- 2.6 The only management guide in the proposed list provided to Governance & Audit Committee in April 2012 that has not been taken forward is on 'Governance and Decision Making within KCC'. Following discussions with Legal and Democratic Services, it was concluded that the format of management guides was not suitable for this issue, and instead Legal and Democratic Services are developing more formal guidance for staff. However, in the interim, Corporate Communications are working with Democratic Services to publish some simple guidance for staff on what they should do if they identify the need for a formal decision, including signposting to the relevant Cabinet Member's Staff Officer for further advice on the process.
- 2.7 The nine published management guides have been approved by the Head of Policy & Strategic Relationships and Cabinet Member for Business Strategy, Performance and Health Reform. This approval process was agreed by Governance and Audit Committee on 18 April 2012.

3. Reaction of staff so far

- 3.1 Early indications are that a good number of staff are aware of management guides and have looked at the content on KNet. Updates sent out in KMail have received high interest, with nearly 400 staff clicking through to the management guides page from the feature in KMail in February. This is higher than usual for a KMail feature.
- 3.2 To give an indication of how frequently the management guide pages are being accessed, in the three weeks following the launch of management guides to staff on 14 February, there have been a total of **2,793** visits to the management guide pages. The management guides section of KNet has been the 7th highest visited section during this period.
- 3.3 Informal comments and feedback received by Policy & Strategic Relationships suggests that the management guides have generally been well-received, with staff finding the accompanying 'toolbox' of templates, policies and tools for each management guide particularly helpful.
- 3.4 An example of how the management guides are already supporting staff to carry out management activities is business planning. The management guide on business and financial planning has for the first time brought together everything that managers need to complete their divisional business plan, and has been well-used in the development of the 13/14 plans. Staff have reported that the guidance provided by the management guide and the convenience of being able to access the template, guidance

note, timetable and other key documents in one place has made the process easier. We will continue to refine and improve the process and guidance for staff.

- 3.5 This initial information shows that staff are aware of management guides and a significant number have accessed the content on KNet, have started to use them in their work and are generally finding them helpful. This is an important first step in embedding the ways of working that management guides describe into our day-to-day work. The move away from Statements of Required Management Practice to more informal, supportive management guides encourages staff engagement by providing helpful, accessible guidance that they want to use, rather than by trying to enforce standards.
- 3.6 It will be important to continue to raise the profile of management guides so that staff continue to use them in their everyday work and they are not forgotten. We will continue to promote management guides to staff through monthly features via KNet and KMail over the coming year, focusing on a different management guide each month. Features will be scheduled around business processes that happen throughout the year - for example the financial and business planning management guide will be featured in the spring when the business planning cycle begins. Updates and reminders will also be included in Directorate newsletters and other appropriate communication opportunities.

4. Next steps - maintaining the guides

- 4.1 It is important that management guides remain up to date as our organisation continues to change. Management guides have been published as live KNet webpages so that they can be instantly updated as required. Policy & Strategic Relationships will work with the management guide authors to make revisions and improvements as needed, and there will be an annual review of the content to check that it is still current and relevant. Feedback from staff via a short survey will also be used to make improvements.
- 4.2 As agreed by Governance & Audit Committee, the content for management guides has been approved by the Cabinet Member for Business Strategy, Performance and Health Reform. Going forward, it is recommended that any changes to existing management guide content can be approved by the Head of Policy & Strategic Relationships without the need for approval by the Cabinet Member. This will help to quickly make any necessary changes to keep the guides up to date.
- 4.3 In the future, the need for management guides on new topics may be identified. It is recommended that the content for any new management

guides continues to be approved by the Head of Policy & Strategic Relationships and the Cabinet Member for Business Strategy, Performance and Health Reform.

5. Recommendations

5.1 Governance and Audit Committee is asked to:

a. AGREE that any necessary revisions and updates to existing management guides can be approved by the Head of Policy & Strategic Relationships.

b. AGREE that the content for any new management guides continues to be approved by the Head of Policy & Strategic Relationships and the Cabinet Member for Business Strategy, Performance and Health Reform.

c. DECIDE whether Governance and Audit Committee wishes to:

- i. continue to receive for assurance an annual update on management guides
- ii. agree any significant changes to the approach or purpose of management guides

Contact Officer:

David Whittle
Head of Policy & Strategic Relationships
Tel: 01622 696345
Email: david.whittle@kent.gov.uk

Jenny Dixon-Sherreard
Policy Manager, Policy & Strategic Relationships
Tel: 01622 694122
Email: jenny.dixon-sherreard@kent.gov.uk

Appendix 1 - Screenshots of the management guide introduction and index page on KNet



KNet

Welcome to Kent County Council's Intranet

Search the phonebook and the site

Advanced Search

KNet
Working at KCC
Our Council
Managing at KCC
Find the latest
I need a service

You are here: → [KNet](#) → [Our Council](#) → [Management guides an introduction](#)

The structure of KCC

- ▶ [Our current structure](#)
- ▶ [Restructures](#)
- ▶ [Our brand and logo](#)

Why we do things

- ▶ [Our strategies and direction](#)
- ▶ [Our values, competencies and behaviours](#)

How we do things

- ▶ [Our policies](#)
- ▶ [Our business plans](#)
- ▶ [Ways of working - business as usual](#)

People search

First Name:

Last Name:

[Search](#)

Management guides

The KCC way to approach management tasks.

MG 1 - Managing the council's performance

[Bold Steps for Kent and other strategies](#) set out what we want to achieve - performance management is how we know if we are on track, and how we plan corrective action if needed.

MG 2 - Managing risk

Managing risk is everyone's responsibility. It is important to remember that if you are accountable for achieving an objective, you are also accountable for managing the risks to achieving it.

MG 3 - Business and financial planning

The aim is to develop and deliver effective plans that make sure we meet the needs and demands of local people and communities living in Kent in a financially sustainable way.

MG 4 - Programme and project management

The principles and methodology of programme and project management are set out for you to adapt according to your needs, plus practical guidance, tools, templates and supplementary information.



Cabinet Member Roger Gough says that management guides are the way to go

Management guides



Other useful pages

[Managing change](#), including managing restructures, communicating during change and supporting staff

[Managing staff issues](#), including staff performance and conduct

[How to recruit staff](#)

Kent Manager Standard

These guides are referenced in the [Kent Manager Standard training modules](#), so understanding the principles they contain could contribute towards your final accreditation.

The principles and methodology of programme and project management are set out for you to adapt according to your needs, plus practical guidance, tools, templates and supplementary information.

MG 5 - Information governance

Information is an asset that needs to be managed in the same way as other assets (eg staff, buildings, equipment). Learn about the legislation and the key principles of information management to be aware of.

MG 6 - Procurement

The category management approach changes the way that we buy goods and services. Use this management guide to make sure that you are doing it right.

MG 7 - Customer service

Setting out how we should work so everyone is clear how they contribute to delivering the Customer Service Strategy.

MG 8 - Consultation and engagement

This guide explains actions that managers can take to ensure residents and our service users are at the heart of everything we do by embedding equality and diversity, community engagement and consultation in our work.

MG 9 - Communication

How to promote a strong KCC brand that everyone can identify with using a consistent 'one council' approach to promoting our services to the public.

Contact

If you have a query about Management Guides, please contact [Jenny Dixon-Sherreard](#).

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To: Governance & Audit Committee

From: Mike Hill, Cabinet Member, Customer & Communities
Amanda Honey, Corporate Director, Customer & Communities

Date: 11 April 2013

Subject: RIPA report on surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2012 – 31 March 2013

Classification: Unrestricted

FOR ASSURANCE

Summary This report outlines work undertaken by KCC Officers on surveillance, the use of covert human intelligence source (CHIS) and access to telecommunications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2012/13 business year.

1. Background

- 1.1. The document sets out the extent of Kent County Council's use of covert surveillance, covert human intelligence sources and access to telecommunications data. The County Council wishes to be as open and transparent as possible, to keep Members and senior officers informed and to assure the public these powers are used only in a 'lawful, necessary and proportionate' manner.
- 1.2. To achieve transparency and in accordance with the Codes of Practice, an annual report outlining the work carried out is submitted by the Senior Responsible Officer (SRO) to an appropriate Committee. The last report (for the first 6 months of the 2012/13 business year) was submitted and approved by Governance and Audit Committee on 19 December 2012.

2. What this report covers

- 2.1 Covert Surveillance – intended to be carried out without the person knowing and in such a way that it is likely that private information may be obtained about a person (not necessarily the person under surveillance). Local authorities are only permitted to carry out certain types of covert surveillance and for example cannot carry out surveillance within or into private homes or vehicles (or similar "bugging" activity).
- 2.2 Covert Human Intelligence Source (CHIS) – the most common form is an officer developing a relationship with an individual without disclosing that it is being done on behalf of the County Council for the purpose of an investigation. In most cases this would be an officer acting as a potential customer and talking to a trader about the goods / services being offered for sale. Alternatively, a theoretical and rare occurrence would be the use of an 'informant' working on behalf of an officer of the Council. In such cases,

due to the potential increased risks, KCC has agreed an MOU with Kent Police.

- 2.3 Access to telecommunications data – Local authorities can have limited access to data held by telecommunications providers. Most commonly this will be the details of the person or business who is the registered subscriber to a telephone number. Local authorities are not able to access the content of communications and so cannot “bug” telephones or read text messages.
- 2.4 In each of the above scenarios an officer is required to obtain authorisation from a named senior officer before undertaking the activity. This decision is logged in detail, with the senior officer considering the lawfulness, necessity and proportionality of the activity proposed and then completing an authorisation document.

After authorisation has been granted (if it is) the officer seeking to use the powers applies for judicial approval and attends a Magistrates’ Court to secure this.

For surveillance and CHIS the approval document is then held on a central file. There is one central file for KCC, held on behalf of the Corporate Director Customer and Communities, which is available for inspection by the Office of the Surveillance Commissioners. For telecommunications authorisations KCC uses the services of the National Anti Fraud Network to manage applications and keep our records. This was on the advice of the Telecommunications Commissioner.

3. RIPA work carried out between 1 April – 31 March 2013

- 3.1. Total number of authorisations granted (figure for 2011/12) :

Surveillance – 31 (34)

Covert human intelligence source (CHIS) – 11 (8)

Access to telecommunications data – 43 (48)

4. Purposes for which RIPA powers used

Under age sales test purchasing

12 surveillance authorisations relate to test purchasing operations for the sale of age restricted goods to children. Each authorisation is based upon the intelligence received about premises where these sales are suspected. Intelligence sources vary but include Kent Police, Community Wardens, School staff, concerned parents and members of the public.

An authorisation would not be required if we asked a young person to enter a shop unaccompanied and attempt to make a purchase but, as soon as we send an officer to observe what happens, an authorisation becomes necessary. Our view is that it is important for both the safety of the young person and the security of any evidence gained for an officer to be present.

Before any test is carried out each shop receives detailed guidance from Trading Standards Officers on how to avoid making unlawful sales.

Fly tipping

2 surveillance and 13 telecommunications data requests relate to fly tipping enforcement.

The surveillance applications relate to the placing of remote camera equipment in fly tipping hot spots. Neither operation resulted in any evidence of fly tipping being uncovered.

4 telecommunications data requests relate to the same investigation which has now resulted in the conviction of RB who was ordered to pay fines and costs totalling £2500.

Of the remaining authorisations, 1 was cancelled by the authorising manager as a result of less intrusive means producing the required information and 8 did not lead to the securing of useful evidence.

Sale of counterfeit goods

14 surveillance, 9 CHIS and 8 telecommunications data requests have been authorised for the purpose of investigating the sale of counterfeit goods.

12 of these authorisations relate to 3 investigations all of which are currently before the courts awaiting pleas or trial. In each of these cases arrests have been made and counterfeit goods totalling over 13000 items have been seized. A further 10 relate to other ongoing investigations including 1 relating to the sale of counterfeit car maintenance software. 4 have been concluded by issuing formal warnings whilst 5 did not produce any evidence of value.

Doorstep frauds

16 telecommunications data requests were authorised to investigate doorstep frauds, mainly in the area of property repairs including roofing work, tree surgery and driveway work.

One of these cases has been concluded with a prosecution where JH was convicted, given a 12 month conditional discharge and ordered to pay costs and compensation totalling £2574.

4 authorisations are the subject of continuing investigations.

3 further authorisations identified potential suspects but other evidential insufficiencies, mainly linked to the vulnerability of the victims, meant that a prosecution was unlikely to succeed.

In 1 case whilst the authorisation did not produce any useable evidence, officers intervened and prevented 3 potential victims from being subjected to the fraud saving them at least £10000.

1 matter, relating to a will writing service, was resolved by providing advice to the business which enabled them to trade lawfully and prevented any further victims of their false claims. This would not have been possible without the identity evidence secured through this authorisation.

6 authorisations did not produce any useable evidence.

Miscellaneous

Other matters for which RIPA authorisations have been used are:-

A burglar alarm business making claims about the alarms they supplied which may have the impact of leaving homeowners uninsured as the alarms do not meet insurance company standards. This matter is currently before the courts.

The sale of cars with reduced mileage readings. This matter was concluded with a formal warning.

False claims of membership of the Federation of Master Builders. Ongoing investigation.

So called "charity bag fraud" where false claims about the charitable purpose of donations of second hand clothing are made. Ongoing investigation.

False claims made in selling horses. CJ was prosecuted for 12 offences and received 12 x 12 month conditional discharges.

5. Protection of Freedoms Act 2012

- 4.1 On 1 November 2012 the Protection of Freedoms Act came into force meaning that a new system of judicial approval for local authority use of RIPA came into force. This involves seeking an order from a Magistrate each time an authorisation is granted.
- 4.2 Since this requirement came into force, 12 applications have been made and all have been approved by the Court.

5. Recommendations

Members are asked to note for assurance the use of the powers under RIPA during the period.

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By: Alex King – Deputy Leader and Cabinet Member Democracy and Partnerships
Geoff Wild – Director of Governance and Law

To: Governance and Audit Committee - 11 April 2013

Subject: Annual Review of the Code of Corporate Governance

Classification: Unrestricted

Summary

This report asks the Governance and Audit Committee to consider the annual review of the Code of Corporate Governance and to endorse the proposed amendments for submission to the County Council for consideration and final approval.

FOR DECISION

1. Introduction

(1) On 17 May 2012 the County Council adopted a revised Code of Corporate Governance. This revised Code of Corporate Governance took into account the findings of the 2010/11 Corporate Governance Audit that the code should include all the requirements of Delivering Good Governance in Local Government (2007) published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives and Senior Managers (SOLACE).

(2) Paragraph 6 of the Code of Corporate Governance (as set out in Appendix 10 of the Council's Constitution) requires that "the Council's governance arrangements are reviewed annually and reported with any consequential recommendations to the Governance and Audit Committee and the County Council for approval".

(3) The Delivering Good Governance in Local Government Framework published jointly by CIPFA and SOLACE sets out the principles that underpin the governance of each local government body and at paragraph 1.8 urges local authorities to test its governance arrangements against the framework including "developing and maintaining an up-to-date local code of governance including arrangements for its ongoing application and effectiveness".

(4) This report contains the findings of the annual review of the Code of Corporate Governance and proposes some amendments to ensure its ongoing application and effectiveness for submission to the County Council for consideration and final approval.

2. Review of the Code of Corporate Governance

(1) As set out in paragraph 1(2) above, paragraph 6 of the Code of Corporate Governance requires that governance arrangements are reviewed annually and

reported with any consequential recommendations to the Governance and Audit Committee and the County Council for approval.

(2) This means that the review is to be reported to the Governance and Audit Committee and to the County Council even if there are no amendments to be made. It is proposed therefore that this is changed to read “the Council’s governance arrangements are reviewed annually. If there are any amendments recommended as a result of this review, these will reported to the Governance and Audit Committee and the County Council for approval”.

(3) The Code of Corporate Governance contains hyperlinks to other documents that form part of the governance arrangements of the County Council and these have been reviewed to ensure they remain up-to-date. Revisions to hyperlinks in the electronic version are proposed as set out in the table below:

Document/ webpage	Proposed Amendment to Code of Corporate Governance
Bold Steps for Kent	The current hyperlinks go to the report submitted to County Council. It is proposed instead that all hyperlinks for Bold Steps for Kent throughout the Code go to the published document.
Business Plans	Propose an amendment to all hyperlinks for Business Plans so they go to business plans for 2013/14. Insert a new hyperlink in the reference to these documents in Principle 6 of the Code.
Complaints and whistle blowing	Currently the hyperlinks in the Code go to “How to Make a Complaint”. Propose the creation of an additional hyperlink to the Whistleblowing pages throughout the Code.
Members’ and Officers’ Code of Conduct	The current hyperlink goes to the previous Members’ Code of Conduct. Propose an amendment to create one link to the Members’ Code of Conduct adopted in July 2012, and a separate link to the Officers’ Code of Conduct. Amend the hyperlinks to Members’ Code of Conduct throughout the Code of Governance to refer to the Members’ Code of Conduct adopted in July 2012.
Key Decisions and Forward Plan	Propose an amendment to this wording to read “Key & Significant Decisions/Forthcoming Executive Decision list” throughout the Code.
Members’ Allowance Scheme	Propose an amendment to the hyperlinks links so they go to 2013/17 Members’ Allowance Scheme, once approved by the County Council in May 2013.
Protocol for KCC companies	Propose the creation of a hyperlink to this protocol.
IRP Annual	Propose an amendment to the hyperlink so it goes to the most recent IRP report, which will be considered by the County

Reports	Council in May 2013.
Vision for Kent 2011-21	Propose the creation of a hyperlink in the reference to this document in Principle 6 of the Code.
Kent Forum	Propose the creation of a hyperlink to the Kent Forum pages in the reference to this body in Principle 6 of the Code.

(4) Additionally it is proposed that minor typographical errors are corrected as follows:

- (a) In bullet point 6 of Principle Two: Making the Section 151 Officer responsible to the Council for ensuring that the Leader and Chief Officers negotiate their respective roles and that a shared understanding of roles and objectives is maintained.
- (b) In bullet point 7 of Principle Two: Making the Monitoring Officer responsible to the Council for ensuring that agreed procedures are followed, and for ensuring compliance with all applicable statutes and regulation.
- (c) In two places in Principle One “it’s “ be corrected to “its”.

6. Recommendation

The Governance and Audit Committee is asked to:

- i. Note the annual review of the Code of Corporate Governance in accordance with paragraph 6 of the Code of Corporate Governance.
- ii. Endorse the proposed amendment to paragraph 6 of the Code of Corporate Governance to read “the Council’s governance arrangements are reviewed annually. If there are any amendments recommended as a result of this review, these will reported to the Governance and Audit Committee and the County Council for approval” and
- iii. Endorse the proposed amendments to the Code of Corporate Governance set out in paragraphs 2(3) and 2(4) for submission to the County Council for consideration and final approval.

Background Documents:

None

Contact Officer:

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By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 11 April 2013
Subject: **Terms of Reference for Governance and Audit Committee Trading Activities Sub Group**
Classification: Unrestricted

Summary: To report on a review of the existing Terms of Reference for the Governance and Audit Committee Trading Activities Sub Group.

FOR DECISION

Introduction

1. The original Terms of Reference for the Sub Group were approved by the Governance and Audit Committee in June 2009.
2. The Chairman of the Governance and Audit Committee requested that the Sub Group's activity should be fully reviewed to determine if amendments are required to the Terms of Reference to reflect the development of the role of the Sub Group since 2009 and the types of reports that have been presented since the group's commencement.

