

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 30th April, 2014

10.30 am

Darent Room, Sessions House, County Hall, Maidstone

There will be a training session on the role and responsibilities of the External Auditors for Members of the Committee at 10.00am before the meeting.





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 30th April, 2014, at 10.30 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 (15)

Conservative (8)	Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mr J A Davies, Mr P J Homewood, Mr A J King, MBE, Mr R A Marsh, Mr P J Oakford and Mr J E Scholes
UKIP (3)	Mr H Birkby, Mr B Neaves and Mr T L Shonk
Labour (2)	Mr W Scobie and Mr D Smyth
Liberal Democrat (1):	Mr R H Bird
Independents (1):	Mr M E Whybrow

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 5 - 14)
Committee - 18 December 2013
Trading Activities Sub-Committee - 3 March 2014 (for Information)
5. Committee Work and Member Development Programme (Pages 15 - 20)
6. 2013-15 Revenue Budget Savings (Pages 21 - 32)
7. Revised Accounting Policies and Financial Regulations (Pages 33 - 34)
8. Update/Replacement of "Spending The Council's Money" (Pages 35 - 50)
9. Treasury Management Quarterly Report (Pages 51 - 58)
10. RIPA Report on Surveillance (Pages 59 - 84)
11. Internal Audit Annual Audit Plan 2014-15 (Pages 85 - 114)
12. Internal Audit Progress Report (Pages 115 - 146)
13. External Audit Update - April 2014 (Pages 147 - 172)
14. External Audit Plans for Kent County Council and Kent Superannuation Fund 2013/14 (Pages 173 - 204)
15. External Audit Fee Letter 2014/15 (Pages 205 - 210)
16. Fraud Law and Regulations and Going Concerns Considerations (Pages 211 - 218)
17. Anti-Fraud and Corruption Progress Report (Pages 219 - 228)
18. 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

Tuesday, 22 April 2014

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

15 Members

Conservative: 8; UKIP: 3; Labour: 2; Liberal Democrat: 1; Independent: 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.

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, 18 December 2013.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mr R H Bird, Mr H Birkby, Mr J A Davies, Mr P J Homewood, Mr A J King, MBE, Mr R A Marsh, Mr B Neaves, Mr J E Scholes, Mr W Scobie, Mr T L Shonk, Mr D Smyth and Mr M E Whybrow

ALSO PRESENT: Mr J D Simmonds

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Mr G Wild (Director of Governance and Law), Ms N Major (Head of Internal Audit), Ms S Buckland (Audit Manager), Ms A Simmonds (Commercial Services Internal Audit Manager), Mr P Rock (Counter Fraud Manager), Mr R Hallett (Head of Business Intelligence), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Ms A Tollefson from Grant Thornton UK LLP.

UNRESTRICTED ITEMS

50. Minutes - 24 September 2013

(Item 4)

RESOLVED that the Minutes of the meeting held on 24 September 2013 are correctly recorded and that they be signed by the Chairman.

51. Dates of meetings in 2014

(Item 5)

The Committee noted the following meeting dates in 2014:

Wednesday, 30 April 2014;
Thursday, 24 July 2014; and
Friday, 3 October 2013.

52. Committee Work and Member Development Programme

(Item 6)

- (1) The Head of Internal Audit proposed an updated forward committee work and Member development programme to December 2014.
- (2) RESOLVED that approval be given to the proposed forward work programme and Member development programme to December 2014.

53. Corporate Risk Register

(Item 7)

(1) The Head of Business Intelligence and the Corporate Risk Manager reported that the Corporate Risk Register had recently been refreshed. They 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) Mr W Scobie moved the following motion, seconded by Mr D Smyth:

“A detailed report regarding Risk ID 12 on page 39 of this agenda be brought back to the next meeting of the Governance and Audit Committee. We require more information on the control measure being used and what effect this is having on mitigating the risk to KCC of the welfare changes.”

(3) On being put to the vote, there were 7 votes in favour of the motion and 7 votes against. In accordance with Committee Procedure Rule 2.26 (2) the Chairman thereupon used his casting vote against the motion.

(4) RESOLVED that the assurance provided in relation to the development and maintenance of the Corporate Risk Register be noted.

54. Review of the Risk Management Policy

(Item 8)

(1) The Head of Business Intelligence and the Corporate Risk Manager presented the revised Risk Management Policy to the Committee for its approval.

(2) RESOLVED that approval be given to the Risk Management Policy for the year 2013/14.

55. Treasury Management 6 Month Review

(Item 9)

(1) The Head of Financial Services presented the Treasury Management 6 month review.

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

56. Debt Management

(Item 10)

(1) The Head of Financial Services gave a report on the County Council's debt position.

(2) During discussion of this item, the Committee resolved under Section 100A of the Local Government Act 1972 to exclude the public from the meeting on the grounds that the matter it wished to discuss involved the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act.

(3) The Corporate Director of Finance and Procurement and the Head of Internal Audit thereupon explained the circumstances that had led to the Customer and Communities Revenue Debt Write Off of £184,301.61.

(4) The remainder of the discussion of this item was held in open session.

(5) The Head of Financial Services agreed that future reports on Debt Management would begin by showing the trend of outstanding debt over the previous 5 years.

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

57. External Audit Update November 2013

(Item 11)

(1) Ms Anna Tollefson from Grant Thornton UK LLP provided an update on the work of the external auditor in respect of progress on the planned audit for 2013/13 and emerging issues and developments.

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

58. External Audit Annual Letter 2012/13

(Item 12)

(1) Ms Anna Tollefson from Grant Thornton UK LLP provided a summary of the most important findings from the external audit work in respect of the 2012/13 audit year. She reaffirmed the unqualified opinion on the 2012/13 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

(2) RESOLVED that:-

- (a) the Annual Audit Letter be received for assurance, fulfilling the requirement for the External Auditors to prepare and issue an Annual Audit Letter to the County Council; and
- (b) the Committee's thanks and appreciation of the Finance and Procurement staff be recorded for their work in securing an unqualified opinion from the external auditors.

59. Review of the Committee Terms of Reference

(Item 13)

(1) The Head of Internal Audit reported the outcome of the review of the Committee's Terms of Reference. She recommended that no changes be made except to the revised membership of the Committee to reflect the revised proportionality figures for the political groups following the May 2013 Local Government elections.

(2) The Committee noted that the County Council had recently decided that it would not receive the Committee's minutes. As a consequence, that particular aspect of the Committee's responsibilities needed to be deleted.

- (3) RESOLVED that the minor amendments to the Committee's Terms of Reference arising from the Local Government elections and the recent decision of the County Council be noted as set out in (1) and (2) above.

60. Commercial Services Internal Audit Progress Report

(Item 14)

- (1) The Commercial Services Internal Audit Manager summarised the outcomes of the Commercial Services Internal Audit activity for the 2013 financial year to date.
- (2) RESOLVED that the progress made against the Commercial Services Internal Audit Work Programme for 2013 be noted for assurance as set out in the Appendix to the report.

61. Internal Audit Progress Report

(Item 15)

- (1) The Head of Internal Audit reported the outcomes of Internal Audit activity for the 2013/14 financial year to date.
- (2) RESOLVED to note:-
- (a) progress against the 2013/14 Audit Plan and the proposed amendments to it; AND
 - (b) the assurance provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

62. Effectiveness of Internal and External Audit Liaison

(Item 16)

- (1) The Head of Internal Audit summarised the effectiveness of the liaison arrangements between Internal and External Audit.
- (2) RESOLVED that the annual update on liaison arrangements between Internal and External Audit be noted for assurance, including the Protocol set out in the Appendix to the report.

63. Anti Fraud and Corruption Progress Report

(Item 17)

- (1) The Counter Fraud Manager provided a summary of progress of anti-fraud and corruption as well as the outcome of investigations concluded since the previous meeting of the Committee in September 2013.
- (2) The Counter Fraud Manager agreed that, in future, the contents of the Irregularities Appendix would be split between internal and external fraud reviews.
- (3) RESOLVED that the progress of anti-fraud and corruption activity be noted for assurance.

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB - COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub - Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 3 March 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr H Birkby and Mr J A Davies (Substitute for Mr R J Parry)

ALSO PRESENT: Mr R H Bird, Mr P J Homewood, Mr T L Shonk, Mr D Smyth and Mr M E Whybrow

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance and Procurement), Miss E Feakins (Chief Accountant), Ms B Gibbs (Accountant), Mr G Record (Finance and Procurement Officer), Ms N Major (Head of Internal Audit), Mrs T Bruton (Head of Regeneration Projects) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Minutes - 1 March 2013

(Item 3)

(1) The Finance and Procurement Officer advised the Committee in respect of Minute 2 (4) that HMRC had not replied to two requests for information on its grounds for objecting to the dissolution of Invicta Services Ltd. The company had been dissolved in July 2013.

(2) The Finance and Procurement Officer advised in respect of Minute 2 (7) that The North Kent Architecture Centre Ltd was a not-for-profit organisation which received funding from KCC for the purposes of supporting the improvement of the quality of the built environment in the South East.

(3) RESOLVED that the Minutes of the meeting held on 1 March 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-Committee that he had been the Chairman of Produced in Kent between the years 2006 and 2009.

(2) The Sub-Committee considered the latest available Statutory Accounts for those companies in which KCC had an interest

(3) In response to a question from Mr Birkby, the Chief Accountant said that the reason that income and deficit details were not available for some of the companies set out in Appendix A of the report was because Companies House would only provide the balance sheets for small companies which traded in small sums.

(4) The Sub-Committee agreed by 2 votes to 1 that it did not wish to see basic income and deficit details for the small companies in future as their full accounts would have been examined by their external auditors and no reputational risk to KCC had been identified.

(5) The Chairman noted the large number of Directors at Trading Standards South East Ltd and asked for a report to a future meeting on the effectiveness of its operations.

(6) The Sub-Committee asked for future reports on the statutory accounts to include an explanation in each instance of the payments made by KCC to the company, the purpose of the company and the nature and degree of interest that KCC had in that company.

(7) RESOLVED that, subject to (5) and (6) above, the content of the report be noted for assurance.

3. Update on Commercial Services' governance arrangements

(Item 5)

(1) The Head of Internal Audit gave a report updating the Sub-Committee on Commercial Services' governance arrangements. She explained that she was doing so from the perspective of KCC as its shareholder rather than from that of Commercial Services itself.

(2) The Sub-Committee discussed the question of whether there should be representation by a Cabinet Member or a Senior Officer on the joint Company Board, and expressed concern that the Shareholder Board (meeting quarterly) might not in itself provide the County Council with sufficient assurance.

(3) The Sub-Committee agreed to request advice from KCC Legal Services on whether the advice from Eversheds in 2011 had been fully implemented and generally whether corporate governance arrangements were adequate from a legal perspective. This advice would also encompass the governance questions of whether the Shareholder Board should be the holding board; whether it should receive both sets of Minutes from the joint Company Board; how often the Shareholder Board should meet; and whether there should be KCC representation (either by a Cabinet Member or Senior Officer) on the joint Company Board. Advice would also be sought on whether there should be a greater level of independent representation on the Remuneration Committee.

(4) RESOLVED that:-

(a) the content of the report be noted for assurance; and

(b) the Director of Governance and Law be requested to give advice to Governance and Audit Committee on the questions set out in (3) above.

4. East Kent Opportunities LLP

(Item 6)

(1) The Head of Regeneration Projects introduced her report by explaining that East Kent Opportunities LLP had been established as a joint arrangement company in 2008 by KCC and Thanet DC to pump prime the economic development and regeneration of the Manston Business Park and Eurokent sites.

(2) The Head of Regeneration Projects replied to a question from Mr Shonk that a planning application had been submitted by the company and Rosefarm Estates Ltd to Thanet DC in 2011 for a joint mixed use development. Permission had been refused in 2013 and the applicants were now pursuing an appeal and the application had been called in by the Secretary of State for his determination.

(3) The Chairman advised that the concerns raised by Mr Shonk would be most appropriately considered by the Economic Development Cabinet Committee as the Trading Activities Sub-Committee's remit did not extend to the actual merits of the company's business case.

(4) Mr Whybrow questioned whether reputational damage could occur as a result of the company's focus shifting from economic regeneration to residential development. He then asked whether the legal and professional fees of over £200k for the years 2012 and 2013 (set out in the schedule to the detailed accounts for year ended 31 March 2013) had been costs accrued in challenging the decision of Thanet DC to refuse planning permission.

(5) The Head of Regeneration Projects replied to Mr Whybrow by saying that the legal and professional fees mainly covered advice on land ownership transfers relating to sales as well as professional/technical advice to the company and might not be advice relating to the planning appeal. The residential element of the company's work represented an essential component of its economic development remit rather than a departure from its original focus.

(6) The Sub-Committee noted that the company had lost money in the previous two years as it had not yet been able to carry out its intended developments. It also noted the advice from the Corporate Director of Finance and Procurement that no individual received financial remuneration. The "members" who were remunerated from the profits of the LLP were in fact KCC and Thanet DC as corporate bodies, which were described in this manner for accounting purposes.

(7) RESOLVED that:-

- (a) the contents of the report be noted for assurance; and
- (b) East Kent Opportunities LLP's Annual Report and Financial Statements for 2012/13 be noted as set out in the Appendix to the report.

5. Protocol for companies in which KCC has an interest

(Item 7)

(1) A version of Appendix 1 containing tracked changes had previously been circulated to the Sub-Committee.

(2) The Finance and Procurement Officer briefly presented proposed amendments to the *Protocol relating to companies in which KCC has an interest (the Protocol)*.

(3) RESOLVED that Governance and Audit be requested to:-

- (a) approve the proposed amendments to the Protocol as set out in paragraphs 3,4,5 and 7 of the report; and
- (b) note and endorse the proposed amendment set out in paragraph 6 of the report.

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

To: Governance and Audit Committee – 30 April 2014

Subject: **COMMITTEE WORK & MEMBER DEVELOPMENT PROGRAMME**

Classification: Unrestricted

Summary: This report provides an update on the forward Committee Work and Member Development programme.

FOR DECISION

Introduction and background

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

Current Work Programme

2. Appendix 1 shows the latest programme of work for the Committee, up to April 2015. 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. This doesn't preclude Members asking for additional items to be added during the course of the year.
3. The programme reflects requests made from previous Committee members for additional reports on specific items of interest.

Member Development Programme

4. Members' training is important to ensure that the Governance and Audit Committee remains effective and delivers against its Terms of Reference.
5. In November 2010, it was agreed that the best time for 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.
6. In addition, Corporate Finance delivers a learning and development programme on financial management for Members and senior officers that will continue in 2014 -15. The 2013-2014 programme included a session on the role of internal audit and fraud awareness refresher training together with a range of relevant training as follows.

Description	Timing
Introduction to Finance and how Local Government is funded	Delivered
Business intelligence, Performance and Risk	Delivered
Internal control and its role in preventing and detecting fraud and other risk exposures	Delivered
Interpreting financial information	Delivered
How to scrutinise the budget	Delivered

7. In April 2013 the Committee agreed that some additional briefings would be advisable in the following areas:
- The role and responsibilities of an effective audit committee (delivered)
 - Financial statements – what do they tell us? (delivered)
 - The role and responsibilities of the external auditors (April 2014)
8. Members may also ask for additional training if they require.

Recommendations

9. It is recommended that Members approve the forward Committee Work and Member Development programme.

Appendices Committee work programme

Neeta Major, Head of Internal Audit (X4664)

Appendix 1

Category / Item	Owner	Apr-14	Jul - 14	Sept-14	Dec -14	Apr-15
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						
Update on development of Management Guides	DW	If significant changes to the approach or purpose of the management guides				
Annual review of Terms of Reference of G&A	NM				✓	
Debt Recovery	NV		✓		✓	
Annual review of the Council's Code of Corporate Governance	GW	If substantial changes to Code				
Review of Bribery Act Policy	GW	If changes to Policy				

Appendix 1

Category / Item	Owner	Apr-14	Jul - 14	Sept-14	Dec -14	Apr-15
Internal Audit						
Internal Audit Progress Report	NM	✓		✓	✓	✓
Schools Audit Annual Report	NM		✓			
Internal Audit Annual Report (including review of Charter)	NM		✓			
Internal Audit Strategy and Annual Plan	NM	✓				✓
External Audit						
External Audit Update	NM	✓	✓	✓	✓	✓
External Audit Findings Report	NM		✓			
Pension Fund Audit Findings Report	NM		✓			
Financial Resilience 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 & Going Concern Considerations	AW	✓				✓
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW		✓			
Revised Accounting Policies	CH	✓				✓
Review of Financial Regulations	EF	✓				✓

Category / Item	Owner	Apr-14	Jul - 14	Sept-14	Dec -14	Apr-15
Fraud						
Review of the Anti-fraud and anti-corruption Strategy	NM		✓			
Anti-Fraud and Corruption Progress Report	NM	✓	✓	✓	✓	✓

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By: Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 30 April 2014

Subject: **2013-15 REVENUE BUDGET SAVINGS**

Classification: Unrestricted

Summary: This report updates Members of the Committee on the progress in making the revenue budget savings for each of 2013/14 and 2014/15

FOR ASSURANCE

2013/14

1. The budgeted savings as shown in the approved budget book was £91.8m. This is a very significant sum, representing approximately 10% of our net revenue budget.
2. Early in the financial year, we look very closely at budgeted savings to ensure that what was approved in the budget is still deliverable, and that if any aren't, or not to the quantum budgeted, that corrective actions are put in place. As the year progresses, we move away from specific monitoring of those savings in order to monitor the budget overall. The routine monthly budget monitoring process will highlight variances from budget, including any changes to the savings plans, but also due to the many other factors that can lead budgets to over or under spend.
3. As we have passed the year-end and are now into finalising the Accounts for 2013/14, it is pleasing to report that we expect to underspend the overall revenue budget by around £8m. This is a particularly good outcome and surpasses the £4m underspend required for roll-forward into the 2014/15 budget.
4. It is impossible to be precise about exactly how we delivered against the £91.8m, but the overall underspend shows that effective budgetary control was in place throughout the year.

2014/15

5. The budgeted savings as shown in the approved budget book is £81.4m. Although this is slightly less than the savings required in 2013/14, there is less reliance on one-off savings and draw-down of reserves, which means the underlying savings required from front-line budget managers is at least as challenging, if not more so, than in 2013/14.

6. In my presentation to County Council on 13 February, I suggested the 'traffic light' ratings of the savings were as follows:

Green:	62%
Amber:	38%
Red:	0%

7. The outcome of this 'risk assessment' was very similar to the previous year. However, there are some different risks this year, resulting from Facing the Challenge (FtC). This is mainly due to the new directorate formation, and the movement and/or loss of key staff. Consequently, we have re-introduced the Savings Project Initiation Document (PID) process, which is underway and due for completion by 1 May. For new Members to the Council who are not familiar with the PID process, I will do a short introduction to the process as part of the discussion of this report at this Committee. In the meantime, a copy of the PID template that Managers are being asked to complete, is attached at Appendix 1.
8. From the initial PID returns, and from what has changed since the budget was approved, there is nothing significant to report, either good or otherwise.
9. Members can monitor progress against the savings plan, and the budget overall, through the regular monthly reporting to Cabinet. An update report on savings will be provided to this Committee in September.

Recommendation

10. Members are asked to NOTE for assurance the progress on the 2013/14 and 2014/15 revenue budget savings.

Andy Wood
Corporate Director of Finance and Procurement
Ext: 7000 4622

Background Documents

Monthly Budget Monitoring Reports to Cabinet
2014/15 Budget report
2013/14 and 2014/15 Budget Books
2013-15 and 2014-16 Medium Term Financial Plans

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Facing the Challenge; Managing Change Better

DETAILED PROPOSAL

Items in Red to be pre-populated by Finance

Directorate:	Service Area:	Lead Director:	Service Manager:	SRO:

<div>Page 25</div> Proposed Cashable Sustainable Saving: <i>Indicate (F) Full Year or (P) Part Year effect</i>		2014-15	2015-16
	Gross saving		
	One off costs: e.g. redundancy costs		
	Ongoing costs:		
	Net sustainable saving:		
MTFP reference(s), if applicable: A-Z line ref (e.g Regulatory Services Trading Standards - Row 101			
Possible impact on employees If yes complete 6			

Saving as a % of proposed budget from A-Z line	
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Facing the Challenge; Managing Change Better

1. Confirmed Description of Savings Proposal	<i>Description of proposal:</i> <i>What are you planning to do? How will you achieve the savings and changes you propose? Who will need to be involved?</i>
	<i>Timescales for completing the changes proposed:</i> <i>Refer to project plan held by portfolio office if appropriate</i>
	<i>Is the proposal dependent on internal and /or external partner involvement and if it is, have they agreed to be involved?</i>
	<i>How does the proposal impact on staff?</i>

Facing the Challenge; Managing Change Better

2. Non-financial Benefits Realisation <i>Describe the non-financial benefits of the proposal against the baseline, how achievement will be measured and when it will happen. Any dis-benefits should be included here.</i>	Benefit (outcome) Dis-benefit	What is the current baseline position?	What will the new baseline be? (Measure)	When will it be achieved?

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3. Impact of Proposal <i>You will need to do an EIA for all business cases; please summarise the findings of the associated EIA here. Implementation decision cannot be taken until this is complete.</i>	Group Affected E.g. Staff, Elderly vulnerable adults/children	Describe Impact	Impact assessment + or -	Interest group & information sharing implications

Facing the Challenge; Managing Change Better

4. Risks <i>Identify and describe the risks and outline key mitigation in place and/or planned (unless the current level of risk is to be accepted / tolerated).</i>	Risk Description	Current Risk Rating (1-25)	Target Residual Risk Rating (1-25)	Mitigation	Risk Owner
	EXAMPLE: HR consultation periods could impact on time to realize savings			EXAMPLE: HR guidelines understood; HR involved in supporting process and longest timescales factored in to process	

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Low = 1-6	Medium = 8-15	High = 16-25
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KCC's management guide on risk can be accessed here: <http://knet/ourcouncil/Pages/MG2-managing-risk.aspx>

(The toolkit document on assessing and evaluating risk will take you through the scoring matrix mentioned above)

Facing the Challenge; Managing Change Better

<p>5. Capacity to Deliver</p> <p><i>If you have cited risks to deliverability, and this relates to gaps in skills or resources provide more details here about your mitigation plan and associated/known costs</i></p>	
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<p>6. Potential impact on staff if the proposal is outside the mainstream authority delivery arrangements; e.g. TUPE and redundancy implications</p>	<p>If staff are affected attach HR spreadsheet</p>
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Facing the Challenge; Managing Change Better

7. Communication & Engagement

Describe the support required from this resource to support the implementation of the changes proposed.

Facing the Challenge; Managing Change Better

8. Sign Off	SRO (print name & signature):	Date
	Director (print name & signature):	Date
	Finance Business Partner (print name & signature):	Date
	HR Business Partner (print name & signature):	Date

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

To: Governance and Audit Committee – 30 April 2014

Subject: Revised Accounting Policies and Financial Regulations

Classification: Unrestricted

Summary: This report asks Members to note that there have been no proposed revisions to accounting policies and to the Financial Regulations

FOR APPROVAL

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 2013-14 there are no changes to the accounting policies to report. There are revisions to IAS 19 Employee Benefits specifically relating to the treatment of administration costs in respect of pension costs and disclosure requirement changes but these are not a change in the accounting policy.
3. There are no proposed changes to the financial regulations for 2014-15. A review of the regulations will be conducted during 2014-15 to reflect any changes as a result of Facing the Challenge.

4. Recommendation

Members are asked to note that there are no changes recommended to the accounting policies and the Financial Regulations.

Cath Head
Head of Financial Management
Ext: 1135

Emma Feakins
Chief Accountant
Ext: 4634

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To: Governance & Audit Committee

From: John Simmonds, Cabinet Member for Finance and Procurement
Andy Wood, Corporate Director for Finance and Procurement

Date: 30 April 2014

Subject: Update/Replacement of Spending the Councils Money

Classification: Unrestricted

FOR APPROVAL

Summary This report seeks approval to update/replace the current "Spending the Councils Money" document replacing the hard copy with an online more user friendly version..

1. Background

- 1.1. "Spending the Councils Money" is the document detailing the Council's procurement policies and procedures and contains a mixture of legislation, rules, guidance on good practice and examples of potential pitfalls. It is intended to be a helpful, useable, reference for all those involved in procurement, contracting, ordering, managing or scrutinising.
- 1.2. The above paragraph describes the original purpose of "Spending the Councils Money" (SCM), it was originally drafted in 2007 and has undergone a number of amendments over time. However the Council has changed the way procurement is undertaken, with the setting up of a central procurement team (Strategic Sourcing and Procurement Team (SSP)) and with significant changes to processes.
- 1.3. We have now also re-implemented i-Procurement and are moving towards no order no pay for invoices.
- 1.4. The hard copy document or PDF of SCM is a large document, which tends only to be referred to by Legal Services and SSP.

2. Proposals

- 2.1 To replace the hard copy and PDF versions of SCM with a more interactive electronic version.
- 2.2 Remove the information on how to undertake procurements over £50k and refer Services to the SSP to seek advice.
- 2.3 Provide clear guidance and standard documentation for Services for procurements under £50k.

- 2.4 Provide clear rules that support and clarify the Constitution and are easily understood by services.
- 2.5 Amend some of the rules highlighted below
 - 2.5.1 All procurements below £50k – procurer is required to seek at least one quotation from a Kent supplier where possible
 - 2.5.2 Single Source Procurement rules updated (appendix A)
 - 2.5.3 All procurements over £50k to have a Procurement Plan (appendix B)
- 2.6 Provide separate Guidance Notes on
 - 2.6.1 Contract Management
 - 2.6.2 Specification Writing
- 2.7 Examples of the flowcharts (Appendix C to E) that will be available on the intranet a live example will be shown at the meeting to make it clear how the new approach will work.

3 Advice Sought

- 3.1 To ensure the new Spending the Councils Money addressed our internal clients requirements and that we were complying with the Councils Rules, we had a number of workshops to which we invited a representative from each Directorate, Legal and Audit.
- 3.2 Advice was also sought from Democratic Services on the correct approval process for this paper, which supported by the Monitoring Officer.

4. Recommendation

- 4.1 The Governance and Audit Committee are asked to approve the update/replacement of Spending the Councils Money PDF version with the new online version

Contact Officer

Henry Swan MBA MCIPS
Head of Procurement
Kent County Council
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ME14 1XQ

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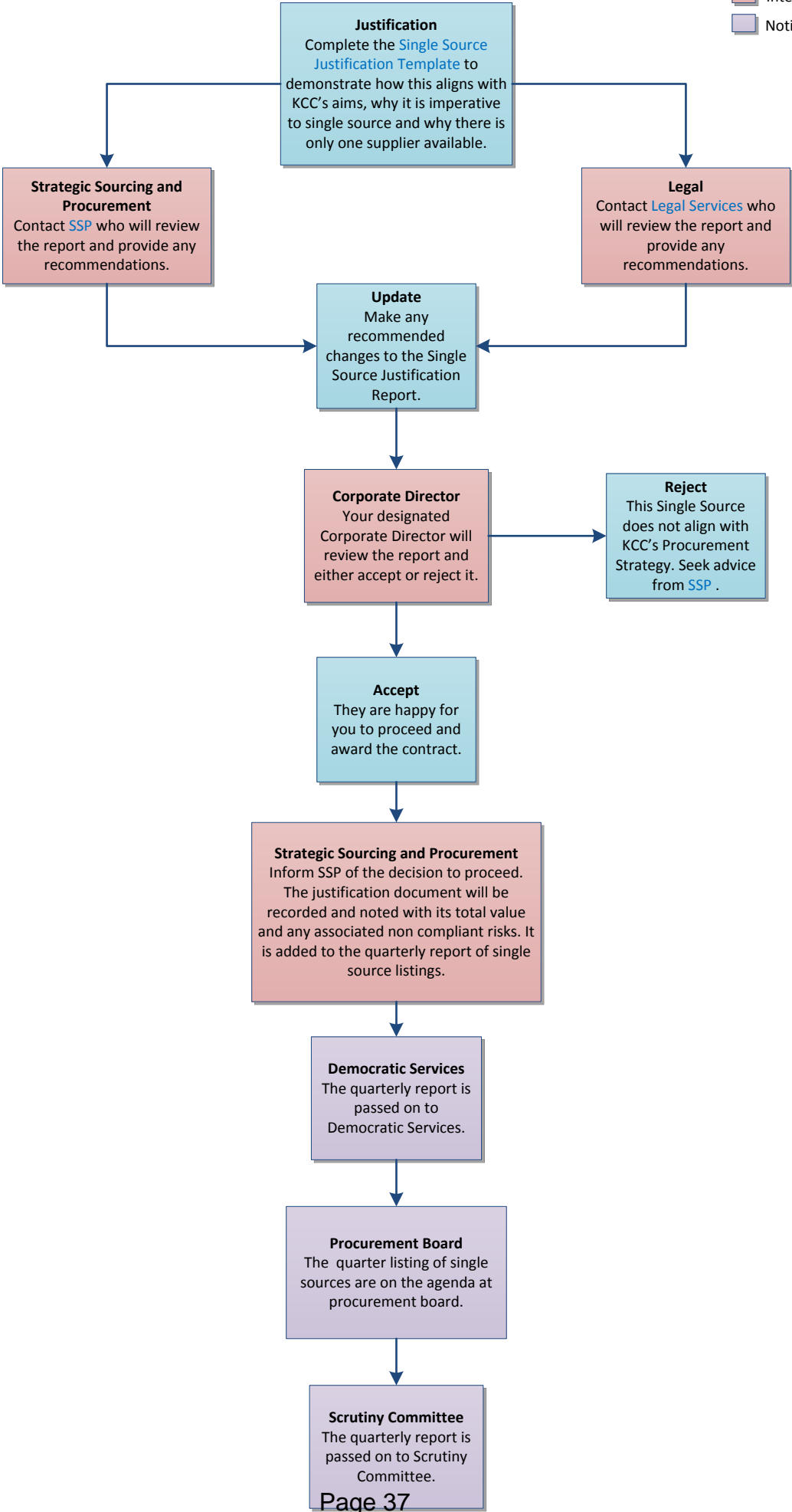
**Single Source Request Over
£50,000**

Key

User Process

Internal Team Review

Notify decision



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Procurement Plan

TITLE:	VALUE:	Ref:
Procurement Lead:	Date:	
Client Lead:	Position:	

Description: What is required to be bought? Description, volumes, values and changes over time. Describe Clients and Funding source

Linkage to Category Strategy:

Is there a Procurement Board approved Category Strategy? Does this PP comply with it? If not, why not? Consider Kent Businesses how has this been addressed?

