### **GOVERNANCE AND AUDIT COMMITTEE**

Wednesday, 18th December, 2013

10.00 am

Darent Room, Sessions House, County Hall, Maidstone





#### **AGENDA**

### **GOVERNANCE AND AUDIT COMMITTEE**

Wednesday, 18th December, 2013, at 10.00 am Ask for: Andrew Tait Darent Room, Sessions House, County Hall, Telephone: 01622 694342 Maidstone

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**

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site – at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

By entering the meeting room you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured then you should make the Clerk of the meeting aware.

#### **UNRESTRICTED ITEMS**

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

- 1. Introduction/Webcasting
- Substitutes
- 3. Declarations of Interest in items on the agenda for this meeting

- 4. Minutes 24 September 2013 (Pages 5 10)
- 5. Dates of meetings in 2014

Wednesday, 30 April 2014 Thursday, 24 July 2014 Friday, 3 October 2014

- 6. Committee Work and Member Development Programme (Pages 11 16)
- 7. Corporate Risk Register (Pages 17 44)
- 8. Review of the Risk Management Policy (Pages 45 60)
- 9. Treasury Management 6 Month Review (Pages 61 68)
- 10. Debt Management (Pages 69 78)
- 11. External Audit Update November 2013 (Pages 79 96)
- 12. External Audit Annual Letter 2012/13 (Pages 97 112)
- 13. Review of the Committee Terms of Reference (Pages 113 118)
- 14. Commercial Services Internal Audit Progress Report (Pages 119 128)
- 15. Internal Audit Progress Report (Pages 129 152)
- 16. Effectiveness of Internal and External Audit Liaison (Pages 153 158)
- 17. Anti Fraud and Corruption Progress Report (Pages 159 168)
- 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, 10 December 2013

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

#### TERMS OF REFERENCE

### Governance and Audit Committee

#### 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.

#### KENT COUNTY COUNCIL

### **GOVERNANCE AND AUDIT COMMITTEE**

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Tuesday, 24 September 2013.

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

ALSO PRESENT: Miss S J Carey

OFFICERS: Mr G Wild (Director of Governance and Law), Ms N Major (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr P Rock (Counter Fraud Manager), Ms P Blackburn-Clarke (Quality Assurance Manager), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells from Grant Thornton.

#### **UNRESTRICTED ITEMS**

### 39. Membership

(Item 1)

The Committee noted the appointment of Mr P J Homewood in place of Miss S J Carey.

### 40. Minutes - 24 July 2013

(Item 4)

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

# **41.** Committee Work and Member Development Programme (*Item 5*)

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

### **42.** Update on 2013/14 Budget Savings programme (*Item 6*)

(1) The Corporate Director of Finance and Procurement reported the ongoing monitoring of the savings target of £95m for the financial year 2013/14. He drew attention to the forecast underspend of £2m (excluding schools) and to the measures to reduce the expected overspends within Specialist Children's Services. He also

informed the Committee that each meeting of the Cabinet would receive a very detailed report on the Budget Savings Programme.

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

### **43.** KCC Annual Customer Feedback Report 2012/13 (*Item 7*)

- (1) The Quality Assurance Manager reported a summary of the complaints, comments and compliments received by the County Council, including Local Ombudsman Complaints. She also summarised methods of ensuring that the County Council's complaints handling approach became more responsive to customer needs in 2013/14.
- (2) RESOLVED that the report be noted for assurance.

### **44.** Treasury Management Update (*Item 8*)

- (1) The Head of Financial Services gave a report summarising Treasury Management activity for the quarter ending June 2013.
- (2) RESOLVED that the report be noted for assurance.

## **45.** External Audit Update (*Item 9*)

- (1) Mr Darren Wells from Grant Thornton UK LLP gave a report providing recent updates and information on the External Auditor's work, including progress over 2012/13 and planned audits for 2013/14.
- (2) Mr Wells' report included a "Challenge Question" on whether the County Council had considered the National Audit Office's publication "Confidentiality clauses and special severance payments" and identified any changes to its Human Resource procedures. The Corporate Director of Finance and Procurement informed the Committee of a response from the Head of Employment Strategy which stated that the County Council had a very clear approval process for Compromise Agreements which had been agreed by Personnel Committee in 2009 and were considered to represent Value for Money.
- (3) RESOLVED that the report be noted.

### **46.** Internal Audit Progress Report (*Item 10*)

- (1) The Head of Internal Audit presented a report summarising the outcome of Internal Audit activity for the financial year 2013/14 to date. She agreed that, in future, any high priority recommendations to further improve controls would be identified in the summary of audits itself.
- (2) RESOLVED to note:-

- (a) progress against the 2013/14 Audit Plan and proposed amendments; and
- (b) the assurance provided in relation to the County Council's control environment as a result of the outcome of Internal Audit work completed to date.