Work of the Sub Group

3. The Sub Group's main role is to provide oversight of Kent County Council's (KCC) companies and other trading vehicles to ensure these are run properly and transparently and that effective governance arrangements are in place to provide assurance on the operation of these entities to protect KCC's interests.
4. A more pro-active role was considered appropriate to provide scrutiny of these governance arrangements.

Proposed Terms of Reference

5. The proposed Terms of Reference for the Sub Group, based on the review, are attached at **Appendix 1**. The role of the Sub Group is described in terms of responsibilities required to deliver specific outcomes.
6. The proposed document has been structured along the lines of the Terms of Reference adopted for the Governance and Audit Committee in terms of overarching purpose, outcomes, responsibilities in relation to these outcomes, and administrative arrangements. The main changes can be summarised as follows:
 - Specific reference to effective governance arrangements in the overriding purpose;

- The additional objective for safeguarding KCC's interests and the requirement to report matters that the sub group considers to be of concern to the Governance and Audit Committee;
- A reference to public accountability to Kent residents and businesses; and
- A change in emphasis for overseeing the establishment of new limited companies, subsidiary companies and other trading vehicles to examine compliance with the decision making process rather than the detail of business cases. This would include making governance related recommendations where appropriate.
- An increase in membership from three to at least five members, in order to improve the strength, depth and range of views necessary to perform the sub-committee's role.

Recommendations

7. Members are asked to approve the proposed revised Terms of Reference at Appendix 1 for the Governance and Audit Committee Trading Activities Sub Group.

Appendices

Appendix 1. Revised Terms of Reference

Neeta Major

Interim Head of Internal Audit

Ext. 4664

Governance and Audit Committee Trading Activities Sub Group

Terms of Reference

The Governance and Audit Committee established this sub group in September 2008 to specifically focus upon Kent County Council's (KCC) Trading Activities.

Overarching Purpose

The purpose of the Governance and Audit Committee Trading Activities Sub Group is to:

1. Ensure that there are effective governance arrangements in place for Kent County Council's limited companies and trading vehicles (as defined in the Protocol relating to companies in which KCC has an interest); and
2. Provide oversight of KCC's companies and other trading vehicles to ensure that these are run properly and transparently.

Objectives of the Sub Group

On behalf of the Governance and Audit Committee, the Trading Activities Sub Group will ensure the following outcomes:

1. Companies and other trading vehicles established by the Council have robust, transparent and fully accountable audit and governance arrangements in place and comply with the protocol relating to companies in which KCC has an interest;
2. The best interests of the Council are safeguarded within the governance and management structures of companies and other trading vehicles established by the Council;
3. Public accountability to residents and businesses in Kent is maintained as openly as possible (subject to commercial confidentiality) in the exercise of the sub group's function for oversight and performance management of companies and trading activities established by the Council;
4. Matters that the sub group considers to be of concern relating to the companies and other trading vehicles established by the Council that would affect the interests of the Council, are referred to the Governance and Audit Committee for their consideration; and
5. The Council has visibility of and can protect its interests in arrangements entered into by the Council's companies and other trading vehicles where these have the potential to affect the risk profile or financial affairs of the Council.

Responsibilities

1. Monitor and review the financial performance, reporting and governance arrangements of all companies and other trading vehicles owned in whole or in part or controlled by KCC;
2. Monitor and review adherence to the appropriate legal, regulatory and accounting frameworks governing local authority trading activities.
3. Monitor and review trading and commercial activities being undertaken by the Council to ensure that they have the right structure;
4. Receive and review the annual statutory financial accounts of any KCC limited companies and financial statements for other trading vehicles and to consider corrective action where appropriate;
5. Review the dividend policies adopted by KCC companies; and
6. Oversee the establishment of new limited companies, subsidiary companies and other trading vehicles through an examination of the decision making process followed (business case, financial and legal advice) before the company commences trading and make governance related recommendations to the Governance and Audit Committee and responsible Cabinet Member where appropriate.

Membership

At least five members appointed by the Governance and Audit Committee.

Reporting

The minutes of the Governance and Audit Committee Trading Activities Sub Group will be reported to the Governance and Audit Committee after each meeting.

Frequency

Bi-annually

By: Neeta Major, Interim Head of Internal Audit
 To: Governance and Audit Committee – 11 April 2013
 Subject: **Internal Audit Annual Audit Plan 2013 – 2014**
 Classification: Unrestricted

Summary: This report details the Internal Audit Annual Audit Plan for 2013-14.

FOR DECISION

Introduction

1. This report sets out the Internal Audit Annual Audit Plan for 2013/14 detailing a breakdown of audits and an analysis of available days. The Audit Plan is a requirement of the Public Sector Internal Audit Standards (2013) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and other relevant Internal Audit Standard Setters.
2. The Audit Plan sets out the contribution that Internal Audit makes to the Council and includes sections on:
 - Internal Audit objectives and outcomes
 - Annual opinion to support the Annual Governance Statement
 - Addressing Local and National Risks
 - How the service is provided
 - Resources and skills required
3. The annual internal audit plan which supports the strategy has three main components:

The main audit programme – including core assurance (authority wide), financial assurance, risk based assurance, IT assurance and contract compliance reviews.

Fraud work – including pro active fraud work, fraud awareness and reactive work (i.e. investigations of potential irregularities).

Other productive work – such as advice and information, general liaison and following up the implementation of recommendations made.

Development of Audit Plan

4. The annual audit plan for 2013-14 was developed through a risk based planning process that incorporated the following elements:
 - work to provide assurance to the Corporate Director of Finance and Procurement that controls are in place and are operating effectively for key financial systems;

- work to evaluate the Corporate Governance Framework which contributes to the Head of Internal Audit's overall assurance on corporate governance arrangements in the Council which in turn informs the Annual Governance Statement;
 - work to provide assurance that ongoing contract management controls are robust;
 - work to provide assurance over areas identified as priority or high risk based on audit cumulative knowledge and experience, the corporate risk register and directorate interviews;
 - management requests – for assurance over new and developing systems and processes.
5. The draft annual audit plan has been discussed and agreed with Directorates through meetings with senior Managers, Corporate Directors, Portfolio Holders and will be presented to CMT in April 2013.
 6. In March 2012 the specialist IT audit contract was retendered and Deloitte LLP were awarded the contract. The IT audit plan is shown as a separate section of the audit plan and is based on:
 - an IT risk assessment
 - discussions with directorates
 - a review of previous audit reports and assurance opinions provided.

Resources

7. The plan is resourced by a mixture of 2864 days from the Internal Audit in house team and an additional 200 days of ICT audit work provided by Deloitte LLP.

Additional Assurance – Schools compliance

8. In many County Councils schools' compliance services fall within the programme of Internal Audit. Members of the Committee should be aware that for 2013/2014 this assurance will continue to be provided or commissioned by a compliance unit within the Schools Financial Services team. This team carry out compliance visits to schools which cover a number of areas including finance, Health and Safety and pre employment checks. For 2012-13, the Service has commissioned Deloitte to undertake more detailed internal audits at a number of schools in order to meet the certification requirements of the Schools Financial Value Standard. This increased level of audit coverage will continue into 2013-14.
9. For the year ended 31 March 2013, 10 compliance visits and 46 audits have been completed.

Recommendation

10. Members are asked to agree the proposed Internal Audit Annual Plan for 2013/14 attached to this report.

Appendices

Appendix 1 Proposed Internal Audit Plan 2013-14

Neeta Major
Interim Head of Internal Audit
Ext : 4644

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Kent County Council

Internal Audit

Annual Audit Plan April 2013 – March 2014

Internal Audit Plan

Introduction

1. The newly introduced Public Sector Internal Audit Standards (2013)¹ requires the Head of Internal Audit to produce a risk based audit plan taking into account the requirement to produce an annual Internal Audit opinion and the assurance framework. The Standards required that the plan should link into a:

“strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.”

2. For the purpose of this risk based plan, the Charter is included with the Internal Audit Manual, and has been approved by the Governance and Audit Committee.
3. The Audit Manual sets out the overall objective of Internal Audit as *“supporting service delivery by providing an independent and objective evaluation of our clients’ ability to accomplish their business objectives and manage their risks”*.

Annual Opinion to support the Annual Governance Statement

4. The Head of Audit will provide the Governance & Audit Committee with an opinion on the overall adequacy and effectiveness of the Council’s risk management, internal Control and governance processes, collectively referred to as “the system of internal control”. The work undertaken will be as shown in the table:

Opinion area	Internal Audit work to support opinion
Governance processes	Annual assessment of Council’s governance arrangements against principles described in the CIPFA Governance Framework (Delivering Good Governance in Local Government, 2012). Annual review of directorates’ governance statements to ensure that issues identified by directorates have appropriate action plans in place and are being implemented.
Risk Management	Annual review of Council’s risk management arrangements, including risk management guidance, risk registers, risk reports and minutes of meetings for key decisions.
Internal Controls	Annual risk-based programme of work undertaken to provide assurance to management and the Council on the operation of the internal control environment. Audits provide recommendations that will, if implemented, further enhance the environment and the operation of the controls in practice. The implementation of these recommendations will also be monitored.

5. In addition, Internal Audit’s work will be informed by fraud investigations and fraud risk management work. For 2013/14, the audit plan includes a continuing emphasis on counter-fraud work following the Council’s adoption of a revised Anti

¹ RIASS - Relevant Internal Audit Standard Setters (CIPFA/DoH/FDPN/HMT/IIA)

Fraud and Corruption Strategy in March 2011, reaffirming its zero tolerance approach to fraud and corruption.

6. 2012/13 was a year of significant change for the Council, including the restructure and centralisation of support services and continued unprecedented savings requirements due to further reductions to the budget. This level of change, including saving and efficiency requirements, will continue into 2013/2014 and therefore the Internal Audit plan has been developed to take account of these ongoing changes. As well as the work on governance and risk management, we will assess the adequacy of the core aspects of internal control, including the key authority-wide financial systems, IT systems and contract compliance. This work will be supplemented by audits and reviews commissioned in response to priority issues and risks that are identified by senior officers and for which assurance is required. Due to the continuing changes, we have also retained a contingency of our available audit days to be used to provide work in areas which emerge as the year progresses including an advisory role for new and/or developing systems and processes as appropriate.

Addressing Local and National Risks

7. As set out above, the adequacy and outcomes of the Council's risk management framework will be assessed annually. This work is supplemented by discussions throughout the year with senior officers who identify emerging or urgent issues and risks that will require audit attention. Depending on the timing of when these are identified they are either included in the annual plan, or added during the year.

How the service will be provided

8. Currently Internal Audit provision is delivered by a mixture of in house provision supplemented by specialist IT audit and general assurance work from an outside provider. In April 2012, a tendering exercise was undertaken and a contract was awarded covering IT audit commencing in April 2012. In addition Internal Audit currently provides audit and assurance services to Kent Fire & Rescue and Parish councils. Resources are reviewed annually to ensure the current mix represents the most efficient and effective way to provide high quality and professional assurance at a time of reduced financial resources.
9. Evidence to support this will continue to be provided from a variety of sources, including internal KPIs, external benchmarking comparisons, quality reviews, satisfaction surveys from clients and feedback from the external auditors.
10. The Internal Audit service will actively seek opportunities for more effective and efficient ways of working with local partners in the public sector, particularly if this avoids duplication and minimises overall costs.
11. Liaison with the County Council's external auditors will continue, to ensure that they can place reliance on the work of Internal Audit as appropriate meaning that overall assurance work for the Council is delivered as efficiently, effectively and economically as possible.

Resources and skills required

12. In order to deliver the agreed annual audit plans, the appropriate level of resources will be made available to the audit team, to include the required mix of skills and

- specialisms. This will include general audit skills in respect of reviews of internal control, risk and governance arrangements, and appropriate coverage in specialist areas such as computer and contract audit and the investigation of frauds and irregularities. For 2013/14 the internal audit team will continue to perform detailed compliance reviews of contracts, an area that was introduced in 2012/13.
13. Where audits require access to specialist expertise and knowledge that is not available within the audit team, advice and input will be sought from the wide range of specialists and experts drawn from within the County Council and from outside sources.
 14. In 2012/2013 following the Finance restructure a compliance team of 3 FTEs was located in Internal Audit to review financial controls throughout the authority. This team is now fully integrated and the additional days will continue to be used to provide a comprehensive compliance programme of financial controls at the Councils diverse range of establishments (Children's' Centres, Day care, Residential care, Pupil Referral Units, outdoor education centres etc) as well as local budget management financial controls.
 15. A programme of training will be provided to team members to meet training needs identified through the performance appraisal process and feedback from quality reviews etc. This will ensure that team members are able to deliver a professional service in line with current best practice.
 16. For 2013/2014, with the setting up of two new Commercial Services companies (Commercial Services (Kent) Limited and Commercial Services Trading Limited), it has been agreed that the dedicated internal audit resource that was appointed by Kent Commercial Services will provide assurance to the Boards of those companies. That resource has recently been increased and there will be a team of three auditors providing the Commercial Services (CS) in-house internal audit service.
 17. Based on this arms length arrangement, we will determine whether we can rely on the assurance provided by the CS Internal Audit function by undertaking an annual review of its effectiveness (using the same standards applied by external audit when determining whether they can rely on the work of Internal Audit). In addition the Head of CS Internal Audit will be required to provide an annual opinion on the adequacy and effectiveness of controls in CS to the Council's Head of Internal Audit which will be reported as part of Internal Audit's annual report to G&A in July. If for any reason the KCC Head of Internal Audit believes that the programme does not provide the necessary assurance required by KCC as the shareholder of these companies, we will use contingency time to provide additional assurance and report this to G&A through the quarterly progress reports.
 18. For 2013/2014, the Commercial Services proposed Internal Audit programme has been reviewed and is considered to provide an adequate breadth of scope on which to place reliance. This is a very new approach and will be reviewed carefully to determine how it is succeeding. Revisions in approach will be made as necessary.
 19. In addition to the above, we will provide assurance that KCC as shareholder is exerting proper control over its subsidiaries.
- Following up the implementation of agreed recommendations***
20. At the end of the fieldwork for each audit, a draft report is produced which will include recommendations (when relevant) where improvements in the design or application of controls are required. Each audit is given an assurance - full, substantial, adequate, limited or none. A priority rating will be applied to each recommendation - high, medium or low. For high priority recommendations, immediate management action is required and we will follow up all high priority

recommendations. For medium priority recommendations we will seek assurance from the accountable manager that the required action has been implemented and may follow up a sample. We will not actively follow up low priority recommendations. Where agreed recommendations with a high priority rating have not been implemented in the agreed timescale, the accountable manager will be required to explain the reason to the Governance and Audit Committee.

21. Within the proposed plan below each audit has referenced against the responsible Corporate Director as well as the relevant lead officer(s).

DRAFT

1. Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
CA01 2014	Corporate Governance	General audit	20	A review of the Council's Corporate Governance Framework to support the Annual Governance Statement.	David Cockburn <i>Corporate Director of Business Strategy and Support</i> Geoff Wild <i>Director of Governance and Law</i>	Quarter 3
CA02 2014	Annual Governance Statement	General audit	15	A review of directorates' governance returns to support the Annual Governance statement.	Authority Wide Geoff Wild <i>Director of Governance and Law</i>	Quarter 1
CA03 2014	Schemes of Delegation	General audit	20	To provide assurance that controls are in place to ensure decisions are made in line with the Council's Executive Scheme of Delegation and that sub delegations (within local schemes) are properly formulated, documented and complied with.	Authority Wide Geoff Wild <i>Director of Governance & Law</i>	Quarter 1
CA04 2014	Risk Management	General audit	20	A review of the Council's risk management arrangements to support the Annual Governance Statement..	Authority Wide Richard Hallett/Mark Scrivener <i>Head of Business Intelligence, Performance and Risk / Corporate Risk Manager</i>	Quarter 4

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
CA05 2014	Business continuity and resilience planning	General audit	15	To provide assurance that continuity and resilience plans are adequate and effective to ensure that Council can continue to delivery priorities in the event of disruption.	Authority Wide Steve Terry Head of Emergency Planning	Quarter 2
CA06 2014	Performance Management Framework including data quality	General audit	30	A review of the adequacy and effectiveness of the Council's performance management framework and reporting to support improved service delivery. This will include a review of data quality to ensure performance reporting is based on robust information allowing informed decision making.	Authority Wide Richard Hallett Head of Business Intelligence, Performance and Risk	Quarter 4
CA07 2014	Information Governance	General audit	15	To provide assurance on compliance with information governance standards on a cyclical basis excluding records management requirements.	Authority Wide Geoff Wild Director of Governance and Law	Quarter 3
CA08 2014	Records management	General audit	20	To provide assurance on compliance with organisational and statutory requirements.	Authority Wide Geoff Wild/ Elizabeth Barber Director of Governance and Law/ Records Manager	Quarter TBC
CA09 2014	Procurement	General audit	20	Cyclical review of the central Strategic Sourcing and Procurement function, including assurance on procurement processes and the development and implementation of planned actions/VfM objectives.	Andy Wood Corporate Director of Finance & Procurement Henry Swan Head of Strategic Sourcing and Procurement	Q3

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
CA10 2014	Business Planning	General audit	20	To provide assurance on the implementation of the new business planning framework by directorates. This will include an assessment of integration of business planning with performance management, risk management and financial management processes.	Authority Wide David Whittle Head of Policy and Strategic Relationships	Q1
CA11 2014	Recruitment and selection	General audit	20	To provide assurance on the controls over new appointments including disclosure and barring service checks where appropriate.	Authority wide Amanda Beer Corporate Director of Human Resources	Quarter TBC/ (Q2)
CA12 2014	Appraisal process	General audit	20	To provide assurance that the appraisal process is being used effectively to assess and manage performance.	Authority Wide Amanda Beer Corporate Director of Human Resources	Quarter TBC (Q3)
CA13 2014	Workforce planning	General audit	20	Cyclical assurance of the key areas in KCC's Organisational Development and People Plan.	Authority Wide Amanda Beer Corporate Director of Human Resources	Quarter 3
CA14 2014	Completeness of contracts	Contract compliance	30	A review of supplier spend which totals more than £50k to provide assurance that proper contract governance is in place including inclusion in contract register, proper documentation, tender process and compliance with legislation.	Authority Wide James Piggott Group Leader – Governance & Law	Quarter 1
CA15 2014	Contract compliance (below £50k)	Contract compliance	40	A review of supplier spend between £8k and £50k to provide assurance that proper procurement processes have been complied with.	Authority Wide Andy Wood/James Piggott Corporate Director of Finance & Procurement Group Leader – Governance & Law	Quarter 1-2

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
CA16 2014	Company governance	General audit	50	Cyclical assurance on a sample of companies to ensure compliance with KCC protocol for companies in which KCC has an interest. This will include Commercial Services (Kent) Limited and Commercial Services Trading Limited.	Authority wide Andy Wood/Geoff Wild <i>Corporate Director of Finance & Procurement/ Director of Governance & Law</i>	Quarter 1-2
	Total days		375			

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2. Core Financial assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead Officer	Timing
CS01 2014	General Ledger	IT application audit	Section 4	A review of IT processing controls over the Oracle application GL module.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Emma Feakins/Linda Harris <i>Chief Accountant/ICT Applications Team Manager</i>	Quarter 3
CS02 2014	Accounts Payable	General audit	20	A key financial systems audit review of the accounts payable system. This will include follow up of 12/13 recommendations.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Bradley <i>Payments Manager</i>	Quarter 2/3
CS03 2014	Accounts Receivable	IT application audit	Section 4	A review of IT processing controls over the Oracle AR module.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery/ Linda Harris <i>Assessment & Income Manager/ICT Applications Team Manager</i>	Quarter 3
CS04 2014	Debt recovery	General audit	20	A review of the controls over debt recovery and monitoring and reporting of aged debt.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery <i>Assessment & Income Manager</i>	Quarter TBC