Business Objectives:

- *Clear statements of what the business objectives are for this procurement. Should be available in the Business Case.*

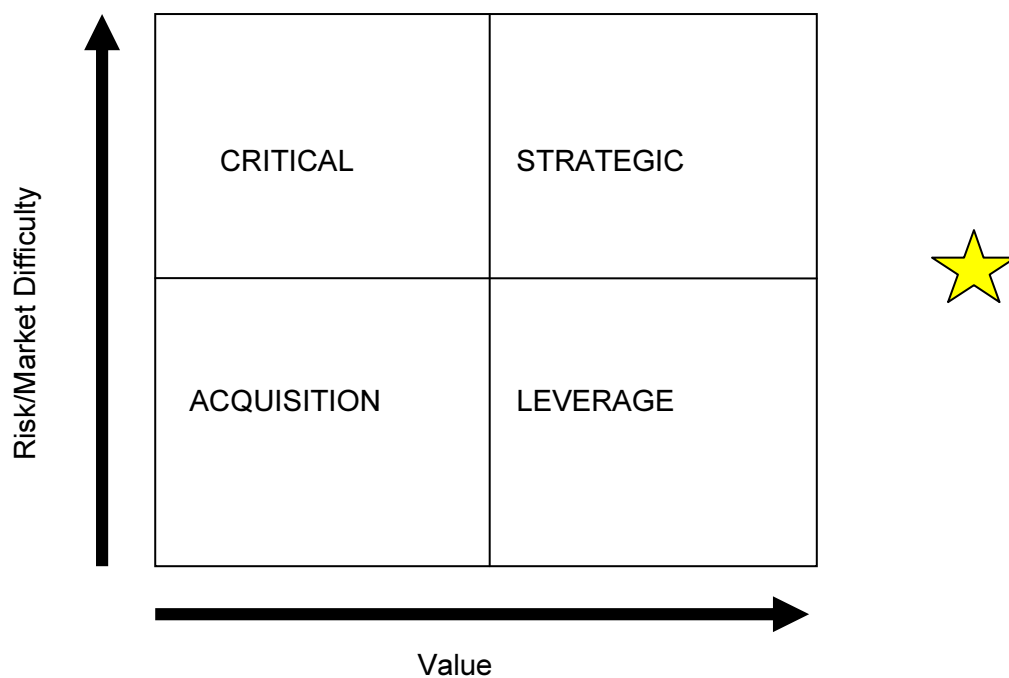
Current Supply arrangements:

description of the current supply set-up: supplier, volumes, spend levels, how it works, what works well, what doesn't, contract end date, etc. If new requirement, say so

--

Market Position:

an assessment and description of the supply market. Size, KCC position, competitiveness, development opportunities, risks, etc

**Procurement Risks:**

what are the main risks in carrying out this procurement (what could go wrong?) How do we mitigate these risks?

Risk	Controls/Mitigating Action
	➤
	➤
	➤
	➤

Procurement Route Options & Evaluation:

Part: A/B OJEU:
Should this be a framework or contract? Why?
Multi-supplier or single supplier? Why?

Appendix B

*Open, Restricted, CD? Why?
Single Tender Action? Why?
E-Auction why not?*

Procurement Route Recommendation:

Summary of selected route and why

Outline Timescales:

Advert Date? PQQ date etc Planned award date. Any key milestone or review dates eg Cabinet Meeting

Resources Required:

*How much of your time roughly will this consume eg 10 days over a 2 month period. Client resources: are they lined up adequately? If not what do we need to do?
Attach RACI if required*

Reviews Planned:

*what planned reviews are there or are needed through the procurement? Legal? Finance?
Procurement Board?*

Approval to Proceed:

Signed:

Name:

Date:

Check List

Please review items on check list and complete response box and where appropriate include in plan above.

Check Item	Action Required	Response
Social Value	Social Value needs to be considered	<i>Ensure consideration of Social Value is recorded</i>
Equalities Impact Assessment	Is and impact assessment necessary, most cases this will be a requirement the Service are responsible for carrying this out. If in doubt contact Janice Hill, Equalities & Diversity Officer 01622 221981	<i>Please confirm in place if reqd, don't forget this is a service responsibility not procurement</i>
Legal Support Required	Legal support requirement should be considered and agreed with the client. Also if a risk of challenge has been highlighted this should be communicated to legal and added to the risk register on the shared drive.	<i>Record in Risks and Risk matrix</i>
Kent Business	Ensure plan has addressed supporting Kent Business	
TUPE/Pension Staff Transfers	Ascertain if there is any possibility of staff transfers and discuss with Client. If TUPE or Pensions may be involved for TUPE discuss with legal for Pensions see Steven Tagg	<i>Ensure Client has considered these, if any staff transfer involved inform Legal to ensure TUPE and Pension strategy is clear.</i>
Environment	Are there environmental issues or implications in this contract	
Business Continuity	Business continuity issues this does not just mean IT but consideration of providing essential services	
Financial Risk	What is the financial risk associated with this contract, Supplier Risk: how much assessment of the supply base is necessary, what is the risk if a supplier fails. If the tender is above EU value we should use Finance Projects Team to carry out financial assessments. Budget Risk: Is the budget confirmed for the duration of the contract	<i>Ensure an agreed financial evaluation of contractors is laid out in the procurement plan.</i> <i>Check budget/funding with finance Business Partner.</i>
Collaboration/Access to Contract	Will this contract be shared with others, if so how is procurement being undertaken.	<i>Detail in plan</i>

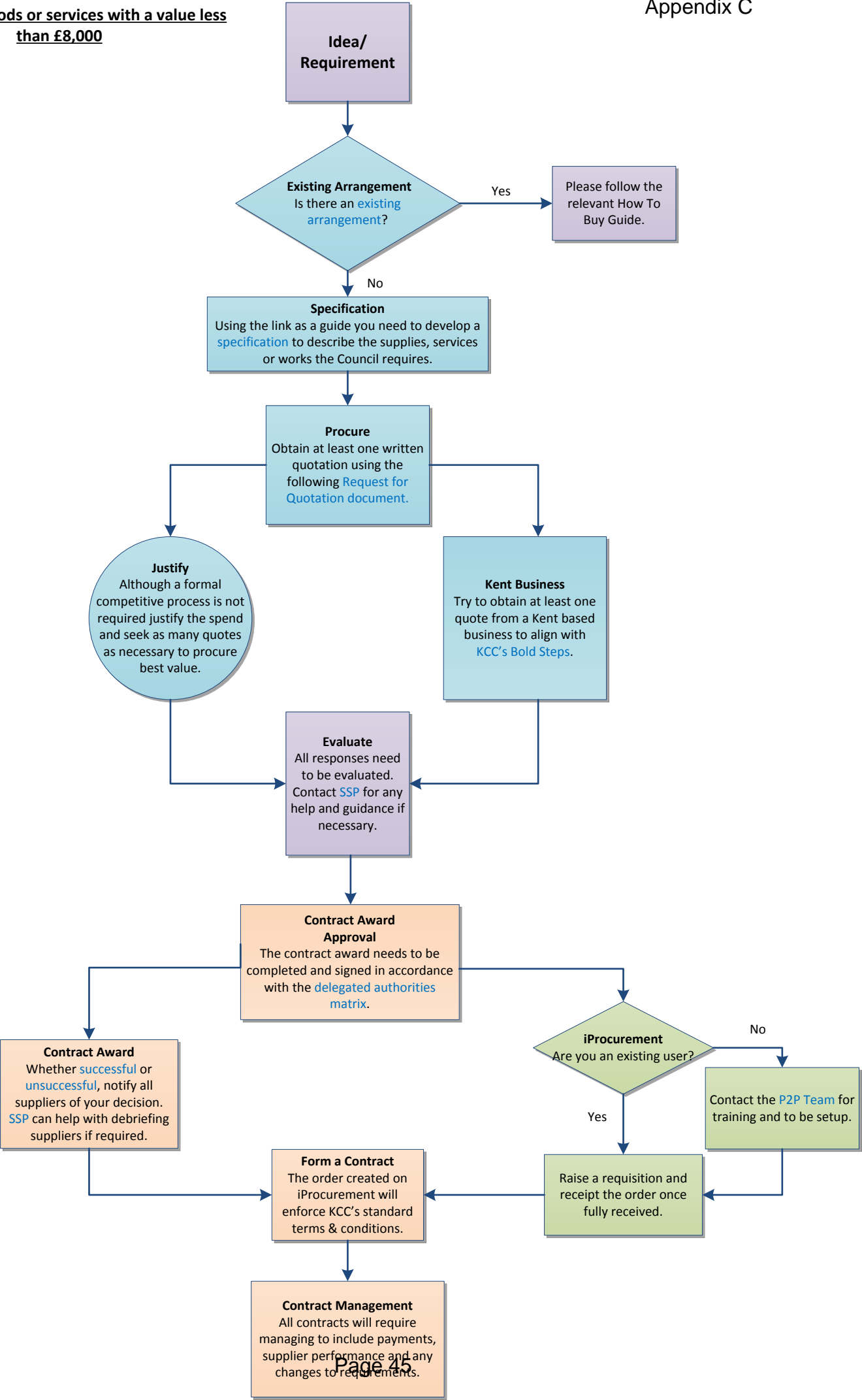
Appendix B

RACI Template (The template below is an example only please draw up template to suit your project)

Team Member	Proc Officer	Service Lead	Service Specialist	Service Director	etc
Action					
Draft Procurement Plan	A/R	C	C	I	
Specification	C	A	R	I	
Tender using Procontract	R	A	C	I	
Evaluation	C	A/R	R	I	

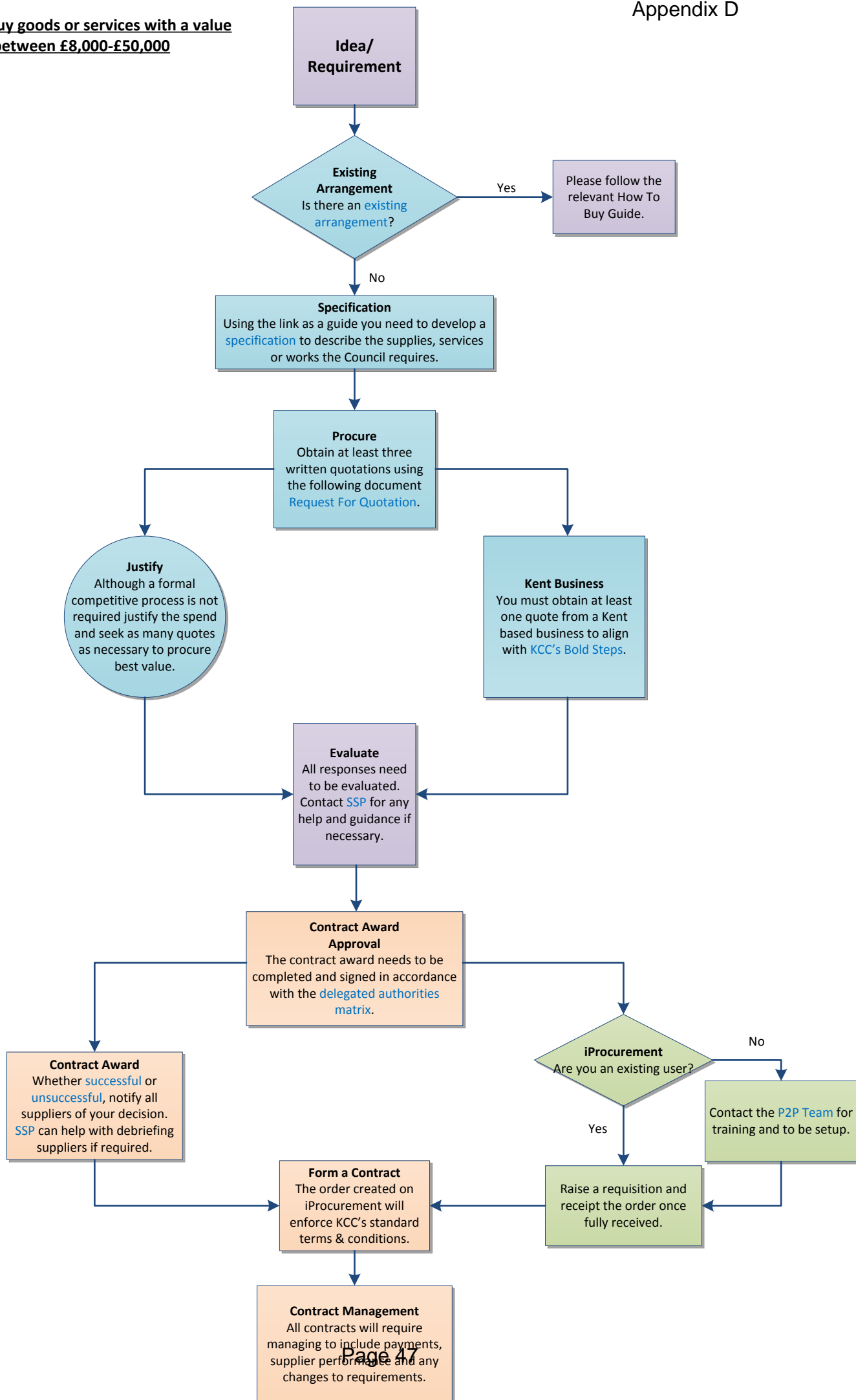
RACI	Definition
Accountable	The role who is responsible for ensuring the action takes place (can only be one)
Responsible	The role or roles who actually carry out the action
Consulted	Roles that will be consulted about the task (views need to be considered)
Informed	Roles that will be informed (no decision making or influencing role)

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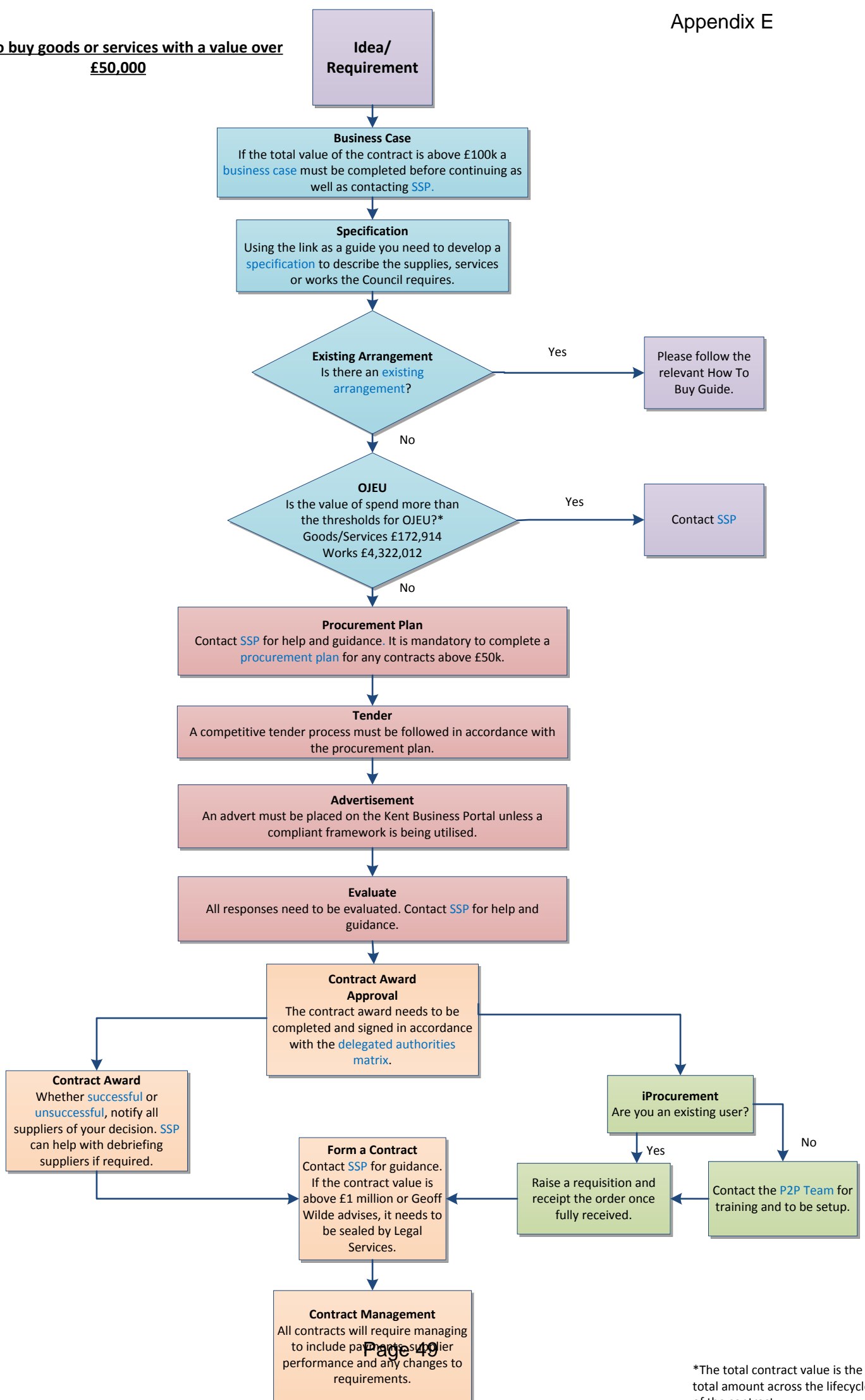
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**How to buy goods or services with a value
between £8,000-£50,000**



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**How to buy goods or services with a value over
£50,000**



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

To: Governance & Audit Committee – 30 April 2014

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 AND INVESTMENTS

2. A statement of deposits and investments as at 31 March is attached in Appendix 1. This report is circulated to members of Treasury Management Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

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

SUMMARY OF DEVELOPMENTS

4. Following Cabinet's approval for an investment portfolio £5million has been invested in the Pyrford absolute return fund, £5million investment in the CCLA Local Authorities Property Fund and £4.593m in Kent PFI Holding Company 1 Ltd shares / loan notes.
5. The Treasury Management Advisory Group met on 13 November where the focus was the Treasury Strategy. The 2014-15 Strategy was approved by Council on 13 February 2014 and implemented shortly thereafter.
6. The Council's borrowing strategy is to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Given the

low interest rates presently available for deposits and the resilience of the Council's cash flow we are continuing to hold off from borrowing and use internal cash resources to fund expenditure.

7. The Council's investment strategy recognises the need to diversify further and reduce the size of the investment it makes in any one financial institution. It therefore additionally includes a number of new counterparties for fixed and variable deposits with the maximum investment in any one counterparty reduced to £40m. The strategy also allows for the purchase of Supranational and Covered bonds. In addition it is anticipated that we will continue to set up an investment portfolio.
8. Duration limits for bank deposits have remained unchanged for existing counterparties with those for new counterparty banks being set after taking into account advice from Arlingclose.
9. During March the Council's deposits have been aligned with the new strategy including new deposits with Handelsbanken (£20m), Commonwealth Bank of Australia (£20m), Leeds Building Society (£5m) and purchases of Bank of Scotland Covered Bonds (£5.3m). The RBS Group was suspended from the Council's approved counterparty list following the downgrading of its credit rating to below the minimum threshold of A-.

RECOMMENDATION

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

Alison Mings
Treasury and Investments Manager

Appendix 1

KCC Deposits and Investments as at 31 March 2014

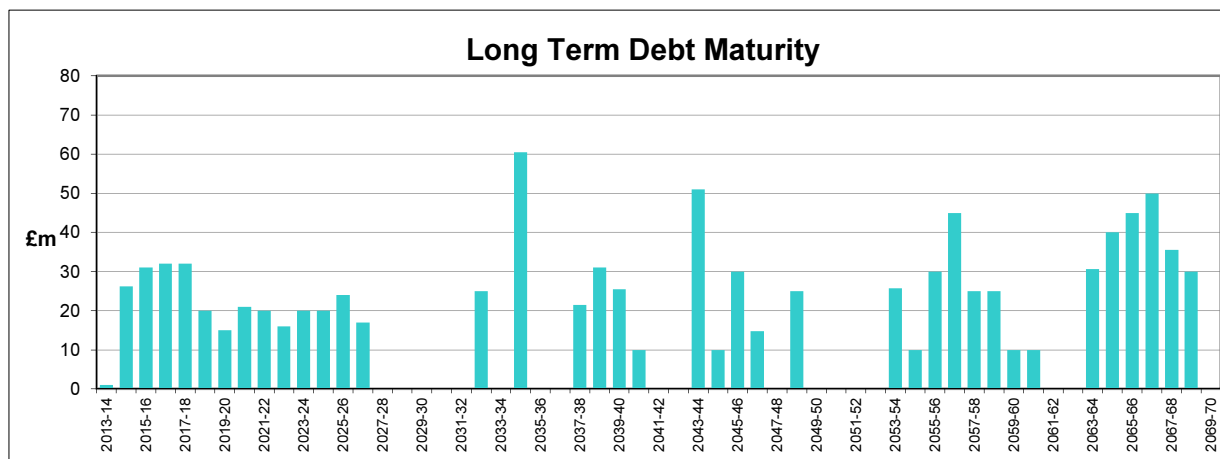
Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate %	Territory
Fixed Deposit	Bank of Scotland	£5,000,000	08/05/2014	0.75	UK Bank
Fixed Deposit	Bank of Scotland	£5,000,000	22/07/2014	0.75	UK Bank
Same Day Call Deposit	Barclays Bank	£10,000,000	n/a	0.3	UK Bank
Same Day Call Deposit	Barclays FIBCA	£30,000,000	n/a	0.6	UK Bank
Fixed Deposit	HSBC	£5,000,000	03/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£6,000,000	04/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£19,400,000	25/04/2014	0.35	UK Bank
Fixed Deposit	HSBC	£4,000,000	07/04/2014	0.3	UK Bank
Fixed Deposit	HSBC	£5,600,000	08/04/2014	0.3	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	06/05/2014	0.75	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	19/05/2014	0.75	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	19/08/2014	0.7	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	21/08/2014	0.7	UK Bank
Fixed Deposit	Lloyds Bank	£5,000,000	22/04/2014	0.75	UK Bank
Same Day Call Deposit	Santander UK	£40,000,000	n/a	0.4	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	07/07/2014	0.55	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	05/08/2014	0.49	UK Bank
Certificate of Deposit	Standard Chartered	£10,000,000	02/04/2014	0.54	UK Bank
Certificate of Deposit	Standard Chartered	£2,000,000	22/07/2014	0.52	UK Bank
Certificate of Deposit	Standard Chartered	£8,000,000	08/09/2014	0.59	UK Bank
	Total UK Bank Deposits	£195,000,000			
Fixed Deposit	Nationwide Building Society	£35,300,000	25/04/2014	0.38	UK Building Society
Fixed Deposit	Nationwide Building Society	£800,000	07/04/2014	0.35	UK Building Society
Fixed Deposit	Nationwide Building Society	£3,900,000	07/04/2014	0.4	UK Building Society
Fixed Deposit	Leeds Building Society	£5,000,000	30/06/2014	0.42	UK Building Society
	Total UK Building Society Deposits	£45,000,000			
Fixed Deposit	Debt Management Account Deposit Facility	£700,000	16/04/2014	0.25	UK Govt
	Total UK Government Deposits	£700,000			
Fixed Deposit	Commonwealth Bank of Australia	£7,000,000	28/04/2014	0.47	Australian Bank
Fixed Deposit	Commonwealth Bank of Australia	£6,000,000	30/04/2014	0.43	Australian Bank
Fixed Deposit	Commonwealth Bank of Australia	£7,000,000	30/05/2014	0.44	Australian Bank

	Total Australian Bank Deposits	£20,000,000			
Same Day Call Deposit	Handelsbanken	£20,000,000	n/a	0.6	Swedish Bank
	Total Swedish Bank Deposits	£20,000,000			
Fixed Rate Covered Bond	Bank of Scotland	£2,184,840	08/11/2016	1.293	UK Bank
Fixed Rate Covered Bond	Bank of Scotland	£3,142,737	08/11/2016	1.309	UK Bank
	Total Covered Bonds	£5,327,577			
Loan	Rouse Kent (Residential) Ltd	£3,664,605	31/03/2019	5.5	Joint Venture Loan (Kings Hill)
Equity and Loan Notes	Kent PFI (Holdings) Ltd	£4,592,956	n/a		UK Private Equity
	Total Equity and Loans	£8,257,561			
	Total Icelandic Bank Deposits	£12,416,710			
	Total Icelandic Deposits held in ESCROW (est GBP)	-£3,146,603			
	Net Icelandic Deposits Claims Outstanding	£9,270,107			
	Total Internally managed cash	£303,555,245			
Investment Fund	CCLA LAMIT Property Fund	£5,000,000	30/11/2018	0.51	UK Fund
Investment Fund	Pyrford Global Total Return (Sterling) Fund	£5,000,000	18/12/2018	0.34	UK Fund
	Total Externally Managed Investments	£10,000,000			
Total Deposits and Investments		£313,555,245			

Treasury Management Report for the month of February 2014

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 £1,011.28 million, with the maturity profile being as follows.

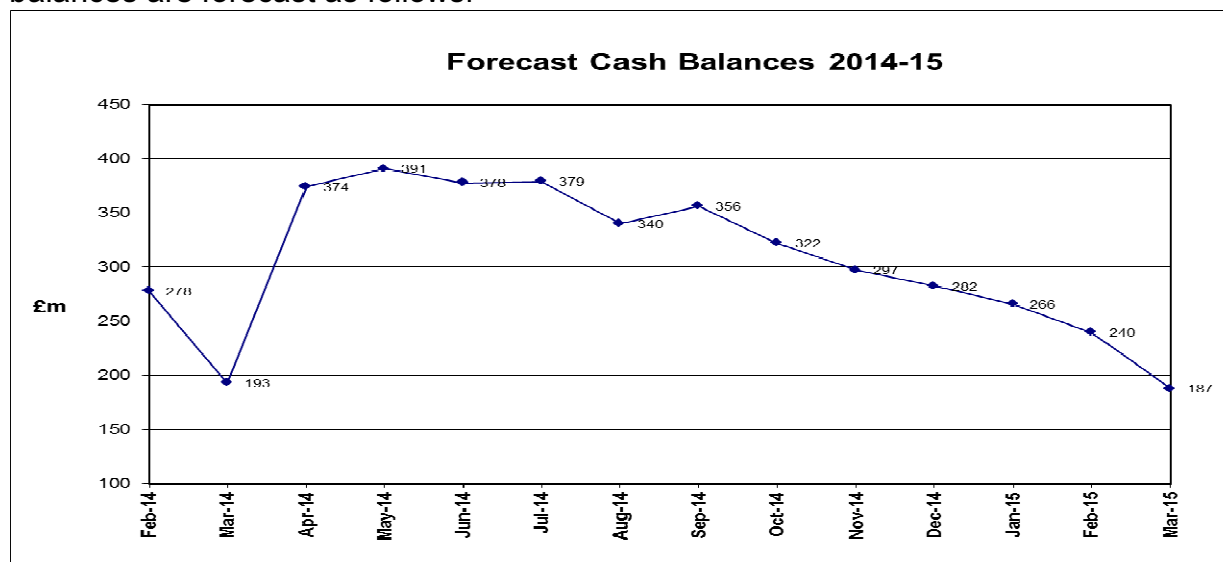


Total external debt managed by KCC includes £41.83m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding Council (£1.76m) and Magistrates Courts (£0.745m).