# **47.** Internal Audit Benchmarking results (*Item 11*)

- (1) The Head of Internal Audit summarised the 2012/13 Internal Audit Benchmarking results.
- (2) The Committee agreed that Internal Audit should continue to participate in the CIPFA benchmarking club whilst continuing to engage in discussions on making the results more meaningful. It also agreed that the Head of Internal Audit should continue to participate in discussions at the County Council Area Network (CCAN) to see if there would be an opportunity to set up an alternative benchmarking club.
- (3) RESOLVED that:-
  - (a) the contents of the report be noted; and
  - (b) the Head of Internal Audit be recommended to continue to participate in the CIPFA benchmarking club subject to the caveats set out in (2) above.

# **48.** Anti-Fraud and Corruption Progress Report (*Item 12*)

- (1) The Counter Fraud Manager gave a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the Committee's last meeting in July 2013.
- (2) RESOLVED that the progress of anti-fraud and corruption activity be noted for assurance.

# **49.** Education Authority responsibility for Academy Budgets (*Item 13*)

- (1) Pursuant to Committee Procedure Rule 2.22, Mr W Scobie asked the Chairman to consider whether to treat Education Authority responsibility for Academy Budgets as an Urgent item.
- (2) The Chairman accepted the matter as an urgent item but observed that any consideration of this matter at this meeting would of necessity be brief as there had been no prior notice of the question and consequently no opportunity for officers to prepare a briefing for the Committee.

(3) The Corporate Director of Finance and Procurement advised that this was indeed an issue of considerable importance. As such, it would be considered by the Education Cabinet Committee and in the Medium Term Plan and would, in all probability, come back to be considered by the Governance and Audit Committee, at the appropriate time, in the context of spending pressures generally.

By: Richard Long, Chairman of Governance and Audit

Committee

Neeta Major, Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

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 plan for the year ahead, and provide Members with the opportunity to identify any additional items that they would wish to include.

### **Current Work Programme**

- 2. Appendix 1 shows the latest programme of work for the Committee, up to December 2014. The content of the programme is matched to the Committee Terms of Reference and aims to provide at least the minimum coverage necessary to meet the responsibilities set out. 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 has continued in 2013 -14. This programme included a session on the role of internal audit and fraud awareness refresher training.

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. It should be noted that the session due to be held before today's meeting from the external auditors has been rescheduled to the April 2014 meeting. 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)** 

Category / Item	Owner	Dec-13	Apr-14	Jul - 14	Sept-14	Dec -14
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	NM	✓	✓	✓	✓	✓
Member Development Programme	NM	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme	RH	✓				✓
Report on Insurance and Risk Activity	NV		✓			
⊓Treasury Management quarterly report/six monthly review	NV	✓	✓		✓	✓
Treasury Management Annual Report	NV			✓		
Ombudsman Complaints	GW				✓	
Annual Complaints Report	DC				✓	
Update on Savings programme	AW		✓		✓	
Annual report on 'surveillance' activities carried out by KCC	MR		✓			
Corporate Governance						
Update on development of Management Guides	DW			•	the approa	
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				

Category / Item	Owner	Dec-13	Apr-14	Jul - 14	Sept-14	Dec -14
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			<b>√</b>		
Revised Accounting Policies	CH		✓			
Review of Financial Regulations	EF		✓			

### Appendix 1

Category / Item	Owner	Dec-13	Apr-14	Jul - 14	Sept-14	Dec -14
Fraud						
Review of the Anti-fraud and anti-corruption Strategy	NM			✓		
Anti-Fraud and Corruption Progress Report	NM	<b>√</b>	<b>√</b>	<b>√</b>	✓	<b>√</b>

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By: Paul Carter, Cabinet Member for Business Strategy,

Audit and Transformation

David Cockburn, Corporate Director Business Strategy &

Support

To: Governance and Audit Committee – 18<sup>th</sup> December 2013

Subject: CORPORATE RISK REGISTER

Classification: Unrestricted

#### Summary:

Governance & Audit Committee receives the Corporate Risk Register every six months for assurance purposes. The register has recently been refreshed and is presented to the Committee along with an overview of the key changes and an outline of the ongoing process of monitoring and review.

### **FOR ASSURANCE**

### 1. Introduction and background

1.1 The Corporate Risk Register is maintained by the Corporate Risk Team on behalf of Cabinet and the Corporate Management Team. The register is formally reviewed annually, but is a 'living document' and is reviewed and updated in-year to reflect any significant new risks or changes in risk exposure that may arise due to internal or external events; and to track progress against mitigating actions.

### 2. Corporate Risk Register Refresh

- 2.1 The Corporate Risk Register has been refreshed to take into account comments from Cabinet Members and the Corporate Management Team and information gathered from Directorate Management Teams. It was presented to Cabinet on 2<sup>nd</sup> December 2013.
- 2.2 The Corporate Risk Register contains eleven risks. The main changes since last reported to Governance & Audit Committee in July are:
  - Data and Information Management current risk level reduced to reflect the significant work undertaken to address this risk via the Senior Information Risk Officer (SIRO) action plan. The aim is now to contain this risk at the current level.
  - Safeguarding current level of risk reduced from red to amber due to progress made against children's improvement plan and acknowledged by Ofsted inspections, although constant vigilance is required.
  - Future operating environment for local government this risk reflects the significant challenges to be faced by the County Council in the coming years and the scale and complexity of change required to respond to challenges faced by the authority. The aim is to reduce the level of risk over the coming months as the *Facing the Challenge* transformation programme moves forward.