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead Officer	Timing
CS05 2014	iProcurement	General audit	20	A review of the i-Proc system including controls over ordering and payments.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Kim Howard <i>P2P Manager</i>	Quarter 3
CS06 2014	Cash and Bank (including reconciliations)	General audit	20	A review of key financial controls over cashiers functions and bank reconciliations.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery/Emma Feakins <i>Assessment & Income Manager/Chief Accountant</i>	Quarter 4
CS07 2014	Treasury Management	General audit	5	Annual review of the key financial controls including controls to ensure that investments and borrowing are in accordance with agreed policy and are appropriately authorised and monitored.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Alison Mings <i>Treasury and Investments Manager</i>	Quarter 4
CS08 2014	Pension contributions	General audit	5	Annual review of key financial controls over pension contributions to provide assurance on the accuracy of contributions in line with defined percentages including a review of key controls e.g. reconciliations undertaken.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Alison Mings <i>Treasury and Investments Manager</i>	Quarter 4
CS09 2014	Pensions investments income	General audit	5	Annual assurance that there are controls in place surrounding investments income within the Pension Fund.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Alison Mings <i>Treasury and Investments Manager</i>	Quarter 4

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead Officer	Timing
CS10 2014	Foster care payments	General audit	20	Assurance over key financial controls in place to ensure the accuracy, appropriateness and completeness of payments made.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Bradley <i>Payments Manager</i>	Quarter 2
CS11 2014	Social Care Client Billing	General audit	20	Assurance in relation to key financial controls over the billing of both residential and non residential service users.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery <i>Assessment and Income Manager</i>	Quarter 4
CS12 2014	Transaction Data matching	General audit	15	To provide assurance on key controls in relation to the system used in conjunction with Swift to make payments for Domiciliary care.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Bradley <i>Payments Manager</i>	Quarter 3
CS13 2014	Client Financial affairs/ CMS	General audit	20	To provide assurance on controls over management of finances for service users who are incapable of managing themselves e.g. payments for client care, personal property and benefits maximisation.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery <i>Assessment and Income Manager</i>	Quarter TBC
CS14 2014	Payroll Schools	General audit	20	To provide assurance on key financial controls in the payroll system including controls over starters, leavers, changes overpayments and the payrun.	Amanda Beer <i>Corporate Director of Human Resources</i> Jackie Turner- Robinson/Richard Vince <i>Head of HRBC/HRBC Development and Control Manager</i>	Quarter 1

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead Officer	Timing
CS15 2014	Payroll – leavers, starters and overpayments follow up	General audit	10	To provide follow up assurance on key financial controls in the payroll system provided for third parties including controls over starters, leavers, changes overpayments and the payrun on a cyclical basis.	Amanda Beer <i>Corporate Director of Human Resources</i> Jackie Turner- Robinson/Richard Vince <i>Head of HRBC/HRBC Development and Control Manager</i>	Quarter 3
CS16 2017	Oracle payroll	IT application review	Section 4	A review of IT processing controls over the Oracle application payroll module.	Amanda Beer <i>Corporate Director of Human Resources</i> Richard Vince/Linda Harris <i>HRBC Development and Control Manager /ICT Applications Team Manager</i>	Quarter TBC
CS17 2014	Schools Financial Services	General audit	20	Annual review to ensure the work undertaken by the School Financial Compliance Team is adequate and effective to support the Section 151 officer's certification for the Schools Financial Value Standard.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Yvonne King <i>Schools Financial Services Manager</i>	Quarter 3
CS18 2014	Revenue budget monitoring follow up review	General audit	7	A follow up of the recommendations from the 12-13 review of the central finance function's monitoring	Andy Wood <i>Corporate Director of Finance & Procurement</i> Simon Pleace <i>Revenue Finance Manager</i>	Quarter 4

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead Officer	Timing
CS19 2014	Corporate Purchase cards follow up review	General audit	7	A follow up of the 11-12 and 12-13 reviews to ensure that the recommendations in relation to the use of procurement cards have been implemented ensuring payments are appropriate and bona fide.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Bradley <i>Payments Manager</i>	Quarter 4
CS20 2014	Local Budgetary reviews	General audit	60	A cross directorate review to provide assurance that the reduction in financial support does not adversely impact on the financial control environment.	Authority Wide Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 1-4
CS21 2014	Compliance programme	General audit	180	<p>A risk based rolling programme of establishment reviews to incorporate both financial controls and care standards.</p> <p>Establishments will include but not be limited to, residential homes, respite units and day centres as well as Childrens' Centres, PRUs youth hubs, country parks and other remote sites.</p>	Authority Wide	Quarters 1- 4
CS22 2014	Half year journal and AP IDEA testing	General audit	30	To provide assurance over accuracy of journals and AP transactions using External Audit IDEA scripts to feed into the year end audit.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Emma Feakins/Deanna Bradley <i>Chief Accountant/Payments Manager</i>	Quarter 3
	Total days		504			

3. Risk / Priority Based

To provide assurance on areas identified as being high priority or exposed to greater risk

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
Business Strategy and Support						
RB01 2014	Broadband Delivery UK (BDUK)	General audit	15	To provide ongoing assurance on achievement of key stages as required by BDUK	<p>David Cockburn <i>Corporate Director of Business Strategy & Support</i></p> <p>Barbara Cooper <i>Director of Economic and Spatial Development</i></p>	Ongoing
RB02 2014	Regional Growth Fund (RGF) - Expansion East Kent and Thames Gateway	General audit	20	Assurance on the governance and controls in relation to loans and grants from Regional Growth Funding.	<p>David Cockburn <i>Corporate Director of Business Strategy & Support</i></p> <p>Barbara Cooper <i>Director of Economic and Spatial Development</i></p>	Quarter 3
RB03 2014	Property – statutory compliance	General audit	20	To provide assurance on compliance with relevant legislation, including review of the Property compliance function	<p>David Cockburn <i>Corporate Director of Business Strategy and Support</i></p> <p>Rebecca Spore <i>Director of Property & Infrastructure Support</i></p>	Quarter 2
RB04 2014	Enterprise replacement – watching brief	General audit	N/A	Watching brief.	<p>David Cockburn <i>Corporate Director of Business Strategy and Support</i></p> <p>Rebecca Spore <i>Director of Property & Infrastructure Support</i></p>	Quarter 1 & 4

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
RB05 2014	Total Facilities Management	Contract compliance	20	To provide assurance on the procurement and decision making process and the adequacy of proposed contract management processes.	David Cockburn <i>Corporate Director of Business Strategy and Support</i> Rebecca Spore <i>Director of Property & Infrastructure Support</i>	Quarter TBC
Public Health						
RB06 2014	Public Health outcomes	General audit	15	<p>To provide assurance on a cyclical basis in relation to achievement of key public health outcomes.</p> <p>In 2013/14 this will focus on sexual health. In particular the audit will focus on data quality issues.</p>	Meradin Peachey <i>Director of Public Health</i>	Quarter TBC
RB07 2014	Public Health governance	General audit	20	To provide assurance on the robustness of governance arrangements for monitoring and reporting Public Health performance, to include a focus on the strategic Health and Wellbeing Board (HWB) and the development of local HWBs	Meradin Peachey <i>Director of Public Health</i>	Quarter TBC
RB08 2014	Public Health – operational arrangements	General audit	20	To provide assurance on the robustness of the new infrastructure and relevant processes to meet statutory requirements	Meradin Peachey <i>Director of Public Health</i>	Quarter TBC

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
Families and Social Care						
RB09 2014	SWIFT application	ICT application	See Section 4	A review of IT processing controls over the Oracle application module.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Anne Tidmarsh/ Penny Southern/Linda Harris <i>Directors of OPPD and LDMH /ICT Applications Manager</i>	Quarter TBC
RB10 2014	Good Day Programme (GDP)	General audit	30	Post-implementation review of the GDP to provide assurance on achievement of objectives.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>	Quarter 2
RB11 2014	Supervisions	General audit	25	To provide assurance that an appropriate level of supervisions are undertaken and that these meet statutory and KCC policy requirements.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>	Quarter TBC
RB12 2014	Enablement Service	General audit	25	To provide assurance that KCC's Enablement Policy and Practice Guidance is effectively utilised to facilitate independence and thereby supports reduction or elimination of the need for further intervention.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>	Quarter TBC
RB13 2014	Direct payments follow up	General audit	15	Follow-up of previous audit recommendation to provide assurance on	Andrew Ireland <i>Corporate Director of Families and</i>	Quarter 1

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
				implementation together with ongoing advice in relation to the current service review.	<i>Social Care</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>	
RB14 2014	Unaccompanied Asylum Seeking Minors (UASM) budget	General audit	25	Review of UASC to provide assurance that budget is being properly monitored and controlled and pressures reported are fairly represented.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Raj Bharkhada <i>Interim Assistant Director West Kent</i>	Quarter 1
RB15 2014	Children's services improvement programme – key stages (including case file audit follow up)	General audit.	25	To review the implementation of a sample of key recommendations made by Ofsted following their 2012 review of Children's services and provide assurance on completion of required actions. This will include a follow up of the implementation of the recommendations from the case file audit undertaken in 12-13.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Mark Gurrey <i>Assistant Director Safeguarding and Quality Assurance</i>	Quarter 1-2
RB16 2014	Section 17 payments	Counter-Fraud	See Section 5	To provide assurance on the appropriateness of s17 payments through review of a sample of decisions made, analytical review of overall spend and testing of a sample of payments.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Lead officer TBC	Quarter 3
RB17 2014	ICS/Protocol	IT application	See Section 4	Watching brief on implementation via attendance at Project Board and provision of ongoing advice.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Mairead MacNeil/Linda Longley <i>Director of Specialist Children's Services/ICS Programme Manager</i>	Ongoing
RB18 2014	Strategic commissioning operational frameworks	General audit	20	Review of implementation and compliance with the new commissioning operational	Andrew Ireland <i>Corporate Director of Families and</i>	Quarter 2

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
				framework.	<i>Social Care</i> Mark Lobban <i>Director of Strategic Commissioning</i>	
RB19 2014	Strategic commissioning quality assurance framework	Watching brief	N/A	Ongoing advice in relation to development of a QA Framework for residential care	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Mark Lobban <i>Director of Strategic Commissioning</i>	Ongoing
RB20 2014	Contract letting and compliance	Contract compliance	60	Review of a sample of contracts across the Directorate to ensure proper procurement, and authority exists for contracts and that sound contract management practices exist and are effective.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Mark Lobban <i>Director of Strategic Commissioning</i>	Quarter TBC
RB21 2014	Adult social care transformation programme (ASCTP)	General audit	30	Continued ongoing review to provide assurance on the achievement of key stages within the ASCTP.	Andrew Ireland <i>Corporate Director of Families and Social Care</i> Mark Lobban <i>Director of Strategic Commissioning</i>	Quarter 2
Education, Learning and Skills						
RB22 2014	Schools deficit budgets	Counter fraud	See Section 5	A review of the robustness of controls in relation to schools' budget deficits to provide assurance that supporting evidence is sufficient to mitigate the risk of fraud as a cause of overspend.	Patrick Leeson <i>Corporate Director of Education, Learning and Skills</i> Keith Abbott <i>Director of Resources</i>	Quarter 2
RB23 2014	Early Years	General audit	30	Review of Early Years Provision to provide assurance on provider compliance with KCC and legislative requirements	Patrick Leeson <i>Corporate Director of Education, Learning and Skills</i> <i>Sue Rogers</i> <i>Director Education, Quality and Standards</i>	Quarter 2

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
RB24 2014	Conversion to Academies	General audit	30	To provide assurance that processes ensure achievement of all requirements for safe and complete handover of schools	Patrick Leeson <i>Corporate Director of Education, Learning and Skills</i> Keith Abbott <i>Director School Resources</i>	Quarter 3
RB25 2014	Edukent	General audit	25	To provide assurance on controls in relation to governance and services provided. In particular the review will focus on income and debt recovery.	Patrick Leeson <i>Corporate Director of Education, Learning and Skills</i> Keith Abbott/Nick Jordan <i>Director School Resources/Edukent Manager</i>	Quarter 2
RB26 2014	Joint Commissioning of adolescent services (KIAS)	General audit	20	To provide assurance on the ongoing development of commissioning of integrated adolescent services.	Patrick Leeson/Amanda Honey/Andrew Ireland <i>Corporate Directors of ELS/C&C/FSC</i> Sharon Dodd <i>ELS Strategic Management</i>	Quarter TBC
RB27 2014	Schools themed review - Procurement	General	30	Review of a sample of schools' procurement processes and decisions to provide assurance on compliance with KCC policy and legislative requirements	Patrick Leeson <i>Director of Education, Learning and Skills</i> Keith Abbott <i>Director School Resources</i>	Quarter 1
RB28 2014	ELS Capital projects – cost overruns	Contract compliance	30	Review of a sample of capital projects to provide assurance on controls to ensure robust control and monitoring of costs and achievement of VFM.	David Cockburn/Patrick Leeson <i>Corporate Directors Business Strategy and Support / Education, Learning and Skills</i> Rebecca Spore <i>Director of Property & Infrastructure Support</i>	Quarter TBC

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
Customer and Communities						
RB29 2014	Community Learning Services	General audit	30	To provide assurance over key financial controls over income collection and allocation, expenditure, banking and government returns.	Amanda Honey <i>Corporate Director Customer and Communities</i> Ian Forward <i>Head of Community Learning Services</i>	Quarter 1
RB30 2014	Locality Boards	General audit	20	To provide assurance on the adequacy and effectiveness of governance arrangements in relation to Locality Boards.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Angela Slaven <i>Director of Service Improvement</i>	Quarter TBC
RB31 2014	Complaints, Comments and Compliments	General audit	20	A review to provide assurance that complaints, comments and compliments are recorded, reported and responded to appropriately, with lessons learnt used to improve services through demonstrable outcomes.	Authority Wide/Amanda Honey <i>Corporate Director of Customer & Communities</i> Des Crilley <i>Director of Customer Services</i>	Quarter 1
RB32 2014	Troubled Families	General audit	20	Review of KCC's submission in relation to Payment by Results to provide assurance on amounts claimed as required by the Department of Communities and Local Government	Amanda Honey <i>Corporate Director of Customer & Communities</i> Angela Slaven <i>Director of Service Improvement</i>	Quarter 4
RB33 2014	Member grants	Counter fraud	See section 5	Using data analytics and sample testing to review a significant sample of grant applications and supporting evidence to provide assurance that payments are bona fide.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Matt Burrows <i>Director of Communications and Engagement</i>	Quarter 1
RB34 2014	Integrated Youth Services	General audit	20	To provide assurance on the Integrated Youth Service through targeted review of key areas. In particular this review will focus on detached workers and Youth Opportunity Funding.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Angela Slaven <i>Director of Service Improvement</i>	Quarter TBC

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
RB35 2014	Culture and Sport	Counter fraud	See section 5	A review of the level of fraud risk in relation to the use and provision of funding and service delivery.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Chris Hespe <i>Head of Culture & Sport Group</i>	Quarter TBC
RB36 2014	Communications	General audit	20	Following the 2011/12 review of Communications this review will provide assurance on progress to implement the revised communications strategy.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Matt Burrows <i>Director of Communications and Engagement</i>	Quarter 2
RB37 2014	CRM	IT application	Section 4	Watching brief on implementation via attendance and Project Board and provision of ongoing advice.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Des Crilley <i>Director of Customer Services</i>	Ongoing
RB38 2014	Kent Support and Assistance Service	Counter fraud	See section 5	To provide assurance that adequate, robust controls exist and operate to ensure appropriate, bona fide payments.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Angela Slaven/Des Crilley <i>Director of Service Improvement/Director of Customer Services</i>	Quarters 1 & 3
RB39 2014	Grant donation funding (Big Society & Turner)	General audit	20	Review to provide assurance on governance arrangements and financial controls relating to grant funding/donations.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Angela Slaven/ Chris Hespe <i>Director of Service Improvement/ Head of Culture & Sport Group</i>	Quarter TBC

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
RB40 2014	Health Watch	Contract compliance	20	To provide assurance on the procurement and decision making process and the adequacy of proposed contract management processes.	Amanda Honey <i>Corporate Director of Customer & Communities</i> Matt Burrows <i>Director of Communications and Engagement</i>	Quarter 2
Enterprise and Environment						
RB41 2014	Highways – Customer claims handling	General Audit	20	To provide assurance on the adequacy and effectiveness of controls to handle customer complaints in order to meet objectives.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> John Burr <i>Director of Highways</i>	Quarter 1
RB42 2014	Coastal protection loans	General Audit	20	TBC	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Paul Crick <i>Director of Planning & Environment</i>	Quarter 3
RB43 2014	Members Highways Fund	Counter Fraud	See Section 5	Using data analytics and sample testing to review a significant sample of Members Highways grant awards and supporting evidence to provide assurance that payments are bona fide and in accordance with the scheme requirements.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> John Burr <i>Director of Highways</i>	Quarter 4
RB44 2014	Haulage and transfer stations	Contract compliance	20	Contract management review to ensure that sound contract management practices exist and are effective in ensuring proper monitoring of relevant contracts and achievement of objectives.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Roger Wilkin <i>Head of Waste Services</i>	Quarter 4
RB45 2014	Waste – contract management process	Contract compliance	30	Contract management review to ensure that sound contract management practices exist over all contracts and are effective in ensuring proper monitoring of relevant contracts and achievement of objectives.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Roger Wilkin <i>Head of Waste Services</i>	Quarter 1

Ref.	Audit	Delivery team	Days	Audit Details		
				Rationale	Corporate Director & Lead officer	Timing
RB46 2014	Transport contracts – cyclical review	Contract compliance	20	A cyclical review of a sample of bus contracts to ensure sound contract management practices exist.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Stephen Pay <i>Transport Integration Manager</i>	Quarter 3
RB47 2014	Adverse weather, winter service delivery	Contract compliance	20	Contract management review to be performed alongside the 12/13 review of management of the Enterprise contract to provide assurance over contract management practices.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> John Burr <i>Director of Highways</i>	Quarter 1
RB48 2014	WAMS application	IT application	Section 4	A review of IT processing controls over the WAMS road and road management application.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> David Beaver/Linda Harris <i>Commercial Manager/ICT Applications Team</i>	Quarter 1
RB49 2014	BACS/CHAPS review – Commercial Services	General Audit	20	To provide assurance over key controls in relation to BACS and CHAPS payments made by the two Commercial Services companies.	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Anna Simmonds <i>Head of Internal Audit Commercial Services</i>	Quarter TBC
RB50	Carbon Reduction Commitment	General Audit	10	Annual requirement to audit the process for, and evidence to support, KCC's submission on carbon reduction	Mike Austerberry <i>Corporate Director of Enterprise & Environment</i> Anna Simmonds <i>Head of Internal Audit Commercial Services</i>	Quarter 3
	Total – Risk Based /Priority Audits		880			

4. ICT audit

To provide assurance that risks in relation to ICT are being managed appropriately