2. Investments

2.1 Cash Balances

During February the total value of cash under management fell to £277.72m. Future balances are forecast as follows:



2.2 Type of investment at month end

Type of Investment	Total	
Call Account	£137,360,000	50.0%
Certificate of deposit	£32,000,000	11.7%
Fixed deposit	£81,340,000	29.6%
Iceland deposits	£9,270,107	3.4%
Internally managed cash	£259,970,107	94.7%
External Investment	£10,000,000	3.6%
Equity / loan notes	£4,593,000	1.7%
Total	£274,563,107	100.0%

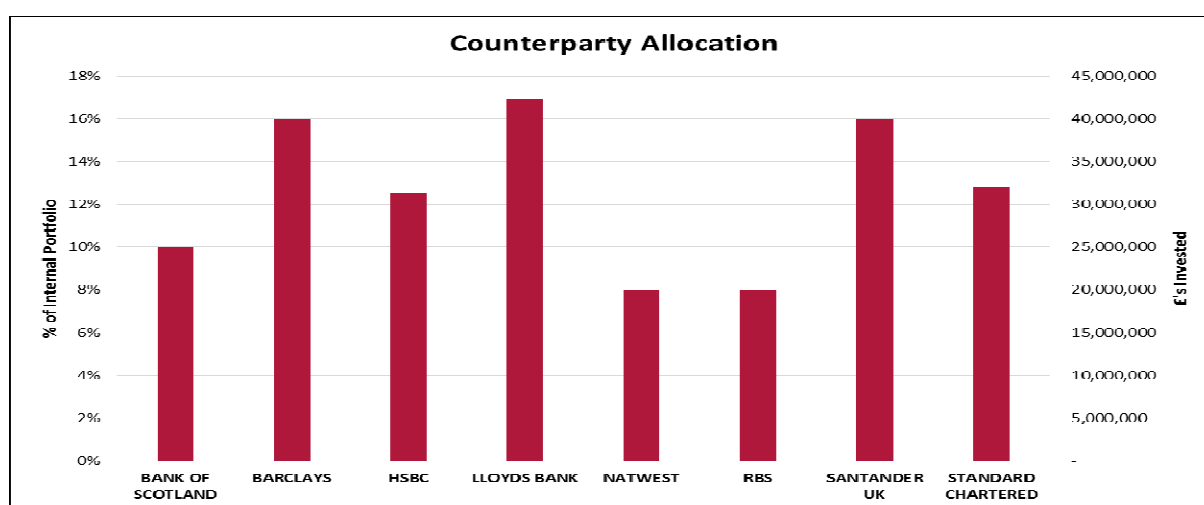
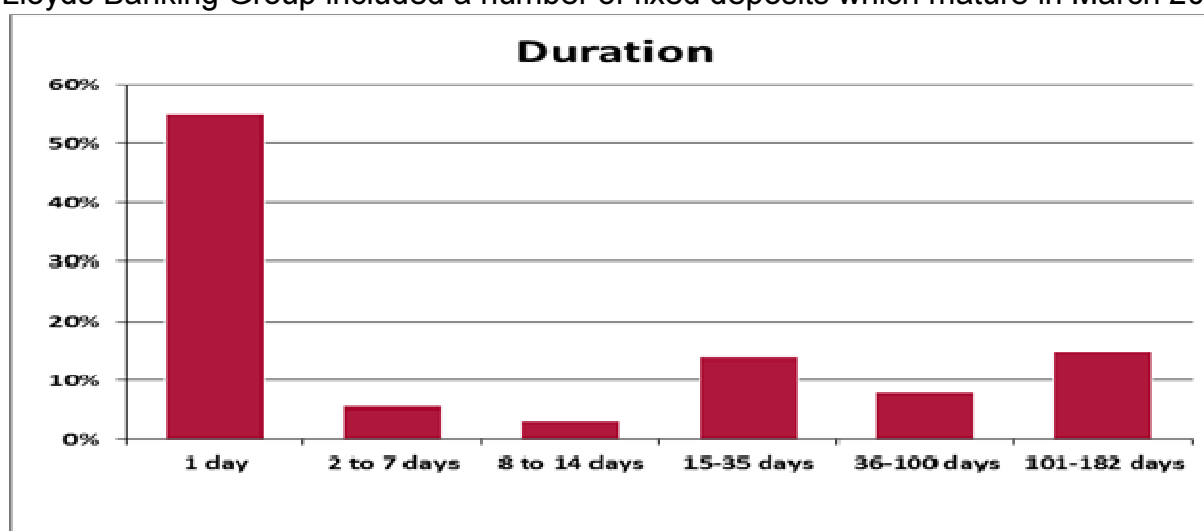
2.3 Internally managed cash

2.3.1 Average return on new deposits

The average rate of interest on cash deposits placed during the month was 0.5696% vs 7 day LIBID 0.3429%.

2.2.2 Credit maturity profile and counterparty exposure at month end

Following Council's approval of the 2014-15 Treasury Management Strategy arrangements are being made to bring counterparty exposures into line with the lower maximum per bank / banking group of £40m. At the month end investments with the Lloyds Banking Group included a number of fixed deposits which mature in March 2014.



2.2.3 Credit Score matrix

	January 2014		February 2014	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A	6.03	A	5.64
Time Weighted Average	A	5.67	A+	5.37

3. Interest on Cash Balances / Debt Charges for 2013-14

The forecast under spend is unchanged at £1.763m. This comprises a £1.553m shortfall in interest on cash balances due to lower than anticipated interest rates on deposits, offset by savings of £3.316m on debt charges as no new borrowing is planned.

Alison Mings, 12 March 2014

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To: Governance & Audit Committee

From: Bryan Sweetland, Cabinet Member, Commercial & Traded Services
Mike Austerberry, Corporate Director, Growth, Environment & Transport

Date: 30 April 2014

Subject: RIPA report on surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2013 – 31 March 2014

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 2013/14 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 a memorandum of understanding 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, 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

Total number of authorisations granted (figure for 2012/13):

Surveillance – 5 (31)

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

Access to telecommunications data – 13 (43)

4. Purposes for which RIPA powers used

Under age sales test purchasing

During this year the Trading Standards Service has fundamentally changed the way in which we seek to restrict the sales of age dependant goods to children. We have developed and promoted the Kent Community Alcohol Partnership to involve communities in preventing access to these goods to children and have used the KCAP principles in relation to goods other than alcohol. Part of this work has involved a significant investment of resources in supporting local businesses to police themselves, which gives them the confidence to develop and grow whilst also reducing enforcement costs. Enforcement action is reserved only for those who do wish to take advantage of the support on offer.

As a result of this change there has been a significant reduction in the number of authorisations for surveillance relating to under age sales. Last year's figure of 12 has been reduced to 3. 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.

Fly tipping

2 telecommunications data requests relate to fly tipping enforcement.

Of these one provided sufficient information to investigate the case which resulted in a formal written warning and the other did not reveal any evidence to support further investigation.

Dangerous storage and illegal sale of fireworks

3 CHIS and 1 telecommunications data request have been authorised for the purpose of investigating the dangerous storage and unlawful sale of fireworks.

Raids carried out as a direct result of the intelligence gathered from these authorisations led to the discovery of two unsafe and illegal fireworks stores. One of these was in a self-storage business without the knowledge of the business owner. This store contained fireworks with a quantity of 50Kg of gunpowder. Expert opinion received stated that there were no safety precautions in place to prevent unintended ignition and that such ignition would have been like a bomb going off, which would have been likely to destroy the building with the linked risks to the safety of the staff and other occupants.

The fireworks in both cases were being sold using a social media website and were being sold outside of the legally permitted period. This period is in place to reduce the impact to communities of fireworks being let off other than at recognised festivals.

These cases are currently before the courts.

Sale of counterfeit goods

5 CHIS, 2 surveillance and 5 telecommunications data authorisations were for the purpose of detecting the criminal activity in selling counterfeit goods. This is serious criminal activity which impacts on the local and national economy.

All of the cases which these authorisations relate to are either still being investigated or are with KCC legal services pending a decision on whether or not to prosecute. It is not possible, at this stage, to provide further details.

Doorstep frauds

2 telecommunications data requests were authorised to investigate one doorstep fraud.

This fraud is targeted at vulnerable home owners in East Kent and revolves around gardening work. The case is an active investigation which has, so far, identified over £30,000 worth of fraud.

Miscellaneous

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

- An investigation into allegations of fraud carried out by a property letting agent.
- False claims of trade association membership. Using the information gained it was discovered that the business was completely fraudulent and the case was passed over to the Companies House Investigations Team.
- A professional car dealer masquerading as a private individual.

5. Results from previous authorisations

A number of cases for which RIPA techniques were deployed have now completed their progress through the courts. Highlights include:-

- A cold calling rogue trader who targeted homeowners living in mobile homes was convicted of offences in Kent and across the country and was sentenced to 6½ years imprisonment. The evidence in this case included that secured from 3 RIPA authorisations.
- Three men selling counterfeit goods were sentenced to 15 months' imprisonment, 12 months' imprisonment and 4 months' imprisonment suspended but with 120 hours unpaid work. The evidence in this case included that secured from 4 RIPA authorisations.
- A seller of counterfeit goods was sentenced to a 12 month community supervision order with 200 hours unpaid work.

6. Judicial oversight

The period covered by this report is the first full year during which authorisations granted within local authorities have required judicial approval via the Magistrates' Courts. All applications need to be approved at court before they can be acted upon.

During the course of this year two applications have not been approved by the court.

One of these was re-presented to the court and approved without alteration when the court recognised that they had misdirected themselves in relation to the question of whether the sale of cigarettes to children was “serious crime” within the definition under the Protection of Freedoms Act.

The other authorisation was rejected when the court suggested that an alternative form of surveillance would be more appropriate. Our view was that this suggested form was more intrusive and could not be justified.

7. Error reporting

In relation to telecommunications data authorisations, it is a requirement that we notify the Commissioner if an error is made at any stage of the process. This year we were notified by Vodafone that they had made an error in relation to one of our requests and had provided the wrong information. The Commissioner was notified by us. The error was entirely due to Vodafone and not to any action by KCC staff or the staff at NAFN. The error was that we were told a number did not have a subscriber when it, in fact, did. This means that no intrusion was created as a result of the error.

8. KCC RIPA Policy

The statutory codes of practice which cover public authority use of RIPA techniques require that the elected members of a local authority should review the authority’s use of RIPA and set policy at least once per year.

Appendix 1 to this report is KCC’s RIPA policy which has been approved by the Cabinet Member for Commercial and Trading Services, within whose portfolio the Trading Standards Service rests.

8. Recommendations

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

Contact Officer

Mark Rolfe
Trading Standards Manager (East)
Kent County Council Trading Standards
Highways Depot, 4 Javelin Way
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Kent County Council

Policy in relation to the Regulation of Investigatory Powers Act 2000

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1. Introduction to Regulation of Investigatory Powers

This policy document is based on the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA) as amended, [The Protection of Freedoms Act 2012](#) and the Home Office's Code of Practices for Directed Surveillance, Covert Human Intelligence Sources (CHIS) and Acquisition and Disclosure of Communications data.

Links to the above documents can be found at:

<http://www.legislation.gov.uk/ukpga/2000/23/contents>
http://www.opsi.gov.uk/acts/acts2000/ukpga_20000023_en_1
<http://www.legislation.gov.uk/ukpga/2012/9/contents>
<https://www.gov.uk/government/collections/ripa-codes>
<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/>
<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>

- 1.1 Surveillance plays a necessary part in modern life and law enforcement. It is used not just in the targeting of criminals, but also as a means of preventing crime and disorder. The Regulation of Investigatory Powers Act 2000 (RIPA) introduced a system of authorisation and monitoring of activities, to ensure that the rights of the individual were not unnecessarily compromised, in the pursuance of regulatory compliance.
- 1.2 Within the County Council, ~~Trading Standards Officers~~ may need to covertly observe and then visit a shop, business premises or to follow a vehicle as part of their enforcement functions. During a visit or a test purchase situation it may be necessary to covertly video record a transaction, as it takes place. ~~Similarly, Environmental crime enforcement staff may also need to observe or record at places where illegal tipping or other similar crimes take place. Similarly, KCC's Internal Audit fraud investigators may need to carry out covert surveillance or acquire communications data when they are investigating a crime which they intend to prosecute using the criminal law.~~ They need to use covert surveillance techniques as part of their official duties.
- 1.3 Only those officers designated as "authorising officers" from the specified units or services are permitted to authorise the use of techniques referred to in RIPA. Trading Standards may use Covert Directed Surveillance, Covert Human Intelligence Sources and acquisition of communications data. Environmental Crime enforcement team may use Covert Directed Surveillance and acquisition of communications data. ~~Internal Audit fraud investigators may use Covert Directed Surveillance and acquisition of communications data.~~ The Director of Governance and Law may also be designated as an "authorising officer".
- 1.4 Covert Directed Surveillance is undertaken in relation to a specific investigation or operation, where the person or persons subject to the surveillance are unaware that it is, or may be, taking place. The activity is also likely to result in obtaining private information about a person, whether or not it is specifically for the purpose of the investigation.

- 1.5 Our investigations may also require the use of Covert Human Intelligence Sources (CHIS). These may be under-cover officers, agents or informants. Such sources may be used by the County Council to obtain and pass on information about another person, without their knowledge, as a result of establishing or making use of an existing relationship. This clearly has implications as regards the invasion of a person's privacy and is an activity which the legislation regulates. A CHIS (other than our own staff) would be used only rarely and in exceptional circumstances.
 - 1.6 The RIPA also requires a similar control and authorisation procedure to be in place in respect to the acquisition of telecommunications data. The County Council needs to comply with these requirements when obtaining telephone subscriber, billing and account information.
 - 1.7 In addition, the Act put in place an Office of Surveillance Commissioners, and the Interception of Communications Commissioner's Office, whose duties are, respectively, to inspect those public bodies undertaking covert surveillance and the acquisition of communications data, and introduced an Investigatory Powers tribunal to examine complaints that human rights may have been infringed.
- 2. Policy Statement**
- 2.1 Kent County Council will not undertake any activity defined within the Regulation of Investigatory Powers Act 2000 without prior, or emergency, authorisation, from a trained, senior officer who is empowered to grant such consents.
 - 2.2 The Corporate Director of ~~Customer and Communities~~Growth, Environment and Transportation has been appointed as the Senior Responsible Officer (SRO) and, as such, has been given authority to appoint Authorising Officers (for surveillance activities) and Designated Persons and Single Points of Contact (for the purposes of access to communications data) under the Act. The SRO is a member of the corporate leadership team currently called Corporate Management Team.
 - 2.3 The Authorising Officer or Designated Person will not authorise the use of surveillance techniques, human intelligence sources or access to communications data unless the authorisation can be shown to be necessary for the purpose of preventing or detecting crime or of preventing disorder.
 - 2.4 In addition, the Authorising Officer or Designated Person must believe that the surveillance or obtaining of communications data is necessary and proportionate to what it seeks to achieve. In making this judgment, the officer will consider whether the information can be obtained using other methods and whether efforts have been made to reduce the impact of the surveillance or intrusion on other people, who are not the subject of the operation.
 - 2.5 Applications for authorisation of surveillance, the use of a CHIS or the obtaining of communications data will, except in an emergency where legislation permits, be made in writing on the appropriate form (see Annexes 1, 2 or 3 for example forms).
 - 2.6 Intrusive surveillance operations are defined as activities using covert surveillance techniques, on residential premises, or in any private vehicle, which involves the use of a surveillance device, or an individual, in such a vehicle or on such

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premises. Kent County Council officers are NOT legally entitled to authorise or undertake these types of operations. Operations must not be carried out where legal consultations take place, at the places of business of legal advisors or similar places such as courts, Police stations, prisons or other places of detention.

- 2.7 However, public bodies are permitted to record telephone conversations, where one party consents to the recording being made and a Directed Surveillance authorisation has been granted. On occasions, officers of the Trading Standards Service do need to record telephone conversations, to secure evidence.
- 2.8 It is the policy of this authority to be open and transparent in the way that it works and delivers its services. To that end, a well-publicised KCC Complaints procedure is in place and information on how to make a complaint to the Investigatory Powers Tribunal will be provided on request being made to the SRO or Authorising Officer.

3. Obtaining Authorisation

- 3.1 The SRO shall designate by name one or more Directors, Heads of Service, Service Managers or equivalent to fulfil the role of Authorising Officer (for the purposes of Surveillance and CHIS authorisation) and Designated Person and Single Point of Contact (for the purposes of access to communications data). The SRO shall maintain a register of the names of such officers.
- 3.2 Where the CHIS is a juvenile or a vulnerable person, or there is the likelihood that the information acquired by covert surveillance will be Confidential Information (see Glossary), then the authorisation must be from the Head of Paid Service or, in his absence, a Corporate Director nominated by the Head of Paid Service to deputise for him. In the event of such circumstances, the Director of Governance and Law shall also be informed.
- 3.3 Authorisations from the Authorising Officer for directed surveillance or to use a CHIS shall be obtained using the appropriate application form (see annexes 1 and 2 for example forms). Also see Section 12 in relation to CHIS.
- 3.4 Applications for access to communications data shall be made to the Designated Person using the appropriate application form (see annex 3 for example form). Data can be accessed by a Notice (which is served on the Communications Service Provider (CSP) to produce the data) or by way of an Authorisation (which enables persons within a Public Authority to obtain the data). The latter process is unlikely to be used by officers of the County Council. Also see Section 11.
- 3.5 Guidance for completing and processing the application forms is attached (annexes 4, 5, or 6).
- 3.6 (a) In urgent cases, authorisations or notices may be given orally by the Authorising Officer or Designated Person. In such cases, a statement that that officer has expressly authorised the action and the reason for the oral authorisation shall be recorded by the applicant officer as soon as reasonably practicable.
- (b) A case is not normally to be regarded as urgent unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the

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judgment of the applicant officer; be likely to endanger life or jeopardise the investigation or operation for which the authorisation was being given.

- 3.7 Only the Trading Standards Service has officers trained to the appropriate Home Office requirement to seek communications data.

3.8 If authorisation is granted by the Authorising Officer, the applicant, or a suitably experienced officer nominated by the applicant, will make the necessary arrangements to secure judicial approval of the authorisation in compliance with the requirements of the Protection of Freedoms Act 2012. This requires the applicant, or their nominee, to attend a Magistrates' Court and seek an approval order.

4. Duration of authorisations

- 4.1 All records shall be kept for at least 3 years.
- 4.2 A written authorisation (unless renewed) will cease to have effect at the end of the following periods from when it took effect:
- a) Directed Surveillance - 3 months
 - b) Conduct and use of CHIS - 12 months
- 4.3 A notice issued for the production of communication data will remain valid for one month.
- 4.4 An urgent oral authorisation for Surveillance/CHIS (unless renewed) will cease to have effect after 72 hours from when it was granted. Any urgent oral request for access to communications data must be followed up by a written notice issued retrospectively to the CSP within one working day of the oral notice.

5. Reviews

- 5.1 Regular review of authorisations and notices shall be undertaken by the relevant Authorising Officer to assess the need for the surveillance or notice to continue. The results of the review shall be recorded on the central record of authorisations (see annexes 1, 2 or 3 for review forms). Where surveillance provides access to Confidential Information or involves collateral intrusion, particular attention shall be given to the review for the need for surveillance in such circumstances.
- 5.2 In each case, the Authorising Officer shall determine how often a review is to take place, and this should be as frequently as is considered necessary and practicable.

6. Renewals

- 6.1 If, at any time, an authorisation or notice ceases to have effect and the Authorising Officer considers it necessary for the authorisation or notice to continue for the purposes for which it was given, s/he may renew it, in writing, for a further period of:

- three months – directed surveillance
- twelve months – use of a CHIS
- one month – access to communications data
- (see annexes 1,2 or 3 for examples of renewal forms)

6.2 Renewals for directed surveillance or the use of CHIS may also be granted orally, in urgent cases, and last for a period of up to 72 hours.

6.3 A renewal takes effect at the time at which the authorisation would have ceased to have effect but for the renewal. An application for renewal should not be made until shortly before the authorisation period is drawing to an end. Any person who would be entitled to grant a new authorisation can renew an authorisation. Authorisation may be renewed more than once provided they continue to meet the criteria for authorisation.

7. Cancellations

7.1 The Authorising Officer who granted or last renewed the authorisation or notice must cancel it if s/he is satisfied that the Directed Surveillance or the use or conduct of the Covert Human Intelligence Source no longer meets the criteria for which it was authorised (see annexes 1,2 or 3 for examples of cancellation forms). When the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer.

7.2 As soon as the decision is taken that Directed Surveillance should be discontinued or the use or conduct of the CHIS no longer meets the criteria for which it was authorised, the instruction must be given to those involved to stop all surveillance of the subject or use of the CHIS. The authorisation does not 'expire' when the activity has been carried out or is deemed no longer necessary. It must be either cancelled or renewed. The date and time when such an instruction was given should be recorded in the central register of authorisations and the notification of cancellation where relevant.

8. Central Register and Oversight over by Senior Responsible Officer

8.1 A copy of any authorisation (including statements in respect of oral authorisations), any renewal or cancellation (together with any supporting information relevant to such authorisation or cancellation) and any application, notice or authorisation in respect of communications data shall be forwarded to the SRO within 5 working days of the date of the application, authorisation, notice, renewal or cancellation.

8.2 The SRO shall:

- (a) keep a register of the documents referred to in paragraph 8.1 above;
- (b) monitor the quality of the documents and information forwarded;
- (c) monitor the integrity of the process in place within the Council for the management of CHIS;
- (d) monitor compliance with Part II of the RIPA and with the Codes;

- (e) oversee the reporting of errors to the relevant Oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- (f) engage with the OSC inspectors when they conduct their inspections, where applicable; and
- (g) where necessary, oversee the implementation of post-inspection action plans approved by the relevant Oversight Commissioner.

9. Training

- 9.1 The Authorising Officers, Designated Persons and Single Points of Contact shall be provided with training to ensure awareness of the legislative framework. Single Points of Contact can only be appointed following attendance at a training course accredited by the Home Office and passing a written examination.

10. Planned and Directed Use of Council CCTV Systems

- 10.1 The Council's CCTV surveillance systems shall not be used for Directed Surveillance, without the SRO or other senior legal officer confirming to the relevant operational staff that a valid authorisation is in place.

11. Special Arrangements

- 11.1 An alternative process to obtain communications data has been approved using the facilities of National Anti-Fraud Network (NAFN). In these circumstances NAFN act as the SPOC, deal with the Service Provider and maintain the required records. Applications are made using a secure on-line system which is Home Office approved.
- 11.2 The use of a CHIS can present significant risk to the security and welfare of the person. Each authorisation will have a specific documented risk assessment and the CHIS (and all members of any support team) will be briefed on the details of the assessment. Kent County Council has a Memorandum of Understanding with Kent Police for circumstances where the CHIS are not an employee or other agent working for or on behalf of the authority. In other circumstances such as a member of public, "whistle-blower" or informant then Kent Police will deal and handle the operation of the CHIS. Kent Police will ensure the compliance with the Regulations, codes of practice and all other risks such as the security and welfare of the CHIS (and associated persons). Any necessary and relevant information will be provided following best practise as to not risk identifying CHIS unless this is appropriate and approved by Kent Police. In such cases, Kent Police are responsible for all record and monitoring processes.

12. Oversight

- 12.1 The SRO shall ensure that this policy is reviewed on an annual basis by presenting a report of activity to the Governance and Audit Committee (or similar Committee). There shall also be brief details of all activity under this policy provided to members on a quarterly basis.

- 12.2 Every two years the Director of Law and Governance will review the policy, and also contact a senior manager in all other units and services within Kent County Council to inform of any changes or alterations. The communication will also seek to highlight the details of the restrictions imposed by RIPA and Human Rights legislation. Should any unit or service (other than those permitted by this policy) consider that any actions it may have taken (or are considering taking) might infringe this policy, they must be raised with the Director of Governance and Law as soon as practicable.

Glossary

"Confidential information" consists of matters subject to legal privilege, confidential personal information, or confidential journalistic material.

"Directed Surveillance" is defined in section 26 (2) of RIPA as surveillance which is covert, but not intrusive (i.e. takes place on residential premises or in any private vehicle), and undertaken:

- (a) for the purpose of specific investigation or specific operation;
- (b) in such a manner is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and
- (c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of RIPA to be sought for the carrying out of the surveillance.

"A person is a Covert Human Intelligence Source" if:

- he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything within paragraph (b) or (c);
- he covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.

(See section 26 (8) of RIPA)

"Communications Data is:-	
(a)	any traffic data comprised in or attached to a communication (whether by the sender or otherwise) for the purposes of any postal service or telecommunication system by means of which it is being or may be transmitted; (NOT AVAILABLE TO LOCAL AUTHORITIES)
(b)	any information which includes none of the contents of a communication (apart from any information falling within paragraph (a)) and is about the use made by any person-
(i)	of any postal service or telecommunications service; or
(ii)	in connection with the provision to or use by any person of any telecommunications service, of any part of a telecommunication system;
(c)	any information not falling within paragraph (a) or (b) that is held or obtained, in relation to persons to whom he provides the service, by a person providing a postal service or telecommunications service.

Annex 1 – Surveillance forms

Application for Authorisation to Carry Out Directed Surveillance

Review of Directed Surveillance Authorisation

Cancellation of a Directed Surveillance Authorisation

Application of Renewal of a Directed Surveillance Authorisation

(Forms available at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms/>)

Annex 2 – Covert Human Intelligence forms

Application for Authorisation of the Use or Conduct of a Covert Human Intelligence Source

Review of a Covert Human Intelligence Source Authorisation

Cancellation of an Authorisation for the use of or Conduct of a Covert Human Intelligence Source

Application for renewal of a Covert Human Intelligence Source Authorisation

(Forms available at <http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-forms/>)

Annex 3 – Access to data forms

Application for access to Communications Data

(Form available at <http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/ripa-section-22-notice-update?view=Binary>)

Annex 4 - Guidance on completing surveillance forms

Details of Applicant

Details of requesting officer's work address and contact details should be entered.

Details of Application

1. Give rank or position of authorising officer in accordance with the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2003; No. 3171

Fill in details of Authorising Officer (see paras 3.1 and 3.2 of Policy)

2. Purpose of the specific operation or investigation

Outline what the operation is about and what is hoped to be achieved by the investigation. Indicate whether other methods have already been used to obtain this information. Give sufficient details so that the Authorising Officer has enough information to give the Authority e.g. "Surveillance at Oakwood House and Mr. X".

3. Describe in detail the surveillance operation to be authorised and expected duration, including any premises, vehicles or equipment (e.g. camera, binoculars, recorder) that may be used

Give as much detail as possible of the action to be taken including which other officers may be employed in the surveillance and their roles. If appropriate append any investigation plan to the application and a map of the location at which the surveillance is to be carried out.

4. The identities, where known, of those to be subject of the directed surveillance

5. Explain the information that it is desired to obtain as a result of the directed surveillance

This information should only be obtained if it furthers the investigation or informs any future actions

6. Identify on which grounds the directed surveillance is necessary under section 28(3) of RIPA

The ONLY grounds for carrying out Directed Surveillance activity is for the purpose of preventing or detecting crime or of preventing disorder.

This can be used in the context of local authority prosecutions, or where an employee is suspected of committing a criminal offence e.g. fraud.

7. Explain why this directed surveillance is necessary on the grounds you have identified (code chapter 3)

Outline what other methods may have been attempted in an effort to obtain the information and why it is now necessary to use surveillance.

8. Supply details of any potential collateral intrusion and why the intrusion is unavoidable (code chapter 3) Describe precautions you will take to minimise collateral intrusion

Who else will be affected by the surveillance, what steps have been done to avoid this, and why it is unavoidable?