- Governance & Internal Control it is proposed that this risk be reinstated on the corporate register to reflect its particular importance throughout a period of significant change.
- Integration Transformation Fund the previous 'health reform act' risk centred on the transition of Public Health duties to KCC. This risk is now being remodelled to cover risks to achieving required outcomes from health & social care integration.
- Delivery of savings 2014/15 a specific date has been applied to this risk to reflect feedback from CMT and Cabinet Members that we must 'keep our eye on the ball' to deliver savings during this period.
- Ash Dieback disease this risk is being closely monitored by the local strategic coordinating group led by the KCC Emergency Planning and Environment functions. The risk is listed in the Enterprise and Environment directorate register and divisional risk registers in both the Customer & Communities and Enterprise & Environment directorates, and is now being removed from the corporate register.
- Economic Growth Infrastructure this risk is being narrowed to concentrate on the risk of Community Infrastructure Levy payments, section 106 contributions and other key growth levers not covering the cost of infrastructure needed to support growth rather than the previously broader risk relating to the economic climate.
- 2.2.1 It is also proposed to split the management of social care demand risk into adult and children's perspectives due to the different drivers behind the risks and therefore potentially different mitigations required.
- 2.3 There are four areas of risk currently rated as 'high'. These are:
  - Future operating environment of local government;
  - Management of social care demand;
  - Delivery of 2013/14 and 2014/15 savings;
  - Procurement
- 2.3.1 Further details of these risks, including controls and mitigating actions, are contained in appendix 1.

### 3. Monitoring & Review

- 3.1 There is a particular focus on ensuring that key mitigating actions are identified and progress monitored. The risks within the Corporate Risk Register, their current risk level and progress against mitigating actions are reported quarterly to Cabinet via the Quarterly Performance Report.
- 3.2 The Corporate Risk Team works with directorates to regularly review directorate and divisional risk registers that underpin the corporate register, from which risks can be escalated in accordance with KCC's Risk Management Policy. Directorate risk registers are to be presented to Cabinet

Committees in April, at the same time that engagement of Cabinet Committees in directorate Strategic Priorities Statements is taking place.

3.2 Corporate risks led by each Corporate Director are also due to be presented to the relevant Cabinet Committees in April alongside presentation of directorate risk registers.

#### 4. Recommendations

4.1 The Governance and Audit Committee is asked to NOTE the assurance provided in relation to the development and maintenance of the Corporate Risk Register.

Richard Hallett Head of Business Intelligence Richard.Hallett@kent.gov.uk

Tel: 01622 694134

Contact Officer:

Mark Scrivener Corporate Risk Manager mark.scrivener@kent.gov.uk

Tel: 01622 696055

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# **KCC Corporate Risk Register**

FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE - 18TH DECEMBER 2013

### Corporate Risk Register - Summary Risk Profile

Low = 1-6 | Medium = 8-15 | High = 16-25

Risk No.**	Risk Title	Current	Target
		Risk	Risk
		Rating	Rating
CRR 1	Data and Information Management	9	9
CRR 2	Safeguarding	15	10
CRR 3	Economic Growth Infrastructure	12	12
CRR 4	Civil Contingencies and Resilience	12	8
CRR 5	Future operating environment for local government	20	10
CRR 7	Governance & Internal Control	12	8
CRR 9	Integration Transformation Fund for Health & Social	12	8
	Care		
CRR 10	Management of Social Care Demand	25	16*
CRR 12	Welfare Reform changes	12	9
CRR 13	Delivery of 2013/14 and 2014/15 savings	16	4
CRR 14	Procurement	16	8

NB: Current & Target risk ratings: The 'current' risk rating refers to the current level of risk taking into account any mitigating controls already in place. The 'target residual' rating represents what is deemed to be a realistic level of risk to be achieved once any additional actions have been put in place. On some occasions the aim will be to contain risk at current level.

<sup>\*</sup>Interim position, as we clearly would wish to reduce this risk further. Early intervention and transformational initiatives are being pursued and the impact of them will need to be evaluated before exploration of further mitigating actions.

<sup>\*\*</sup>Each risk is allocated a unique code, which is retained even if a risk is transferred off the Corporate Register. Therefore there will be some 'gaps' between risk IDs.