Ref.	Audit	Days	Audit Details		
			Rationale	Director & Lead Officer	Timing
ICT01 2014	Website	11	To evaluate the adequacy of the current arrangements the Council has in place over its Website.	Peter Bole <i>Director ICT</i> Matt Burrows <i>Director of Communications and Engagement</i>	TBC
ICT02 2014	E-payments	11	To evaluate the management control framework established and applied to help mitigate the risk of failing to meet information governance standards and statutory requirements in the processing of e-payment transactions.	Peter Bole <i>Director ICT</i>	TBC
ICT03 2014	Laptops, notebooks, PCS	10	To evaluate the adequacy of the current arrangements the Council has in place over the use and security of Laptop, Notebook and PC assets.	Peter Bole <i>Director ICT</i>	TBC
ICT04 2014	User remote access	15	To evaluate the adequacy of the current arrangements the Council has in place over Remote Access to the network and application	Peter Bole <i>Director ICT</i>	TBC
ICT05 2014	ICT governance	15	To evaluate the adequacy of the current arrangements the Council has in place for the governance of IT.	Peter Bole <i>Director ICT</i>	TBC
ICT06 2014	User IT literacy	20	The audit will evaluate the adequacy of the current arrangements the Council has in place over User IT Literacy.	Authority Wide Peter Bole <i>Director ICT</i>	TBC

Ref.	Audit	Days	Audit Details		
			Rationale	Director & Lead Officer	Timing
ICT07 2014	User equipment asset management	10	To assess the effectiveness of the controls applied to IT asset management and hardware specific elements of the IT service management and delivery framework.	Peter Bole <i>Director ICT</i>	Quarter 1
ICT08 2014	Oracle General ledger – application	12	To evaluate the adequacy and effectiveness of the current arrangements the Council has in place over a selection of applications. This will cover the following areas: 1. Management roles and responsibilities	Peter Bole <i>Director ICT</i> Emma Feakins/Linda Harris <i>Chief Accountant/ICT Applications Team</i>	TBC
ICT09 2014	Oracle Accounts Receivable – application	12	2. Security administration 3. Data input controls 4. Data processing 5. System interfaces	Peter Bole <i>Director ICT</i> Michelle Vickery/Linda Harris <i>Assessment & Income Manager/ICT Applications Manager</i>	TBC
ICT10 2014	Oracle payroll – application	12	6. Management monitoring reports 7. Audit trails 8. System maintenance 9. Data backup and recovery	Peter Bole <i>Director ICT</i> Jackie Turner-Robinson/Linda Harris <i>Head of HRBC/ICT Applications Manager</i>	TBC
ICT11 2014	SWIFT – application	12		Peter Bole <i>Director ICT</i> Penny Southern and Anne Tidmarsh/Linda Harris <i>Directors of LDMH&OPPD/ICT Applications Manager</i>	TBC

Ref.	Audit	Days	Audit Details			
			Rationale	Director & Lead Officer	Timing	
ICT12 2014	WAMS - application	12		Peter Bole <i>Director ICT</i> David Beaver/Linda Harris <i>Commercial Manager/ICT Applications Manager</i>	Quarter 1	
ICT 13 2014	ICS – application watching brief	12		Peter Bole <i>Director ICT</i> Mairead MacNeil/Linda Longley <i>Director of Specialist Children's Services/ICS Programme Manager</i>	Quarter 1-4	
ICT14 2014	CRM – application watching brief	15		Peter Bole <i>Director ICT</i> Des Crilley <i>Director of Customer Services</i>	TBC	
ICT15 2014	Unified Comms pre implementation	12		Pre-Implementation audit: to provide assurance on Risk Management; Implementation Plan; Data conversion; Acceptance Testing; Interfaces; Security; Production Environment; Documentation; Go Live; and Implementation Plan.	Peter Bole <i>Director ICT</i> Lead officer TBC	TBC
ICT16 2014	Follow ups	9		To provide assurance that high and medium priority recommendations arising from ICT reviews have been implemented.	Peter Bole <i>Director ICT</i>	Quarters 1-4
	Total days	200				

5. Work to Prevent and Pursue Fraud and Corruption

To provide assurance that fraud risks are being adequately and effectively managed

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Corporate Director	Timing
Anti fraud work – to raise awareness						
CF01 2013	Fraud awareness training	To raise the level of fraud awareness and create a zero tolerance culture towards fraud and corruption (therefore deterring fraud before it is committed and encouraging staff to report their concerns).	50	A programme of fraud awareness training based on an authority wide training needs analysis targeting groups in high risk areas first eg, schools, procurement and social care. This will include an e-learning fraud awareness module (10 days), bespoke fraud awareness presentations (30 days), and a multi-media awareness campaign (10 days). The outcome of this work will be measured through fraud awareness surveys.	Authority wide	Quarters 1-4
Fraud prevention work – to remove weaknesses that could be exploited						
CF02 2014	Social Fund	To assess areas of potential fraud risk in order to make recommendations to remove weaknesses that could be exploited in order to commit fraud.	20	To provide assurance that adequate, robust controls exist and operate to ensure appropriate, bona fide payments.	Amanda Honey	Quarter 1 & 3
CF03 2014	Culture & Sports		20	A review of the level of fraud risk in relation to the use and provision of funding and service delivery.	Amanda Honey	Quarter TBC
CF04 2014	Schools deficit budgets		30	A review of the robustness of controls in relation to schools' budget deficits to provide assurance that supporting evidence is sufficient to mitigate the risk of fraud as a cause of overspend.	Patrick Leeson	Quarter 3

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Corporate Director	Timing
Detection work – to detect fraud in high risk areas or systems that may be vulnerable						
CF05 2014	National Fraud Initiative	To detect fraud in high risk areas or systems that may be vulnerable	35	Review transactions shown as matches by National Fraud Initiative and investigate and report as appropriate.	Authority wide	Quarter 1
CF06 2014	Member Grants		20	Using data analytics and sample testing to review a significant sample of grant applications and supporting evidence to provide assurance that payments are bona fide.	Amanda Honey/Matt Burrows	Quarter 1
CF07 2014	Member Highways Fund		20	Using data analytics and sample testing review a significant sample of grant applications and supporting evidence. Using data analytics and sample testing to review a significant sample of Members Highways grant awards and supporting evidence to provide assurance that payments are bona fide and in accordance with the scheme requirements.	Mike Austerberry/ John Burr	Quarter 4
CF08 2014	Section 17 payments		20	To provide assurance on the appropriateness of s17 payments through review of a sample of decisions made, analytical review of overall spend and testing of a sample of payments.	Andrew Ireland	Quarter TBC
Investigation, sanction and redress.						
XX 2014	Authority wide Investigations	To ensure allegations of fraud are properly investigated and appropriate sanctions applied.	235	Investigate suspected fraud in a timely, professional, and cost effective manner ensuring that all appropriate sanctions are applied and any losses are recovered.	Authority wide	As required
	Total Days		450			

7. Summary

Audit	2013/2014
	Days
Core Assurance	375
Core Financial Assurance	504
Risk/Priority Based	880
IT audit plan	200
Proactive and Reactive Counter fraud work	450
Follow up of audits with no/limited assurance and recommendations with high priority rating	80
Liaison, advice and information and support for system/service development	135
Potential emerging issues (contingency)	135
Parishes	40
KFRA	95
Grant claims	150
Other certifications	20
Total Days	3064

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By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 11 April 2013
Subject: **Internal Audit Progress Report**
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity since the December 2012 Governance and Audit Committee.

FOR ASSURANCE

Introduction

1. This report summarises:
 - the key findings from completed Internal Audit reviews;
 - progress against, and any amendments to, the 2012/13 Internal Audit Plan since the last report to the Governance and Audit Committee;
 - achievement against Internal Audit's Key Performance Indicators; and
 - organisational progress on implementation of agreed recommendations.

Overview of Progress

2. Appendix 1 details the outcome of Internal Audit work completed for the financial year to date. 44 assurance/advisory reviews have been finalised and 25 draft reports have been issued and are in the process of being finalised. Fieldwork is in progress for a further 11 audits.
3. Progress against the Audit Plan for 2012/13 is 85% complete at end of February 2013. This is compared to a prorated target of 82% (based on the annual target to achieve 90% of the Audit Plan). Progress against Plan has improved due to more targeted chasing of responses from auditees and a new protocol agreed by CMT to improve the process for finalising reports.
4. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2012/13 year are detailed within Appendix 1.

Follow up of agreed recommendations

5. Progress of Directorates in the implementation of agreed recommendations arising from our audit reports shows that of 131 recommendations due in the reporting period 53 are complete. Of the 78 outstanding recommendations, 28 are currently being followed up as part of 2012/13 work in progress, 18 will be followed up as part of planned 2013/14 audits and 32 have revised implementation dates. The majority of implementation date revisions relate to system enhancements or changes required that impact on the ability to deliver to original timescales; 7 of these are high priority. Delay in implementation has been reviewed and is not considered to represent a significant risk to the Council at this time.

Implications for Governance

6. Summaries of findings from completed work have been included within Appendix 1. Where audits completed in the year have identified areas for improvement management action has been agreed. All audits are allocated one of five assurance levels, for which definitions are included within the attached report.

Recommendation

7. Members are asked to note:
- progress against the 2012/13 Audit Plan and proposed amendments.
 - the assurances provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

Appendices

Appendix 1 Internal Audit Progress Report April 2013

Neeta Major
Interim Head of Internal Audit
Ext. 4664



Kent County Council

Internal Audit Progress Report April 2013

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1. Introduction

1.1 Purpose of this report

Internal Audit is an assurance function that provides an independent and objective opinion on the adequacy of the Council's control environment.

This report summarises the work that the Council's Internal Audit service has undertaken in 2012/13 to date. It also highlights any key issues with respect to internal control, risk and governance arising from that work.

1.2 Overview of work done

The Internal Audit Plan for 2012/13 includes a total of 64 projects at April 2013. We communicate closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

As a result of this liaison, changes to the Plan may be made during the year. Details of the changes to the Audit Plan are reported to the Governance and Audit Committee throughout the year.

The following additions/deletions are proposed:

Additions

Social Media – Work has now commenced on the ICT annual audit programme

BACS/Oracle Payments Application Review – As above

Deletions

Data Quality – Authority Wide - Shown as a separate piece of work on the original Plan, this will now be incorporated into the main Performance Management Framework audit.

Deferral

Communication Strategy – Due to work in progress to implement the revised business plan as well as the recent restructure this audit will now be undertaken in quarter one of 2013/14.

Schemes of Delegations – Implementation of directorate level sub-delegations has been delayed due to the current review of Financial Regulations therefore this audit will now be undertaken in quarter one of 2013/14.

The following work has been undertaken year to date:

- 44 final reports/assurance/advisory work completed
- 25 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 11 audits

Summaries of all final reports issued since the last Committee meeting can be found at Appendix A.

Overall progress on the 2012/13 Plan can be found at Appendix B.

1.3 Objectives

The majority of reviews internal audit undertake are designed to provide assurance to management on the operation of the Council's internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. These are followed up as they fall due and implementation progress is reported in Appendix E.

Other work undertaken includes the provision of specific advice and support to management, attendance at key working groups, internal audit of parishes, internal audit of Kent Fire and Rescue and the certification of grant claims. Details are provided in Appendix C.

2. Internal Audit Performance

Internal Audit's performance against our targets at February 2013 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted	98%	99%
Efficiency		
% of plan delivered (pro rata at end of February 82%)	82% (90% for year)	85%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork (Note 1)	90%	82% (all) 100% (12/13)
Preparation of annual plan	By April	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
Quality of Service		
Average Client satisfaction score (Note 2)	90%	84%

Note 1

Performance compared to 11/12 continues to improve through focusing more effort on this target, identifying where problems may be occurring and implementing corrective action wherever appropriate. To reflect this positive movement more clearly, results have been split to show achievement for the year in relation to all reports issued and to separately show status for 2012/13 reports issued. This demonstrates that all of the draft reports relating to the 2012/13 Plan have been issued within the 10 day target.

Note 2

The issue of several limited assurance opinions in recent months has impacted on this metric. This is unavoidable for a service which by its very nature relies on feedback from the teams it has to review and challenge. No performance concerns have been highlighted from the client feedback responses and scores have improved since December 2012 when we reported 78%.

Appendix A

Summary of individual Internal Audits issued since December 2012

Business and Financial Planning

Scope

The overall objective of the audit was to provide assurance that the business planning process is fully embedded and integrated with the performance management framework.

Overall assessment - High

A new, enhanced process for business planning was introduced for 2013/14 plans. As a result the audit focussed on review of the consultation and approval stages and robustness of the revised approach.

High assurance was given as governance arrangements have been established and roles and responsibilities are clear. Changes to the process have been accurately reflected in the business planning template, and sufficient guidance is available to ensure that officers responsible for the planning process are able to discharge their duties appropriately.

One low priority recommendation was made.

Service Redesign

Scope

The overall objective of the audit was to provide assurance that service re-design had not detrimentally impacted on controls, performance or service delivery.

Overall assessment – Adequate

This audit focused on a selection of projects within the Customer and Communities Directorate to provide assurance that service re-design had not detrimentally impacted on performance or service delivery through a review of outputs and outcomes.

Adequate assurance was given as there are improvements required in relation to the level of data available and setting targets at the start of the projects that are specific, measurable, achievable, realistic, and timely (SMART), meaning achievement of outputs and outcomes against deliverables is more easily demonstrable. Review of customer feedback, post implementation reports and relevant KPIs highlighted that the Council had received positive feedback for the projects and consultation was effective overall and projects were linked to the strategic plans in place at time of their approval.

We made 5 recommendations, none of which are high priority.

'Other' Leave

Scope

The overall objective of the audit was to provide an assurance that controls over 'other' leave arrangements are adequate and effective.

Overall assessment - Adequate

Other leave refers to leave taken in accordance with the Blue Book for duties, responsibilities and entitlements such as Trade Union Representatives, School Governors, Study Leave, Retained Fire fighters, Election duties, Justices of the Peace, Magistrates, Blood donation and Armed Forces whether paid or unpaid.

Adequate assurance was given as the policies in the Blue Book communicate, update and clarify employees' understanding of other leave entitlements. However, there is a need for development of guidance to ensure managers and staff are aware of requirements to record, authorise and monitor this type of leave.

Two medium priority recommendations were made.

East Kent Waste Partnership

Scope

The overall objective of this review was to provide assurance that sound contract and procurement management processes exist, are effective and value for money is being achieved.

Overall assessment - Adequate

The review was limited to the KCC Waste Management Unit and its Partners.

Adequate assurance was given as the procurement process was conducted in accordance with the EU regulations and "Spending the Council's Money". However there is a need to ensure recycle tonnages are independently verified to reduce reliance being placed on the figures provided by the contractor. To enhance existing controls verification processes should be developed to ensure disposal is for partnership waste only and not from other activities and that the recycle streams are being handled in a manner which prevents theft and loss of income to the partnership.

The contractor is required to self monitor as part of the contract but improvements were required in order to meet the required standard. We noted during the audit that this was moving in a positive direction however further work is required to reach the desired standard.

We have made five recommendations, three of which are high priority.

Payroll

Scope

The overall objective of the audit was to provide assurance on the integrity of the Oracle Payroll system and the accuracy and appropriateness of payments.

Overall assessment – Substantial

This audit covered the Kent County Council Oracle Payroll system; schools and academies were not included. Kent County Council's Oracle Payroll system currently processes payments to approx 11,700 employees covering 16,500 assignments. The gross payroll is £27.5m.

Substantial assurance was given as sample testing established that there is sufficient evidence to confirm appointments, leavers and other changes. The controls in place are properly designed to provide a secure environment to ensure that payroll information is processed accurately and that payments are only made to bona fide employees. To further improve the system of control it should be ensured that the application of controls is fully consistent.

We made three recommendations, one of which is high priority.

Carbon Reduction Commitment

Scope

The overall purpose of this audit was to provide assurance on compliance with the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC Scheme) and accuracy of base data used.

Overall Assessment – Compliant

The Environment Agency requires an annual submission on carbon usage supported by an evidence pack that complies with set criteria.

A rating of 'Compliant' was given as record keeping procedures and management processes in place for compiling the evidence pack and annual report required, were reviewed and found to comply with the Environment Agency guidance. A sample of consumption figures for properties were evidenced back to the original source data and were found to be accurate.

No recommendations were made.

Property Disposals

Scope

The overall objective of this audit was to provide assurance that there are controls in place surrounding the disposal of Council owned assets that help to ensure compliance with the requirements of applicable legislation and to ensure that best value is achieved at disposal.

Overall assessment - Adequate

The Council seeks to manage its property portfolio in the most efficient and effective manner to ensure that potentially surplus assets are identified. The value of surplus assets owned by the Council and awaiting sale or transfer as recorded in the Council's accounts at 31st March 2012 was £38,364,000.

Adequate assurance was given as it was established that controls are in place to identify surplus land and property assets considered suitable for disposal and evidence was sufficient to demonstrate that legal processes had been completed. To further enhance the current process it should be ensured that all documentation is easily accessible and disposal evaluation is undertaken against agreed criteria in a systematic manner. Some improvement is required in the recording and reporting of disposal information.

Eight recommendations have been made, four of which are high priority.

Establishments

Scope and Progress

A programme of compliance audits began in late June, including Children's Centres, Adult Day Care and Pupil Referral Units (PRUs). To date fieldwork has been completed at 15 Children's Centres, one Adult Day Care Centre and two PRUs. We have also reviewed financial controls in two districts where this activity is centralised. The audits review inspection standards, performance management, safety and security and financial controls. 14 final reports and six draft reports have been issued.

Summary of findings

In general we have found that establishments are able to demonstrate that they are engaging with Centre users and partner organisations, including hard to reach groups, promoting diversity and using evaluation tools positively to identify areas for improvement. Training plans are in place and relate to personal action plans and service priorities.

Recommendations have been made in relation to safety and security policy and procedures to further enhance controls. Areas for improvement include that accident and incident forms are being completed but are often not numbered, not all establishments could evidence the most recent health and safety inspection and, while fire safety standards were generally good, some establishments had experienced difficulties with other users in shared premises.

In relation to financial controls a number of areas for improvement were identified. Recommendations have been made to further enhance current controls in relation to income, use of commitment budgeting, purchases, including use of petty cash, declarations of interest and fixed asset registers.