9. Explain why the directed surveillance is proportionate to what it seeks to achieve. How intrusive might it be on the subject of surveillance or on others? And why is this intrusion outweighed by the need for surveillance in operational terms or can the evidence be obtained by any other means? [Code chapter 3]

If the Directed Surveillance is necessary, is it proportionate to what is sought to be achieved by carrying it out? This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms. Reasons should be given why what is sought justifies the potential intrusion on the individual's personal life and his privacy. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

10. Confidential information (Code chapter 4)

Will information of a confidential nature be obtained (i.e. communications subject to legal privilege, or communications involving confidential personal information and confidential journalistic material) if so the appropriate level of authorisation must be obtained (see para 3.2 of the Policy).

12. Authorising Officer's Statement

13. Authorising Officer's comments

Must be completed outlining why it is proportionate and why he/she is satisfied that it is necessary.

Annex 5 - Guidance on completing Covert Human Intelligence forms

Details of Application

1. Authority Required

Fill in details of Authorising Officer (see paras 3.1 and 3.2 of the Policy)

Where a vulnerable individual or juvenile source is to be used, the authorisation **MUST** be given by Chief Executive or in her absence the Chief Officer.

2. Describe the purpose of the specific operation or investigation

Sufficient details so that the Authorising Officer has enough information to give Authority. Outline what the operation is about and the other methods used already to obtain this information.

3. Describe in detail the purpose for which the source will be tasked or used

Give as much detail as possible as to what the use of the source is intended to achieve.

4. Describe in detail the proposed covert conduct of the source or how the source is to be used

Describe in detail the role of the source and the circumstances in which the source will be used

5. Identify on which grounds the conduct or the use of the source is necessary under Section 29(3) of RIPA

The **ONLY** grounds for carrying out Directed Surveillance activity is for the purpose of preventing or detecting crime or of preventing disorder

6. Explain why this conduct or use of the source is necessary on the grounds you have identified (Code chapter 3)

Outline what other methods may have been attempted in an effort to obtain the information and why it is now necessary to use surveillance for the investigation.

7. Supply details of any potential collateral intrusion and why the intrusion is unavoidable (Code chapter 3)

Who else will be affected, what steps have been done to avoid this, and why it is unavoidable?

8. Are there any particular sensitivities in the local community where the source is to be used? Are similar activities being undertaken by other public authorities that could impact on the deployment of the source? (see Code chapter 3)

Ensure that other authorities such as the police or other council departments are not conducting a parallel investigation or other activity which might be disrupted.

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9. Provide an assessment of the risk to the source in carrying out the proposed conduct (see Code chapter 6)

A risk assessment will have to be carried out to establish the risks to that particular source, taking into account their strengths and weaknesses. The person who has day to day responsibility for the source and their security (the 'Handler') and the person responsible for general oversight of the use made of the source (the 'Controller') should be involved in the risk assessment.

10. Explain why this conduct or use of the source is proportionate to what it seeks to achieve. How intrusive might it be on the subject(s) of surveillance or on others? How is this intrusion outweighed by the need for a source in operational terms, and could the evidence be obtained by any other means? [Code chapter 3]

If the use of a Covert Human Intelligence Source is necessary, is it proportionate to what is sought to be achieved by carrying it out? This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms. Reasons should be given why what is sought justifies the potential intrusion on the individual's personal life and his privacy. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

11. Confidential information (Code chapter 4). Indicate the likelihood of acquiring any confidential information

Will information of a confidential nature be obtained (i.e. communications subject to legal privilege, or communications involving confidential personal information and confidential journalistic material) if so the appropriate level of authorisation must be obtained (see para 3.2 of the Policy).

13. Authorising Officer's comments

Must be completed outlining why it is proportionate and why he/she is satisfied that it is necessary to use the source and that a proper risk assessment has been carried out.

Annex 6 – Guidance on completing access to Communications data forms

1 - 7. Details of Applicant etc

Details of requesting officer's service unit, Grade and contact details should be entered. The unique reference number at 4 would normally be entered by the SPOC.

8. Statutory Purpose

The ONLY grounds for accessing communications data is for the purpose of preventing or detecting crime or of preventing disorder

This can be used in the context of local authority prosecutions, or where an employee is suspected of committing a criminal offence e.g. fraud.

9. Communications Data

Describe the communications data, specifying, where relevant, any historic or future date(s) and, where appropriate, time period(s)

Indicate the time periods within which the data is required. For example subscriber details can change over relatively short periods of time. Also billing data can be expensive to retrieve and should only be requested for times relevant to the investigation. It is therefore important to be specific as to the relevant time otherwise there may be collateral intrusion, the data obtained may not be relevant or the cost may be prohibitive. Times should be specified as GMT or BST. If unsure as to whether the data can be obtained from a CSP the SPOC should be consulted.

10. Necessity

Outline brief details of the investigation, the circumstances leading to the application, the link between the communications data and the subject under investigation, the source of the data and how this data links to the offence or subject under investigation.

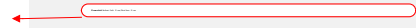
11. Proportionality

Explain what you expect to achieve by obtaining the requested data; what will be done with the data; how it will benefit the investigation and how the level of intrusion is justified when taking into consideration the benefit the data will give to the investigation. Also explain why the specific date/timescale has been requested and how this is proportionate to what is trying to be achieved.

12. Collateral Intrusion

Collateral intrusion is intrusion into the privacy of innocent third parties. It is important to detail any plan to minimise collateral intrusion. If the subject has been contacted via the communication service (e.g. telephone number or e-mail) or if it has been used in business correspondence, advertising etc this should be explained as this demonstrates that it is being used by the subject and is therefore unlikely to result in collateral intrusion. Explain how data obtained which refers to third parties will be handled.

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13. Timescale

Indicate whether the application is urgent. The Code of Practice requires CSPs to disclose the data within ten working days (The notice served by the SPOC will remain valid for one month).

In most circumstances the form should be completed via the National Anti- fraud Network website at www.nafn.gov.uk. The National Anti-fraud Network SPOC Service (thus acting as SPOC for the County Council), will assess and quality control the application. If it meets the legal threshold for obtaining communications data the SPOC will post it on the website for approval by the appropriate Designated Person.

This procedure necessitates the applicant to be registered with the National Anti-fraud Network prior to making the application. For details on how to do this the applicant should visit www.nafn.gov.uk. You must consult your operational / Area manager in Trading Standards before attempting to register with NAFN.

If rejected, by the Designated Person or the SPOC, the SPOC will retain the application and inform the applicant in writing of the reason(s) for its rejection.

By: Neeta Major, Head of Internal Audit
 To: Governance and Audit Committee – 30 April 2014
 Subject: **Internal Audit Annual Audit Plan 2014 - 2015**
 Classification: Unrestricted

Summary: This report details the proposed Internal Audit Annual Audit Plan for 2014-15.

FOR DECISION

Introduction

1. This report sets out the proposed Internal Audit Annual Audit Plan for 2014-2015 detailing a breakdown of audits and an analysis of available days. The Audit Plan is a requirement of the Public Sector Internal Audit Standards 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 & contract assurance, risk based assurance, and IT assurance.

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 proposed annual audit plan for 2014-2015 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 proposed annual audit plan has been discussed and agreed with Directorates through meetings with senior Managers, Corporate Directors, Portfolio Holders and will be further discussed with CMT in May.
 6. The specialist IT audit contract is currently carried out by Mazars LLP (successors to Deloitte Public Sector Internal Audit Limited). We are currently in the process of retendering for this contract with the aim of a new contract being awarded from August 2014. For this reason, we have not broken down the expected plan for IT audits as the new provider will be required to perform a comprehensive risk assessment of the transforming Council and formulate a proposed three year IT audit plan.

Resources

7. The plan is resourced by a mixture of 3094 days from the Internal Audit in house team and an additional 175 days of IT audit work provided by Mazars and the winning contractor.

Additional Assurance – Schools compliance

8. In many County Councils, schools' compliance services falls within the programme of Internal Audit. Members of the Committee should be aware that for 2014-2015 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.
9. For the year ended 31 March 2014, 101 compliance visits have been completed.

Recommendation

10. Members are asked to agree the proposed Internal Audit Annual Plan for 2014 - 2015 attached to this report.

Appendices

Appendix 1

Proposed Internal Audit Plan 2014-2015

Neeta Major

Head of Internal Audit

Ext : 4664

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Kent County Council

Internal Audit

Annual Audit Plan April 2014 – March 2015

Internal Audit Plan

Introduction

- Public Sector Internal Audit Standards (2013)¹ require 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 require 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.”
- For the purpose of this risk based plan, the Charter is included within the Internal Audit Manual, and has been approved by the Governance and Audit Committee.
- 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

- 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 will flag up areas of risk that if addressed could improve the control environment. The implementation of management actions are monitored to assess any areas where there may be an increased level of risk exposure.

- In addition, Internal Audit’s work will be informed by fraud investigations and fraud risk management work. For 2014/15, 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 July 2013, reaffirming its zero tolerance approach to fraud and corruption.

6. 2013/14 was a year of significant change for the Council with continued unprecedented savings requirements due to further reductions to the budget and the launch of the 'Facing the Challenge' transformation programme. This level of change, including saving and efficiency requirements, will continue into 2014/15. Therefore the Internal Audit plan has been developed to take account of the ongoing changes outlined in 'Facing the Challenge'. 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 ourselves and senior officers as well as a sample of checkpoint reviews of projects being monitored by the Corporate Portfolio Office and a review of evidence to support recommendations from market engagement and service reviews. We continue to retain a contingency of available audit days 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 outside providers. The specialist IT audit contract is currently carried out by Mazars (successors to Deloitte Public Sector Internal Audit Limited). A new 2 year contract is being retendered to commence in August 2014. 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 plan, 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 audit and the investigation of frauds and irregularities. For 2014/15 the internal audit team will continue to perform detailed compliance reviews of contracts within its core programme.
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, Outdoor Education Centres, Libraries 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 2014/15, 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 and their audit committee. 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 2014/15, 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 relatively 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 wholly owned companies.

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 issues identified where improvements in the design or application of controls would reduce the risk profile. Each audit is given an assurance - high, substantial, adequate, limited or no assurance. A risk rating will be applied to each issue identified - high, medium or low. For high risk issues, immediate management action is suggested and we will follow up all agreed management actions. For medium risk issues identified we will seek assurance from the accountable manager that the agreed action has been implemented and may follow up a sample. We will not actively follow up low risk issues. Where agreed management actions with a high risk 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 is referenced against the responsible Corporate Director as well as the relevant lead officer(s).

1. Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
CA01 2015	Annual Governance Statement	15	A review of directorates' governance returns to support the Annual Governance statement.	Authority Wide Geoff Wild <i>Director of Governance and Law</i>
CA02 2015	Strategic Partnership Governance	20	A review of the governance arrangements for the Council's Strategic Partnerships.	Authority Wide David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
CA03 2015	Corporate Governance	20	A review of the Council's Corporate Governance Framework to support the Annual Governance Statement.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i> Geoff Wild <i>Director of Governance and Law</i>
CA04 2015	Schemes of Delegation	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 and Law</i>
CA05 2015	Risk Management	15	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, / Corporate Risk Manager</i>
CA06 2015	Business continuity and resilience planning	15	To provide assurance that continuity and resilience plans are adequate and effective to ensure the Council can continue to delivery priorities in the event of disruption.	Authority Wide Paul Crick/Stuart Beaumont/ Steve Terry <i>Director of Environment, Planning & Enforcement/ Head of Community Safety and Emergency Planning/ Emergency Planning Manager</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
CA07 2015	Information Governance	20	To provide assurance on compliance with information governance standards on a cyclical basis excluding records management requirements.	Authority Wide Geoff Wild <i>Director of Governance and Law</i>
CA08 2015	Records management	15	To provide assurance on compliance with organisational and statutory requirements.	Authority Wide Geoff Wild/ Elizabeth Barber <i>Director of Governance and Law/ Records Manager</i>
CA09 2015	Customer Feedback	25	A review of customer feedback to provide assurance that feedback is recorded, reported and responded to appropriately.	Authority Wide Jane Kendal <i>Head of Service, Customer Relationships</i>
CA10 2015	Contract Management – individual contracts – based on Analytical Review	40	A review of a sample of contracts based on an analytical review of payment profiles and other criteria. The review will cover the contract management processes in place to provide assurance that these are effective.	Authority Wide
CA11 2015	KCC Company Governance/ Alternative Service Delivery Models	40	Cyclical assurance on a sample of companies to ensure compliance with KCC protocol for companies in which KCC has an interest. The review will also include ongoing advice on the introduction of ASDMs for providing Council services to ensure compliance with best practice governance arrangements.	Authority Wide Andy Wood/ Geoff Wild <i>Corporate Director of Finance and Procurement/ Director of Governance and Law</i>
CA12 2015	Remote Sites Compliance Audits	150	A risk based rolling programme of establishment reviews to incorporate both financial controls and care standards. Establishments will include but not be limited to, residential homes, respite units and day centres as well as Children's Centres, PRUs, youth hubs, country parks and other remote sites.	Authority Wide
CA13	Transformation Portfolios including market engagement and service reviews, Corporate Portfolio Office Support, and ongoing review of processes.	120	An audit of the transformation portfolios as they develop and decisions are made. Audits will be scoped and agreed for individual Portfolios as relevant. Also will include checkpoint reviews of programmes within the portfolios	Authority Wide David Cockburn/ John Burr/ Paul McCallum <i>Corporate Director of Strategic and Corporate Services/Director of Transformation/ Head of Corporate Portfolio Office</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
CA14 2015	Contracts of employment	15	To provide assurance on the controls over new contracts and changes to existing contracts of employment	Authority Wide Amanda Beer <i>Corporate Director of Human Resources</i> Nicola Hirshfield <i>Acting Head of HRBC</i>
CA15 2015	Equality and Fairness at Work – Grievance and Appeals	20	A cyclical audit of HR support and advice specifically focussing on compliance with the Grievance and Appeals processes contained in Scheme of Conditions (Blue Book).	Amanda Beer <i>Corporate Director of Human Resources</i> Ian Allwright <i>Employment Policy Manager</i>
CA16 2015	Health and Safety – Follow up Audit	10	To follow up the previous audit in 2011/12 to ensure that recommendations have been fully implemented.	Amanda Beer <i>Corporate Director of Human Resources</i> Helen Bale <i>Head of Health and Safety</i>
CA17 2015	Use of Recruitment Agencies	25	An audit of the use of agencies for senior appointments, hard to fill roles and the ongoing sourcing of temporary staff to provide an assurance on compliance with the council's procurement policies and procedures and ensuring achievement of service objectives.	Authority Wide Amanda Beer <i>Corporate Director of Human Resources</i> Rob Semens/ Sue Goymer <i>HR Business Partner/ HRBC Recruitment Manager</i>
	Total days	585		

2. Core Financial assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead Officer
CS01 2015	General Ledger	20	A review of controls over the Oracle General Ledger including feeder systems, journals and bank reconciliations.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Emma Feakins <i>Chief Accountant</i>
CS02 2015	Revenue budget monitoring	20	A review of the processes and procedures involved in Revenue Budget Monitoring to provide assurance that forecasts are accurate and reliable.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Simon Pleace <i>Revenue Finance Manager</i>
CS03 2015	Revenue Budget Build and MTFP	30	A review of the 2014/15 budget build process from budget initiation to population of the budget book, MTP and CP.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Simon Pleace/Dave Shipton <i>Revenue Finance Manager/Head of Financial Strategy</i>
CS04 2015	VAT	15	A review of the controls operating on VAT to provide assurance that VAT accounting is accurate, reliable and in line with HMRC requirements.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Emma Feakins <i>Chief Accountant</i>
CS05 2015	Inland Revenue Accounting	15	A review of the accounting arrangements for HMRC payments – P11D, PAYE, NIC to provide assurance that these payments are accurate, timely and in line with HMRC requirements.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Emma Feakins <i>Chief Accountant</i>
CS06 2015	Payments Process	30	A key financial systems audit review of the accounts payable system and iProcurement.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Kim Howard/ Deanna Fernandez <i>P2P Manager/ Payments Manager</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead Officer
CS07 2015	Accounts Receivable	20	A review of controls over the Oracle AR processing including raising manual invoices, use of AR Wizard and client billing through SWIFT.	Andy Wood <i>Corporate Director of Finance and Procurement</i> Michelle Vickery <i>Assessment & Income Manager</i>
CS08 2015	Payroll	20	A review of the Payroll process for KCC staff to provide assurance on key controls covering payroll production, accounting, payment and bank reconciliation.	Amanda Beer/ Andy Wood <i>Corporate Director of Human Resources/ Corporate Director of Finance and Procurement</i> Nicola Hirshfield/ Richard Vince <i>Acting Head of HRBC/ HRBC Development and Control Manager</i>
CS09 2015	Bank Accounts	20	A review of the operation of imprest bank accounts held by KCC to provide assurance that proper governance arrangements are in place and that accounts are reconciled regularly.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Fernandez <i>Payments Manager</i>
CS10 2015	Financial Assessment Unit	20	A review of the control arrangements operating in the Financial Assessment Unit to provide assurance that procedures and processes in place ensure the accurate assessment of financial contributions.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Michelle Vickery <i>Assessment and Income Manager</i>
CS11 2015	Client Financial Affairs	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>
CS12 2015	Corporate Purchase cards	15	A review of the arrangements for the use of Corporate Purchase Cards to ensure payments are in line with KCC procedures, are appropriate and bona fide.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Deanna Fernandez <i>Payments Manager</i>
CS13 2015	Insurance	20	A review of the arrangements for managing insurance cover for KCC and claims handling procedures.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Darryl Mattingly <i>Insurance Manager</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead Officer
CS14 2015	Treasury Management	7	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>
CS15 2015	Pensions investments income	7	Annual assurance that there are appropriate 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>
CS16 2015	Pension contributions	7	Annual review of key financial controls over pension contributions to provide assurance on the accuracy of contributions in line with defined percentages.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Alison Mings <i>Treasury and Investments Manager</i>
CS17 2015	Schools Returns	15	A review of processes and controls over monitoring of statutory school returns.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Yvonne King <i>Schools Financial Services Manager</i>
CS18 2015	Schools Financial Services	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>
CS19 2015	Procurement	25	An annual cyclical review of procurement to provide assurance on compliance with the processes and procedures contained in the Council's policy document 'Spending the Council's Money'.	Andy Wood <i>Corporate Director of Finance & Procurement</i> Henry Swan <i>Head of Procurement</i>
CS20 2015	Recharges	20	A review of the arrangements for internal recharges to ensure they are accurate, predictable and based on robust criteria.	Authority Wide
	Total Days	366		

3. Risk / Priority Based

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

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
Strategic and Corporate Services				
RB01 2015	Property – Capital Project Delivery	40	A review of a sample of capital projects (including schools) to provide assurance on the controls in place over contract award, contract management, capital accounting and achievement of VFM.	David Cockburn/ Patrick Leeson <i>Corporate Director of Business Strategy and Support/ Corporate Director Education and Young People Services</i> Kevin Shovelton/ Rebecca Spore/ Cath Head <i>Director of Education Planning and Access/ Director of Property & Infrastructure Support/ Head of Financial Management</i>
RB02 2015	Property Service Desk	20	Audit of procedures and controls in place to respond to calls to the property service desk for repairs and maintenance work.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i> Rebecca Spore <i>Director of Property and Infrastructure Support</i>
RB03 2015	Total Facilities Management	25	To provide assurance that the contract is being managed effectively and delivering planned benefits	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i> Rebecca Spore <i>Director of Property and Infrastructure Support</i>
RB04	New Ways of Working	20	To provide assurance on the progress of the New Ways of Working project and the delivery of anticipated benefits. This is a wide-reaching project covering rationalisation of the Council's estate and provision of appropriate facilities to staff. It also links to the realignment of services in KCC.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i> Rebecca Spore/ Peter Bole <i>Director of Property and Infrastructure Support/ Director of ICT</i>
	Total Days	105		

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
Social Care, Health and Wellbeing				
RB05 2015	Public Health outcomes – Sexual Health	20	<p>To provide assurance on a cyclical basis in relation to achievement of key public health outcomes. In 2014/15 this will focus on sexual health.</p> <p>In particular the audit will focus on data quality issues and contract management processes associated with the new contract procurement.</p>	<p>Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Andrew Scott-Clarke <i>Acting Director of Public Health</i></p>
RB06 2015	Prescribing	15	To provide assurance on financial and medicine management to meet funding and public health requirements	<p>Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Andrew Scott-Clarke <i>Acting Director of Public Health</i></p>
RB07 2015	NICE Guidance	15	A review of the arrangements for compliance with NICE quality standards, in particular the new Public Health Guidance currently in development.	<p>Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Andrew Scott-Clarke <i>Acting Director of Public Health</i></p>
RB08 2015	Serious untoward incidents	20	A review of the recording, investigation and reporting of SUIs.	<p>Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Andrew Scott-Clarke <i>Acting Director of Public Health</i></p>
RB09 2015	Direct Payments	20	The audit will provide assurance over the implementation and effectiveness of new processes put in place during 2013/2014.	<p>Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i></p>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB10 2015	Enablement Service (KEaH)	30	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 Social Care, Health and Wellbeing</i> Anne Tidmarsh <i>Director of OPPD</i>
RB11 2015	Supervisions	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 Social Care, Health and Wellbeing</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>
RB12 2015	Health and Social Care Integration – Kent Card	20	A review of the progress and implementation of an integrated service for the users of the Kent Card.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>
RB14 2015 (no RB13)	Health and Social Care Integration – Better Care Fund	12	A watching Brief on the Council's preparedness for the implementation of the Better Care Fund.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Anne Tidmarsh/ Director of OPPD
RB15 2015	Health and Social Care Integration – Health Monies spend/ audit	30	The audit review will be carried out to provide assurance that the Council are in a position to evidence spending in compliance with Department of Health requirements.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB16 2015	Optimisation	30	This review is further to the pilot/ sandbox work carried out by Newton Europe during 2013/2014. It will provide assurance on implementation following county-wide roll out.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Anne Tidmarsh <i>Director of OPPD</i>
RB17 2015	Care Bill Preparedness	12	A watching Brief on the Council's preparedness for the enactment of the Care Bill.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Anne Tidmarsh/ Penny Southern <i>Directors of OPPD and LDMH</i>
RB18 2015	Promoting Independence Reviews	20	To provide assurance on the process and evidence base to support reviews undertaken and to ensure sufficiency to defend any complaints or challenges.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Anne Tidmarsh <i>Director of OPPD</i>
RB19 2015	Foster Care	30	The exact scope will be decided based on the Market Engagement and Service Review being carried in Phase 2. However we will include assurance on the effectiveness of controls covering budget monitoring and payments.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mairead MacNeil <i>Director Specialist Children's Services</i>
RB20 2015	Adoption	30	The exact scope will be decided based on the Market Engagement and Service Review being carried in Phase 2. However we will include assurance on the effectiveness of controls covering budget monitoring and payments.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mairead MacNeil <i>Director Specialist Children's Services</i>
RB21 2015	Children's Services Transformation Programme	12	A watching brief to provide advice and support on the CSTP.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mairead MacNeil <i>Director Specialist Children's Services</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB22 2015	Children's Services Transformation Programme	15	To provide assurance, in liaison with the CPO, on the baseline/figures assumptions to inform savings targets.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mairead MacNeil <i>Director Specialist Children's Services</i>
RB23 2015	Commissioning and Quality in Care Frameworks	24	An ongoing watching brief to provide advice on and support to both developing frameworks followed by post implementation reviews.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>
RB24 2015	Supporting People	25	A watching brief and subsequent audit to provide assurance on the contract re-tender process. This follows an audit carried out in 2012/2013 identifying a number of issues in relation to contract letting and monitoring.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>
RB25 2015	Kent Drug and Alcohol Action Team (KDAAT)	25	This procurement is new to Strategic Commissioning. The audit aims to provide assurance on the handover of a 'safe service' and the future contract procurement and monitoring.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>
RB26 2015	Adult social care transformation programme (ASCTP)	12	Continued ongoing review to provide assurance on the achievement of key stages within the ASCTP.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>
RB27 2015	Domiciliary Care – Post Contract Review	20	A post contract review of the domiciliary care contract to provide post award assurance on the procurement and performance monitoring.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Mark Lobban <i>Director of Strategic Commissioning</i>
	Total Days	462		

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
Education and Young People Services				
RB28 2015	Home to School Transport including Special Educational Needs	25	The exact scope will be decided based on the Market Engagement and Service Review being carried in Phase 2.	<p>Patrick Leeson/ Mike Austerberry <i>Corporate Director of Education and Young People Services/ Interim Corporate Director of Growth, Environment and Transport</i></p> <p>Kevin Shovelton/ David Hall <i>Director of Education Planning and Access/ Deputy Director Highways and Transportation</i></p>
RB29 2015	Elective Home Education/ Home Tuition and Children Missing Education	15	An audit to provide assurance that the issues identified and recommendations made in a recent review of CME by OFSTED have been addressed by KCC.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Kevin Shovelton <i>Director of Education Planning and Access</i></p>
RB30 2015	Data Quality, Education and Social Care	30	To provide assurance on data quality and interfaces between Education and Young Persons and Social Care services, particularly in relation to SEN, Preventative Services, links to Specialist Children's Services and any transition to Adult Social Care and Health Services.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Sue Rogers <i>Director of Education Quality and Standards</i></p>
RB31 2015	Workplace Nurseries	15	A review of the current provision of 3 nurseries, to provide assurance that these operate efficiently and effectively, with appropriate measures in place to manage risk and to inform future service delivery options.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Sue Rogers <i>Director of Education Quality and Standards</i></p>
RB32 2015	Additional Funding	35	To provide assurance that additional funding (including Pupil Premium and collaborations) aimed at narrowing the gap in achievement through addressing inequalities is being utilised appropriately and effectively by schools in receipt of funding.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Sue Rogers <i>Director of Education Quality and Standard</i></p>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB33 2015	Special Educational Needs (SEN) Assessment and Funding	25	The exact scope will be decided based on the Market Engagement and Service Review being carried in Phase 2. However this is likely to include a review of a sample of schools to seek evidence that SEN funds are utilised appropriately.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Kevin Shovelton <i>Director of Education Planning and Access</i></p>
RB34 2015	Schools themed reviews	35	Following the audits in 2013/2014 of procurement in schools, the audit in 2014/2015 will follow up on recommendations made to provide assurance on compliance with 'Spending the Council's Money' and EU legislation. The scope will be extended to review the use of purchase cards, an area at risk of fraud and error.	<p>Patrick Leeson/ Andy Wood <i>Corporate Director of Education and Young People Services/ Corporate Director of Finance and Procurement</i></p> <p>Keith Abbott <i>Director of School Resources and EY Finance Business Partner</i></p>
RB35 2015	Troubled Families	15	A statutory requirement for audit of the self-assessment process to support Payment by Results Claims.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Angela Slaven <i>Interim Director of Preventative Services</i></p>
RB36 2015	KIAS – including Checkpoint Review	25	To provide assurance on the continued integration of adolescent services, including follow-up of recommendations made as a result of our 13/14 audit and, in liaison with the CPO, to review the programme at 'checkpoints' to provide assurance on stop/go decisions.	<p>Patrick Leeson/ Andrew Ireland <i>Corporate Director of Education and Young People Services/ Corporate Director of Social Care, Health and Wellbeing</i></p> <p>Angela Slaven <i>Interim Director of Preventative Services</i></p>
	Total Days	220		