Risk ID CRR1 Risk Title D	ata and Information Management					
Source / Cause of risk  The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.  It is also required by the Data Protection Act and Government's Code of Connection (CoCo) to maintain confidentiality, integrity and proper use of the data.  With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information repositories, controls on data management and security have become complex and important.	Risk Event  Poor decision making due to ineffective use of or insufficient availability of data and information sharing.  Loss, misrepresentation or unauthorised disclosure of sensitive data.  KCC falls victim to cyber attacks or sabotage	Consequence Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets  Additional funds required to comply with Government's CoCo requirements  Potential damage to KCC's reputation	Risk Owner On behalf of CMT: Director Governance & Law  Responsible Cabinet Member(s): Corporate & Democratic Services	Current Likelihood Possible (3)  Target Residual Likelihood Possible (3)	Current Impact Significant (3)  Target Residual Impact Significant (3)	
Control Title Senior Information Risk Officer in place with revi	· 			Control Owner Corporate Director Bus Support Director of Governance	& Law	
Centralised resilience and transparency team in place.					Team Leader- Information Resilience & Transparency team	
ICT Security and Service Transition Team in place  Caldicott Guardians in place in FSC and C&C Directorates (FSC Guardian has lead role for KCC), protecting confidentiality of service user information and enabling appropriate information sharing.				Director of ICT  Corporate Director  Families & Social Care		
Coherent county wide strategy and protocols on Information sharing agreement in place.	sharing information between agencies. Ke	nt & Medway Information Governan	ce Programme Board's	Integrated Youth Services Effective Practice & Performance Manager		
ICT Strategy in place.				Director of ICT		
Electronic Communications User Policy, Virus re	eporting procedure and social media guideli	nes in place		Director of ICT		
Information Governance e-Learning package a	vailable to all staff			Director of Governance	& Law	
Discussions in place with Government regarding	requirements of the Code of Connection			Director of ICT		
Action Title		Action Owner		Planned	d Completion Date	
Implementation of revised SIRO action plan		Director Governance & Law		F	ebruary 2014	
Instigation of information asset register and iden	tification of information asset owners	Records Manager		De	ecember 2013	

Monitor Information Security & Information Risk Management supporting procedures and processes to ensure realisation of benefits	Corporate Director Families & Social Care / Director of Governance & Law / Director of ICT	February 2014
All staff to complete Information Governance e-learning training	Director of Governance & Law	December 2013

Risk ID CRR2 Risk Title	Safeguarding				
Source / Cause of risk The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults and children.	Risk Event Insufficiently robust management grip, performance management or quality assurance Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability. Insufficient rigor in maintaining threshold application/inconsistency Increase in referrals and service demand resulting in unmanageable caseloads/ workloads for social workers Decline in performance and effective service delivery leading to critical inspection findings and reputational damage	Consequence Serious impact on vulnerable people Serious impact on ability to recruit the quality of staff critical to service delivery. Serious operational and financial consequences Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities Incident of serious harm or death of a vulnerable adult or child	Risk Owner Corporate Director Families & Social Care  Responsible Cabinet Member(s):  Specialist Children's Services  Adult Social Care & Public Health	Current Likelihood Possible (3)  Target Residual Likelihood Unlikely (2)	Current Impact Major (5)  Target Residual Impact Major (5)
Control Title				Control Owner	
Consistent scrutiny and performance monitoring	g through Divisional Management Team, Dis	strict 'Deep Dives' and audit activity		Corporate Director Families & Social Care	
Reduction in caseloads per social worker and ro	obust caseload monitoring			Director of Specialist Children's Services	
Significant work undertaken to increase rigour a	and managerial grip in Duty and Initial Asses	sment Teams		Director of Specialist Children's Services	
Central Duty Service & Central Referral Unit no	w in place to ensure increase in consistency	and threshold application		Corporate Director Families & Social Care	
FSC management team monitors social work va	acancies and agrees strategies for urgent sit	tuations		Corporate Director Families & Social Care	
Active strategy in place to attract and recruit so Detailed programme of training	cial workers through a variety of routes with	particular emphasis on experienced	social workers.	Director of Specialist Children's Services / Corporate Director Human Resources	
CMT, FSC Directorate Management Team and quarterly safeguarding performance reports.	the Cabinet Member for Adult Social Care &	k Public Health and Specialist Childr	ren's Services receive	Corporate Director Fam	nilies & Social Care
Programme of internal and external audits for adult safeguarding case files with regards to FSC and Kent & Medway Partnership Trust (KMPT) in place. Peer reviews of safeguarding arrangements conducted by Essex County Council.					nilies & Social
Performance management of safeguarding is part of the Improvement Plan in place between KCC (FSC directorate) and KMPT.					sability & Mental
FSC Strategic Adults Safeguarding Board provi the FSC Strategic Adult Safeguarding action pla		t safeguarding within FSC and moni	tors progress towards	Corporate Director Fam	nilies & Social Care
Safeguarding Vulnerable Adults (SGVA) coordii independent sector using 'Quality in care' frame		ues where there are safeguarding c	oncerns in the	Corporate Director Fam	nilies & Social Care