Appendix B

Detailed Analysis of Internal Audit Progress on 2012/2013 Plan

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
Core Assurance							
Corporate Governance	Phase 1 Complete	Sept 2012	Substantial				
Annual Governance Statement	Complete	Sept 2012	Substantial				
Schemes of Delegation	N/a	N/a	C/f to 13/14 Q1				
Risk Management	Fieldwork complete						
Business continuity and resilience planning	Fieldwork in progress						
Performance Management Framework	Fieldwork complete						
Information Governance	Fieldwork complete						
Data Quality – Authority wide	N/a	N/a	Incorporated into PMF above				
Procurement	Fieldwork in progress						
Business and Financial Planning	Complete	April 2013	High				
Partnerships	Fieldwork complete						
Managing Absence	Complete	December 2012	Substantial				
Learning and Development	Fieldwork in progress						
'Other' Leave	Complete	April 2013	Adequate				
Leaving the organisation	Complete	Sept 2012	Substantial				
Workforce Planning	Draft Report						

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
Core Financial Assurance							
General Ledger	Draft Report			Schools Financial Compliance-advisory	Complete	N/a	Advisory only
Accounts Payable	Fieldwork complete			Schools Financial Compliance	Complete	N/a	
Accounts Receivable	Complete	December 2012	Adequate	Local budgetary control reviews	In progress*		
iProcurement	Fieldwork complete			Financial Control Audits	In progress*		
Corporate Purchase Cards	Draft Report			VAT	Fieldwork complete		
Capital Programme - Planning and Monitoring	Draft Report						
Revenue Budget Monitoring	Fieldwork complete						
Treasury Management	Draft Report						
Pensions Investments	Draft Report						
Pension Contributions	Draft Report						
Fixed Assets	Cancelled	N/a	N/a				
Payroll	Complete	April 2013	Substantial				
East Kent Payroll	See above						
Social Care Client Billing	Fieldwork in progress						
Foster Care Payments	Complete	December 2012	Limited				

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
Risk/Priority Based Audit							
Service Re-design	Complete	April 2013	Adequate	Special Education Needs	Complete	December 2012	Limited
Locality Boards	Draft report		Advisory review	Consultation	Complete	December 2012	Adequate
Regeneration and Economy - RGF	Draft Report			No Use Empty Property	Complete	September 2012	Adequate
Property Disposals	Complete	April 2013	Adequate	Troubled Families	Fieldwork complete		
Developer Contributions (s106)	Draft Report			Broadband Delivery UK	Complete	N/a	Ongoing advice only
Safeguarding Adults	Fieldwork in progress			Communication Strategy	C/f to Q1 2013/14		
Personal Budgets	Draft			Complaints, comments and compliments	C/f to Q1 2013/14		
Strategic Commissioning	Interim Report			Commercial Services – Laser	Complete	December 2012	Adequate
Case File Audit process	Complete	December 2012	Limited	Carbon Reduction Commitment	Complete	April 2013	Compliant
FSC Data quality	Draft Report			Special Education Needs - Transport	Fieldwork complete		
Financial Management - FSC	Incorporated into financial control audits			Social Media	Draft Report		
Management of complaints	Incorporated into Corporate review			BACS/Oracle Payments	Draft Report		
Establishment Visits	In progress*	Update to every G&A					
Public Health responsibilities	Fieldwork complete						

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at December 2012	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
Contract Compliance							
ICT Procurement (was Kent Public Service Network)	Fieldwork in progress						
Ashford Gateway Plus	Fieldwork in progress						
Supporting People	Fieldwork in progress						
Longfield Academy	Fieldwork in progress						
Professional and Highway Consultancy contract	Final Report	September 2012	Limited				
Network Management Term Maintenance	Fieldwork in progress						
East Kent Waste Partnership	Complete	April 2013	Adequate				
Biffa Household Waste Recycling Centre	Final Report	December 2012	Adequate				
Paper and card	Cancelled	N/a	N/a				
Kent Connexions	Final Report	December 2012	N/a – advisory only				
Leaving care service	Draft Report						

Appendix C

Other 2012/2013 Work Undertaken by Internal Audit

Grants

The Internal Audit team is responsible for auditing and signing off grant claims to enable the Council to recover money from a number of sources, in particular Interreg projects. This year to date the total value verified is approximately £2.3m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £870,000 and £290,000 for other bodies including Visit Kent, Locate in Kent and Kent Fire and Rescue Service. Time spent on verifying and signing off grant claims is chargeable.

Parishes

Kent County Council Internal Audit currently offers a comprehensive internal audit service for Local Councils and other bodies. We are the appointed auditor for 13 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre.

In 2012/13 we undertook 32 audits for these bodies, all of which are complete.

Significant Ad Hoc/Advisory Work and Attendance at Key Working Groups

Internal Audit continues to monitor and act on reported Direct Payment irregularities, which were identified by the Audit Commission as a major area of risk for local authorities; 22 such irregularities have been reported in 2012-13.

Other significant ad hoc/advisory work undertaken since December 2012 includes ongoing advice and support, completion of a two pieces of advisory work to provide management advice and/or interim reports with advisory recommendations in relation to Schools audit and Broadband Delivery UK.

Internal audit have also attended, or are virtual members of, the following groups in an advisory capacity:

- ERP Programme Board
- Business Continuity Management
- Information Governance Cross Directorate Group
- Procurement standard working papers working group
- Kent Support and Assistance Service

Appendix D

Internal Audit Assurance Levels

Key	
High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant of error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.
Not Applicable	Internal audit advice/guidance no overall opinion provided.

APPENDIX E

Progress with Implementation of Recommendations

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
Authority Wide						
Risk Management	1	0	1	0	Recommendation is being followed up currently as part of the Risk Management audit.	
Performance Management Framework	1	5	1	5	Recommendations are being followed up currently as part of the Performance Management Framework audit.	
Corporate Governance	0	1	0	1	Recommendation being followed up currently as part of the Corporate Governance audit	
Core Systems						
Direct payments	2	3	2	3	Recommendations will be followed up as part of a 2013/14 audit	
Accounts Receivable	0	3	0	0	Recommendations implemented.	
Foster Care Payments	6	4	0	2	One remaining recommendation is awaiting input from ICT and the other is currently being inconsistently applied and so further review is required in order to determine its effectiveness.	30/04/2013
General Ledger	0	2	0	2	Recommendations are being followed up as part of the current audit.	
Revenue Budget Monitoring	2	1	0	0	Recommendations implemented.	
Enterprise and	5	5	4	3	Further progress has been made in implementing the outstanding	30/04/13

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
Interprise (Property Information Database)					recommendations; however the completion of the majority of actions is dependent on the implementation of a new system which is in progress.	
Financial Controls in Schools	5	1	0	0	As Deloitte are undertaking the audits for 2012/13 these recommendations have been superseded.	
Accounts Payable	4	4	4	4	Recommendations are being followed up currently as part of the Accounts Payable and iProcurement audits.	
Routewise	0	4	0	1	Two of the recommendations no longer deemed relevant by the service. One recommendation has been implemented and the other is in progress.	31/12/2013
Policy						
Procurement	1	4	1	4	All recommendations are currently in progress and should be completed by 31/03/2013	31/03/2013
Blue Book – Health and Safety at Work	0	3	0	0	Recommendations implemented.	
Blue Book – Managing Change	0	2	0	0	Recommendations implemented.	
Communications Toolkit	2	3	2	3	Recommendations will be followed up as part of 2013/14 audit.	
Risk Based						
Consultation	2	4	0	3	Member training will take place after the elections to ensure maximum coverage. The service have advised that the remaining two recommendations have been implemented, but this cannot be evidenced currently. They are introducing a checklist which will demonstrate that these controls are in place.	01/04/2013 – 01/07/2013
Case File Audit	7	1	7	1	Due to implementation of a new system recommendations will be	

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
					reviewed up as part of a full follow-up audit in August 2013	
Special Educational Needs	1	0	0	0	Recommendation implemented	
Core Assurance						
Other Leave	0	2	0	2	Actions to implement recommendations are in progress awaiting finalisations of amendments to and communication of relevant guidance. A revised implementation date has been agreed.	31/03/13
Leaving the Organisation	0	2	0	0	Recommendations implemented.	
Managing Absence	0	1	0	0	Recommendation implemented.	
Proactive Fraud						
New Suppliers	0	2	0	2	Recommendations should be superseded by the full implementation of the new application - iSupplier. At that stage recommendations will be revisited to identify any residual actions.	30/04/13
Contract Compliance						
Professional and Highway Consultancy Contract	5	5	5	5	Recommendations are being followed-up as part of current audit work being undertaken in Highways.	
IT Audits						
Data Protection	3	3	2	0	The remaining recommendations remain outstanding due to staff shortages and a recent change in government guidance which needs to be incorporated into the Records Management Policy.	01/04/2013 & 30/09/2013
Careworks Application	0	2	0	2	ICT are currently exploring methods of implementing a Disaster Recovery Plan and will then provide feedback on Business	31/07/2013

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
					Continuity Plan implementation.	
Firewalls and Firewall Management	0	5	0	3	The remaining recommendations had been delayed awaiting a Firewall SmartCentre upgrade. This has now been installed and progress is being made.	14/03/2013 – 31/05/2013
Network Security and Infrastructure (LAN)	0	1	0	0	Recommendation implemented	
Oracle	0	2	0	2	Recommendations remain outstanding, it was reported that this is due to staff shortages.	31/05/2013 – 31/08/2013
Capita One	2	7	0	1	ICT are awaiting a response from the relevant directorate before being able to implement the remaining recommendation.	30/04/13
Total	49	82	29	49		

H = High risk

M = Medium risk

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By: John Simmonds, Cabinet Member for Finance &
Business Support
Andy Wood, Corporate Director of Finance and
Procurement

To: Governance and Audit Committee – 11 April 2013

Subject: **External Audit Update March 2013**

Classification: Unrestricted

Summary: This paper provides recent updates and information from the External Auditor, Grant Thornton UK LLP

FOR ASSURANCE

Introduction and background

1. In order that the Governance and Audit Committee is kept up to date with the work of Grant Thornton UK LLP, progress reports are written by the external auditor as appropriate.
2. The attached report covers the following areas:
 - Progress over 12/13
 - Emerging issues and developments

Recommendation

3. Members are asked to note the report.

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Audit Committee Update for Kent County Council

Year ended 31 March 2013

March 2013

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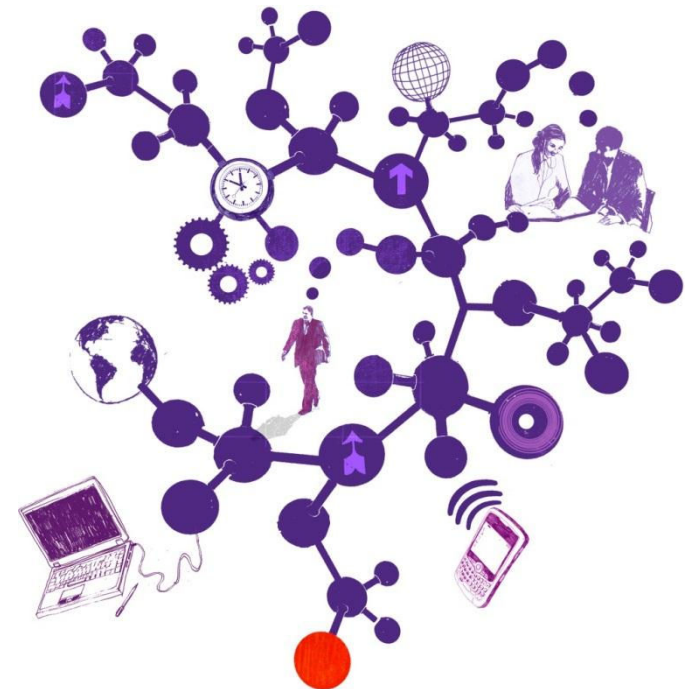
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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

This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2013', 'The developing internal audit agenda', 'Preparing for the future', and 'Surviving the storm: how resilient are local authorities?'.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 12 March 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Audit Fee Letter We prepare a fee letter annually setting out the audit and grants certification work fee for the year.</p>	30 November 2012	Yes	We issued the 2012/13 audit fee letter to management on 12 November 2012 and presented it to this committee in December 2012.
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	April 2013	Yes	We have agreed separate accounts audit plans for the Council's financial statements and the Pension Fund accounts with officers. Both plans are included as separate items on the April committee meeting agenda.
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February and April 2013	In progress	<p>The results of all interim work completed to date are set out in our accounts audit plan. There are no significant weaknesses identified in the control environment in the work undertaken at the February audit visit.</p> <p>We have monthly meetings with Internal Audit to discuss potential audit issues and fraud investigations. There are no issues arising that would impact on our audit opinion at this date.</p> <p>We will report the findings of all further work in our regular Governance and Audit Committee updates.</p>

Progress at 12 March 2013 (continued)

Work	Planned date	Complete?	Comments
<p>2012-13 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements; • proposed opinion on the Council's accounts; and • proposed Value for Money conclusion. 	<p>Accounts audit: 17 June - 5 July 2013</p> <p>Opinion and VfM conclusion: end July 2013</p>	<p>No</p>	<p>We have monthly meetings with the Head of Financial Management and Chief Accountant, and attend the monthly closedown champions meetings to ensure that potential accounting issues are identified early.</p> <p>We have sent an arrangements letter to officers, which clarifies the working papers we would expect the Council to produce to support its financial statements.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion is based on the reporting criteria specified by the Audit Commission.</p> <p>The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness in its use of resources. <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>		<p>No</p>	<p>We have completed our VfM planning. The specific areas we plan to review are set out in our audit plan.</p> <p>The detailed VfM work, including the financial resilience review, will be completed by June 2013.</p> <p>We will report our findings in a separate Financial Resilience report, alongside our Audit Findings report in September 2013.</p>
<p>Whole of Government Accounts (WGA)</p> <p>We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.</p>	<p>August 2013</p>	<p>No</p>	<p>We will undertake the audit of the WGA return once the accounts audit is complete.</p>

Progress at 12 March 2013 (continued)

Work	Planned date	Complete?	Comments
Other areas of work – grants certification We will be required to certify the following grants and returns for the Council in 2012/13: <ul style="list-style-type: none">• School Centred Initial Teacher Training grant; and• Teachers' Pensions Return	To be confirmed when Certification Instructions are released	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a [consultation](#) on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge question:

- Do you know your key risks?

Emerging issues and developments

Accounting and audit issues

CIPFA consultation on Service Reporting Code of Practice 2014/15: Adult Social Care Service Expenditure Analysis (England only)

In January, CIPFA issued a [consultation](#) on the proposed changes to the Adult Social Care Service Expenditure Analysis. The proposed changes are for a complete revision to the mandatory lines and these have been based on work done by the Health and Social Care Information Centre.

The closing date for responses is 28 February 2013.

Challenge question:

- Has your Council considered whether it wishes to respond to the consultation?

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer '[Accounting for joint arrangements by local authorities under IFRS 11](#)' to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Challenge question:

- Are you clear on the issues arising for the Council?

Emerging issues and developments

Accounting and audit issues

Assets transferring to academy schools

There is ongoing debate as to whether assets relating to schools that have been granted academy status should be:

- impaired to nil at the date of the granting of a transfer order on the basis that the assets will be disposed of for nil value or
- not impaired as the assets are still being used and so should be shown at the balance sheet date at full existing use value.

Our view is that this is a matter for judgement and the financial statements should set out clearly:

- the policy followed by the authority
- details of material assets that are to be transferred out of local authority control.

Where an academy school's assets are subject to a PFI arrangement, the authority may have a potential onerous contract where there is a shortfall in funding ie. where an authority has a PFI contractual agreement to pay out more than it expects to receive back in PFI credits and reimbursement from an academy. If an authority is facing a shortfall between its contractual obligations and the amounts it expects to receive to fund these obligations, the authority should consider whether the contract is onerous. In considering whether or not there is an onerous contract, the authority would need to consider the service it receives.

Challenge question:

- Has the Council considered whether or not there is an onerous contract for PFI contracts relating to academy schools?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Land restoration costs – where a local authority owns a closed landfill site and is responsible for aftercare costs, we would expect the authority to recognise a provision for total future costs. These landfill aftercare costs should also be capitalised and depreciated under IAS 16 'Property, Plant and Equipment' so there is no immediate impact on the General Fund.
- Redundancy costs – the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has the Council considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published '[Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities](#)'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge question:

- Have you considered the findings of the report?

'Local Government governance review 2013 - Improving council performance: A slow burner'

In February 2013, Grant Thornton published its second governance review of local government. The review examines the challenges that public sector faces around governance, both internally and externally, in light of sustained budgetary pressures and shifting government policy. It highlights steps that councils can take to ensure clear governance as they adapt to dramatic changes in the way services are funded and delivered. In addition, the report also emphasises the importance of people, culture and behaviour – including the tone from the top – in ensuring effective governance.

Challenge question:

- Have you considered the findings of the report?

Emerging issues and developments

Local government guidance

'Striking a balance: improving councils' decision making on reserves

In December, the Audit Commission published ['Striking a balance: improving councils' decision making on reserves.'](#) The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge question:

- Have you considered the findings of the report and identified where actions are required by the Council?

'Protecting the public purse 2012'

In November, the Audit Commission published ['Protecting the public purse 2012: Fighting fraud against local government'](#). The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge question:

- Are there any issues that could relate to your authority and how are these being dealt with?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Broadband Initiative – Rural Broadband Fund

The Government has committed to delivering superfast broadband (24Mbps) accessibility to 90% of UK premises, and a minimum of 2 mbps to the remaining 10% of premises. The Department of Culture Media and Sport (DCMS) has entered into a Framework Agreement with two Suppliers, BT and Fujitsu, for the purposes of delivering this broadband infrastructure.

Local authorities are responsible for utilising the Framework Agreement to procure superfast broadband infrastructure for their areas. DCMS has grouped local authorities in England into circa 40 regions which are undertaking call-off procurements with BT and Fujitsu on a phased basis. Local authorities are therefore at different stages of the process (i.e. pre-procurement, in procurement, or at the award stage). The first local authorities to undertake the call-off process have recently awarded contracts to BT.

There are a number of important financial and commercial issues which local authorities will need to understand, investigate and take action in order to secure and demonstrate value for money. The main issues are:

- Procurement strategy
- Grant agreements
- Financial forecasts
- Milestone payments
- Phasing of roll-out
- Demonstrating value for money

Challenge question:

- Are you happy that officers have identified the financial and commercial issues relating to the delivery of superfast broadband?

Grant Thornton has significant experience of advising the public sector on broadband procurements of this nature. Please talk to your audit manager if you would like more information.



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By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 11 April 2013

Subject: **Grant Thornton: Certification of claims and returns – annual report**

Classification: Unrestricted

Summary: The attached report from Grant Thornton summarises their work on the certification of funding from government grant-paying departments.

FOR ASSURANCE

Introduction

1. Each year the Council makes claims for specific funding from a range of central government departments. Where these claims exceed £125,000 Grant Thornton provides various levels of certification that conditions attached to the funding received by the Council from government grant-paying bodies have been met.

Purpose of this report

2. The report provides a summary of the work completed in relation to the certification of claims for funding for the 2011/12 financial year. The report relates to four claims reviewed by the Audit Commission & Grant Thornton totalling £101m.
3. The report provides details of one qualification letter issued in relation to the Certification of the Teachers Pension Return where there was a minor breach of grant requirements in that there were inadequate checks of figures compiled by a third party provider. However it was noted that audit testing had not highlighted any weaknesses in the contributions deducted and remitted for 11/12. A recommendation was made to improve controls in this area which has been agreed by officers.

Recommendation

4. Members of the Committee are asked to note the attached report for assurance.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

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Kent County Council

Certification work report 2011/12

February 2013

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2	Results of our certification work	3

Appendices

A	Approach and context to certification	5
B	Details of claims and returns certified for 2011-12	7
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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £100 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 Your previous auditor, the Audit Commission, certified two of the claims prior to our appointment as the Council's auditors. These were the two local transport scheme claims. The findings set out in this report in relation to these claims represent the results of your previous auditors work. All other findings are made by Grant Thornton.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing adequately and there are no significant matters arising from our certification of claims and returns. One claim was amended and one was subject to a qualification letter in 2011/12.
Supporting working papers	Supporting working papers for the claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made one recommendation to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendation will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2013

2 Results of our certification work

Key messages

- 2.1 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £100 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		5		
Number of claims submitted on time	100%	4	100	5	100	→
Number of claims certified on time	100%	4	100	5	100	→
Number of claims certified with amendment	0%	1	25	1	20	→
Number of claims certified with qualification	0%	1	25	1	20	→

- 2.3 This analysis of performance shows that:
- the Council has maintained its performance in submitting claims on time and providing supporting documentation to the audit team to enable certification by the grant paying body's deadline; and
 - although there was one claim amended and one qualified in both the 2010/11 and 2011/12 financial years these were different claims so is not a consistent pattern for one claim area.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £8,650 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £2,217 against an indicative budget of £20,000. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Certification of Teachers' Pensions Return

- 2.8 The Teachers' Pensions Return was qualified in 2011/12. The audit of the return is undertaken in accordance with Certification Instruction (CI) PEN05 which is agreed as the audit work programme by the Audit Commission with the grant paying body. The Council did not comply with the requirements of the CI. Paragraph 16 states: "for Part B of the form, where any part of the payroll administration has been outsourced, the authority should have in place adequate arrangements to satisfy itself that contributions have been correctly deducted and remitted to Teachers' Pension, on behalf of the LA, in accordance with the Regulations".
- 2.9 The Council did not perform any checks to confirm the accuracy of the entries in Part B of the return which is completed by Capita, an outsourced payroll provider. The Council has previously completed checks before the return is certified by the chief finance officer but these checks were not undertaken in 2011/12.
- 2.10 Audit testing of the entries in Part B did not identify any weaknesses in the contributions deducted and remitted to Teachers' Pension in 2011/12. The Council has agreed to complete the checks required before certifying the return in future.