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
Growth, Environment and Transport				
RB37 2015	Broadband Development UK (BDUK)	12	To provide ongoing assurance on achievement of key stages as required by BDUK (Watching Brief).	Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i> Barbara Cooper/ Liz Harrison <i>Director of Economic Development/ Economic Development Manager</i>
RB38 2015	Regional Growth Fund	20	Assurance on the governance and controls over loans, grants and investments related to Regional Growth Funding.	Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i> Barbara Cooper <i>Director of Economic Development</i>
RB39 2015	Developer contributions	25	A review of developer contributions (Section 107) to ensure that the controls in place are transparent, effective and comply with the Council's policies and procedures.	Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i> Barbara Cooper <i>Director of Economic Development</i> Rebecca Spore <i>Director of Property and Infrastructure Support</i>
RB40 2015	Highway term maintenance contract payments	25	A review of the payments made under the Highway Term Maintenance Contract to provide assurance that the controls in place are effective to ensure that payments are accurate, in line with contract provisions and relate to specific work carried out.	Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i> John Burr <i>Director of Highways, Transportation and Waste</i>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB41 2015	Gypsy and Traveller Unit (Allocation of sites)	10	A review of the controls in place for the allocation of sites by the Gypsy and Traveller Unit to ensure these are effective, fair and transparent.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>Paul Crick <i>Director of Environment, Planning and Enforcement</i></p>
RB42 2015	Concessionary Fares	20	A review of the controls over concessionary fares to ensure they are accurate and in line with agreed contract provisions.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>John Burr/ David Hall <i>Director of Highways, Transportation and Waste/ Deputy Director of Highways and Transportation</i></p>
RB43 2015	Household Waste and Recycling Contract	12	An ongoing watching brief on the implementation of the new Household Waste and Recycling Contract.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>John Burr/ Roger Wilkin <i>Director of Highways, Transportation and Waste/ Head of Waste Services</i></p>
RB44 2015	Waste Contract Management	25	A review of a sample of waste contracts to ensure that the controls in place for contract management and payments are appropriate and effective.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>John Burr/ Roger Wilkin <i>Director of Highways, Transportation and Waste/ Head of Waste Services</i></p>
RB45 2015	West Kent Waste Partnership	12	A watching brief of the arrangements in place for operation and management of the West Kent Waste Partnership.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>John Burr/ Roger Wilkin <i>Director of Highways, Transportation and Waste/ Head of Waste Services</i></p>

Ref.	Audit	Days	Audit Details	
			Rationale	Corporate Director & Lead officer
RB46 2015	Kent Resource Partnership	5	A short review of the Kent Resource Partnership to assess governance in line with the aims of the partnership agreement and the overall value for money of the arrangement.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>John Burr/Roger Wilkin <i>Director of Highways, Transportation and Waste/Head of Waste Services</i></p>
RB47 2015	Libraries Programme – Check Point Review	20	A checkpoint review of the Libraries programme to provide assurance on progress at key stages.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>Cath Anley <i>Head of Libraries, Registration and Archives</i></p>
RB48 2015	Commercial Services - Carbon Reduction Commitment	10	A review of the Carbon Reduction Commitment annual return to provide assurance on the accuracy of base data and the management processes in place to ensure the evidence pack submitted to Central Government is accurate and complete.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p> <p>Paul Crick/Andy Morgan <i>Director of Environment, Planning & Enforcement/Head of Energy Management, Commercial Services</i></p>
RB49 2015	Commercial Services – Watching Brief	25	A continuing watching brief on governance arrangements and other developments at Commercial Services.	<p>Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i></p>
	Total Days	221		
	Total – Risk Based /Priority Audits	1,008		

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
	Indicative reviews shown below: <ul style="list-style-type: none"> • Application Reviews • Post Implementation reviews • Telecommunications • Network Controls • Infrastructure and Operating Platform Reviews • Infrastructure, Server, Desktop Hardware/ Software Support • IT Infrastructure Library – IT Service Management • Information Security (including Website) • Website Publishing Controls and Content Management • Internet and Email/ Anti-Virus Controls • Software Licensing • Contingency 	175	The ICT Audit Plan will be finalised and agreed on completion of a comprehensive risk based analysis by the successful contractor following a procurement exercise currently ongoing. Indicative areas are shown on the left with days to be allocated on a cyclical/ risk basis over a three year period.	Peter Bole <i>Director of ICT</i>
	Total Days	175		

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
Anti-fraud work – to raise awareness					
CF01 2015	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.	Authority wide
Fraud prevention work – to remove weaknesses that could be exploited					
CF02 2015	Expenses – Members and Officers	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 and bona fide payments.	David Cockburn/ Geoff Wild Corporate Director of Business Strategy and Support/ Director of Governance and Law
CF03 2015	Safeguarding – Financial Abuse		20	To develop a protocol for the involvement of the audit fraud team in specific cases and to provide advice and assistance with cases where required.	Andrew Ireland Corporate Director of Social Care, Health and Wellbeing Anne Tidmarsh/ Penny Southern Directors of OPPD and LDMH

Ref.	Audit	Reason for Audit	Days	Audit Details	
				Comments	Corporate Director
Detection work – to detect fraud in high risk areas or systems that may be vulnerable					
CF04 2015	Sports Grants	To detect fraud in high risk areas or systems that may be vulnerable and to make recommendations to secure arrangements.	20	Using data analytics and sample testing to review a significant sample of sports grant applications and supporting evidence to provide assurance that payments are bona fide.	Mike Austerberry <i>Interim Corporate Director of Growth, Environment and Transport</i> Paul Crick <i>Director of Planning and Environment</i>
CF05 2015	Apprenticeships		15	Using data analytics and sample testing to review a significant sample of apprentice grant payments and supporting evidence to provide assurance that payments are bona fide.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i> Sue Rogers <i>Director of Education Quality and Standards</i>
CF06 2015	Children's Payments- Section 17		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 <i>Corporate Director of Social Care, Health and Wellbeing</i> Mairead MacNeil <i>Director Specialist Children's Services</i>
Investigation, sanction and redress.					
CF07 2015	Authority wide Investigations	To ensure allegations of fraud are properly investigated and appropriate sanctions applied.	355	Investigate suspected fraud in a timely, professional, and cost effective manner ensuring that all appropriate sanctions are applied and any losses are recovered. This work will include a review of transactions shown as matches by National Fraud Initiative and investigate and report as appropriate.	Authority wide
	Total Days		500		

7. Summary

Audit	2014/2015
	Days
Core Assurance	585
Core Financial Assurance	366
Risk/Priority Based	1008
IT audit plan	175
Proactive and Reactive Counter fraud work	500
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 other Certifications	150
Total Days	3,269

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By: Neeta Major – Head of Internal Audit

To: Governance and Audit Committee – 30th April 2014

Subject: **Internal Audit Progress Report**

Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity for the 2013/14 financial year to date.

FOR ASSURANCE

Introduction

1. This report summarises:
 - the key findings from completed Internal Audit reviews;
 - progress against, and any amendments to, the 2013/14 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. 48 assurance/advisory reviews have been finalised and 17 draft reports have been issued and are in the process of being finalised. Fieldwork is in progress for a further 15 audits. In addition 19 audits of establishments have been undertaken.
3. Progress against the Audit Plan for 2013/14 is 92% complete at end of March 2014; this is compared to the annual target to achieve 90% of the Audit Plan by 31st March. Progress against Plan is therefore above target, and on track to deliver 100% in time to complete the annual Head of Internal Audit Opinion.
4. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2013/14 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 109 recommendations due in the reporting period 58 are complete or have been superseded. Revised implementation dates have been agreed for all outstanding recommendations; 8 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. However we continue to monitor implementation and to review whether escalation is appropriate should further delays occur.

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 2013/14 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 2014

Samantha Buckland
Strategic Audit Manager
Ext. 4611

Kent County Council

Internal Audit Progress Report April 2014

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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 2013/14 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 2013/14 includes a total of 80 projects at April 2014. 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 amendments are proposed:

Deletions/Deferral

The audit of Client Financial Affairs has been postponed to 2014/15 as a new system is currently being introduced.

Three IT audits have been postponed; the CRM system watching brief due to delays in determining the proposed solution for customer feedback, audit of the Website due to the recent re-launch in March

2014 and User IT Literacy due to the restructuring changes affecting many teams in the Council.

Work in relation to Sports Grants and Section 17 payments, intended to be undertaken as proactive work considering fraud risk, has been deferred to 2014/15 due to the number of reactive investigations impacting on availability of relevant staff.

The following work has been undertaken year to date:

- 48 final reports/assurance/advisory work completed
- 17 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 15 audits

In addition to the above, 19 audits have been completed at establishments. Detail of this and summaries of all final reports issued since the last Committee meeting can be found at Appendix A.

Overall progress on the 2013/14 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 end of March 2014 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted (Note 1)	98%	97%
Efficiency		
% of plan delivered (Note 2)	90% by year end	92%
% of available time spent on direct audit work	85%	86%
% of draft reports completed within 10 days of finishing fieldwork	90%	93%
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 3)	90%	87%

Note 1

This metric reflects the changing risk appetite of the Council as Managers are encouraged to accept more risk in an informed and managed way. As an Internal Audit function we will continue to flag up areas of risk so that management can determine whether they wish to accept or treat the risk. Hence over the coming year, we will need to review whether this target remains realistic.

Note 2

Actual figure at 31st March; therefore we are above target and on track to deliver 100% in time to complete the annual Head of Internal Audit Opinion.

Note 3

The target is difficult to achieve for a service which by its very nature relies on feedback from the teams it has to review and challenge. However, the average score has improved ongoing through the year and no performance concerns have been highlighted from the client feedback responses.

Appendix A

Summary of individual 2013/14 Internal Audits issued since December 2013

Business Continuity Planning

Scope

The overall objective of the audit was to provide assurance that the current arrangements the Council has over business continuity are adequate and effective to manage relevant risks and the extent to which progress has been made since our last audit in March 2013.

Overall assessment – Substantial

The Civil Contingencies Act (2004) requires that Local Authorities make provision for the continuity of the critical services that they provide to their communities in the event of a disruption or disaster. The lack of such arrangements may result in the Council being unable to provide services to the community for an extended period of time.

The Substantial opinion is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. Considerable progress has been made to ensure relevant Business Continuity Plans (BCP's) are in place for service units and Divisions and the Business Continuity team have developed a policy and programme to ensure plans are co-ordinated with the service units. Business Impact Assessment (BIA) has been undertaken to identify critical services to assist in the development of planning and a Cross Directorate Resilience Group is in place which meets regularly to influence the development of plans and as a forum for the team and service units to communicate any developments and changes in process.

We have made five recommendations to further improve controls, none of which are high priority. These include ensuring all key stakeholders are in receipt of the relevant BC plan, undertaking a review of the BCP's to ensure that the 'Urgency' is indicated in the BIAs and prioritising the formal testing of the BCP's.

Records Management

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively in order to comply with organisational and statutory requirements.

Overall assessment – Adequate

A Code of Practice was issued under section 46 of the Freedom of Information Act 2000 which gives guidance on good practice in records management. Whilst not a statutory requirement, this would be referred to by the Information Commissioner in the event of a breach and non-compliance to this Code would reflect badly on the Council. The 'adequate' assurance is based on there being a number of areas where controls were operating adequately and effectively. There are policies and procedures in place, which are published on KNet, for staff to refer to and the Information Asset Register is nearing completion. The Records Manager had completed a self assessment against the Code prior to the audit and therefore had a good understanding of the work which still needed to be done to achieve full compliance.

We made two recommendations to further improve controls, one of which was high priority and related to ensuring records were only removed from Council buildings when necessary and using proper sign out procedures where relevant. The other recommendation was an update to the Information Security Policy to bring it in line with the Information Management Manual.

Workforce Planning

Scope

The overall objective of the audit was to provide assurance that there are adequate and effective controls over Performance, as defined in the Organisation Development and People Plan, to meet corporate objectives. The focus of the audit was on whether staff engagement and recognition is working and making a difference.

Overall assessment - Substantial

The Human Resources Division provides the framework and tools that will be used towards achievement of the Organisation Development and People Plan. This framework is focused into 5 themes: Retain, Resource, Transform, Performance and Develop. Managers are responsible for developing and delivering the plan and are accountable for its implementation within their business area. This year's audit focused on the Performance section of this Plan.

The 'Substantial' assurance is based on the number of areas where controls were operating effectively. The Employment Value Proposition (EVP) survey was completed by a number of staff across KCC and the results were analysed and shared with managers and staff. In some divisions the results of the survey were used to take action to improve staff recognition and engagement. There are frameworks in place to recognise and engage with staff and, whilst it is difficult to measure the direct impact of these frameworks, levels of interest from staff have been maintained and there is evidence of positive feedback from award winners. Facing the Challenge information is provided via KMail and KNet and is controlled to ensure that there are consistent messages to staff from a single source of information.

We have made two recommendations to further improve controls, neither of which are high priority, which are working with divisional managers to ensure buy-in to the EVP process and ensuring results are presented in a way that is easy to understand.

Completeness of Contracts and Contract Compliance

Scope

The overall objective of the audit was to provide assurance that authority-wide procurement has taken place in accordance with the requirements of 'Spending the Council's Money'.

Overall Assessment – Substantial

The audit identified all cases of aggregated supplier spend for supplies and services in excess of £8000 over a full financial year and testing was subsequently undertaken on a random sample of suppliers to establish the procurement processes followed in each case. Testing involved interviews with officers and the review of documentary evidence in relation to quotes, tenders and contractual agreements.

The 'Substantial' assurance is contingent on the continuing involvement of Strategic Sourcing and Procurement (SSP) in the scrutiny and overview of procurement and the provision of advice in relation to non-standard spend. The audit confirmed that the procurement of all sampled contracts followed the requirements set out in 'Spending the Council's Money' and that the (SSP) team are actively reviewing areas of cross-directorate spend to identify cost and efficiency savings. Improvements are being made to the procurement process in cases where a single supplier has been invited to bid for the supply of goods or services. We have made three recommendations to improve controls, none of which are high priority, and the recommendations made reflect that SSP already had ongoing involvement in each of the areas highlighted.

Debt Recovery

Scope

The overall objective of the audit was to provide assurance that debt recovery risks are being managed adequately and effectively in order to meet service and corporate objectives. This included ensuring that there is sufficient and accurate monitoring and reporting of aged debt to appropriate areas of the Council and that debts are only written off after recovery processes have been exhausted.

Overall Assessment - Substantial

The Debt Recovery team is part of the Assessment and Income unit within Finance & Procurement. It is responsible for debt recovery of both social care and sundry debts (excluding EduKent, penalty notices, highways/utilities/permits and insurance debts). The responsibility of any debt is with the budget holder.

The substantial assurance is based on sample testing of both social care and sundry debts which showed that debt recovery procedures are being followed and debts are followed up regularly. Debts are only written off where all appropriate recovery actions have been exhausted and there is good oversight of the activity of Debt Recovery Officers.

We have made seven recommendations to further improve controls, none of which are high priority, which include; modifying the Business Intelligence (BI) reporting from Oracle to adjust for credit balances so that the total value and ageing of debts reported is correct; liaising with FSC to develop the criteria for identifying cases where a current property valuation should be obtained; and developing additional performance indicators, covering both social care and sundry debt.

Treasury Management

Scope

The overall objective of the audit was to provide assurance that all investments and borrowings are undertaken and authorised in accordance with organisational policy. This included 'the management of liquidity, systems reconciliations and performance against prudential indicators.

Overall Assessment – High

The Corporate Director of Finance & Procurement is responsible for the treasury management operations with day to day responsibility delegated to the Head of Financial Services and the Treasury and Investments Manager.

The 'High' assurance is based on sample testing that in all the key areas controls are operating adequately and effectively. Formal policies and procedures are in place, investment activity is limited to approved counterparties and limits, cash flow and liquidity is monitored daily and regular Treasury Management reports are produced.

No recommendations have been made as a result of this audit.

Pension Contributions

Scope

The main objective of this audit was to provide assurance that there are controls in place to ensure that contributions for pensions are being correctly deducted and paid over to the Pensions Fund.

Overall Assessment – High

The Local Government Pension Scheme (LGPS) is a nationwide pension scheme for people working in local government or for other specified types of employers. The Scheme is administered through regional pension funds, one of which is run by KCC, for approximately 400 employers and 35,000 employees. Both employees and employers contribute to the LGPS. Employees' contributions are fixed while the Fund Actuary sets each employer's contribution rate as part of the actuarial valuation which takes place every three years.

The 'High' assurance is based on sample testing which demonstrated that in all the key areas, controls are in place and operating as intended. There were effective controls in place to ensure that contributions were being correctly deducted by KCC and paid over to the Pension Fund.

We have made one recommendation to further improve controls, which was not high priority. This is that the annual data input of the pension contribution bands should be independently checked and confirmed as being accurate.

Pension Investments Income

Scope

The aim of the audit was to provide assurance that there are controls in place to ensure pension fund investment income is accurately accounted for.

Overall Assessment – High

The Local Government Pension Scheme is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The Kent County Council scheme covers KCC employees, other Councils, Schools (excluding teaching staff), Further Education Colleges and a number of other bodies. The strategic asset allocation of the Fund includes UK Equities, Global Equities, Fixed Income, Property and Cash/Other Assets.

The 'High' assurance is based on sample testing and interviews with key officers, which identified that in most areas, controls are operating adequately and effectively. In particular, there are regular reconciliations between the investment monitoring system Shareholder and fund manager statements; journals to post pension fund income to Oracle are accurately recorded and coded; quarterly performance reports are used to identify variances from the benchmark asset allocation and performance; and the challenging timetable for the 2012-13 accounts production was met.

We have made three recommendations to further improve controls, all of which were low priority. These include improvements to journal authorisation, documentation of procedure notes for staff and maintaining up to date policies on the website.

Foster Care Payments

Scope

The overall objective of the audit was to provide assurance that controls are in place to ensure accuracy, appropriateness and completeness of payments made. The audit reviewed payments made directly to Carers but did not include expense claims or payments made directly to children.

Overall Assessment – Limited

The Foster Payments System (FPS) is used by the Council to pay various fees to Carers for child placements and payments directly to children when they reach 'independence'. The Foster payments budget for 2013/14 is just under £21m and 775 individual carers had received payments since April 2013.

The 'Limited' assurance is based on several issues that require prompt management attention to help ensure that service objectives are achieved. Particular areas for attention include authorisation of payments, notification of changes, checking and review of payment exception reports, overpayment recovery when Carers no longer have a placement, password standards and disaster recovery. In addition formal evaluation of the costs and benefits of implementing the Finance module of the new Liberi system should be considered.

We have made eleven recommendations, four of which are high priority, which include appropriate authorisation of all payment instructions and ensuring that the authorised signatory list is kept up to date; fully checking and investigating items raised on the exception reports produced after each pay run; ensuring prompt notification of changes to placements and implementing checks to ensure that there is a future placement to offset any arranged overpayment instalment payments against.

Payroll – Leavers, Starters, Overpayments and follow up

Scope

The overall objective of the audit was to provide assurance on key financial controls in the Council payroll system, focussing on controls over starters, leavers and the recovery of payroll overpayments

Overall assessment – Substantial

Kent County Council employs over 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county. The Human Resources Business Centre process the payroll for Council staff as well as 64 schools, eight Academies, four district councils and East Kent Housing Ltd. The Council staff payroll is the largest at approximately £26m gross pay per month. The district councils and East Kent Housing payrolls are run on iTrent.

The 'substantial' assurance is based on there being a number of areas where controls were operating adequately and effectively. All starters sampled were set up on Oracle Payroll correctly and a monthly self-audit is completed by team leaders on a sample of new starters. Staff leaver processing was also found to be accurate for the sample with appropriate checks in place.

We have made three recommendations to further improve controls, one of which is high priority and related to implementing a robust recording system which can track the progress of leaver overpayment recovery actions and highlight instances where action needs to be taken.

Local Budgetary Reviews

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively at a local level in order to meet service objectives. This audit focused specifically on the management of budgets assessed as medium, low and very low risk.

Overall Assessment – Substantial

Budget Managers of Medium, Low and Very Low risk budgets and some High and Very High risk budgets have been provided with access to the Collaborative Planning (CP) system. Training has been delivered to enable budget managers to update CP each month in order to produce budget forecasts and enter explanations where actual expenditure or income is not in line with their original budgets. Support, advice and challenge for budget managers is available from Front Line Support teams within Revenue Finance. These teams validate the CP data and support managers to ensure that a robust forecast is produced each month.

The 'Substantial' assurance is based on the existence of several key controls which should improve financial management across directorates. A user guide is available and most Budget Managers interviewed knew where to access support and were happy with the level of support received from the Front Line Support teams within Revenue Finance. Training had also been completed by most users and was offered to all. Budget Managers are now using CP on a monthly basis and it is being rolled out to more users.

We have made seven recommendations to further improve controls, one of which is high priority and relates to CP budget forecast submissions being approved on a monthly basis. Other key recommendations include review of budget forecast submissions by Finance staff to ensure they are robust and clarification of the use of explanation comments.

Regional Growth Fund (RGF)

Scope

The main objective of the audit was to provide assurance on the governance arrangements, decision making and outcomes for the Thames Gateway Innovations, Growth and Enterprise Project (TIGER) as part of the Regional Growth Fund (RGF) initiative. This audit did not include a review of grants awarded or equity investments made.

Overall Assessment – High

Launched in March 2013 and with £20 million of RGF monies available to invest, TIGER offers financial assistance to businesses looking to invest in new products, processes or markets, or potentially looking to expand existing activities which will lead to increased sustainable employment, in the Dartford, Gravesham, Medway, Swale and Thurrock area. TIGER loans will be interest-free and normally unsecured.

The 'High' assurance is given as testing has shown Governance arrangements for the TIGER project are in place and are operating effectively. Key controls for approval, authorisation and monitoring of loans is in place and is sufficiently robust and the decision making process for a sample of TIGER loan awards identified no areas for concern.

Three recommendations have been made to further improve the control environment, none of which are high priority. These are to regularly present the TIGER risk register to the Strategic Board, develop a formal register of interests and improve the declaration of interests form currently in use.

Property Statutory Compliance

Scope

The overall objective of the audit was to provide assurance that statutory property risks are being managed adequately and effectively, including the associated policies and procedures, compliance programmes, payments and performance monitoring.

Overall Assessment – Adequate

Statutory compliance for the Council's property portfolio is maintained through the engagement of three property Consultants, each of which are responsible for the buildings in an area of Kent. In addition to the Consultants, Kent Facilities Management (KFM) has been engaged to provide building services for the main KCC buildings in Kent.

The 'Adequate' assurance is based on testing that showed adequate policies and guidance in place detailing statutory requirements, work commissions have been raised, the invoices for completed works are appropriately authorised and regular performance monitoring meetings are held with the Consultants.

We have made nine recommendations to further improve controls, 2 of which are high priority which were to ensure future agreements entered into have SLAs in place that detail the roles and responsibilities of all parties and the service expectations and to establish a protocol to complete an annual contract review of the service with each of the Consultants. Other recommendations related to retaining evidence of works and inspections completed across all KCC buildings and statutory requirements and finalising and issuing the procedure documents for Asbestos, Lift Maintenance and Water Safety.

Joint Commissioning of adolescent Support Services (KIASS)

Scope

The overall objective of the audit was to review current commissioning of adolescent services to ensure commissioning is being managed adequately and effectively in order to meet service and corporate objectives, including a consideration of integration across the Authority.

Overall assessment – Advisory only

The review took place in two parts – firstly to support the concurrent review undertaken by the Business Service Transformation Team and secondly to sample test services currently commissioned.

There was a clear rationale behind the commissioning of services sampled, and commissioning resulted from a competitive process. Outcomes and objectives were identified in the service specifications, and reviews were held with providers. However, it was not clear at the outset of many contracts how outcomes were to be measured, and therefore there is currently limited information as to the overall success of the services. Furthermore, there was no evidence of value for money analysis either prior to commissioning or during the term of the contract. There is currently no single governance arrangement for services commissioned for adolescents and therefore commissioning is not carried out in a prioritised way across the Council.

We made eight recommendations, all of which were high priority due to the rapid pace of change required across the Council. These include clarifying governance arrangements, determining a review framework and decommissioning strategy, ensuring there are mechanisms to review internal and external services together and ensuring value for money is analysed before commissioning or decommissioning decisions are made.

Coastal Protection Loans

Scope

The overall objective of the audit was to provide assurance that payments made to Coastal Authorities for coastal protection loans are accurate and are based on the actual costs to those authorities. In addition we assessed the cost effectiveness of the loan repayments.

Overall Assessment – Substantial

There are five Coastal Authorities in Kent: Canterbury, Dover, Shepway, Swale and Thanet. Under the Coastal Protection Act of 1949, KCC contributes 50% to the repayment of loans taken out prior to 2006 for the purpose of coastal protection projects. The total principal and interest paid by KCC for coastal protection loans in 2012/13 was £605k and the estimate for 2013/14 is just under £600k.

The 'Substantial' assurance is based on sample testing and review of documentation. Our audit work confirmed that appropriate records are maintained of the Council's share of coastal protection loan repayments. All invoices paid in 2013/14 had been correctly calculated at 50% of the cost to each Coastal Authority and the payments were accurately processed in Oracle.

We have made two recommendations to further improve controls, neither of which are high priority. These are to compile procedure notes detailing the processes and checks involved in the administration of coastal protection loans and to explore alternative funding arrangements to achieve potential savings.

BACS/CHAPS review – Commercial Services

Scope

The overall objective of the audit was to provide assurance over key controls in relation to BACS and CHAPS payments made by all of the Commercial Services companies. In addition, the number, amount and details of cheque payments were examined to assess whether the BACS system could have been used to process these payments more efficiently.

Overall Assessment – Limited

There are several BACS payment runs each week covering all of the Commercial Services business units and CHAPS payments made for items such as international payments, HMRC, payroll adjustments and other payments that cannot be paid via BACS. Some cheque payments are made for each of the business units

The 'Limited' assurance is based on a number of issues that that require prompt attention including those found by Commercial Services' own Internal Audit Team involving accounting system access and audit trail, accuracy and completeness of authorisation signatory lists, and authority levels. A number of other areas for improvement were identified, including segregation of duties in the CHAPS system, timeliness and completeness of bank reconciliations and reducing the volume of payments made by cheque.

We have made six recommendations to further improve controls, four of which are high priority; these include implementing segregation of duties; ensuring at least the same authority limits for CHAPS as for BACS payments; and completing bank reconciliations on a timely basis. Further recommendations were made in relation to reducing the use of cheques (Management accept the risk of not implementing this recommendation) and reviewing cheque signatories to ensure consistency with KCC's levels.

Laptops, Notebooks, PCS

Scope

The overall objective of the audit was to identify, examine and evaluate key controls for the use of these devices. These controls include procedures for managing the devices, roles and responsibilities and security standards as well as the support provided by system administrators.

Overall Assessment – High

Assets, such as desktops, tablets and laptops are common place in any organisation and widely used at the Council by management and staff. However, a number of high profile data security breaches have been recently reported in the press within the public and private sectors. These events have raised awareness of the importance of securing organisational information assets and highlighted the need for organisations to review their existing data security arrangements.

The High assessment is based on sample testing and interviews with key officers, which identified a number of areas where controls are in place and operating as intended. There are effective controls to ensure clear responsibility for the management of devices, new users, changes and deletion of access. Policies are in place and standard build procedures exist, including security measures such as encryption and standard access control settings. There is an anti-virus solution in place covering both enterprise and endpoint devices as well as security and incident management procedures, with a record is kept of reported incidents

We have made one recommendation to further improve controls, which was not high priority, this related to procedures to identify devices which have not logged onto the KCC network for over 90 days.

User Remote Access

Scope

The overall objective of the audit was to provide assurance on the degree to which the Council manages risks associated with remote working and access and whether the current control environment supports and promotes the achievement of the Council's strategic objectives.

Overall Assessment – Substantial

Remote working is the ability to access an organisation's IT services (including the internal network, business applications and corporate data) when away from the organisation's premises. Users need to access IT services in different settings outside of the Council, using private and public networks and from their homes. The Council is responsible for delivering technical solutions to enable secure access to IT services remotely from KCC

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. There are security policies and procedures in relation to remote working, including the overarching Information Security Policy and the Remote Desktop Access and Access to Kent (A2K) User Guides for staff. A risk assessment of remote working has been completed and procedures have been established for the management and administration of remote working services, including the provision of secure remote working fobs.

We have made three recommendations to further improve controls, none of which are high priority. These include updating the Homeworking Data Protection Guide and reviewing options for re-introducing screening to verify that appropriate anti-virus software is in place on all devices remotely connecting to the KCC network via A2K.

Swift Application

Scope

The overall objective of the audit was to identify, examine and evaluate key controls for the SWIFT application. These controls include day to day operations, the support provided by system administrators as well as third party support arrangements for SWIFT.

Overall Assessment – Substantial

SWIFT is predominantly used by Adult services in Families and Social Care (FSC) and is supplied by Northgate. Although the application has approximately 60 modules, it is presented to the user as a single seamless system, performing a range of functions for case management, finance and performance monitoring. SWIFT was originally introduced in 2006 and was last upgraded in January 2011. There are currently over 3,000 registered trained users with approximately 1,100 concurrent users.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. The Business Applications team has responsibility for daily operations management of SWIFT and access is controlled through security settings managed by this team. There are validation controls in place to assist with data input and reasonableness checks, as well as data quality procedures to identify and resolve erroneous data on caseload records. Data processing is performed in real time and there are controls in place to monitor and reconcile the data transferred between the application's interfaces. There are arrangements in place to ensure that regular backup copies of data are taken and procedures for handling system upgrades and changes.