Regular monitoring of FSC safeguarding action plan by the FSC Strategic Adults Safeguard action plan	Director of Strategic Commissioning	
SGVA Co-ordinator meetings take place on a monthly basis. These meetings are an oppowork plan for the group continues to be monitored	Director of Strategic Commissioning	
Exercise to map levels of safeguarding training completed by staff in the independent sector access information about safeguarding training	or conducted. Providers signposted to where they can	Director of Strategic Commissioning
New, fit-for-purpose Specialist Children's Services structure introduced.		Director of Specialist Children's Services
Practice improvement Programme in place to strengthen practice across Children and Fam	nilies Team	Director of Specialist Children's Services
Long-term vision for Children's Services in KCC established		Corporate Director Families & Social Care
Children's Quality Monitoring Framework in place		Director of Specialist Children's Services
Action Title	Action Owner	Planned Completion Date
Continued work to strengthen delivery of early intervention/prevention services. Services being commissioned to phased timetable according to Commissioning and Procurement Plan Supplier Framework.	Director of Strategic Commissioning	January 2014 (review)
Ongoing development of further strategies and campaigns to support recruitment so that we attract and retain high calibre social workers and managers. Use of competent agency social workers and managers on temporary basis to fill vacancies	Corporate Director of Families & Social Care / Corporate Director of Human Resources	January 2014 (review)
A structured mechanism for feeding back lessons learnt from assessment, regulation and inspection needs to be implemented	Director of Strategic Commissioning	January 2014 (review)
Review of Kent Safeguarding and Children in Care Improvement Plan in light of findings from recent peer review and establishment and implementation of key actions, including:	Director of Specialist Children's Services	
Strengthening of Kent Safeguarding Children Board Arrangements		December 2013 (review)
<ul> <li>Practice Improvement Programme (Phase 2) focusing on best practice, recording and supervision</li> </ul>		
Implementation of Social Work Contract programme	Director of Specialist Children's Services	January 2014 (review)
Implementation of transformation programme for children's services	Director of Specialist Children's Services	January 2014 (review)

Risk ID CRR3 Risk Title	Economic Growth Infrastructure				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Council carries significant responsibility for encouraging and enabling growth in the County's economy. Our aim to 'grow the economy' has been extremely challenging due to the economic climate of the past few years.	Community Infrastructure Levy (CIL) payments, Section 106 contributions and other growth levers do not cover the cost of infrastructure.	The Council finds it increasingly difficult to fund KCC services across Kent and deal with the impact of growth on communities.	Corporate Director Business Strategy & Support and Head of Paid Service	Likely (4)  Target Residual  Likelihood	Significant (3)  Target Residua  Impact
In particular, the Council seeks access to resources to develop the enabling infrastructure for economic development and		Kent becomes a less viable place for inward investment and business	(Corporate Director Enterprise & Environment)	Likely (4)	Significant (3)
regeneration.		Without growth the county residents will have less disposable income, face increased levels of unemployment and deprivation which could lead to heightened social and community tensions	Responsible Cabinet Member(s): Economic Development		
		Reduced income, business exodus, unplanned increase in costs, and demand for Council services beyond capacity to deliver			
		Our ability to deliver an enabling infrastructure becomes constrained			
Control Title				Control Owner	
KCC's 20 year transport delivery plan, <i>Growth v</i> economic growth in the County. Implementation		drivers for change which will help to fa	acilitate and stimulate	Director Planning & En	vironment
Key infrastructure is identified and planned for a	as part of District Local Plans and Infrastruc	cture Delivery Plans.		Director Planning & Environment	
Planning & Environment and Economic & Spatial Development teams working with each individual Districts on composition of infrastructure plans including priorities for the CIL and Section 106 contributions, from which gaps can be ascertained			Director Economic & Spatial Development / Director of Planning & Environment		
Dedicated team in Economic Development in place to lead on this agenda.			Director of Economic & Spatial Development		
Delivery of £5m Regional Growth Fund to impro	ove rail journey times to East Kent and boo	st job opportunities		Director of Planning & Environment	
Delivery of £35m Expansion East Kent loan sch private sector investment.	eme to growth businesses in East Kent, w	ith the aim of creating 5,000 jobs and	attracting £320m of	Director of Economic & Spatial Development	
Delivery of Thames Gateway Innovation, Growt of creating 3,400 jobs (new and safeguarded) a			hurrock, with the aim	Director of Economic & Development	Spatial