Certification of School Centred Initial Teacher Training

- 2.11 The School Centred Initial Teacher Training claim form comprises of two elements: the Audit Grant Report and the Statement of Income and Expenditure. Audit testing identified that amendments were required to the expenditure reported on the Statement of Income and Expenditure.
- 2.12 Three amendments were made to the detailed expenditure analysis in the Statement of Income and Expenditure in 2011/12 before the claim was certified:
- an amount of £59,143 was paid directly to the schools by Kent CC so should have been disclosed as 'other expenditure' instead of 'GTP salary grant' as it is not an administration grant;
 - an amount of £2,580 relating to educational supplies was incorrectly included in 'other supplies and services' instead of the 'educational supplies and services' line; and
 - venue costs totalling £17,322 were omitted from the claim form submitted for audit. These were shown as 'educational supplies and services' in the revised claim form.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

South East England

Role	2011/12	2010/11
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Schools centred initial teacher training (EDU06)	929,572	Yes	-17,322	No	1,418	2,985	Part A and B testing undertaken in 2011/12
Teachers' pensions return (PEN05)	68,187,989	No	0	Yes	7,268	5,527	Evidence requested by audit was supplied in a more timely manner in 2011/12
Local transport plan: major projects – East Kent access phase II scheme (TRA11)	26,000,000	No	0	No	788	885	
Local transport plan: major projects – Sittingbourne northern relief road scheme (TRA11)	5,426,729	No	0	No	788	885	
Reporting to those charged with Governance					149	585	Fee billed separately in 2011/12 whereas apportioned across claims in prior year
Total	100,544,290		-17,322		10,411	10,867	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Teachers' pensions return (PEN05)	The authority should have adequate arrangements in place to satisfy itself that contributions have been correctly deducted and remitted to Teachers' Pension in accordance with the regulations.	High	Management has agreed an action plan with the TPA and will implement the three actions by May 2013. This will ensure the same issue does not arise in 2013.

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By: John Simmonds, Cabinet Member for Finance and Business Support
 Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 11 April 2013

Subject: **Grant Thornton: Audit Plans Year ended 31 March 2013**
Kent County Council and Kent Superannuation Fund

Classification: Unrestricted

Summary: The attached plans set out the proposed work of Grant Thornton to enable them to give an audit opinion on the Council's 2012/13 financial statements including the Kent Superannuation fund.

FOR DECISION

Introduction

1. Grant Thornton are required to provide the Committee (defined as "Those Charged with Governance" under International Standards of Auditing) with an audit plan covering proposed work in relation to the Council's financial statements (which includes Kent Superannuation Fund). The reports attached set out the results of Grant Thornton's latest risk assessment in relation to their audit of the financial statements including Kent Superannuation Fund and provides information on:
 - The audit approach
 - Identification of risks that impact the work that Grant Thornton propose
 - Results of interim work

Issues for the Committee to note

2. The Kent County Council and Kent Superannuation Fund Audit Plan reports emphasise the respective responsibilities of the Auditors and the Audited Body and set out the results of a risk assessment in relation to their opinion on the financial statements and the Council's arrangements for value for money. Sections 5 and 6 in both reports set out significant and other risks to the audit opinion and the work proposed to mitigate these. Section 9 of the Kent County Council Audit Plan report sets out the approach to providing the value for money conclusion.
3. Both reports set out the proposed timetable for the opinion audit including reporting to Committee.
4. In Appendix 1, the Audit Plans set out progress reported in implementing recommendations from the 11/12 audit.

Recommendation

5. Members of the Committee are asked to:

- Review the outcomes of Grant Thornton's updated risk assessment.
- Approve the Audit Plans for Kent County Council and the Superannuation Fund for 2012/2013.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

The Audit Plan for Kent County Council

Year ended 31 March 2013

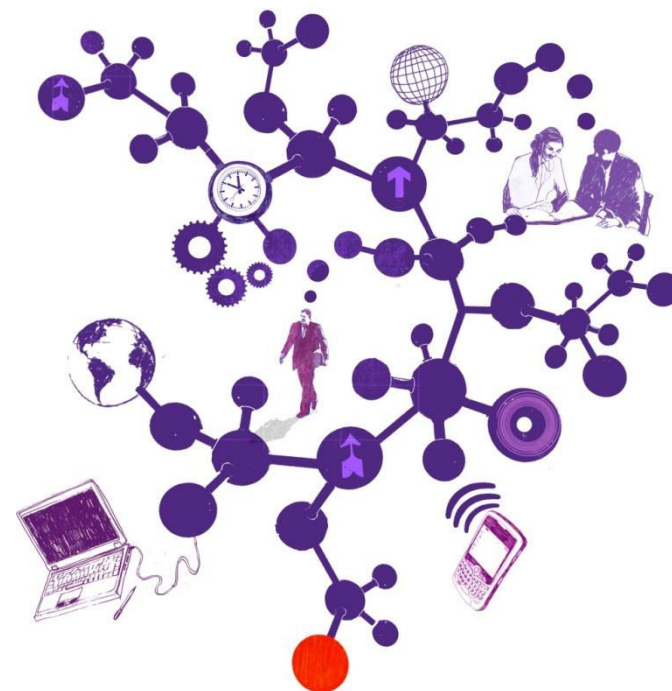
March 2013

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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 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 any 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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1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Financial pressures

- Impact of current and future spending reviews
 - Reductions in the Council's main sources of funding
 - Managing service provision with less resource against the increasing demand for services, especially children's and adults services
- Progress against savings plans

2. Government policy changes

- Government policy reforms in relation to social care, welfare and funding (Welfare reform Act 2012)
- Local Government Finance settlement 2012/13
- Increasing number of schools transferring to academy status

3. Public Health responsibilities

- The Council takes over responsibility for the public health agenda with effect from 1 April 2013.

4. Service developments

- Delivery of the adult social care transformation project and the significant savings arising from this
- Continued improvements to special children's service following the re-inspection by Ofsted
- The Council is restructuring its commercial services operations from 1 April 2013

Our response

- We will review the Council's financial planning, monitoring and governance arrangements, focusing on the robustness of assumptions in the medium term financial plan
- We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan
- We will report on the Council's financial resilience, including benchmarking data for the sector, as part of our VfM Conclusion

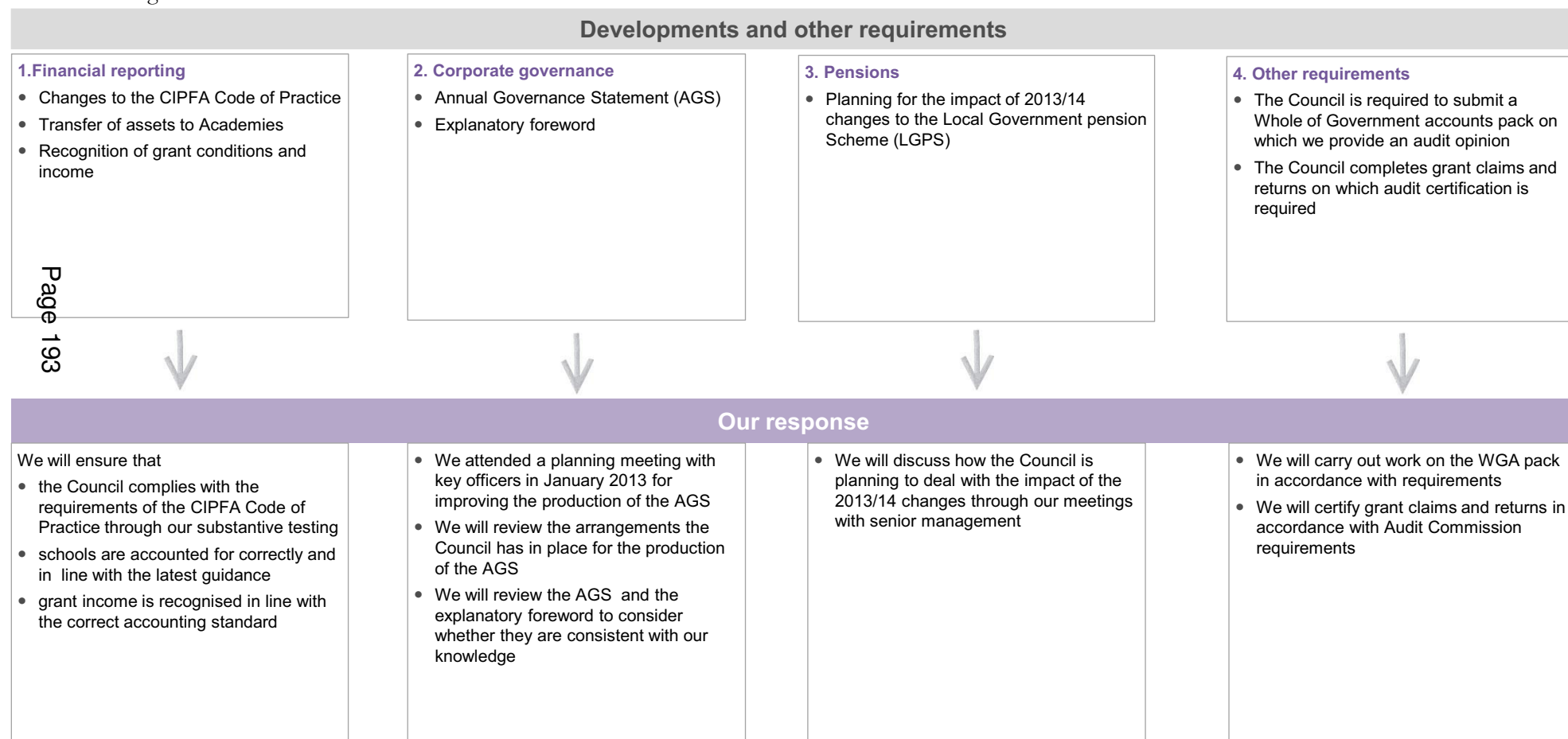
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate
- We will review how changes, risks and opportunities have been incorporated into the medium term financial plan

- We will discuss and monitor how the Council manages this new responsibility through our meetings with senior management and members
- We will liaise with internal audit to understand its assessment of the Council's governance arrangements

- We will review the robustness of savings assumptions for the adults social care project
- We will review the latest Ofsted inspection report and progress made against the improvement action plans
- We will liaise with officers to ensure governance arrangements are in place for the new structures

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.



Our audit approach

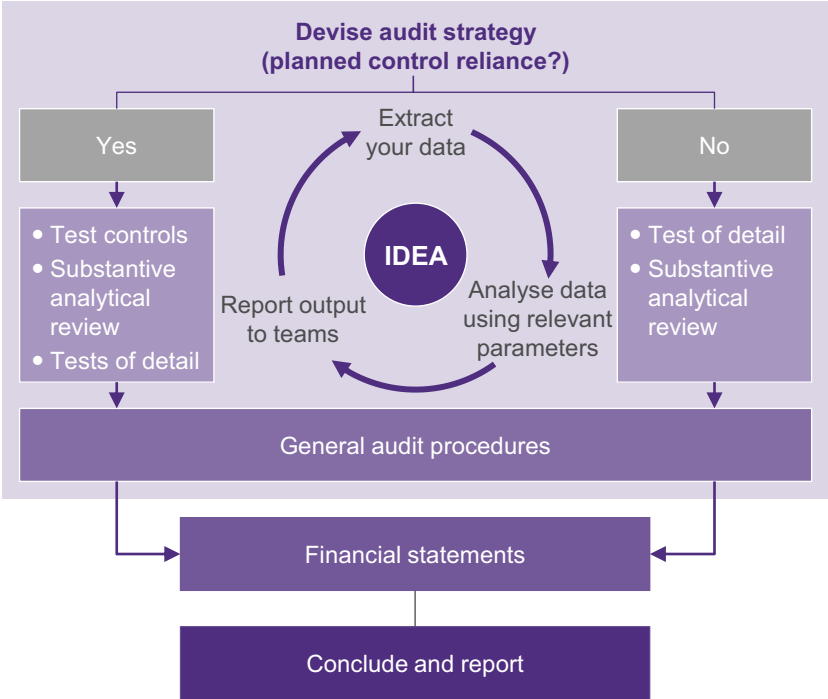
Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

Inherent risks
 Significant risks
 Other risks
 Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

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Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	No	Employee remuneration	Low	None		×
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	No	Employee remuneration	Low	None		×
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	No	Property, Plant & Equipment	Low	None		×
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none">• Review and testing of revenue recognition policies• Substantive testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Identification and walkthrough of controls 	<ul style="list-style-type: none"> Testing of payments for completeness, classification and occurrence Review of schools compliance team visits
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> Identification and walkthrough of controls 	<ul style="list-style-type: none"> Testing of payroll records Predictive analytical review of schools employee remuneration expenses Review of schools compliance team visits
Employee remuneration	Payroll tax obligations understated	<ul style="list-style-type: none"> Identification and walkthrough of controls 	<ul style="list-style-type: none"> Testing of HMRC returns to payroll records
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> None - year end processes and controls 	<ul style="list-style-type: none"> Identification and walkthrough of controls Review the Council's recognition of schools in its balance sheet and test the accounting treatment of schools transferring off the balance sheet Review the reconciliation of the PPE note to the new asset registers Test significant in year movements and the year end balance to ensure disclosure and accounting treatment are correct
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> None – year end processes and controls 	<ul style="list-style-type: none"> Identification and walkthrough of controls Testing of revaluations in year Reliance on an expert procedures, including reviewing revaluation trends against the auditors' expert

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function;
- internal audit's work on the Council's key financial systems;
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement; and
- a review of Information Technology (IT) controls.

	Work performed / planned	Conclusion / Summary
Internal audit Page 201	<p>We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice.</p> <p>Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.</p>	<p>We concluded that Internal Audit continues to provide an independent and satisfactory service to the Council. We can take assurance from their work in contributing to an effective internal control environment at the Council.</p> <p>We are not planning to directly rely on any key financial system audits. However, we are undertaking a joint review of corporate governance and will review their work in relation to the Value for Money Conclusion.</p>
Walkthrough testing	<p>Walkthrough tests were completed in relation to the specific accounts risks for operating expenses and payroll which we consider to present a risk of material misstatement to the financial statements.</p> <p>The walkthrough of the system for property, plant and equipment is planned for April 2013 as the processes and controls operate at year end only.</p>	<p>No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding for operating expenses and payroll systems.</p> <p>The property, plant and equipment walkthrough is outstanding.</p>

Results of interim audit work (continued)

	Work performed / planned	Conclusion / Summary
Review of information technology (IT) controls	Our information systems specialist is currently undertaking a high level review of the general IT control environment, as part of the overall review of the internal controls system.	The work is currently being undertaken and any issues arising will be reported to the committee at the next meeting.
Journal entry controls	<p>We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>To date we have discussed with officers the process for downloading all journals raised in the year to confirm the completeness of entries. We plan to undertake detailed testing on journal transactions recorded for the first ten months of the financial year in April 2013.</p>	<p>The journals testing will be completed in April 2013 for the first ten months of the financial year.</p> <p>The remaining two months and year end journals will be reviewed at the accounts audit visit.</p>
Public Finance Initiative (PFI) schemes	We will review the Council's PFI accounting models to confirm they remain up to date, reasonable and provide materially entries in the financial statements.	The work will be undertaken in April 2013.
Related party transactions	As Council elections take place in May 2013 we will assess the Council's arrangements for ensuring that all declarations of interest and related party transactions are recorded before any potential changes in elected members .	The work will be undertaken in April 2013.
Recommendations from 2011/12 ISA 260 report	We have followed up the prior year recommendations made in the 2011/12 ISA 260 report to understand the Council's progress in implementing the member approved actions.	Responses from management as to the progress of implementing the recommendations are set out in Appendix 1.

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion is based on two reporting criteria specified by the Audit Commission.

We tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for members.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- review the achievement of savings identified in the medium term financial plan for 2012/13 and the robustness of plans to support the savings identified in the 2013/14 budget, including income generation plans;
- review the robustness of the savings plans from the adults social care transformation project;
- review the arrangements in place for budgeting, forecasting and reporting capital expenditure, particularly focussing on schools capital projects;
- follow up review of the corporate governance arrangements (jointly with Internal Audit);
- review progress made in risk management and performance management arrangements made in 2011/12; and
- review the re-inspection report by Ofsted to determine whether the 'except for' conclusion can be removed.

Logistics and our team

The audit cycle - 2013



Date	Activity
16/01/2013	Planning meeting
04 – 15/02/2013	Interim site work
11/04/2013	The audit plan presented to Governance and Audit Committee
17/06/2013	Year end fieldwork commences
10/07/2013	Audit findings clearance meeting
24/07/2013	Audit Committee meeting to report our findings
24/07/2013	Sign financial statements and VfM conclusion
September 2013	Issue Annual Audit Letter 2013

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Our team

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Fees and independence

Fees

	£
Council audit	207,900
Grant certification	6,250
Total	214,150

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

Ethical standards and International Standards on Auditing (ISA) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you as potential threats to independence:

- The mother of the in-charge auditor is a teacher in an academy school. Although there is no impact on the audit opinion as she is not employed by the Council we have put safeguards in place so the auditor does not undertake the audit of the Teachers' Pensions Return; and
- The mother of a trainee auditor involved in the audit is a teacher at a LA maintained school. The mother is employed on a consultancy basis so is not on the Council's payroll. However, as the mother receives a pension we have put safeguards in place so the auditor does not undertake the audit of the Teachers' Pension Return.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix 1

Action plan from 2011/12 ISA 260 report

Rec No.	Recommendation	Priority	Management responsibility and target date	Management response on implementation of recommendation
1	The Council should ensure that lifecycle costs are based on the actual costs incurred and the actual timing of those costs.	Low	Capital Finance Manager - 31 March 2013	We are trying to obtain details of actual lifecycle costs from contractors and will use these wherever possible. However, due to the current level of lifecycle costs it would not lead to material error if we continue to use the model costs for 12/13.
2	Officers should reconcile the accounts receivable system to the GL on a monthly basis using the improved process.	Medium	Chief Accountant – 31 August 2012	The improved process has been rolled out and the reconciliation process is being undertaken by the Systems Team within the Chief Accountant Team.
3	The pension fund bank reconciliation process should ensure that cash held on behalf of the fund by the Council should be transferred back to it on a regular basis, with the cash held as at 31 March being shown as cash in transit in the reconciliations and financial statements.	High	Treasury & Investments Manager – 31 March 2013	Arrangements have been made for the transfer of the cash from KCC to the Pension Fund. The cash balance has been reconciled monthly through 2012-13 and arrangements will be made before 31 March 2013 to clear any balance owing.
4	Officers should ensure that the requirements of IAS32 (Financial Instruments: Presentation) are met when producing the financial instruments notes for the Council and Pension Fund.	Low	Chief Accountant (Council) and Principal Accountant Treasury / Senior Accountant Investments (Pension Fund) – 31 March 2013	Attending a workshop on Financial Instruments which will hopefully assist in the improvement of the presentation of the note in the accounts.