We have made four recommendations to further improve controls, none of which are high priority; these include enhancements to the default password and user lock-out settings, to switch on the audit log facility and to obtain performance reports of the system from the supplier.

Unified Comms - pre Implementation

Scope

The overall objective of the audit was to provide assurance on the proposed arrangements the Council has developed for the Unified Communications solution.

Overall Assessment – Substantial

Unified Comms is a system that provides easy to use telephony services for office, mobile and home workers. The goal is to ensure that staff can be easily contacted in a manner that is convenient to all parties.

KCC and Unify (formerly Siemens) entered into a contract to initiate the delivery of a programme of works to deliver the implementation of an OpenScape Dual Node Telephony and Unified Communications Solution, SIP-enable DX voice network, implementation of a managed service solution to support the above and user and administrator training for the new systems.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. Initial project risks and issues have been identified and documented in the approved Business Case and a process has been established with testing of the solution performed by Unify and witnessed by relevant KCC ICT staff. A project implementation plan has been established and adequate resources have been made available for the implementation. In addition various guidance and end-user manuals have been established and are available on the KCC intranet for users to access, training has been provided and an online training solution has also been developed.

We have made three recommendations to further improve controls, none of which are high priority. These are to set the scope and objectives for each User Acceptance Test, report and review access to the User Management system and agree critical success factors or Go-Live criteria with the supplier.

Communications

Scope

The overall objective of the audit was to provide assurance on compliance with organisational policy and guidance on internal and external communications. The review also followed up the recommendations made in the 2011/12 audit of Communications to ensure that they have been implemented where still relevant.

Overall assessment - Substantial

The aim of the Communications Team is to control all internal and external communications centrally, which includes new brand guidelines and templates for leaflets, posters and reports, to support the overall objective of 'One Council One Voice'.

The 'Substantial' assurance is based on testing which showed that controls are in place and operating as intended. There is sufficient information and guidance available to all staff with a standardised process for External Communications staff being designed at the time of the audit. A process was introduced to manage and monitor time spent on individual jobs in September 2013 and we were advised that there are plans to purchase a system to manage the workflow later this financial year.

We have made five recommendations to further improve controls, none of which are high priority. These include enhancing the detail recorded in the job book, ensuring sufficient information is recorded in the job brief, and including timeliness of job completion in performance monitoring reports.

Unaccompanied Asylum Seekers Minors (USAM)

Scope

The overall objective of the audit was to provide assurance that the budget for USAM is being properly monitored and controlled, that pressures reported are fairly represented and that the costs that are currently unfunded from the Home Office are valid and have been incurred legitimately.

Overall Assessment – Limited

The USAM budget is funded by grants from the Home Office and has been in deficit for the last two financial years and forecast to be so for 2013-2014. Explanations for the ongoing deficit position predominantly relate to either gaps or shortfalls in grant funding and the majority of the current overspend relates to ineligible and Appeal Rights Exhausted cases, where no grant funding is received. In addition the greater proportion of USAM currently funded by KCC are care leavers, where funding reduces. The overspend is off-set considerably by Gateway Grant funding.

The 'Limited' assurance is based on several issues that require prompt management attention to ensure that service objectives are achieved. Issues specifically identified were in relation to budget monitoring, costing and financial information/reporting (for example in relation to accommodation and related costs, including void properties) and foster care placements. Areas of overspend indicate financial controls need improvement and currently infrastructure and staffing costs are not fully allocated, meaning costs at age group or individual level are not complete.

We have made 18 recommendations to further improve controls, nine of which are high priority, including the presentation of information in monthly reports and allocation of direct costs to ensure clarity and transparency and consideration of areas of a number of areas where potential cost savings could be made.

Recruitment and Selection

Scope

The overall objective of the audit was to provide assurance that controls are in place over new appointments, including disclosure and barring checks where appropriate, to ensure that recruitment risks are being managed effectively to meet service and corporate objectives.

Overall Assessment – Adequate

Kent County Council is a leading local employer with more than 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county; recruitment activity is carried out by line managers with support from the HR Recruitment Team.

The 'Adequate' assurance is based on sample testing which confirmed that controls were operating adequately and effectively in a number of areas. There are policies and procedures in place for both the Recruitment team in the HR Business Centre and for Recruiting Managers and appropriate scoring mechanisms are used for shortlisting and to assess the responses to interview questions. Performance Monitoring is undertaken on a monthly basis within the Recruitment team.

We have made eight recommendations to improve controls, none of which are high priority. These include improvements to document retention for the Recruitment process by Recruiting Managers, fully completing Vacancy Clearance Request forms and ensuring that all interview panels include an officer with up to date recruitment training. The Recruitment team are currently in the process of implementing a new system to replace the Recruitment Management System and this will resolve some of the issues identified in this audit.

Cashiering and Bank Income

Scope

The overall objective of the audit was to provide assurance that cashiering and bank income processing risks are being managed adequately and effectively in order to meet service and corporate objectives. The audit looked at the entire process from receipt of income by the council, coding to the Oracle finance system, banking and reconciling income to the bank statements. This covered all sources of income.

Overall Assessment – Substantial

Income is received by the Council through various payment methods including BACS receipts, cheques, cash, card payments, Direct Debits, payment direct to bank and through salary deductions. The Cashiers Team in the Assessment and Income Unit is responsible for receiving, receipting, banking and processing income in the Oracle financial system. All income is paid into the Council's general bank account. Cashiers perform a daily reconciliation of income and full monthly reconciliations of the general bank account are completed by the Accounts Team in Central Finance.

The 'Substantial' assurance is based on sample testing which confirmed that the key controls are in place and operating as intended. Income collection processes were performed accurately and within the required timescales for the sample of transactions tested. For the same sample, income was banked regularly and accounted for correctly. Sources of income other than cash and cheques (such as Direct Debits, card payments, and direct BACS payments) are processed in line with the agreed procedures. The reconciliations carried out in the Cashiers and Central Finance Teams are up-to-date and accurate and there is evidence of good co-operation and communication between the two areas.

We have made three recommendations to further improve controls, none of which are high priority. These include securing the storeroom used to store for cash receipting documents and ensuring that all cheques are banked promptly.

EduKent

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively in order to meet service and Corporate objectives.

Overall Assessment – Advisory

EduKent is a customer led unit within KCC acting as the sales and marketing function for schools' services and was created from the previously established Kent Services for Schools. EduKent's objectives represent the strategic intent within Bold Steps for Education for "KCC to shape its school support provision so that it is competitive and attractive".

The report was issued as 'Advisory' to help inform the approach going forward due to the service review process which commenced during the finalisation of the report. Particular areas for attention include governance, performance monitoring and forecasting.

We made seven recommendations, four of which were high priority, which included agreement and sign-off of detailed terms of reference for the EduKent Board and clarity around governance arrangements, revision of assumptions on which forecast figures are based, agreement of a suite of performance indicators and to consider mandating the use of EduKent for relevant services.

Post-Audit Update:

Timing of the implementation of recommendations will now be dependent on the outcome of the Market Engagement and Service Review process for EduKent, which is currently in progress with an outline business plan due imminently.

Subsidised Local Bus Contracts – Cyclical Review

Scope

The overall objective of the audit was to provide assurance that contract risks for subsidised local bus contracts were being managed adequately and effectively in order to meet service and corporate objectives. The review concentrated on the provision of subsidised local bus contracts, examining the contract management processes.

Overall assessment – High

Local Authorities have specific duties relating to the provision of public transport defined in the Transport Act 1985. The Transport Act 2000 sets additional duties around the provision of local bus services and associated areas.

The 'High' assurance is based on there being robust contract management processes in place, with appropriate monitoring, inspections and management action being taken where required. Where service failures had been identified the contract management arrangements in place were operating effectively to enforce the contractual requirements.

We have made one low priority recommendation to improve control. This recommendation concerned establishing a contract monitoring timetable to ensure each contract is monitored on an annual cycle.

Oracle - Payroll

Scope

The overall objective of the audit was to provide assurance that the current arrangements the Council has in place over the Oracle Payroll application are adequate and effective.

Overall Assessment – Substantial

The Oracle Payroll system is part of the corporate Enterprise Resource Planning (ERP) e-business suite. The Oracle HR module was implemented in January 2003 and the Oracle Payroll module in November 2004, the latest upgrade was performed in February 2013. This module is therefore running on the latest version.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which confirmed that in areas relating to first line support, database maintenance and the day to day operations of Oracle Payroll, key controls are in place and operating as intended. There are effective application management governance arrangements in place with training for staff. Appropriate controls are in place to maintain a separation of duties and limit access to the payroll system to authorised users. There are good controls relating to data input and output as well as interface reconciliation. Data backups covering the Oracle Payroll application are performed and a Business Continuity and Disaster Recovery Plan is in place.

We have made one recommendation to further improve controls, which is not a high priority, this relates to maintaining records of Functionality Testing for changes to evidence that this has been carried out and was appropriate for the change in question.

Establishments

Scope and Progress

A programme of compliance audits is undertaken ongoing throughout the financial year; this includes, but is not limited to, Children's Centres, Adult Day Care, outdoor education centres, country parks, youth hubs and libraries. To date we have completed nineteen audits at seven Children's Centres, two outdoor education centres, two country park and four adult day care centres, two libraries and two youth hubs. The audits review financial controls as well as quality/performance elements and safety and security controls. Thirteen final reports have been issued, and the remainder are complete with the draft report pending.

Summary of findings

Key strengths include engagement with service users as well as cleanliness/infection control, health and safety risk assessments and building security.

Areas for improvement include:

- Improving asset registers, stock records and stock checks.
- Recording expenditure at point of commitment.
- Implementing controls over authorisation/verification of timesheets.
- Arrangements for data protection and records management, including adequately securing records and laptops out of office hours.
- Improving gaps in key training and in training records.
- Retaining records of fire alarm testing and of fire drills.

Appendix B

Detailed Analysis of Internal Audit Progress on 2013/2014 Plan

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Assurance							
Corporate Governance	Fieldwork in progress						
Annual Governance Statement	Complete	September 2013	Substantial				
Schemes of Delegation	Fieldwork in progress						
Risk Management	Fieldwork in progress						
Business continuity and resilience planning	Complete	April 2014	Substantial				
Performance Management Framework inc data quality	Fieldwork in progress						
Information Governance	Draft Report						
Records Management	Complete	April 2014	Adequate				
Procurement	Draft Report						
Business Planning	Complete	September 2013	Substantial				
Recruitment and Selection	Complete	April 2014	Adequate				
Appraisal Process	Draft Report						
Workforce Planning	Complete	April 2014	Substantial				
Completeness of contracts	Complete	April 2014	Substantial				
Contract compliance (below £50k)	Complete	April 2014	Substantial				
Company Governance	Complete	N/a	Guidance produced				

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Financial Assurance							
Accounts Payable inc iProcurement (Payments process)	Fieldwork in progress			Local budgetary reviews	Complete	April 2014	Substantial
Debt Recovery	Complete	April 2014	Substantial	Compliance programme	Complete	Update in each paper	Various*
Cash and Bank (inc reconciliations)	Complete	April 2014	Substantial	Half year journal and AP IDEA testing	Cancelled	N/a	N/a
Treasury Management follow-up	Complete	April 2014	High	Corporate Purchase Cards – follow-up	Draft Report		
Pension Contributions follow-up	Complete	April 2014	High				
Pension Fund Investments follow-up	Complete	April 2014	High				
Foster Care Payments	Complete	April 2014	Limited				
Social Care Client Billing	Fieldwork in progress						
Transaction Data Matching	Draft Report						
Client Financial Affairs/CMS	C/f to 14/15						
Payroll Schools	Complete	September 2013	Adequate				
Payroll – starters, leavers and overpayments follow-up	Complete	April 2014	Substantial				
Schools Financial Services	Fieldwork in progress						
Revenue Budget Monitoring follow-up	Fieldwork in progress						

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.10

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Risk/Priority Based Audit							
Broadband Delivery UK	Complete	N/a	Advisory only	Schools themes review – Procurement	Draft Report		
Regional Growth Fund	Complete	April 2014	High	ELS Capital Projects	Draft Report		
Property – statutory compliance	Complete	April 2014	Adequate	Community Learning Services	Complete	December 2013	Adequate
Enterprise replacement – watching brief	Complete	N/a	Advisory only	Locality Boards	Cancelled	N/a	N/a
Total Facilities Management	Deferred to 14/15	N/a	N/a	Complaints, comments and compliments	Draft Report		
Public Health Outcomes	Merged with Operational	N/a	N/a	Troubled families	Complete	N/a	Compliant
Public Health Governance	Fieldwork in progress			Integrated Youth Services	Fieldwork in progress		
Public Health Operational Arrangements	Draft Report			Communications	Complete	April 2014	Substantial
Good Day Programme	Draft Report			Grant funding (inc Turner and Big Society)	Draft Report		
Supervisions	Deferred to 14/15	N/a	N/a	Highways – Customer claims handling	Complete	December 2013	Substantial
Enablement Service	Deferred to 14/15	N/a	N/a	Coastal Protection Loans	Complete	April 2014	Substantial
Direct Payments follow-up	Complete	N/a	Advisory only	Haulage and Transfer Stations	Cancelled	N/a	N/a
UASC Budget	Complete	April 2014	Limited	Waste – Contract Management Process	Cancelled	N/a	N/a
Children's Services Improvement Programme	Complete	December 2013	Adequate	Transport Contracts – Cyclical Review	Complete	April 2014	High

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Strategic Commissioning-Operational Frameworks	Complete	December 2013	Advisory only	Adverse Weather, winter service delivery	Complete	December 2013	Substantial
Strategic Commissioning – Quality Assurance Framework watching brief	Ongoing			BACS/CHAPS Review – Commercial Services	Complete	April 2014	Limited
Contract letting and compliance Adult's	Complete	December 2013	Substantial	Carbon Reduction Commitment	Complete	December 2013	Compliant
Contract letting and compliance Children's	Draft Report			Kent Support and Assistance Service	Fieldwork in progress		
Adult Social Care Transformation Programme	Ongoing			Culture and Sports	C/f to 14/15		
Early Years	Complete	December 2013	Substantial	Schools Deficit Budgets	Cancelled	N/a	N/a
Conversions to Academy	Draft Report			Member Grants	Draft Report		
EduKent	Complete	April 2014	Advisory only	Member Highways Fund	Draft Report		
KIASS	Complete	April 2014	Advisory only	Section 17 Payments	C/f to 14/15		
Healthwatch	Fieldwork in progress			Declaration of Interests	Complete	September 2013	N/a – Fraud Prevention Review

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
IT Audit							
Website	Deferred to 14/15	N/a	N/a				
E-Payments	Cancelled	N/a	N/a				
Laptops, Notebooks and PCs	Complete	April 2014	High				
User Remote Access	Complete	April 2014	Substantial				
ICT Governance	Deferred to 14/15	N/a	N/a				
User IT Literacy	Cancelled						
User equipment asset management	Complete	December 2013	Substantial				
Oracle General Ledger – application	Draft Report						
Oracle Accounts Receivable – application	Draft Report						
Oracle Payroll – application	Complete	April 2014	Substantial				
SWIFT application	Complete	April 2014	Substantial				
WAMS application	Complete	December 2013	Substantial				
ICS Watching Brief	Complete	N/a	Advisory only				
CRM Watching Brief	Cancelled	N/a	N/a				
Unified Comms – pre-implementation	Complete	April 2014	Substantial				

Appendix C

Other 2013/2014 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 £2.91m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £769,000 and £330,000 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 12 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 2013/14 we have undertaken 32 visits in total; 14 of which were to sign off annual returns for 2012/13.

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

Other significant ad hoc/advisory work undertaken includes ongoing advice and support in relation to a number of areas of service change/improvement, for example ongoing support and advice in relation to Broadband Delivery UK and replacement of the Property system, Enterprise. We have also reviewed self-certifications submitted by KCC to support the Payment by Results element relating to Troubled Families and found these to be compliant. Internal audit also attend, or are virtual members of, the following groups in an advisory capacity:

- Accommodation Commissioning Group
- Risk Management Group
- Business Continuity Management/Emergency Planning
- Information Governance Cross Directorate Group
- Procurement standard working papers working group
- Kent Support and Assistance Service
- Spending the Council's Money
- Direct Payments Steering Group
- Libraries, Archives and Registrations review/new system project group

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 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Authority Wide						
Schemes of Delegation and Limits on Approvals		2		1	New Scheme of Delegation documents being developed and will review once published	30 th June 2014
County Council Election Payments 2005 & 2009		4			Recommendations implemented.	
Declarations of Interest		5		5	Report to be taken to the next appropriate Standards Committee for their approval.	30 th September 2014
Core Systems						
Payroll Schools	1				Recommendation implemented.	
General Ledger		1			Recommendation implemented.	
Capital Programme - Planning and Monitoring		2			Recommendations implemented.	
Treasury Management and Pension Investments		1			Recommendation implemented.	

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
VAT	1				Recommendation implemented.	
Policy						
Communications Toolkit	1	3			Recommendations implemented.	
Risk Based						
Term Maintenance Contract and Adverse Weather Service Delivery Compliance Review		3			Recommendations implemented.	
Highways Customer Fault Handling		6			Recommendations implemented.	
Property Disposals	4	1			The high priority recommendations have been implemented. The medium priority recommendation relates to having a consistent property description, which cannot be implemented due to Legal and Property using different descriptions. The risk is therefore accepted.	
Developer Contributions (s106)	5	3	4	3	The recommendations are currently in the process of being implemented and will be followed up as part of the planned 14/15 audit.	30 th September 2014
Case File Audit Process	7	1	3		4 high and 1 medium completed, 3 high partially implemented and in progress	30 th June 2014
Data quality		1			Recommendation implemented	
Children's Services Improvement		5		4	1 medium recommendation complete, 4 remain in progress due to changed responsibilities and therefore and revised implementation	30 th June 2014

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Programme - key stages (including case file audit follow up)					date has been agreed	
LASER - Follow Up Review		2			Recommendations implemented.	
Customer Service Interface Procurement	1		1		This recommendation is included as part of review of Spending the Council's Money. This has been completed but is awaiting formal Committee approval.	31 st May 2014
Core Assurance						
Business Continuity and Resilience Planning		2			Recommendations implemented.	
Information Governance		5			Recommendations implemented.	
IT Audits						
SWIFT - application		2		2	Implementation of the recommendations relating to Password Settings and Security Violation Reporting is planned and is due to be in place by the end of June 2014.	30 th June 2014
WAMS - application		2		1	Implementation for the recommendation related to Security Violation is planned for the end of April 2014.	30 th April 2014
B.Y.O.D		7		7	Recommendations on hold as dependent on Central Government decisions.	31 st March 2015
CareWorks Application		4		2	Due dates have been extended to allow implementation of system upgrade and further advice from CareWorks	31 st December 2014
Firewalls and Firewall Management		2			Recommendations implemented	

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Oracle		1		1	Business Continuity Plans have been developed at service level using a corporate template. The most critical services will have plans tested by March 2015.	31st March 2015
Registrations	1	10		6	Implementation of remaining recommendations has been extended to allow for system upgrade	30 th June 2014
Network Security and Infrastructure (LAN)		11		11	Internal and external pressures (e.g. Facing the Challenge, PSN CoCo, PCI-DSS, and Pay Review etc.) have taken the focus away from this audit's recommendation. Following an assessment, the responsible manager considers the risk of these recommendations to be sufficiently low to allow a delay of its resolution by a year.	28th February 2015
Unified Communications		2			Recommendations implemented.	
Contract Compliance						
Total	21	88	8	43		

H = High risk
M = Medium risk

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

To: Governance and Audit Committee – 30 April 2014

Subject: **External Audit Update – April 2014**

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 on the planned audits for 2013/14
 - Emerging issues and developments
 - Certification letter for 2012/13

Recommendation

3. Members are asked to note the report.

Neeta Major
Head of Internal Audit
Ext: 4664

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Audit Committee Update for Kent County Council

Year ended 31 March 2014

April 2014

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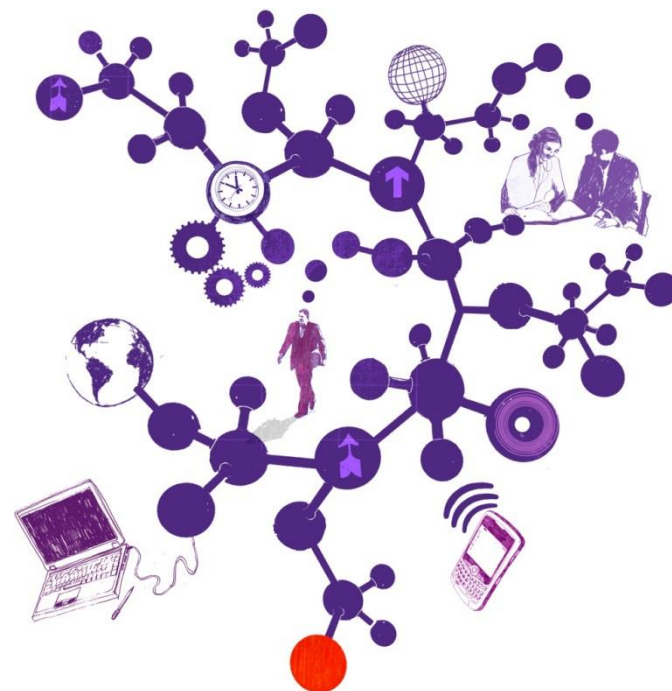
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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 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 –'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?' 'Reaping the Benefits', 'Local Government Governance Review 2014' and 'A guide to Local Authority Accounts'.

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 7 April 2014

Work	Planned date	Complete?	Comments
2013-14 Audit Fee Letter We prepare a fee letter annually setting out the audit and grants certification work fee for the year.	March 2013	Yes	We issued the 2013/14 audit fee letter to management on 22 March 2013 and presented it to this committee in April 2013.
2013-14 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 2013-14 financial statements.	April 2014	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.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council control environment • updating our 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. 	January and April 2014	Yes	The results of the interim work completed up to February are set out in our accounts audit plans. We have undertaken early substantive testing to reduce the pressure on officers and audit at the accounts visit. 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.

Progress at 7 April 2014 (continued)

Work	Planned date	Complete?	Comments
2013-14 final accounts audit <ul style="list-style-type: none"> • audit of the 2013-14 financial statements; and • proposed opinion on the Council's accounts. 	June – July 2014	No	We have monthly meetings with the Head of Financial Management and Chief Accountant, and will attend the monthly closedown champions meetings to ensure that potential accounting issues are identified early.
Value for Money (VfM) conclusion The scope of our work to inform the 2013-14 VfM conclusion is based on the reporting criteria specified by the Audit Commission. The Council has proper arrangements in place for: <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness in its use of resources. Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.	January – June 2014	No	We have completed our VfM planning. The specific areas we plan to review are set out in our audit plan. The detailed VfM work, including the financial resilience review, will be completed in June 2014.

Progress at 7 April 2014 (continued)

Work	Planned date	Complete?	Comments
Whole of Government Accounts (WGA) We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.	September 2014	No	We will undertake the audit of the WGA return once the accounts audit is complete. The local authority unaudited deadline has moved to 30 June. Last year the deadline was 7 August which was ultimately deferred to 14 August. We understand that this change was discussed at the WGA advisory board but no wider consultation took place.
Other areas of work – grants certification We will be required to certify the following return for the Council in 2013-14: <ul style="list-style-type: none"> Teachers' Pensions Return 	Audit arrangements to be confirmed	No	The Audit Commission has recently reported that the PEN05 scheme is continuing in 2013/14 with assurance arrangements outside section 28/1998 (outside the Audit Commission regime). Grant Thornton will be discussing with the Teachers' Pensions the way forward on this work and we will report the changes to arrangements once known.
Other activity undertaken Accounts workshops for Trusts Throughout February, the Grant Thornton public sector assurance team, is presenting workshops for preparers of NHS Trust and Foundation Trust financial statements. The workshops will help practitioners in their financial statements preparation by considering what's new for 2013/14, revisiting common problem areas and giving practitioners the opportunity for discussion and questions.			

Progress at 7 April 2014 (continued)

Work	Comments
Other activity undertaken Accounts workshops for Councils, Fire and Police sectors Throughout February and March 2014, the Grant Thornton public sector assurance team, in conjunction with CIPFA, presented workshops for preparers of Council, Fire and Police financial statements. The workshops were focussed on helping practitioners in their financial statements preparation by considering what's new for 2013/14, revisiting common problem areas and giving practitioners the opportunity for discussion and questions. Members of the finance team attended the event. In addition, two members of the audit team spoke at seven of the events as guest speakers on your de-cluttering and early closedown achievements. Tax seminar Grant Thornton held a tax seminar for local government on 4 March 2014 at the Finsbury Square office. The event covered tax challenges and opportunities in local government and was attended by the Chief Accountant. Networking event for Chairs and Vice-Chairs of Audit Committees in Kent Grant Thornton organised a networking event for chairs and vice-chairs across Kent in March 2014. Value for Money planning meetings As part of the value for money planning meetings, we have introduced advisors from other service areas within Grant Thornton to give a different perspective and added value to senior officers.	<p>If you would like further information on the events or topics covered please ask the Engagement Lead or Manager.</p>

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Pass
Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Joint Health and Social Care Plans

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- Finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Issues to consider/challenge questions:

- Is the local Health and Wellbeing Board on track to finalise and sign off the joint health and social care plan for submission to the NHS England area team?
- Has the size of the pooled budget been clarified?
- Is the Authority collaborating with its partner bodies to work through funding and delivery arrangements?
- Have roles and responsibilities been defined and understood for the Authority and its partner CCGs, NHS Trusts and the Health and Wellbeing Board?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Challenge questions:

- Has the Council reviewed the proposed settlement and assessed the impact as part of the budget setting process?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks and case studies in strategic financial planning, financial governance and financial control. Have you read the report and considered whether the Council can learn from the good practice?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Good governance – are you working in tandem?

Grant Thornton

Local government governance review 2014: working in tandem

Our third annual review into local authority governance aims to assist senior management and elected members of councils and fire & rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead. The review focuses on three particular aspects of governance – risk leadership, partnerships and alternative delivery models (ADMs) and public communication.

The key messages from the report are:

- While more than 90% of our survey felt their organisations encouraged well-managed risk taking and innovation, almost 40% felt there was a lack of clear leadership from members about risk appetite
- Almost one third of respondents had concerns about the blame culture in their organisation
- The associated risks of partnership working and ADMs are not being adequately dealt with by existing governance arrangements: almost one third of respondents did not think that all parties shared the same understanding, or spoke the same language about risk. Further, one quarter doubted whether members and officers were clear about their individual and collective roles and responsibilities
- More than one third of respondents said the annual governance statement (AGS) failed to explain how the authority handled risk; 40% of respondents felt their explanatory foreword did not help the public to understand the authority's financial management
- Local authorities are working hard to improve communication with the public, but could still be more proactive, for example through annual reports and social media The report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

In this age of austerity, as authorities seek new and innovative ways to reduce costs and deliver front-line services, effective governance frameworks are essential to support sound decision making.

Challenge question:

- Has the Council considered the findings of the report and areas of good practice to identify improvements to the governance arrangements to ensure they are fit for purpose in the changing public sector environment?

How do you recognise a PFI?

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

The Government financial reporting manual (FReM) and the Local Government CIPFA Code of Practice have now adopted IPSAS 32 (International public sector accounting standards) – Service Concession Arrangements.

Previously under IAS 17 (International Accounting Standards – Leases), the recognition point for an asset and a liability in the financial statements for such a scheme was at the commencement date of the contract, when the asset was handed over to the public sector and ready for use.

Now under IPSAS 32, the recognition point is when:

- it is probable that future economic benefits associated with the asset will flow to the organisation
- the cost of the asset can be measured reliably.

This suggests that some authorities may need to consider recognising service concession assets during the construction phase as assets under construction. In reaching a judgement as to whether to recognise an asset under construction, we would expect authorities to consider the extent to which they bear construction risk and whether they can get reliable information on the cost of construction from the operator.

Challenge questions:

- Has the finance team considered whether IPSAS 32 is relevant to your authority?
- Do you have any partially built assets at the year end under such a scheme which would now need to be accounted for differently?
- As the standard is retrospectively applied, do your financial statements require a prior period adjustment for the financial statements year ending 31 March 2013?

Keeping your PFI accounting up to date

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Challenge questions:

- Does your finance team regularly update the accounting model?
- Has your authority disclosed the impact of past and future inflation on its commitments?
- Has your authority disclosed the fair value of its PFI liability?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question:

- Has your Head of Financial Management reviewed the programme of valuations and the proposals for disclosing information about classes of assets?