Delivery of £5.5m ESCALATE innovation and growth fund to growth businesses in West Ke creating 998 jobs (new and safeguarded) and attracting a further £111m in private sector in		Director of Economic & Spatial Development	
Kent Forum Housing Strategy refreshed		Strategic Housing Advisor	
"Grow For It" East Kent launched showcasing East Kent for inward investors.		Director of Economic & Spatial Development	
"Incubator" Programme in place to support the provision of incubator and start up workspace in key locations.		Director of Economic & Spatial Development	
Economic & Spatial Devt SMT review of "critical "programmes/projects at SMT meetings at relevance	nd review of KPIs to ensure continued appropriateness and	Director Economic & Spatial Development	
Continued business engagement via Business Advisory Board (BAB) and sector conversation	tions	Director Economic & Spatial Development	
Contract awarded for Kent & Medway Broadband Programme as part of Broadband Delivery UK (BDUK) initiative		Economic Development Manager	
Governance arrangements in place for the South East Local Enterprise Partnership Local	Transport Body	Director of Planning & Environment	
Action Title  NB: The actions in place to mitigate the risk aim to contain the level of risk at its current level, as the current level of risk would be likely to increase otherwise.	Action Owner	Planned Completion Date	
Use of capital and revenue allocations to develop and pump prime transport schemes in Growth without Gridlock.	Director Planning & Environment	March 2014 (review)	
'High Growth' Kent initiative supporting high growth business in Kent	Head of Business Engagement & Economic Development.	December 2014	
Working with Network Rail, ensure delivery of journey time improvement scheme to East Kent	Director of Planning & Environment	January 2014 (review)	
Ensure key strategic transport projects are included in the next round of Local Growth Fund award	Director of Planning & Environment	March 2014 (review)	

Risk ID CRR4	Risk Title	Civil Contingencies and Resilience				
Source / Cause of Risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Council, along with ot Responders in the County establish and deliver conta contingency plans to reduce and impact, of high impact emergencies and severe / conditions.	r, has a legal duty to ainment actions and ce the likelihood, t incidents and	Failure to deliver suitable planning measures, respond to and manage these events when they occur.  Critical services are unprepared or have ineffective emergency and business continuity plans and associated activities.	Potential increased loss of life if response is not effective.  Serious threat to delivery of critical services.  Increased financial cost in terms of damage control and insurance costs.	Corporate Director Customer & Communities  Responsible Cabinet Member(s):	Possible (3)  Target Residual    Likelihood    Unlikely (2)	Serious (4)  Target Residua Impact Serious (4)
			Adverse effect on local businesses and the Kent economy.	Community Services		
			Possible public unrest and significant reputational damage			
			Legal actions and intervention for failure to fulfill KCC's obligations under the Civil Contingencies Act			
			or other associated legislation.			
Control Title					Control Owner	
Regular tra		ests;			ŭ	
Critical functions identified	across KCC as a bas	sis for effective Business Continuity Man	agement (BCM).		Head of Community Sa Planning	fety & Emergency
Management of financial in	mpact to include Belly	win scheme			Finance Strategy Mana	ger
Maintenance & delivery of	emergency procedur	res, plans and capabilities in place to res	pond to a broad range of challenges.		Head of Community Sa Planning	fety & Emergency
	ng monitoring of seve	re weather events (SWIMS)			Programmes & Partner Sustainability & Climate	
System in place for ongoir						
	Adaptation Action Pla	n 2011-2013			Programmes & Partner Sustainability & Climate	ships Manager,
System in place for ongoir Implementation of Kent's A					Programmes & Partner Sustainability & Climate Head of Community Sa Planning	ships Manager, e Change

ICT resilience improvements made to underlying data storage, data centre capability and n improve services that utilise Microsoft SharePoint such as KNet and Kent.gov in line with C	Director of ICT		
Business Impact Analysis built into the annual business planning process for future manag	ement from within each service	Emergency P	lanning Manager
Upgraded Corporate email service in place, providing increased level of resilience		Director of IC	Т
Action Title	Action Owner		Planned Completion Date
Implementation of 7 recommendations contained in the 2012/13 Business Continuity and Resilience Planning Audit	Emergency Planning Manager		November 2013
Continue to conduct regular exercises and rehearsals of plans – test two plans per directorate, where there would be significant impact on welfare or business reputation.	Emergency Planning Manager (coordination role)		December 2013
Exploration of Business Continuity Management Plan for the Contact Point to improve overall resilience.	Emergency Planning Manager / Operations Manager Contact Point		January 2014
Implementation of Improvement Plan 2013/14 relating to ICT Disaster Recovery & Business Continuity arrangements	Director of Information & Communication Technology / Emergency Planning Manager		January 2014
Upgrading / enhancement to Automated call distribution system,	Director of Information & Communication Technology		January 2014
Implementation of Customer Relationship Management System and services that utilise MS Dynamics, including training provision to ensure KCC has a sustainable support capability for these services	Director of Customer Services / Director of Information & Communication Technology		January 2014 (review)
Implementation of Content Management System and services that utilise MS SharePoint (e.g. Kent.gov and KNet) and related software, including training provision to ensure KCC has a sustainable support capability for these services	Director of Information & Communication Technology		December 2013
Explore alternative methods of delivery of KCC statutory and partnership responsibilities for Community Safety and Emergency Planning through formal collaboration and more efficient and effective use of resources at both the strategic and operational level.	Director of Service Improvement		December 2013