Action plan from 2011/12 ISA 260 report (continued)

Rec No.	Recommendation	Priority	Management responsibility and target date	Management response on implementation of recommendation
5	Officers should continue improvements made in the year in taking prompt corrective action to ensure payments from admitted and scheduled bodies do not breach 19 days.	Low	Treasury and Investments Manager / Principal Accountant Pension Fund – 31 March 2013	Officers have reminded all employers of the due date of the 19 th for receipt of contributions. Each month a report is produced showing late payers and these are followed up.
6 Page 209	Following completion of the service restructure, regularly review staff resources based on service demand changes and resource skills and experience.	Medium	Director of Specialist Children's Services – 31 March 2013	SCS Divisional Management Team has the restructure under constant review and it has been subject to additional external validation by a peer review and OFSTED inspections. Resources have been redeployed where pressures have arisen, for example in the CRU and in Thanet where the mismatch in skills base and the incoming workload required additional resource. This will continue to be closely monitored to maximise the quality and timeliness of all interventions.
7	The Corporate Board should consider self-assessing the effectiveness of its developing culture in the next 6 months.	Medium	Corporate Board – 31 December 2012	The formal self-assessment began early 2013. This will conclude the informal 1:1 self assessment process that began in the Summer 2012. We are slightly behind the deadline, partly in order to capture the end of a difficult budget process and how the 'developing culture' affected that. The latest series of 1:1 meetings with Corporate Directors and Cabinet Members is informing the progress, and early indications are very positive. The outcome of this self-assessment will be known by 31 March 2013.

Action plan from 2011/12 ISA 260 report (continued)

Rec No.	Recommendation	Priority	Management responsibility and target date	Management response on implementation of recommendation
8	The Council needs to ensure that the risk management software is successfully implemented and rolled out to risk owners with clear guidance on using the system as a 'live' data information hub.	High	Business Integration Manager – 31 December 2012	Configuration and testing of the system took place in late summer / early autumn 2012. The system was piloted in the Highways & Transportation Division and has been rolled out to other areas of the business, with Risk Monitoring Officers giving training on the system and its appropriate use. Key risk information that was previously completed on paper risk registers is now held within the system. There will be ongoing work to embed and fully utilise the benefits of the system throughout 2013. The system implementation complements a substantial revamp of the risk management arrangements for the Authority; with refreshed Corporate, Directorate and Divisional risk registers and mitigating actions. Risk registers are reviewed regularly by DMTs, CMT, Corporate Board and Cabinet Committees and progress on mitigating actions is examined and challenged (where necessary) by the Performance and Evaluation Board.



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The Audit Plan for Kent Superannuation Fund

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.

Year ended 31 March 2013

11 March 2013

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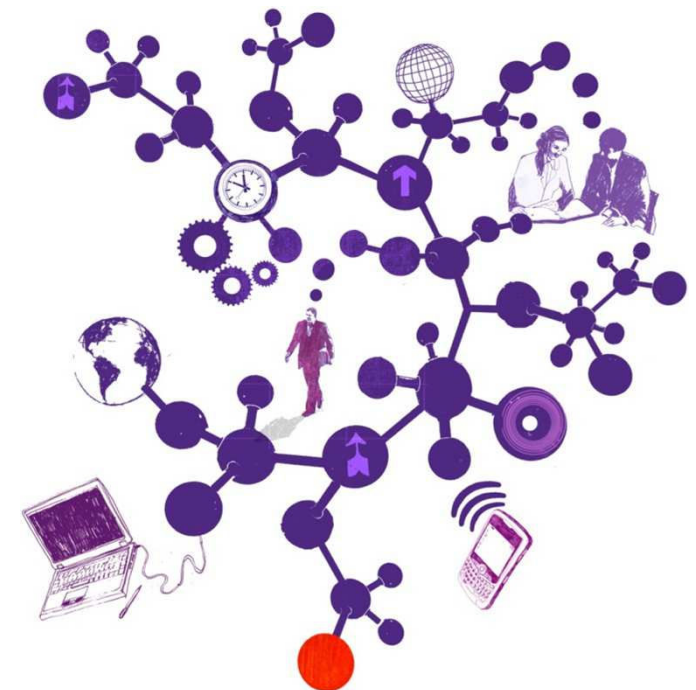
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any 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.

Contents

Section

1. Understanding your fund
2. Developments relevant to your fund and the audit
3. Our audit approach
4. An audit focused on risk
5. Significant risks identified
6. Other risks
7. Results of interim work
8. Logistics and our team
9. Fees and independence
10. Communication of audit matters with those charged with governance

Appendices

- A. Action plan from 2011/12 Annual Governance Statement

Understanding your fund

In planning our audit we need to understand the challenges and opportunities the Superannuation Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Financial Pressures – scheduled and admitted bodies

- Managing pensions administration where contributing bodies are offering early retirement and redundancies placing additional workload on the superannuation fund in dealing with severance arrangements.

2. Financial Pressures – Superannuation fund

- Superannuation funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income. Superannuation fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.

3. Management of other risks

- In addition to financial risks, the Superannuation Fund is exposed to several other significant risks which need to be appropriately managed. These include actuarial risks, operational risks and reputational risks, such as increases in pensioner life expectancy, structural changes in employer membership and the associated funding challenges for participating employers.



Our response

- We will maintain regular dialogue with management to assess the impact this may have on the administration of the Superannuation Fund. We will raise any concerns with those charged with governance.

- We will obtain details of the changes being made to the Superannuation Fund investment strategy through our on-going audit planning and regular discussions with management.
- We will consider the impact of changes on the nature of investments held by the Superannuation Fund, and on our assessment of the inherent risks for the audit, adjusting our testing strategy as appropriate.

- We will discuss with management how the Superannuation Fund is identifying and mitigating its key risks and consider whether they impact on our audit of the financial statements of the Superannuation Fund.

Developments relevant to your fund and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

- CIPFA published a revised set of example accounts for pension funds in 2013.

2. LGPS 2014

- Planning for the impact of the implementation of the career average re-valued earnings scheme (CARE) from 1 April 2014.

3. Triennial valuation

- Demands on the Superannuation Fund's resources in terms of administration and providing the necessary data and other information required by the actuary.

Our response

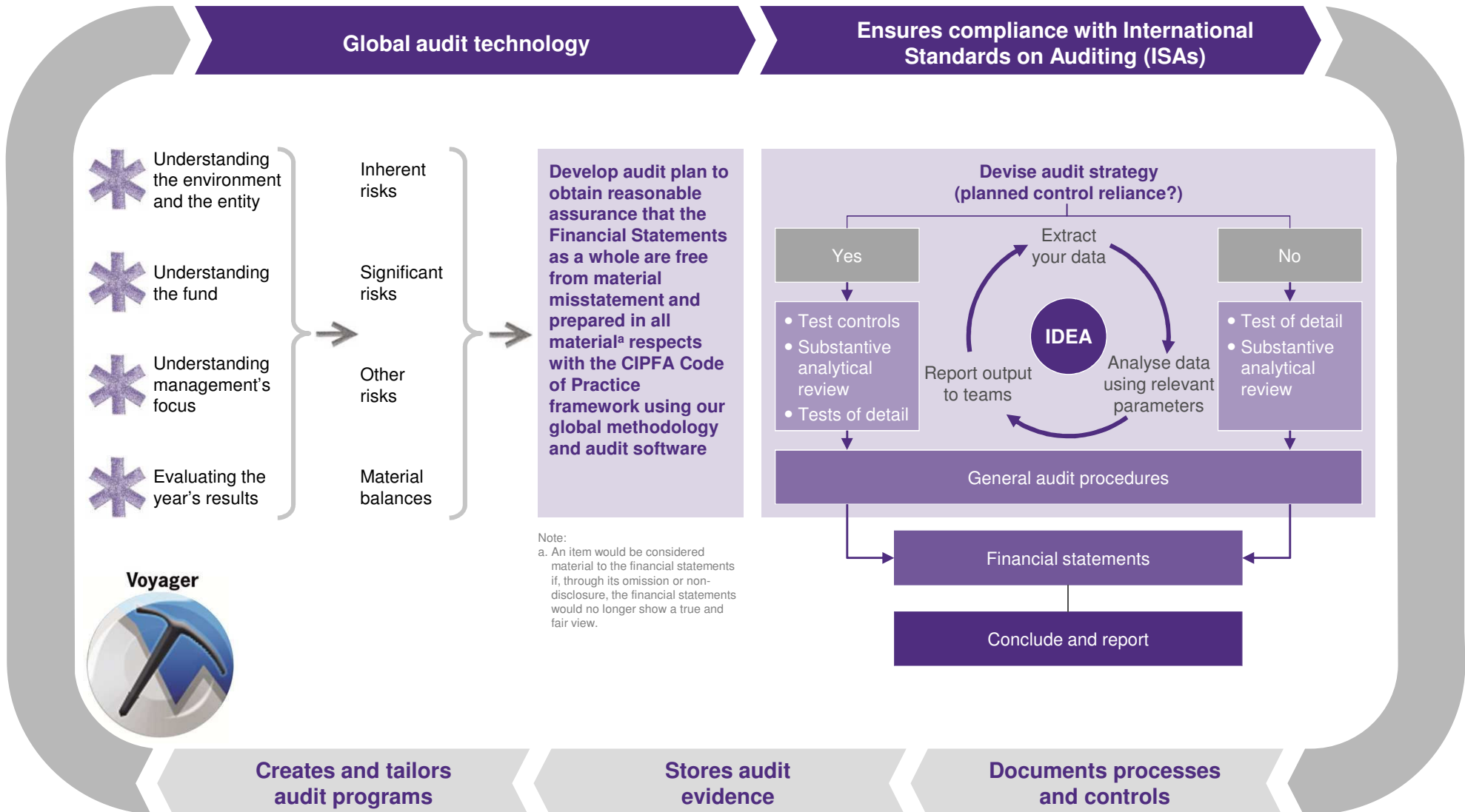
- We will carry out work to test if the Superannuation Fund complies with the material requirements of the CIPFA Code of Practice.

- We will discuss the impact of the changes through our regular meetings with management. We will report any observations we have from our work, where appropriate.

- We will maintain regular dialogue with management on the progress of the valuation process and any significant issues arising. We will report any observations arising from our work.

Our audit approach

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An audit focused on risk

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can gain assurance from testing controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

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	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned control reliance?	Substantive testing?
Contributions receivable	Yes	Scheme Contributions	Medium	Other	Recorded contributions not correct	Yes	✓
Transfers in	Yes	Transfers in to the scheme	Low	Remote		No	✓
Pensions payable – lump sums and on retirement	Yes	Benefit payments	Medium	Other	Benefits improperly computed/claims liability understated	Yes	✓
Transfers out - payments to and on account of leavers	Yes	Benefit payments	Medium	Other	Transfers improperly computed/liability understated	Yes	✓
Administrative expenses	No	Administrative expenses	Low	N/A		No	X
Investment income	Yes	Investments	Medium	Other	Investment activity not valid – income not complete	No	✓

An audit focused on risk (continued)

	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned controls assurance?	Substantive testing?
Changes in market value of investments	Yes	Investments	Medium	Other	Investment activity not valid- investments not valued at fair value	No	✓
Taxes on income	No	Investments	Low	N/A		No	×
Investment management expenses	Yes	Investments	Low	Remote		No	✓
Investments	Yes	Investments	Medium	Other	Investments not valid	No	✓
Current assets	No	Scheme Contributions, investments and cash	Low	N/A		No	X
Current liabilities	No	Benefit payments, investments	Low	N/A		No	x

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
Revenue	Under ISA 240 there is a presumed risk that revenue (which for the purposes of the Kent Superannuation Fund we have considered as investment income, transfers into the scheme and contributions) may be misstated due to the improper recognition of revenue.	<p>We have rebutted this presumption and therefore do not consider this to be a significant risk for Kent Superannuation Fund since:</p> <ul style="list-style-type: none"> • The nature of the Superannuation Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Superannuation Fund, its fund managers and the custodian, provides a strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from member bodies and are supported by separately sent schedules. They are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred. They are subject to agreement between the transferring and receiving funds.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Planned audit procedure
Investments	Investments not valid Investments activity not valid - income not complete, - investments not valued at fair value	<p>We will review the reconciliation between information provided by the fund managers, the custodian and the Superannuation Fund's own records and seek explanations for any material variances.</p> <p>We will select a sample of the individual investments held by the Fund at the year end and test the valuation of the sample by agreeing prices to third party sources where published (quoted investments) or by review of the valuation methodology used to ensure it represents fair value (unquoted investments and direct property investments).</p> <p>We will confirm the existence of investments directly with independent custodians and/or fund managers or by agreement to legal documentation.</p> <p>We will test a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.</p>
Benefit payments and transfers out on account of leavers	Benefits improperly computed/claims liability understated	<p>We will select a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to the benefit calculation on the respective member file. This testing is designed to ensure that all the appropriate documentation is correctly filed and internal control procedures operated by the Fund have been followed.</p> <p>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year and compare pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. We will compare the number of transfer out payments and lump sums on retirement to recorded member transfers/retirements in the year.</p> <p>We will compare the movements on membership statistics to material transactions in the accounting records.</p>
Contributions	Recorded contributions not correct	<p>We will test the controls the Superannuation Fund operates to ensure that it receives all expected contributions from member bodies.</p> <p>We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</p>

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered or will consider.

- a review of Information Technology (IT) controls
- journal entry controls
- the effectiveness of the internal audit function
- internal audit's work on the Superannuation Fund's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement

The first three areas have been considered in tandem with the Kent County Council audit.

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	<p>Our information systems specialist is performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>We will conclude, from the work undertaken, whether there are any material control weaknesses which are likely to adversely impact on the Superannuation Fund's financial statements.</p>	IT review work scheduled for completion in March 2013.
Journal entry controls	<p>We will be reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We will highlight any material weaknesses identified from this work which are likely to adversely impact on the Superannuation Fund's control environment or financial statements.</p>	We will review the policies and procedures during our scheduled audit visit in April 2013.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Internal audit	We review internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Pension Fund.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the County and Pension Fund and that we can take assurance from their work in contributing to an effective internal control environment at the Pension Fund.
Walkthrough testing	We evaluate the effectiveness of the design of the financial systems and complete walkthrough tests on the following transaction cycles: <ul style="list-style-type: none"> - Scheme contributions - Benefit payments and payments on account of leavers - Investments 	No significant issues were noted for any of the transaction cycles reviewed. In-year internal controls were observed to have been implemented in accordance with our documented understanding.

Logistics and our team



Date	Activity
14 Jan 2013	Planning meeting
4 Feb 2013	Interim audit work commences
11 April 2013	Audit plan presented to Audit Committee
17 June 2013	Year end fieldwork commences
10 July 2013	Audit findings clearance meeting
24 July 2013	Audit Committee meeting to report our findings
24 July 2013	Issue opinion of the financial statement and annual report
30 August 2013	Superannuation Fund Committee meeting to report our findings

Our team

<p>Darren Wells Kent County Council Engagement Lead T 01293 554 120 M 07880 456 152 E darren.j.wells@uk.gt.com</p>	<p>Paul Creasey Superannuation Fund Engagement Lead T 0118 955 9127 M 07967 381 750 E paul.creasey@uk.gt.com</p>
<p>Lynn Clayton Audit Manager T 020 7728 3365 M 07880 456 146 E lynn.h.clayton@uk.gt.com</p>	<p>Harpal Singh Auditor In Charge T 01293 554 091 E harpal.singh@uk.gt.com</p>

Fees and independence

Fees

	£
Superannuation Fund audit	30,568

Fees for other services

Service	Fees £
No other services have been requested	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- The Fund will have strong key financial systems of internal control throughout the financial year
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Superannuation Fund and its activities have not changed significantly
- The Superannuation Fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council and Superannuation Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Superannuation Fund's key risks when reaching our conclusions under the Code.

The audit of the Superannuation Fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendix 1

Action plan from 2011/12 Annual Governance Statement

Recommendation	Agreed action plan	Responsibility and target date	Current status
1 – Pension Fund bank account	The pension fund bank reconciliation process should ensure that cash held on behalf of the fund by the Council should be transferred back to it on a regular basis, with the cash held as at 31 March being shown as cash in transit in the reconciliations and financial statements.	Treasury and Investments Manager 31 March 2013	Cash balance at 31 March 2012 transferred from Kent County Council to the Pension Fund. Cash reconciliation being completed monthly. Cash balance at 31 March 2013 to be transferred and accounted for as recommended.
2 – Financial instruments	Officers should ensure that the requirements of IAS32 (Financial Instruments: Presentation) are met when producing the financial instruments notes for the Pension Fund.	Principal Accountant – Treasury / Senior Accountant – Investments 31 March 2013	Recommendation will be considered during production of the financial statements for 2012/13.
3 – Payments from admitted bodies	Officers should continue improvements made in the year in taking prompt corrective action to ensure payments from admitted and scheduled bodies do not breach 19 days.	Treasury and Investments Manager / Principal Accountant – Pension Fund 31 March 2013	Receipts of contributions continue to be monitored monthly, with corrective action taken where required



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By: John Simmonds, Cabinet Member for Finance & Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 11 April 2013

Subject: **External Audit – Fee letter 2013/14**

Classification: Unrestricted

Summary: This paper presents the planned external audit fee for the Council for 2013/14

FOR DECISION

Introduction and background

1. The Audit Commission independently set the proposed work programme and associated scale fees for the 2013/14 audit year. The Audit Commission defines the scale audit fee as “the fees required to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice.”

Planned audit fee 2013/14

2. The attached letter sets out the planned audit fee, proposed work programme for the 2013/14 financial year, audit timetable and key members of the Grant Thornton audit team. The work proposed by the external auditors covers three areas:
 - the audit of our financial statements
 - the work to reach a conclusion on the economy, efficiency and effectiveness in our use of resources (the value for money conclusion)
 - the work on our whole of government accounts return.
3. The audit fee proposed for 2013/14 is set at the scale fee of £207,900 (same as for 2012/2013). At this stage of the planning process, Grant Thornton has not identified any local risk factors to vary from the scale fee.
4. The letter also sets out the proposed fees for the pension fund audit and grants certification work in 2012/13. These are £30,568 and £6,250 respectively. This is also the same as that for the previous year.

Recommendation

5. Members are asked to approve the fees proposed in the fee letter.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Mr David Cockburn
Head of Paid Service
Kent County Council
County Hall
MAIDSTONE
Kent
ME14 1XQ

22 March 2013

Dear David

Grant Thornton UK LLP
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London NW1 2EP
T +44 (0)20 7383 5100
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Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £207,900, which compares to the audit fee of £207,900 for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme.

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £6,250.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £30,568. Our work on the pension fund will be undertaken in June 2013 by our specialist pension fund audit team.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	51,975
December 2013	51,975
March 2014	51,975
June 2014	51,975
Grant Certification	
June 2014	6,250
Total	214,150
<hr/>	
Pension Fund audit	
March 2014	30,568

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2013 to January 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June to July 2014 and work on the whole of government accounts return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2013 to January 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to June 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554130	Darren.j.wells@uk.gt.com
Engagement Manager	Elizabeth Olive	0207 728 3329	Elizabeth.l.olive@uk.gt.com
Pensions Audit Manager	Lynn Clayton	0207 728 3365	lynn.h.clayton@uk.gt.com
Audit Executive	Anna Tollefson	0207 728 3344	anna.tollefson@uk.gt.com
Pensions Audit Executive	Harpal Singh	01293 554130	Harpal.singh@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com).

Yours sincerely



Darren Wells
For Grant Thornton UK LLP

By: John Simmonds, Cabinet Member for Finance and Business Support
 Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 11 April 2013

Subject: **Fraud, law & regulations and going concern considerations**

Classification: Unrestricted

Summary: The attached questionnaire from Grant Thornton summarises management's responses to questions on the Council's processes in relation to fraud, law and regulations and going concern risks.