Reporting the costs of public health

Accounting and audit issues

Changes to SeRCOP – new public health line

SeRCOP for 2013/14 introduces a new cost of service line for 'Public health'. This has been introduced to reflect new responsibilities placed upon local authorities following restructuring in the NHS. We expect this new service line to be presented on the face of the CIES within cost of services. If there were material amounts relating to this service in 2013/14, we would expect comparative figures to be restated.

Challenge question:

- Is your Chief Accountant confident that she can provide accurate information and a robust audit trail for the public health line within cost of services?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

Challenge question:

- Are you confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Challenge question:

- Do you understand all the changes the LGPS 2014 will bring and the impact on your role as an administering authority, including communications with admitted and scheduled bodies?

APPENDIX 1

Certification Letter 2012/13

Andy Wood
Kent County Council

14 February 2014

Dear Andy

Certification work for Kent County Council for year ended 31 March 2013

We are required to certify the claims and returns submitted by Kent County Council. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm your Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, who 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.

We have certified one return for the financial year 2012/13 relating to expenditure of £62.8 million. Further details of the return certified is set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that your Council has appropriate arrangements to compile complete, accurate and timely claims and returns for audit certification.

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £6,250. The actual fee for 2012/13 is set out in detail in Appendix A.

Yours sincerely

Darren Wells (Director, For Grant Thornton UK LLP)

APPENDIX 1

Certification Letter 2012/13

Appendix A

Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment	Qualified?	Comments
Teachers' Pension return	£62,778,436	No	N/A	No	No issues identified

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Fees for certification work 2012/13

Claim or return	2011/12 fee (£)	2011/12 fee (£) less 40%*	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation
Teacher's Pension return	5,527	3,316	4,430	4,430	0	n/a
Initial teacher training claim	2,985	1,791	960	0	(960)	We were not required to certify this claim in 2012/13
Local transport plan: major projects	1,770	1,062	860	0	(860)	We were not required to certify this claim in 2012/13
Total			6,250	4,430	(1,820)	

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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

To: Governance and Audit Committee – 30 April 2014

Subject: **External Audit – Audit Plans for Kent County Council
and Kent Superannuation Fund 2013/14**

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 and background

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
 - Result of interim work

Process

2. The Kent County Council and Kent Superannuation Fund Audit Plan reports emphasise the respective responsibilities of the Auditors and 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.
3. Both reports set out the proposed timetable for the opinion audit, including reporting to Committee.

Recommendations

4. Members of the Governance and Audit Committee are asked to:
 - review the outcomes of Grant Thornton's updated risk assessment; and
 - approve the Audit Plans for Kent County Council and Kent Superannuation Fund for 2013/14.

Neeta Major
Head of Internal Audit (Ext: 4664)

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The Audit Plan for Kent County Council

Year ended 31 March 2014

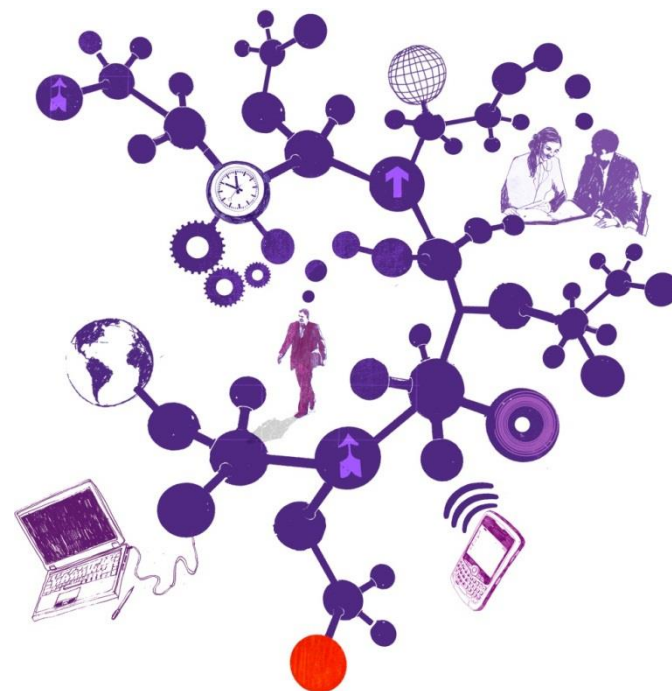
April 2014

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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.

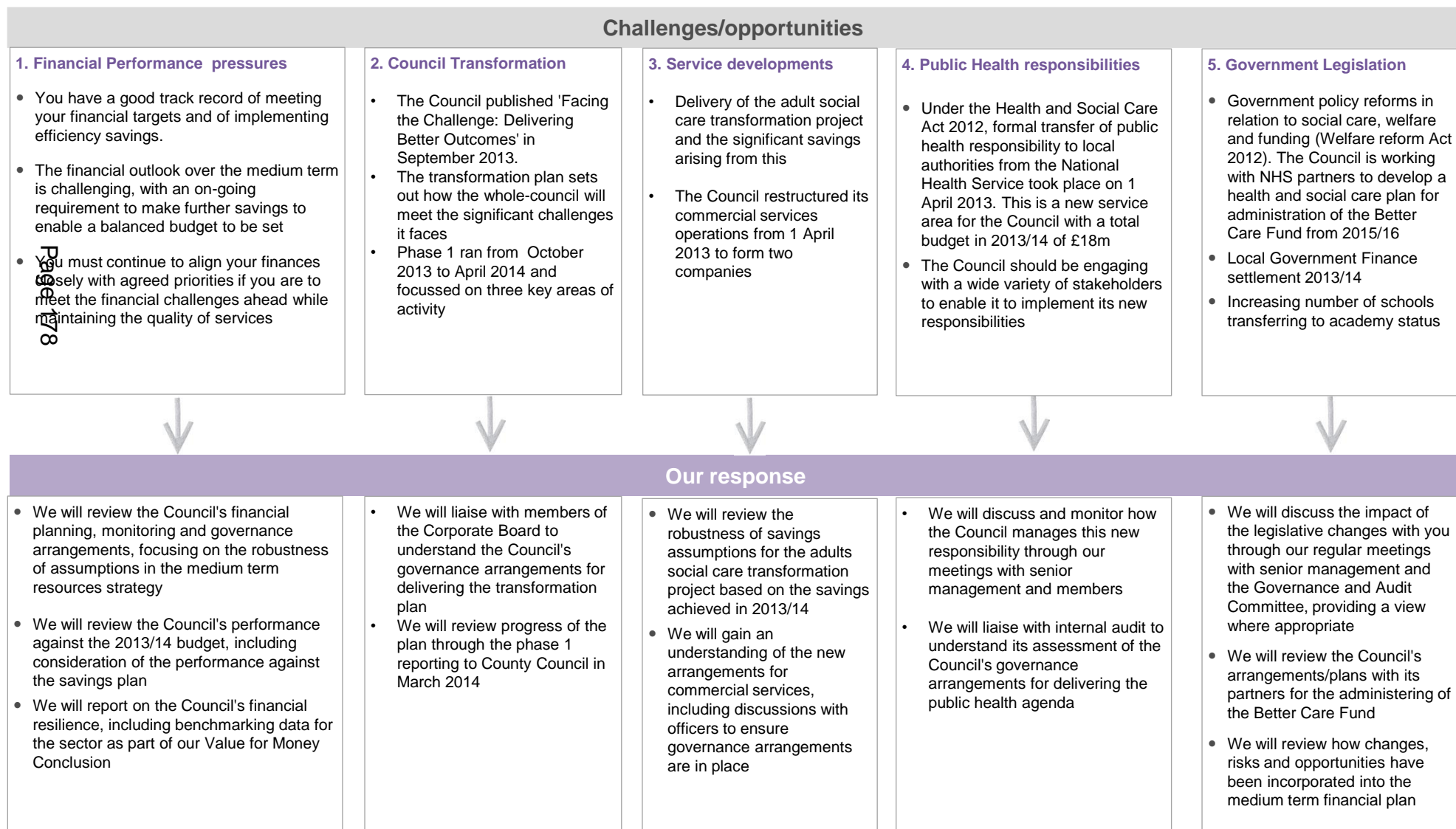
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Understanding your business

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



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 ('the code') and associated guidance.

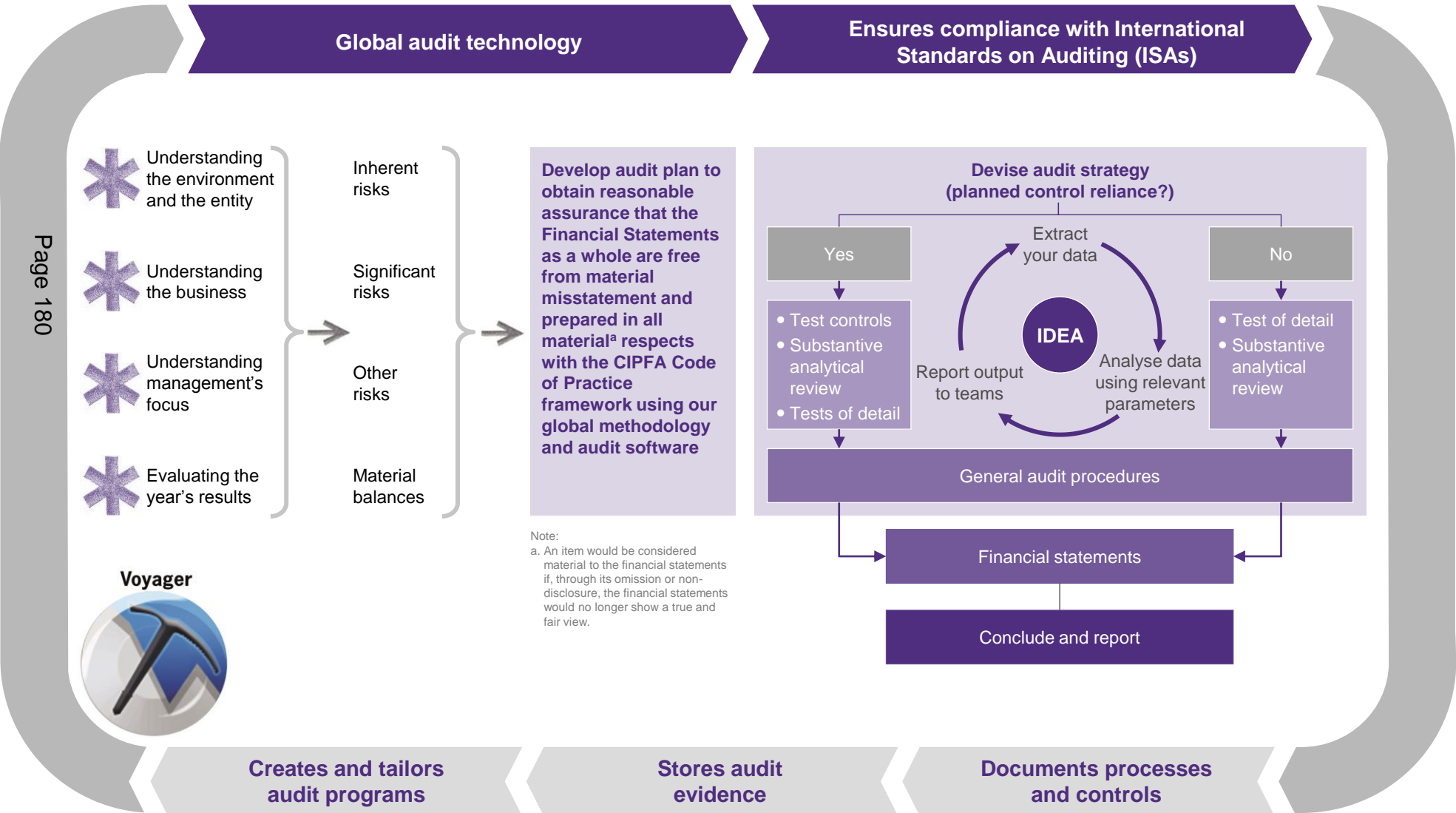
Developments and other requirements

1. Financial reporting	2. Legislation	3. Corporate governance	4. Pensions	5. Financial Pressures	6. Other requirements
<ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Recognition of grant conditions and income • Transfer of assets to Academies 	<ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) • The impact of the triennial actuarial valuation of the pension fund in 2014/15 	<ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • schools are accounted for correctly and in line with the latest guidance • grant income is recognised in line with the correct accounting standard 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with you through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements you have in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how you dealt with the impact of the 2013/14 changes through our meetings with senior management • We will review the impact of the triennial valuation on the pension fund 	<ul style="list-style-type: none"> • We will review your performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



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.	Work completed to date: <ul style="list-style-type: none">• Testing of material revenue streams for months 1 to 8 of the financial year Work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams for months 9 to 12
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.	Work completed to date: <ul style="list-style-type: none">• Testing of journal entries for months 1 to 8 of the financial year• Review of unusual significant transactions Work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries for months 9 to 12 and closedown journals• Review of unusual significant transactions

Other risks identified

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).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

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">• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified with the specific system controls or processes• We have performed sample testing of payments (months 1-8)	<ul style="list-style-type: none">• We will perform sample testing of payments made in the financial year (months 9-12) to gain assurance that expenditure has occurred and has been correctly classified• We will perform a completeness check of expenditure data by comparing the trial balance to GL download reports received in the period• We will test for unrecorded liabilities in the period• We will perform cut-off testing on a sample of creditors spanning the end of the financial year to ensure they have been classified in the correct accounting period
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none">• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified with the specific system controls or processes• We have performed sample testing of payroll records (months 1-8)	<ul style="list-style-type: none">• We will review the reconciliation of the payroll system to the general ledger, including trend analysis for the financial year• We will perform sample testing of payroll records (months 9-12) to gain assurance that employees have been remunerated correctly during 2013/14

Other risks identified (continued)

Other risks	Description	Work completed to date	Further work planned
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> We have identified the controls in the PPE system 	<ul style="list-style-type: none"> We will perform a walkthrough of the PPE system to gain assurance that the in-year controls were operating in accordance with our documented understanding. This will be carried out in early June 2014 before the draft financial statements are received We will test the reconciliation of the General Ledger figures to the Asset Register We will carry out substantive testing on a sample of additions, including a review of the capital programme expenditure We will review the policy for non-enhancing capital expenditure and sample test revenue expenditure funded from capital under statute
Property, Plant & Equipment (PPE)	Revaluation measurement not correct	<ul style="list-style-type: none"> We have identified the controls in the PPE system We have held discussions with the finance team to understand the revaluation method to be adopted and contacted the external valuer, Montagu Evans, to understand their expertise in providing the assurance to management 	<ul style="list-style-type: none"> We will perform a walkthrough of the PPE system to gain assurance that the in-year controls were operating in accordance with our documented understanding. This will be carried out in early June 2014 before the draft financial statements are received We will review the reconciliation of the valuation report to the asset register and accounts We will perform assurance procedures over the work of the external valuer as an expert We will consider any changes in the valuation of property, plant and equipment and investment properties and ensure these changes are appropriate and correctly accounted for in the disclosure notes

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 your 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 operation and effectiveness of the controls in place over the processing and authorisation of journals

	Work performed	Conclusion/ Summary
Internal audit	<ul style="list-style-type: none"> • We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention. • We have met with the internal auditors regularly during the year to understand the scope of their work and to liaise on joint areas of work. • We have reviewed reports issued by Internal Audit during the year. 	<ul style="list-style-type: none"> • Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council. • Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	<ul style="list-style-type: none"> • Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These areas were: <ul style="list-style-type: none"> - Employee Remuneration - Operating Expenses - Plant, Property & Equipment 	<ul style="list-style-type: none"> • No significant issues were noted for the Payroll or Operating Expenses systems. The walkthroughs have been completed and in-year internal controls were observed to have been implemented in accordance with our documented understanding. Our work has not identified any significant weaknesses which impact on our audit approach. • Plant, Property and Equipment walkthrough is planned for June 2014 due to the amount of year-end controls in the system. • We will gain further assurance in these areas through substantive audit testing of year end balances.
Review of Information Technology Controls	<ul style="list-style-type: none"> • Our information systems specialist will perform a high level review of the general IT control environment as part of the overall review of the internal controls system. We will also perform a follow up of the issues that have been raised in the previous year. 	<ul style="list-style-type: none"> • Work is due to take place in April 2014 and we will report on our findings upon completion in the Audit Committee Update Report.

Results of interim audit work

	Work performed	Conclusion/ Summary
Page 185	<p>Journal entry controls</p> <p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first eight months of the financial year, by extracting 'unusual' entries for further review.</p> <p>No significant issues have been identified that we wish to highlight for your attention. We reported in the 2012/13 Audit Findings Report that journals were not sequentially numbered. Standard procedures have been communicated to all staff raising journals and we will report our audit findings following the full year testing as to the implementation of the policy.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements from the journal procedures.</p> <p>We will complete the in year and closedown journals testing during the accounts audit visit in June 2014.</p>
	<p>Early substantive testing</p> <p>We have undertaken early substantive testing in the following areas:</p> <ul style="list-style-type: none"> • sample testing of payments for months 1-8 • sample testing of payroll records for months 1-8 • sample testing of income for months 1-8 <p>Our work has not identified any significant issues which we wish to bring to your attention.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We will undertake further sample testing for payments, payroll records and income during our April 2014 audit visit and will complete testing, to cover the rest of the financial year, at the accounts audit visit in June 2014.</p>

Value for money

Value for money

The Code requires us to issue a conclusion on whether you have 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.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

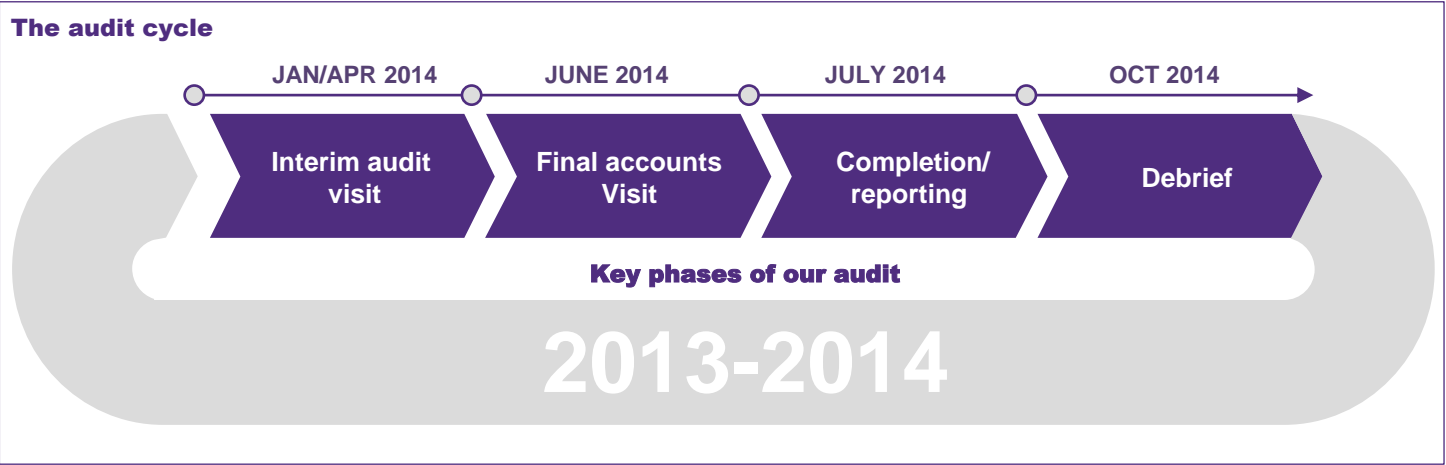
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- review and update our risk assessment agreed during our 2012/13 financial resilience review to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control
- review the budget setting process for 2014/15 and the achievement of savings in 2013/14, including the savings from adults transformation project
- review the governance arrangements put in place to successfully deliver the Facing the Challenge transformation plans, including the decision making of phase 1 as reported to County Council
- understand the new arrangements for commercial services
- review the progress made against any recommendations made as a result of the 2012/13 financial resilience review

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will also issue a Financial Resilience report. We will agree any additional reporting with you on a review-by-review basis.

Key dates



Date	Activity
January 2014	Planning
January and April 2014	Interim site visits
30 April 2014	Presentation of audit plan to Governance and Audit Committee
16 June – 4 July 2014	Year end fieldwork
w/c 7 July 2014	Audit findings clearance meeting with management
24 July 2014	Report audit findings to those charged with governance
24 July 2014	Sign financial statements opinion and vfm conclusion
End September 2014	Issue Whole of Government Accounts certificate

Fees and independence

Fees

	Fees £
Council audit	207,900
Grant certification *	4,700
Total	212,600

Fees for other services

Service	Fees £
Certification of Regional Growth Fund and TIGER 2013 claims	6,500
Certification of Initial Teacher Training 2012/13 claim	3,500

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
- You will make available management and accounting staff to help us locate information and to provide explanations

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 threat to independence:

- The mother of an auditor involved in the 2013/14 audit 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.

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.

* The grant certification scale fee is £6,250 per the 2013/14 fee letter dated 17 April 2013. Due to the reduction in the number of claims certified by external audit in 2012/13 the actual fee was reduced to £4,700 by the Audit Commission. We have assumed this reduced fee is the scale for 2013/14 certification but are awaiting final confirmation from the Audit Commission as the audit of the Teachers' Pensions Return may alter for 2013/14.

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 your 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		✓



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The Audit Plan for Kent Superannuation Fund

Year ended 31 March 2014

April 2014

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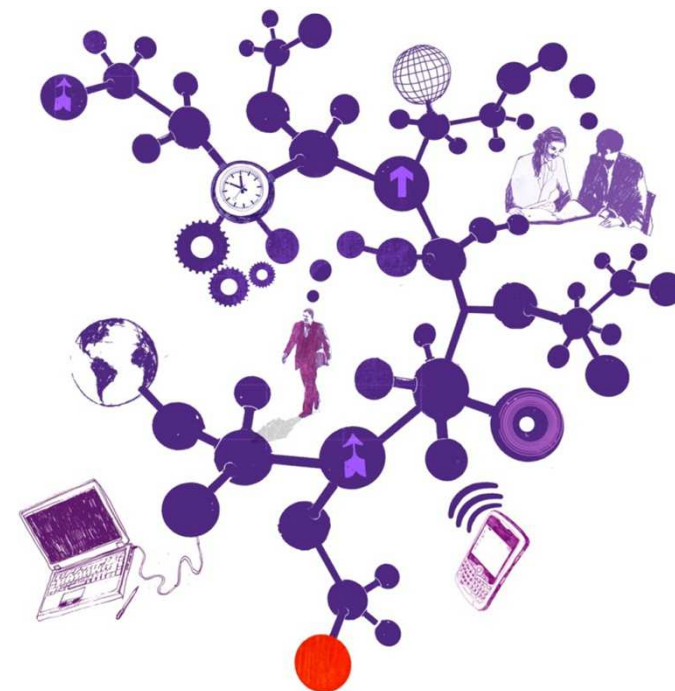
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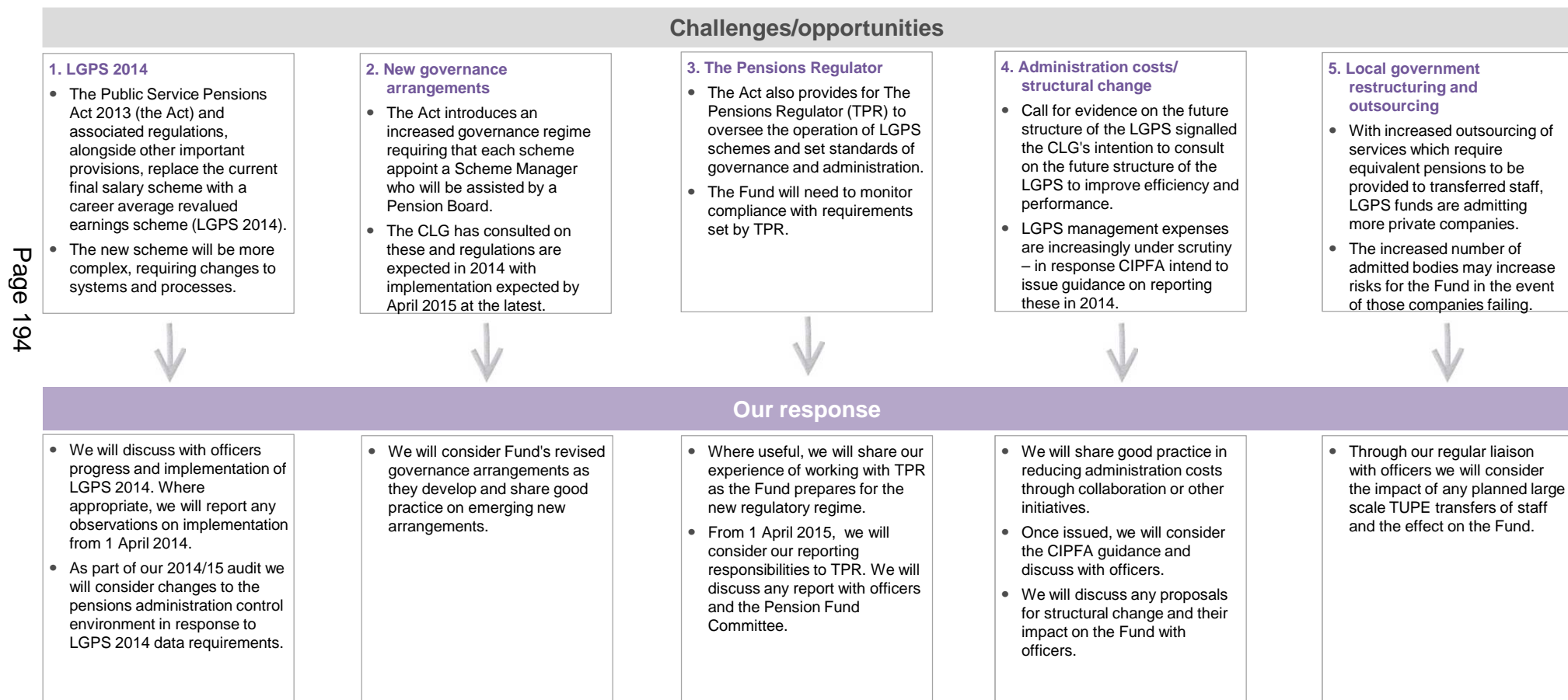
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Understanding your business

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.



Developments relevant to your Superannuation 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

There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2014.

2. LGPS 2014

Planning and implementing of the Career Average Re-valued Earnings scheme (CARE), effective from 1 April 2014, will impact on the workload of the pensions administration team. This alongside, further developments in relation to governance may impact on the capacity to respond to audit queries.

3. Triennial valuation

Following the 31 March 2013 actuarial valuation the Council is in the process of considering the level of additional employer deficit contributions required and how to fund them.

4. Financial Pressures – Pension fund

Pension 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. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.

Our response

We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

We will discuss the impact of the changes through our regular meetings with management.

We will plan our audit and agree timetables with officers to ensure that the audit of the Fund causes minimal disruption to officers.

We will maintain regular dialogue with management to assess the impact this has on the administration of the pension fund.