Risk ID CRR5 Risk Title F	uture operating environment for local g	overnment			
Source / Cause of Risk  The extension of public sector austerity beyond the current Parliament, the continuing growth in pressures and a radical public service reform agenda being pursued by the Coalition Government means that KCC, like many local authorities, is faced with significant uncertainty and enormous challenges.	Risk Event  Failure to respond appropriately to the challenges faced and to be able to shape a new resilient and financially sustainable fit-for-purpose Authority in the timescales required.	Services of insufficient quality to support the needs of the people of Kent Unsustainable financial overspend Reduction in resident satisfaction and reputational damage	Risk Owner(s)  Corporate Directors  Responsible Cabinet Member(s):  Business Strategy, Audit & Transformation	Current Likeliho Likely (4)  Target Residu Likelihood Unlikely (2)	Major (5)
Control Title				Control Owner	
"Facing the Challenge: Whole-Council Transformanticipated financial challenges, outlines a future			ition itself to meet the	Leader of the Council	
Version 1 of Transformation Plan (Facing the Ch transformation	nallenge: Delivering Better Outcomes) pres	ented to County Council outlining a	phased roadmap for	Leader of the Cou	ncil
Director of Transformation appointed to support	delivery of the transformation agenda			Leader of the Cou	ncil
Effective operation of Transformation Board in o	rder to gain wider engagement of political g	groups		Leader of the Council	
Effective operation of Transformation Advisory G	Group to ensure overall performance of tran	nsformation programme is on track to	deliver	Director of Transformation	
Resources plan developed to ensure sufficiency	of apparatus to deliver Facing the Challen	ge agenda		Director of Transformation	
Framework for engagement developed to suppo	ort the transformation agenda.			Change Engagement Manager	
Corporate Portfolio Office in place charged with	identifying and managing dependencies ac	cross all programmes and projects		Head of Corporate	e Portfolio Office
Service Review model developed to flexibly delive services and provide a 'troubleshooting' function		amental assumptions about how and	why we deliver	Director of Transfo	ormation
Internal communications plan for Facing the Cha	allenge developed			Director of Comm	unications & Engagement
Action Title		Action Owner			Planned Completion Date
Realignment of top-tier posts to support the trans Council in Dec 13)	sformation (subject to approval by County	Leader of the Council			April 2014
Corporate Management Team developing details integration	ed proposals for further phases of	Corporate Management Team			April 2014
CMT to put in place mechanisms to ensure that wider changes occurring in KCC, as well as char		Corporate Director Human Resources / Director of			December 2013 (review)

	Transformation	
Improve professional capacity and capability of project and programme delivery as a distinct skill set within KCC	Director of Transformation	January 2014 (review)
Further develop key skills across the organization as an essential enabler of transformation, including commercial acumen and contract management	Corporate Director Human Resources	April 2014 (review)
Conduct financial analysis of Facing the Challenge programme	Corporate Director Finance & Procurement	December 2013 (review)
Establishment of sufficient Change Portfolio arrangements	Portfolio Senior Responsible Owners (SROs)	November 2013
Ensure early identification of decision-making, governance and approval routes for Facing the Challenge programme	Director of Transformation / Portfolio SROs	January 2014 (review)

Risk ID CRR7 Risk Ti	tle Governance and Internal Co	ontrol			
Source / cause of risk  The Council has legal responsibilities to ensure that adequate governance arrangements are in place to help the Council achieve its statutory responsibilities and to protect the Council's assets and finances. This is particularly important during the current period of significant change.	Risk Event Major governance and internal control failure within the Council and / or its key suppliers e.g.: Appropriate decision making processes not followed. Significant fraud activity undetected Governance models do not keep pace with changes to operating models	Consequence Reputational damage and financial loss Fail external inspection/audit Loss of confidence in the Council and possible government intervention.	Risk Owner  Corporate Director Finance & Procurement  (Director Governance & Law)  Responsible Cabinet Member(s):  Corporate & Democratic Services  Finance & Procurement	Current Likelihood Possible (3)  Target Residual Likelihood Unlikely (2)	Current Impact Serious (4)  Target Residual Impact Serious (4)
Control Title				Control Owner	
KCC Constitution Incorporating: Articles of the C Responsibilities; Policy Framework; Procedure F Members' Allowances Scheme; Management St	Rules; Resource Management Respor	nsibilities Statement; Ethical Behavior Cod		Director of Governance	& Law
Code of Corporate Governance in place in line w practices, policies, rules, regulatory rules, schem	with CIPFA/SOLACE guidelines. References, systems of internal control, plans	erences evidence of KCC operating control, strategies, etc.	ls, procedures,	Director of Governance	& Law
Blue Book – Kent Scheme manual sets out the call staff.	detail of Kent Scheme terms and cond	litions of employment, legal references an	d other relevant links for	Corporate Director of H	uman Resources
Kent Manager - defines managers' role clearly, s	setting out exactly what is required of	KCC managers		Corporate Director of H	uman Resources
Governance and Audit Committee & Internal Audit	dit roles			Corporate Director of Fi Procurement	inance &
Standards Committee, Scrutiny Committee & Ca	abinet Committee roles			Director of Governance	& Law
Scheme of delegation to officers approved by Ca	abinet.			Director of Governance	& Law
Counter Fraud Team – anti-fraud strategy in place	Counter Fraud Team – anti-fraud strategy in place			Corporate Director of Fi	inance &
Annual Governance Statement Process				Director of Governance	& Law
Action Title		Action Owner		Planned	I Completion Date
Additional training on decision making processes	s where required	Director of Governance & Law		January	2014 (review)
Managers to seek guidance from Democratic Se ascertain the appropriate route for decisions.	ervices officers at an early stage to	Relevant Managers		March 2	2014 (review)