FOR DECISION

Introduction

1. Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.
2. This two-way communication enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Purpose of this report

3. As part of Grant Thornton's risk assessment procedures they are required to obtain an understanding of management processes and the Governance and Audit Committee's oversight of the following areas:
 - fraud
 - laws and regulations
 - going concern
4. The attached report includes a series of questions on each of these areas and the response that we have provided to Grant Thornton. The Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Recommendation

7. Members of the Committee are asked to comment on the responses to Grant Thornton's questions and approve the management responses provided.

Andy Wood
Corporate Director of Finance & Procurement

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Informing the audit risk assessment for Kent County Council and Kent Pension Fund

Year ended 31 March 2013

22 Feb 2013

Page 239

Darren Wells

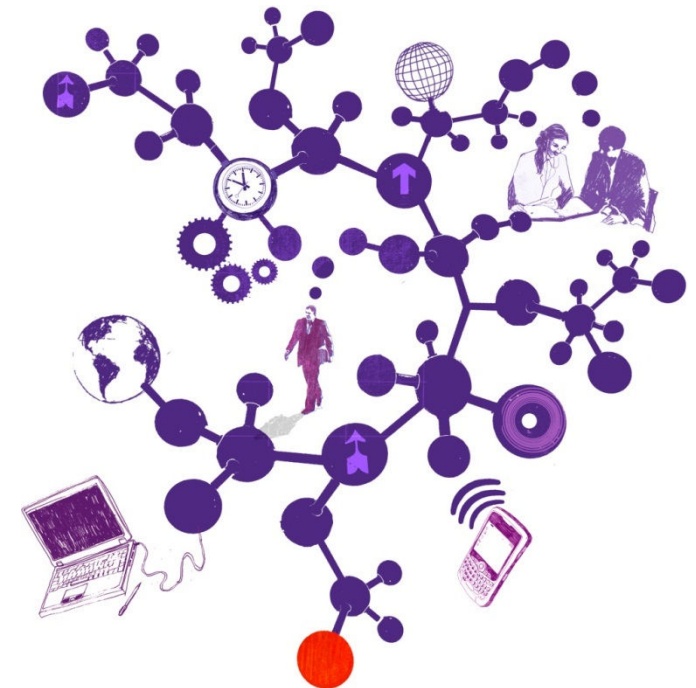
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Governance and Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Governance and Audit Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

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Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The risk is minimal. Controls are in place through the budget setting, budget monitoring and year-end analytical review. Any variance from budget of £0.1m or more must be explained and validated. Significant changes from previous year's spend must also be explained.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>We have an annual audit plan based on risk. We have a Counter Fraud team who promote their role. We have whistleblowing procedures which promote reporting of suspicions.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Any process of payments, income collection and commercial trading carry significant risk. Our annual audit plan will cover all of these every year, and individual Corporate Directors, including the S151 officer, will complete an annual governance assurance statement (the AGS).</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>In general, yes. We await Corporate Directors completed AGS, and the completed audit plan. A number of audits have had limited Assurance given, but the 'deficits' in those audits have generally been acted upon in a timely manner.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Yes, this is a risk applicable to any budget manager, as their performance against budget is a factor in their annual performance assessment. However, this is a relatively minor risk and is mitigated by the budget monitoring and year end processes, as well as setting realistic budgets to start with.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?</p>	<p>For all significant areas of activity, we have the internal management controls of supervision, exception reporting etc, Performance Evaluation Board, as well as the independence of the Internal Audit team, along with the absolute independence of the Head of Audit.</p>

Fraud risk assessment

Question	Management response
<p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<p>The Committee has agreed and monitors the annual internal audit plan that provides assurance in relation to the management of the significant risks faced by the Council (including fraud risk), and also provides assurance on the risk management and governance frameworks put in place by management. This is reported via quarterly reports and an annual report that provides key themes of areas where internal control may need improving.</p>
<p>What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p>	<p>The Committee has received quarterly progress reports from Internal Audit which includes details of frauds and irregularities and lapses or breaches of internal control. Grant Thornton has access to the same information through the published papers of the Committee. A number of cases have been reported during 2012/13 which meet the criteria of Grant Thornton and those have been shared with them. In addition there remain cases that are still subject to investigation which have yet to be reported. The Interim Head of Internal Audit has provided assurance that the circumstances of these cases would not be considered significant, although until the investigations are complete this cannot be guaranteed.</p>
<p>How has the Council ensured that the Governance and Audit Committee are made aware of whistleblower tips or complaints?</p>	<p>The Committee receives, requests and assesses ad-hoc and routine assurance reports on:</p> <ul style="list-style-type: none"> - Complaints (including those referred to the Ombudsman) - Surveillance activities - Debt recovery and management - Treasury management - Insurance activities
	<p>In July 2013, the Committee will be asked to review the Annual Governance Statement of the Council. This process will include consideration of the Council's ability to identify and manage risks and a consideration of the overall internal control environment.</p>
	<p>The Internal Audit team have a systematic process that captures all tip-offs, records action taken, and concludes with a report to the Governance & Audit Committee. Records are checked to ensure Governance & Audit are informed in all cases.</p>

Fraud risk assessment

Question	Management response
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>This is achieved by:</p> <p>The Director of Governance and Law annually reviews the Council’s Code of Corporate governance and reports any revisions to Committee. In particular this report informs the Committee on how the Council achieves compliance with the principle of “promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour”.</p> <p>The Committee reviews the Anti Bribery Policy and Anti fraud and corruption strategy annually.</p> <p>The Committee receives regular reports of fraud investigations that have revealed lapses in proper business practices or unethical behaviour and ensures actions have been assigned to ensure that relevant controls are suitably tightened. These fraud investigations are instigated from referrals which may include those made via the Council’s whistleblowing procedure.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Committee has approved the internal audit plan which includes an allocation of time for the Counter Fraud Manager to provide fraud awareness training to raise the level of fraud awareness and to promote the reporting of suspicions of dubious or inappropriate ethical behaviour.</p> <p>We held a ‘Challenger Event’ for the Council’s most senior managers in January 2013, to raise awareness and confidence of reporting concerns.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No. Employees and Members are required to declare any conflicts of interests as well as any gifts and hospitalities.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2012?</p>	<p>The Committee has been informed of a number of allegations. Most of these have been investigated. Some have been referred to the Police. A number of staff have been dismissed and / or arrested as a result of the findings.</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Work of the Internal Audit team, the Democratic Services team, and the Legal Services team. The Procurement team work closely with Directorates and Legal to ensure compliance with EU procurement laws.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above, plus 1:1 supervision believes managers and their direct reports, plus the Corporate Directors AGS, as well as external reviews eg OFSTED.
How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The Governance and Law division is responsible for ensuring that the Council correctly applies the law and regulations governing its business. The department is led by the Director of Governance and Law, who is also the Council's Monitoring Officer and, as part of the process to support the Annual Governance Statement, has submitted a statement of assurance with regard to his statutory duties.</p> <p>The Director of Governance and Law attended all meetings of the Governance and Audit Committee, and would make the Committee aware of any significant possible instances of non-compliance with laws and regulations. In addition, the Interim Head of Internal Audit would also report any known significant instances of non-compliance with laws and regulations. Internal Audit has reported on instances of non compliance with relevant laws and regulations within their quarterly reports.</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2012, or earlier with an on-going impact on the 2012/13 financial statements?	None that we are aware of.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Chief Accountant liaises with Legal Services team to capture all potential claims. Legal estimate the potential 'loss' as best they can. This is then reported to this Committee through the Statement of Accounts in July.

Impact of laws and regulations

Question	Management response
Is there any actual or potential litigation or claims that would affect the financial statements?	Not at this stage, but this will be kept under review throughout the Closedown process.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Going concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	This assessment is carried out by the S151 officer on an ongoing basis but especially at the time of setting the budget and producing Final Accounts.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None
Has management reported on going concern to the Governance and Audit Committee? (if not, what arrangements are in place to report the going concern assessment to the Governance and Audit Committee?)	This is reported through the S151 officer certification within the Statement of Accounts, and through his Section 25 Assurance on County Council Budget day.
Are the financial assumptions in that report (eg future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	N/A

Going concern considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, including in the Medium Term Financial Plan.
Have there been any significant issues raised with the Governance and Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	None
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes



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By: Neeta Major – Interim Head of Internal Audit
 To: Governance and Audit Committee - 11 April 2013
 Subject: **ANTI-FRAUD AND CORRUPTION
 PROGRESS REPORT**
 Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the last Governance and Audit Committee meeting in December 2012.

FOR ASSURANCE

Introduction and Background

1. Within Kent County Council the responsibility for anti-fraud and corruption activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This paper supports the Committee in meeting this outcome.

Anti-Fraud and Corruption Activity

Fraud Awareness

2. We continue to highlight fraud risks across the Council via KMail and Kent Trust Web (for schools) and have provided fraud awareness presentations to new Head Teachers. We also presented during the recent Challenger event 'Mind the Gap' which was well received and resulted in several Heads of Service requesting additional sessions for their respective departments. We will continue to raise the level of fraud awareness across the Council which will increase the number and quality of referrals.

National Fraud Initiative

3. We previously reported the Council's participation in the Audit Commission's National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The data matches have now been released and we are coordinating the review of these matches.

Irregularities

4. In April 2012 we brought forward twenty-one irregularities and since April we have recorded a further forty five. Of these, twenty five irregularities have been reported previously to G&A as concluded cases. Since the last G&A meeting in December, a further 23 have been concluded and summaries are set out in Appendix A. Eighteen irregularities remain open which includes two from 2011/12.

5. The most common types of fraud reported this year were fraud by abuse of position (32%) which includes the misappropriation or distribution of funds and fraudulently securing a job for a friend or relative; procurement (21%) which includes any fraud linked to the false procurement of goods and services, manipulation of accounts and failure to supply to contractual standards; and fraudulently claiming disabled parking concessions (13%).

Irregularities by Type

Type	%
Abuse of Position for Financial Gain	32%
Procurement	21%
Disabled Parking Concessions	13%
Social Services Fraud	9%
Other	7%
Economic and Third Sector Support Fraud	4%
Payroll and Contract Fulfilment Fraud	4%
Employee Expense Fraud	4%
Manipulation of Financial or non Financial Information	4%
Pension Fraud	2%

6. The most common sources of referral were KCC staff (38%) followed by management (22%) and the public (18%), which indicates the level of fraud awareness is increasing. A full breakdown is shown below:

Irregularities by Source

Source	%
Staff	38%
Management	22%
Public	18%
Outside Agency	11%
Whistleblower	7%
Anonymous	2%
Internal Audit	2%

7. We recorded irregularities from the following directorates ELS (27%), FSC (27%), C&C (18%), E&E (16%) and BSS (12%).
8. Internal Audit identified 200 days of proposed investigation activity for the 2012/13 Internal Audit Plan. Up to 28 February 2013 we had undertaken 412 days of investigation activity.

Emerging Themes

9. Over the last twelve months we have identified an increase over previous years in the number of recorded irregularities. We do not believe this is because the council is more at risk to fraud than any other public sector organisation. The increase in referrals is indicative of a more determined approach to tackle fraud. As a result of promoting fraud as a risk, Members, officers and the public will become more fraud aware and we are very likely to see further increases in

referrals to Internal Audit. On some occasions the information we receive indicates that fraud is taking place but subsequent investigation reveals little or no evidence to support further action. However, the information we receive, whether fraud is proven or not, provides a valuable opportunity to review different parts of the council's business and highlight any areas that might be susceptible to fraud.

10. For example, we have identified that services operating remotely from County Hall are more susceptible to fraud and error. We recently highlighted this trend at a Senior Manager and Director briefing (Challenger event) to improve awareness and we are continuing with a programme of establishment audits to review the financial controls, inspection standards and safety and security of these remote services.

Recommendations

11. Members are asked to note:

- the progress of anti-fraud and corruption activity; and
- the assurance provided in relation to anti-fraud culture and fraud prevention/investigation activity.

Paul Rock
Counter Fraud Manager
Ext: 4694

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Ref	Directorate	Allegation	Outcome	Recommendations
843	ELS	A number of staff made numerous allegations of financial malpractice by the manager of a Pupil Referral Unit.	<ul style="list-style-type: none"> The investigation identified evidence that, on the balance of probabilities, the manager had misappropriated petty cash, misused a purchase card, over claimed expenses and instructed staff to falsify financial records. The manager was dismissed for gross misconduct (subject to appeal). 	<ul style="list-style-type: none"> Internal Audit is currently undertaking a program of establishment audits reviewing the financial controls at all of the council's Pupil Referral Units.
847	BSS	Information received that indicated a member of staff may have been inappropriately involved in the recruitment and remuneration of a member of their family.	<ul style="list-style-type: none"> No evidence of fraud or misconduct. The relationship had been declared. 	<ul style="list-style-type: none"> No recommendations were required.
849	E&E	A member of the public alleged that a transport provider had misspent funding for new vehicles from KCC.	<ul style="list-style-type: none"> No evidence of fraud. No further action required. 	<ul style="list-style-type: none"> No recommendations were required.
850	BSS	Data matching identified four instances of Local Government pensions continuing after the scheme members' death.	<ul style="list-style-type: none"> Referred to the police for investigation. One of the next of kin received a formal police caution. The other three cases were closed by the police due to insufficient admissible evidence as required by the Code for Crown Prosecutors. 	<ul style="list-style-type: none"> Debt recovery is now being considered but may be limited due to the inability of agencies to cooperate because of data protection restrictions.
851	FSC	Information received that a member of staff had failed to declare a potential conflict of interest.	<ul style="list-style-type: none"> No evidence of fraud. 	<ul style="list-style-type: none"> Numerous recommendations made to improve processes.
852	ELS	Allegations that a finance officer in a Pupil Referral Unit had misappropriated funds.	<ul style="list-style-type: none"> The investigation identified that the officer had failed to declare a non-KCC bank account and concealed 	<ul style="list-style-type: none"> Internal Audit is currently undertaking a program of establishment audits reviewing the

Ref	Directorate	Allegation	Outcome	Recommendations
			<p>income, employed members of her family without proper authority and substantially failed to follow KCC procedures.</p> <ul style="list-style-type: none"> The officer was dismissed for gross misconduct. 	<p>financial controls at all of the council's Pupil Referral Units.</p>
854	E&E	Allegations that a transport driver was stealing fares that were paid in cash.	<ul style="list-style-type: none"> No evidence of fraud or theft. However the driver was dismissed for conduct unrelated to the original allegations. 	<ul style="list-style-type: none"> Recommendations were made to improve lost property procedures.
855	FSC	Information received from management that indicated a member of staff sent a forged letter purporting to have been sent by a trained nurse to a debt collection agency in order to have her debts written off.	<ul style="list-style-type: none"> The investigation identified evidence that the member of staff had dishonestly produced a counterfeit letter representing herself as a qualified mental health nurse and sent it to a debt collection agency. The member of staff was dismissed for gross misconduct. 	<ul style="list-style-type: none"> No further recommendations were required.
856	FSC	Allegation that a Direct Payment client had misrepresented her circumstances.	<ul style="list-style-type: none"> No evidence of fraud. No further action required. 	<ul style="list-style-type: none"> No recommendations were required.
858	ELS	Numerous schools across Kent received a false and misleading invoice from a company that allegedly sold entrance mats.	<ul style="list-style-type: none"> The investigation identified that the invoices were false and no goods or services had been provided. An alert was issued to all schools in Kent. 	<ul style="list-style-type: none"> The evidence was referred to Action Fraud and Scam Busters for their action/consideration.
859	E&E	Commercial Services identified an allegation of credit card fraud. The credit card user denied ordering any goods and services.	<ul style="list-style-type: none"> The order was subsequently confirmed as correct and the customer was re-invoiced for the goods. 	<ul style="list-style-type: none"> No recommendations were required.
860	FSC	A third party raised concerns regarding the awarding of a contract to provide elderly day care services.	<ul style="list-style-type: none"> The investigation examined the procurement process and contract 	<ul style="list-style-type: none"> A number of recommendations were made to strengthen contract

Ref	Directorate	Allegation	Outcome	Recommendations
			management practices. No evidence of fraud was found.	management and governance arrangements.
863 a	E&E	Allegation that a member of staff had inappropriately authorised a work order for site repairs and may have colluded with the supplier.	<ul style="list-style-type: none"> No evidence of collusion and the work order was of low value. 	<ul style="list-style-type: none"> Informal management action recommended.
864	ELS	Allegation that a school hosted and paid for a leaving party for the Head Teacher.	<ul style="list-style-type: none"> The investigation confirmed that the party was paid for from school funds and members of the governing Body had approved the expenditure. The Governing Body resigned. 	<ul style="list-style-type: none"> No recommendations were required.
866	FSC	An allegation that deceased care client and/or her representatives failed to declare joint ownership of a property.	<ul style="list-style-type: none"> Prior to the investigation FSC had identified that an overpayment had occurred. The subsequent investigation reviewed the circumstances that led to the overpayment to determine whether any fraud had been committed. No evidence of fraud was identified. FSC are recovering the overpayment. 	<ul style="list-style-type: none"> No recommendations were required.
868	FSC	Allegation that a former member of staff stole the sim card from her KCC phone before she left employment.	<ul style="list-style-type: none"> The investigation identified evidence that the sim card was used after the employee left her employment. The loss to KCC was low, and the sim card was disconnected. We considered pursuing the allegations but because of the low value, and the fact further loss had been prevented; we decided that it would be uneconomical to pursue a 	<ul style="list-style-type: none"> We recommended the service issue an invoice to the former member of staff for the phone charges incurred after she left employment.

Ref	Directorate	Allegation	Outcome	Recommendations
			criminal sanction.	
869	BSS	An allegation was received in relation to a potential breach of procurement procedures.	<ul style="list-style-type: none"> A minor breach of procurement rules was evidenced. 	<ul style="list-style-type: none"> Management were informed of the breach and corrective action was taken.
870	E&E	A member of staff was alleged to have submitted false med certificates to support a period of long term sickness.	<ul style="list-style-type: none"> No evidence of fraud. The certificates were verified as genuine. 	<ul style="list-style-type: none"> No recommendations were required.
871	ELS	Allegations were received that a Head Teacher had inappropriately employed members of her family, misused a purchase card and paid excessive costs for landscaping to another Head Teacher.	<ul style="list-style-type: none"> No evidence of fraud. The employment, procurement and financial procedures had been adhered to. 	<ul style="list-style-type: none"> No recommendations were required.
872	C&C	Allegations that a family member of a deceased badge holder had continued to persistently use the blue badge.	<ul style="list-style-type: none"> We were provided with incomplete information and were unable to identify the perpetrator. 	<ul style="list-style-type: none"> No recommendations were required.
876	FSC	Allegations were made that a member of staff was inappropriately charging service users in a care home for internet usage.	<ul style="list-style-type: none"> The investigation found evidence that additional charges were being levied by the member of staff. The charges were nominal and based on the cost of internet dongles the member of staff had purchased for the benefit of the service users. A profit was not being generated. On this basis we did not recommend pursuing a criminal sanction. 	<ul style="list-style-type: none"> A recommendation was made to consider disciplinary action.
881	ELS	Anonymous allegations that a member of staff was living beyond their means.	<ul style="list-style-type: none"> Insufficient evidence to pursue. 	<ul style="list-style-type: none"> No recommendations were required.
882	ELS	Information received from several schools that an online resource	<ul style="list-style-type: none"> In collaboration with Kent Trading Standards, the online resource 	<ul style="list-style-type: none"> No further recommendations were required.

Ref	Directorate	Allegation	Outcome	Recommendations
		company was issuing un-solicited invoices.	company was issued with a formal warning letter.	

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