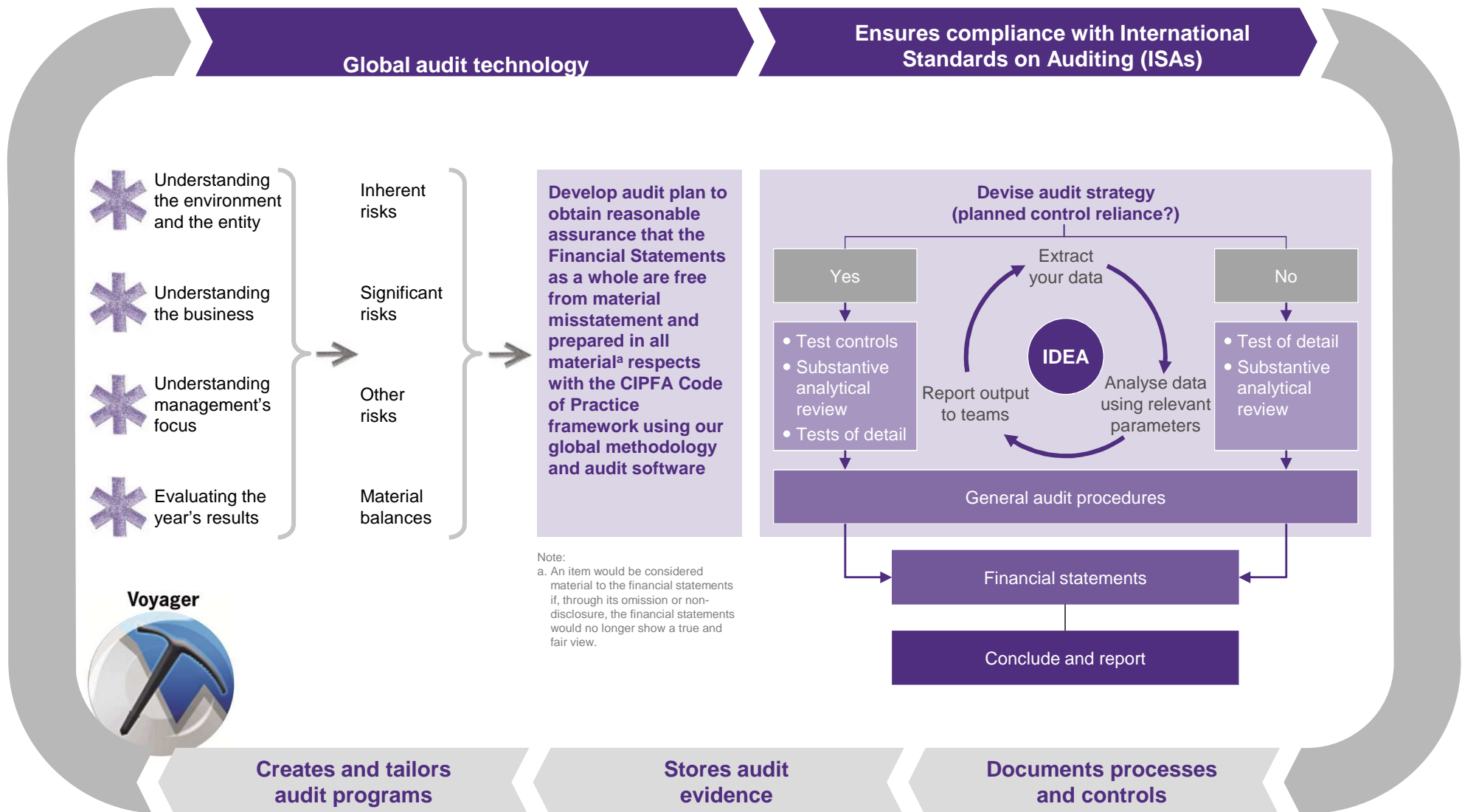
We will also review whether there are any required disclosures in the 2013/14 financial statements.

We will monitor the changes being made to the Fund investment strategy through our regular discussions with management.

We will consider the impact of changes on the nature of investments held by the pension fund and adjust our testing strategy as appropriate.

Our audit approach

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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
Improper revenue recognition	Under ISA 240 there is a presumed risk that revenue 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 the 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 very strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted /scheduled 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 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	Planned audit procedure
Investments	Investments not valid Alternative investments not valid Investments activity not valid Fair value measurements not correct*	<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 variances.</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 purchases and sales during the year to detailed information provided by the fund managers.</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 (quoted investments) or by review of the valuation methodology used to ensure it represents fair value (unquoted investments and direct property investments if material).</p>
Benefit Payments	Benefits improperly calculated/claims liability understated	<p>We have confirmed the existence of controls operated by the Superannuation Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded.</p> <p>We will test the key controls identified.</p> <p>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.</p>

* The risk for 'Fair value measurements not correct' consists of three individual risks based on the type of investment. These are;

- Fair value measurements of securities quoted using prices (unadjusted) in active markets for identical investments not correct
- Fair value measurements priced using inputs (other than quoted prices from active markets for identical investments) that are observable either directly or indirectly not correct
- Fair value measurements priced using inputs not based on observable market data (using models or similar techniques) not correct

Other risks (continued)

Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct	<p>We have confirmed the existence of controls operated by the Superannuation Fund to ensure that it identifies and receives all expected contributions from member bodies.</p> <p>We will test the key controls identified.</p> <p>We will rationalise contributions received with reference to changes in membership numbers, pension contribution rates and other relevant factors in the year together with comparing contributions received on a monthly basis to ensure that any unusual trends are satisfactorily explained.</p> <p>We will substantively test a sample of contributions deductions from employers payroll.</p>
Membership Data	Member data not correct	<p>We have confirmed the existence of controls and reconciliations covering the determination of member eligibility, the input of evidence onto the pensions administration system and the maintenance of member records.</p> <p>We will test the key controls identified.</p> <p>We will review the reconciliation of member numbers for each category by reference to starters, retirements, deferrals and other relevant changes and seek explanations for variances.</p>

Interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below.

	Work performed and findings	Conclusion
Internal audit	We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Superannuation Fund and that we can take assurance from their work in contributing to an effective internal control environment at the fund. Our review of internal audit work has not identified any weaknesses which impact on our approach.
Walkthrough testing	We have completed walkthrough tests of controls in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We will review the Superannuation Fund's journal entry policies and procedures as part of determining our journal entry testing strategy. We will then review all journals raised during 2013/14 including year end closedown journals for preparation of the accounts. We will extract and test any 'unusual' and large journal entries.	This testing will be undertaken as part of our post statements procedures. The results of which will be reported in July 2014.

Logistics and our team

The audit cycle



Our team

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Date

Activity

December 2013

Planning meeting

March 2014

Interim site work

30 April 2014

The audit plan presented to Governance and Audit Committee

16 June 2014

Year end fieldwork commences

8 July 2014

Audit findings clearance meeting

24 July 2014

Findings reported to Governance and Audit Committee

29 August 2014

Superannuation Fund Committee meets to report our findings

Fees and independence

Fees

	£
Pension fund audit	30,568

Fees for other services

Service	£
None	Nil

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 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 Pension 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 Pension fund's key risks when reaching our conclusions under the Code.

The audit of the Pension 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		✓



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

To: Governance and Audit Committee – 30 April 2014

Subject: **External Audit – Fee letter 2014/15**

Classification: Unrestricted

Summary: This paper presents the external audit fee for the Council for 2014/15

FOR DECISION

Introduction and background

1. The Audit Commission independently set the proposed work programme and associated scale fees for the 2014/15 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 2014/15

2. The attached letter sets out the planned audit fee, proposed work programme for the 2014/15 financial year, audit timetable and key members of the Grant Thornton audit team. The work proposed covers three areas:
 - 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.
3. The audit fee proposed for 2014/15 is set at the scale fee of £207,900 (same fee since 2012/13). As this stage of the planning process we have not identified any local risk factors to vary from the scale fee.
4. The letter also sets out the proposed fee for the pension fund audit in 2014/15. This is set at the scale fee of £30,568 (same fee since 2012/13).
5. The Engagement Lead for 2014/15 audit year is shown as TBC in the fee letter. Darren Wells has led the audit for seven years at the end of 2013/14 audit year and in accordance with the ethical standards cannot be the engagement lead going forward. Paul Dossett, our Public Sector regional lead partner, is currently determining who will replace Darren on the audit. We will update you once this has been confirmed.

Recommendation

6. Members are asked to approve the fees proposed in the fee letter and note the change to the audit team for 2014/15.

Neeta Major

Head of Internal Audit

Ext: 4664

Mr David Cockburn
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7 April 2014

Dear David

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. 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 2014/15 has been set by the Audit Commission at £207,900, which compares to the audit fee of £207,900 for 2013/14.

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/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, 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 Audit Commission confirmed that the arrangements for grant certification will change for 2014/15 and as a result, there are no claims or returns at the Council covered by the new arrangements.

For 2014/15, the arrangements will be based on tri-partite agreements between grant-paying bodies, auditors and audited bodies, with fees agreed locally between audited bodies and auditors. This will cover such returns as the Teachers' Pension return. We are happy to discuss a fee for this audit of this return and any others that may require audit.

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 2015 by our specialist pension fund audit team, led by Elizabeth Olive.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	51,975
December 2014	51,975
March 2015	51,975
June 2015	51,975
Total	207,900
Pension Fund audit	
March 2015	30,568

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2014 and February 2015. 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 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2014 to February 2015	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 2015	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 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to July 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed following the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	TBC		
Engagement Manager	Elizabeth Olive	0207 728 3329	Elizabeth.l.olive@uk.gt.com
Audit Executive	Terence Rickeard	01293 554085	Terence.rickeard@uk.gt.com
Pensions Audit Executive	Chris Long	0207 728 3295	chris.long@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 MBE, Deputy Leader and Cabinet Member for Finance and Procurement
 Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 30 April 2014

Subject: **FRAUD, LAW AND 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 and Procurement
Ext: 7000 4622

Grant Thornton: informing the audit risk assessment for Kent County Council and Kent Pension Fund

Fraud risk assessment

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Questions	2013-14 management response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?	The risk is minimal. Controls are in place through the budget setting, budget monitoring and year-end analytical review. We have also introduced fields within the accounting system that identify owners of cost centres plus we have a regular balance sheet management 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.
What processes does the Council have in place to identify and respond to risks of fraud?	<p>We have an annual audit plan based on risk. We have a Counter Fraud team who promote their role.</p> <p>Their work includes proactive reviews of areas that may be exposed to fraud e.g. expenses, grants, declarations of interest.</p> <p>We have whistleblowing procedures which promote reporting of suspicions. This includes the introduction of a dedicated confidential reporting line which has recently been rolled out.</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?	Our Whistleblowing arrangements are proving successful in terms of identifying weaknesses and / or abuse of controls, and has helped pin-point one or two specific concerns, that are being addressed.
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?	In general, yes. We await Corporate Directors completed AGS, and the completed audit plan. One particular weakness has been identified that is being addressed.
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)?	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. The creation of KCC Companies does increase risk and appropriate controls / governance are being put in place.

<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, Performance Evaluation Board, etc as well as the independence of the Internal Audit team, along with the absolute independence of the Head of Audit.</p>
<p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p> <p>What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</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 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>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 2013/14 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 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>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 2014, 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>

<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>This includes the issue of Knet bulletins and will extend to launching a fraud awareness campaign to all staff.</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>A bi annual proactive fraud review is undertaken of declaration of interests and recommendations are being implemented currently.</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 2013?</p>	<p>The Committee has been informed of a number of allegations. Any requiring investigation following preliminary enquiries, 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>

Impact of laws and regulations

Question	2013-14 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 between managers and their direct reports, plus the Corporate Directors AGS, as well as external reviews e.g. 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 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 2013, or earlier with an on-going impact on the 2013-14 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.
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?	Not of any significance, although there have been changes to the tax treatment of Members travel expenses as a result of HMRC 'ruling'.
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Going concern considerations

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Question	2013-14 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 in the short-medium term.
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 (e.g. 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
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	No.

assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	
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?	We have a new Directorate structure in place on 1 April 2014 and a number of staff will have new responsibilities and will be working to a revised 'specification'. Any change of the size of Facing the Challenge presents risk, particularly when a number of senior staff leave the organisation. However, all of that is recognised and mitigations are in place, including training in the core skills set required of Managers.

By: Neeta Major – Head of Internal Audit
 To: Governance and Audit Committee – 30 April 2014
 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 2013.

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, including schools, and have provided fraud awareness presentations to finance officers, Kent fire and Rescue and at the Head teacher's induction. We have also issued fraud alerts via Knet and Kent Trust Web to advise staff of emerging fraud risks. We will continue to raise the level of fraud awareness across the Council.

Irregularities

3. The following table summarises the irregularities under investigation since the last progress report in December 2013. Summaries of the concluded irregularities are set out in Appendix A.

Table 1 – Irregularities Received

	Number of Irregularities
Bought forward at 20 November 2013	20
New irregularities recorded in period	23
Concluded in period	24
Carried forward at 25 March 2014	19

4. Internal Audit has recorded 50 new irregularities in 2013/14. The most common types of fraud reported have been social services fraud (14), disabled parking concessions (10) and other (10). The 'other' category includes school cheque frauds, an alleged false application for services and an allegation of copyright infringement.
5. In relation to disabled parking concessions, we have recorded an increase in the old style blue badges being altered or copied typically to extend the expiry date. This type of fraud may increase in the next 18 months but then reduce as the old less secure badges in circulation expire and are replaced with the more secure Blue Badge design. The definition of each fraud type is detailed in Appendix B. A breakdown by type is shown below.

Chart 1 - Irregularities by Type 13/14 Year to Date

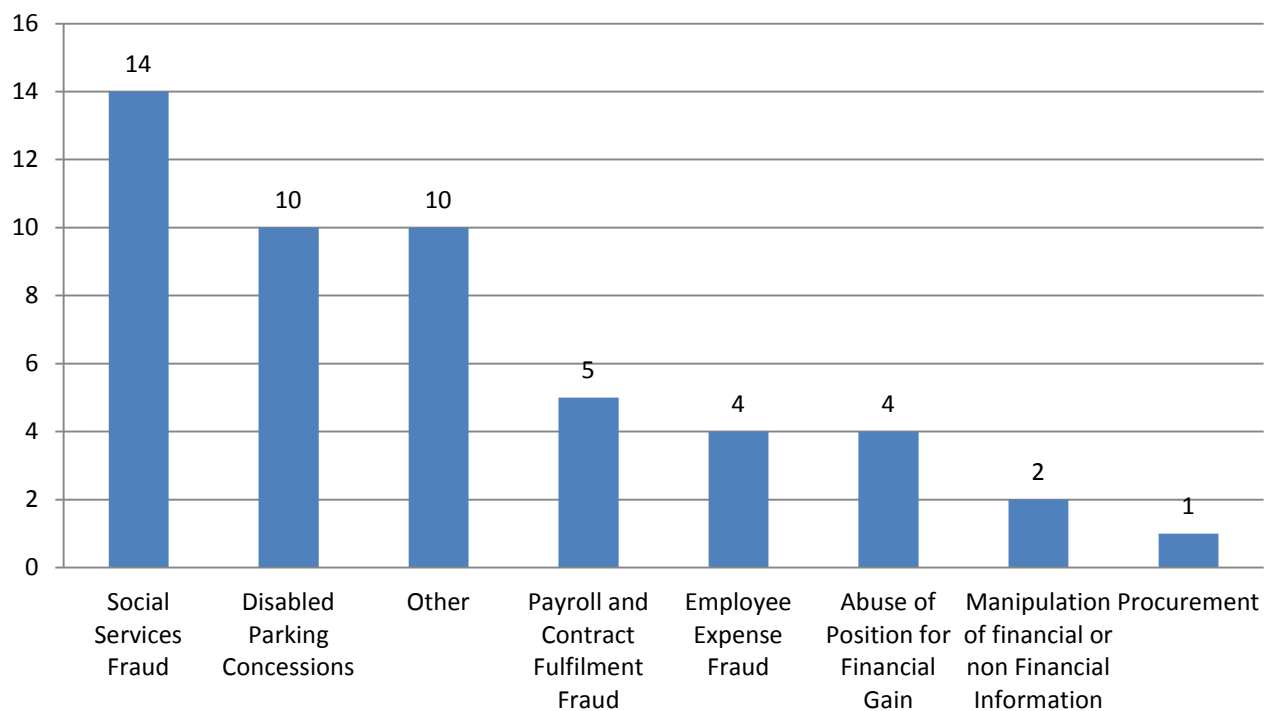
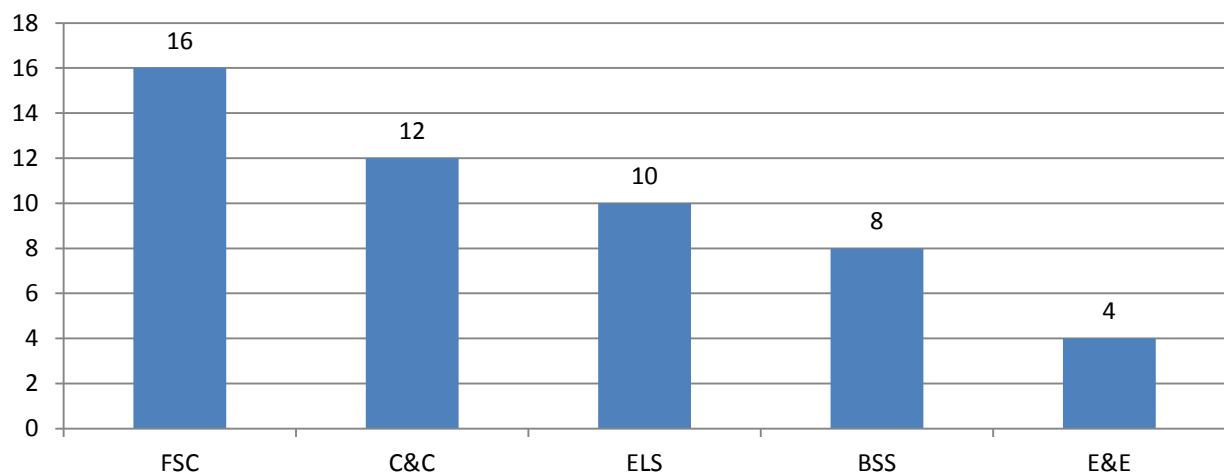
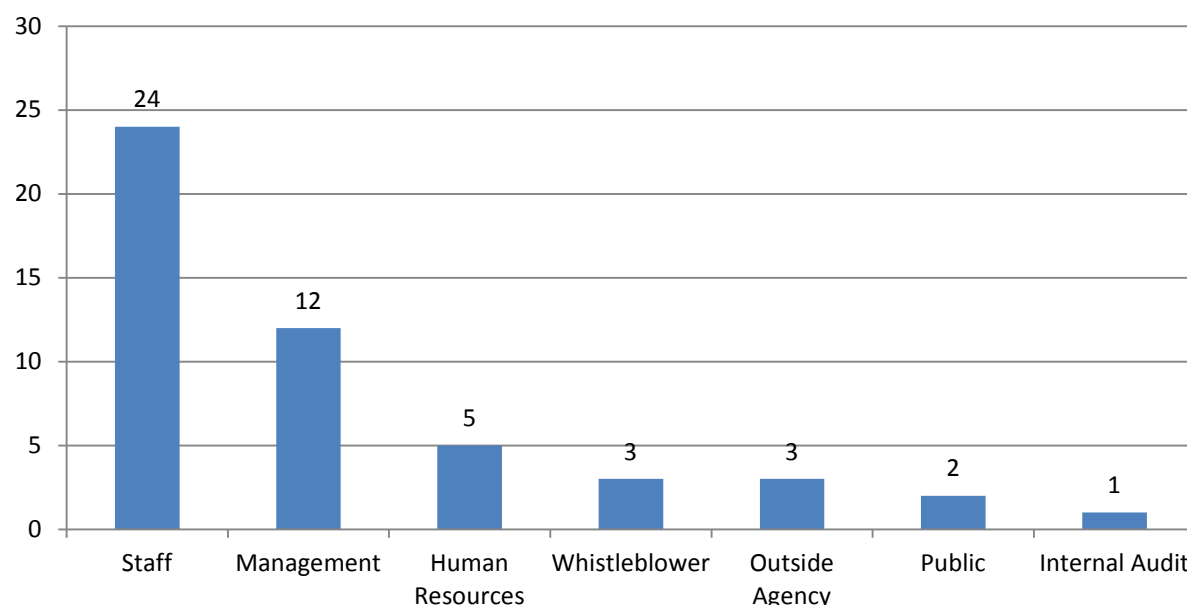


Chart 2 - Irregularities by Directorate 13/14 Year to Date



6. The increase in irregularities originating in FSC (now Social Care, Health and Wellbeing) relates to an increase in social services fraud, which is any fraud linked to social services provision. We have been providing increased support to Social Care, Health and Wellbeing when responding to allegations of financial abuse by residential providers and carers, as well as misuse of personal budgets paid via Direct Payment. We have discussed these risks with the Corporate Director and have agreed some targeted counter fraud activity for 2014/15.
7. The increase in irregularities originating in C&C relates to the increase in incidents related to the manipulation of Blue Badges referred to above.
8. The most common sources of referral were and staff (24) and management (12) which indicates a good level of fraud awareness but we will continue to promote an anti-fraud culture and encourage management and staff to report any concerns. A breakdown is shown below:

Chart 3: Irregularities by Source



Recommendations

9. Members are asked to note for assurance:
 - the progress of prevention and investigation anti-fraud and corruption activity.

Appendices

- | | |
|------------|-------------------------------------|
| Appendix A | Summary of Concluded Irregularities |
| Appendix B | Definitions of Fraud Types |

Paul Rock
Counter Fraud Manager (Ext: 4694)

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Appendix A Summary of Concluded Irregularities

Ref	Internal or External	Allegation	Outcome
822	Internal	The Head Teacher of a primary school committed the school to numerous leases for photocopiers that were not on site.	<ul style="list-style-type: none"> The Head Teacher retired prior to the leases being identified. The allegations were referred to Kent Police, however, after accepting the case the Police decided that there was little prospect of a successful conviction and concluded their investigation. Legal Services are continuing to support the school in terminating the leases. No further action required by Internal Audit.
879	Internal	Multiple allegations of financial irregularities concerning staff operating from a remote site.	<ul style="list-style-type: none"> One member of staff resigned prior to the conclusion of the investigation. The other member of staff attended a disciplinary hearing and was downgraded.
889	Internal	A KCC member of staff improperly issued parking permits to colleagues that were intended for volunteers. This deprived the district council issuing the permits of £1,250 of parking income.	<ul style="list-style-type: none"> A disciplinary hearing was held and the officer was demoted from a KR7 to a KR4 and relocated to another unit.
892	Internal	A member of staff submitted false mileage claims.	<ul style="list-style-type: none"> Prior to the disciplinary hearing the member of staff resigned. Due to the low level of loss no further action was taken.
907	External	A Kent school was subject to a cheque interception fraud by an unknown third party resulting in a potential loss of £8,242.94.	<ul style="list-style-type: none"> NatWest contacted Santander and were able to recover the funds on behalf of the school. The case was referred to the Post Office Investigation Division by Internal Audit.
915	External	A Direct Payment recipient failed to fulfil her client contributions and did not make herself available for review.	<ul style="list-style-type: none"> It was established that the client had been in hospital. The overpaid care is being recovered. No further action required by Internal Audit.
916	External	Accounts Payable received a spurious invoice for £699 from a company with a Seychelles address that is under Czech jurisdiction.	<ul style="list-style-type: none"> Advice from Action Fraud was to cease communication with this company and refer the concerns to Action Fraud. No further action required.
917	External	Concerns were raised over the removal of large sums of money	<ul style="list-style-type: none"> Initial enquiry established that no assets were disposed of in

		from a care client's bank account in order to meet KCC eligibility rules and reduce the client's contribution towards their care.	the six months before the care assessment was undertaken; as a result there was no deprivation of capital.
918	External	KCC received a spoof email requesting bank details be 'updated' to an account not controlled by KCC.	<ul style="list-style-type: none"> The attempted fraud was identified and prevented by the processing team and advice was given on how to detect spoof email addresses.
919	External	The expiry date of a Blue Badge was tampered with and the badge used without the holder being present.	<ul style="list-style-type: none"> A formal warning letter was issued reminding the holder of their rights and responsibilities when using a Blue Badge.
920	External	A district council Civil Enforcement Officer seized a colour copy of an expired Blue Badge which was still in issue.	<ul style="list-style-type: none"> A formal warning letter was issued to the user and the original badge was returned to KCC.
921	Internal	A member of staff stored 75GB of pirated music, films and books on their KCC laptop.	<ul style="list-style-type: none"> Initial enquiries found no evidence that the member of staff had profited from the sale of the pirated media. As a result there was no criminal case to pursue. The member of staff resigned prior to a disciplinary hearing.
922	External	A client in receipt of a direct payment paid her Personal Assistant twice resulting in an overpayment of £1081.60.	<ul style="list-style-type: none"> The preliminary investigation revealed that this resulted from error. Advice was provided to the client concerning repayment by the personal assistant.
923	External	A Blue Badge was seized by a district council from the badge holder's daughter as the holder was not present.	<ul style="list-style-type: none"> A formal warning letter was issued reminding the badge holder of their rights and responsibilities when using a Blue Badge.
924	External	The wife of a social care client continued to make purchases on the client's Kent Card after his death totalling £5,800.	<ul style="list-style-type: none"> Having reviewed the circumstances, in line with the Code for Crown Prosecutors, it was decided that the debt would be recovered from the deceased's estate and no further action would be taken.
925	External	A social care client transferred Direct Payment funds to a private bank account, improperly employed a second personal assistant, failed to pay their care contributions, failed to secure Employer Liability Insurance and did not settle deductions to HMRC.	<ul style="list-style-type: none"> HMRC established that they were owed £4,844.45 which they will recover. Client contributions will be recovered. The payments transferred to the private bank account have been used to pay the personal assistant. The Direct Payment arrangement has ceased and the client has been moved to a managed payroll service. No further action required.

926	External	A KSAS application was rejected and believed to be fraudulent after the applicant was found to have lied in their application. An alleged theft of the applicant's purse prompted her KSAS application.	<ul style="list-style-type: none"> • A police enquiry established that the applicant may have exaggerated their circumstances. • A formal warning letter was issued to the applicant.
927	External	Reuse sector vouchers for a fridge and sofa obtained from a successful KSAS application were subsequently advertised for sale on a popular social networking site.	<ul style="list-style-type: none"> • The holder denied attempting to sell the vouchers however the vouchers were cancelled.
929	External	An admin officer at a Kent primary school contacted Internal Audit to report five fraudulent bank transactions instigated by an unknown third party	<ul style="list-style-type: none"> • RBS are investigating and therefore Internal Audit do not need to take further action.
930	External	A Blue Badge issued to a female who had passed away was confiscated by a district council from an elderly gentleman. The expiry date had been altered.	<ul style="list-style-type: none"> • The badge was returned to KCC but no details of the elderly gentleman were recorded so no further action can be taken.
931	External	A Blue Badge was seized after it was found the expiry date of the badge was altered.	<ul style="list-style-type: none"> • The holder denied tampering with the badge and had previously applied for a renewal. The expired badge was returned to KCC. • A formal warning letter was issued.
933	External	A Blue Badge was seized by a district council after it was found that the expiry date has been altered.	<ul style="list-style-type: none"> • A formal warning letter was issued and the original badge was returned to KCC.
937	External	NatWest informed KCC of several fraudulent cheques produced by an unknown third party made payable from various Kent schools. The cheques had a cumulative value of £31,414.24.	<ul style="list-style-type: none"> • NatWest prevented the processing of these cheques and schools have been updated. • Cheques were being issued to a specific company who have provided an alternative address for schools to send cheques to. • Details of the case passed to the Post Office Investigation Division for their consideration. • No further action required by Internal Audit.
938	External	A district council Civil Enforcement Officer issued a penalty charge notice for the use of a forged Blue Badge and advised KCC he had done so.	<ul style="list-style-type: none"> • A warning letter has been issued and the forged Blue Badge will be recovered.

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Definitions of Fraud Types

Procurement	This is any fraud linked to the false procurement of goods and services for the organisation either by internal or external persons or companies including, but not limited to: violation of procedures; manipulation of accounts; records or methods of payment; failure to supply; failure to supply to contractual standard
Fraudulent Insurance Claims	This is any insurance claim against your organisation or your organisation's insurers that proves to be false.
Social Services Fraud	This is any fraud linked to social services provision including, but not limited to: false payments to contractors for house modifications; personalised budgets for the purchase of care; failing to declare capital and assets; care provision by contractors or a non governmental organisation which are not for the benefit of the person being cared for.
Economic & Third Sector Support Fraud	This is any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non governmental organisation including, but not limited to: grants paid to landlords for property regeneration; donations to local sports clubs; loans or grants made to a charity.
Debt Fraud	This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities; rent arrears; false declarations; false instruments of payment or documentation.
Pension Fraud	This is any fraud relating to pension payments including, but not limited to: failure to declare changes of circumstances; false documentation; or continued payment acceptance after the death of the pensioner.
Investment Fraud	This is any fraud relating to investments including, but not limited to: the fraudulent misappropriation of assets; or loss through breach of procedures
Payroll & Contract Fulfilment Fraud	This includes, but is not limited to: the creation of non existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.
Employee Expense Fraud	This includes, but is not limited to: false declarations of mileage; false documentation to support allowances; breaches of authorisation and payment procedures.

Definitions of Fraud Types

Abuse of Position for Financial Gain	This could include frauds not reported elsewhere (the financial gain could be for the fraudster or other) including, but not limited to: the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers; or fraudulently securing a job for a friend or relative.
Manipulation of Financial or Non-Financial Information	This includes, but is not limited to: the falsifying of statistics to ensure performance targets are met; or the adjustment of accounts to remain within set financial limits for the benefit of an individual or the organisation.
Disabled Parking Concessions	Blue Badges
Recruitment	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.