Risk ID CRR9

Risk Title

Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Health & Social Care Act came into effect in April 2013 giving KCC, as an upper tier Authority, a new duty to take appropriate steps to improve and protect the health of the local population.  The Government's spending review in June 2013 announced an Integration Transformation Fund, which provides an opportunity to create a shared plan for the totality of health & social care activity and expenditure.  The plan for 2015/16 needs to start in 2014 and form part of a five-year strategy for health & social care.  A fully integrated service calls for a step change in current arrangements to share information, staff, money and risk.  There are a number of national conditions attached to the Fund.	Service delivery requirements suffer during the major integration programme.  Failure to maximise opportunities presented for health & social care integration, and ensure changes achieve maximum impact.  Performance fails to meet Govt "payfor-performance" standards or national conditions tied to funding.	Ineffective health and social care provision for citizens of Kent. Business Continuity issues due to delay in the development and management of essential new complex partnerships between KCC and the NHS.	Corporate Director Families & Social Care  Responsible Cabinet Member(s):  Education & Health Reform  Adult Social Care & Public Health	Possible (3)  Target Residual Likelihood Unlikely (2)	Serious (4)  Target Residua Impact Serious (4)
Control Title				Control Owner	
KCC has designated Cabinet Portfolio Holders for	or Public Health and Health Reform, wh	o have assumed central roles at strate	gic level	Leader of the Council	
Quality and Safety Assurance Framework drafte	ed for Public Health			Director of Public Healt	h
Health & Wellbeing Board and CCG-level Health	n & wellbeing Board sub-committees esta	ablished		Cabinet Member for Ed Reform	ucation & Health
Health Protection Committee established with D	irectors of Public Health in Kent & Medw	ay as Chairs		Director of Public Healt	h
Joint Commissioning Board Strategy & Commissioning plans established with Clinical Commissioning Groups			Director of Strategic Co	mmissioning	
Public Health Steering Group established				Director of Public Healt	h
Agreement for Communications support in the e	event of a public health emergency			Director of Communica Engagement	tions &
Kent chosen as one of 14 pioneers of health & s	social care integration in the UK			Corporate Director Fam (KCC lead)	nilies & Social Care

Director of Older People & Physical Disability (KCC lead)

Integration Transformation Fund (Health & Social Care)

Integration Pioneer Steering Group established as an informal group of the Health & Wellbeing Board to provide strategic direction and oversee successful delivery of health & social care in Kent

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Action Title	Action Owner	Planned Completion Date
Alignment of the Families & Social Care Transformation Programmes with Commissioning plans of Clinical Commissioning Groups (CCGs)	Director of Strategic Commissioning Director of Older People & Physical Disability	January 2014 (review)
Engage and work with the Kent CCGs on both adult and children's health services	Corporate Director Families & Social Care	January 2014 (review)
Development of a shared Clinical Commissioning Group and KCC integrated health & social care commissioning plan, owned by the Health & Wellbeing Board, ready for ministerial approval	Corporate Director Families & Social Care (KCC lead)	February 2014

Risk ID CRR10 Risk Title M	anagement of Social Care Demand					
Source / Cause of Risk KCC recognises that to effectively operate its services within budget limitations and affect preventative early intervention it must examine its operations and services and how they match customer expectations and demand.	Risk Event  Council is unable to determine, manage and resource to future demand and its services consequently do not meet future customer requirements.  Fulfilling statutory obligations and duties becomes increasingly difficult against rising expectations	Consequence Customer dissatisfaction with service provision. Increased and unplanned pressure on resources Decline in performance. Legal challenge resulting in adverse reputational damage to the Council.	Risk Owner Corporate Director Families & Social Care  Responsible Cabinet Member(s):  Adult Social Care & Public Health  Specialist Children's Services	Current Likelihood  Very Likely (5)  Target Residual  Likelihood  Likely (4)	Current Impact Major (5)  Target Residual Impact Serious (4)*	
Control Title				Control Owner		
Analysis and refreshing of forecasts to maintain process	the level of understanding which feeds into	the relevant areas of the MTFP and	the business planning	Corporate Director Fam / Director of Strategic C		
Monitoring, vigilance and challenge regarding th	e placement of children and Adults in Kent.			Director of Strategic Co	mmissioning	
Pack developed to guide operational staff in their response to Ordinary Residence requests by other Local Authorities					Director of Learning Disability & Mental Health	
Lobby the Treasury to investigate Ordinary Residuely	dence matters in more detail as a national f	runding issue.		Corporate Director Fina Procurement	ance &	
Legal Services are engaged where required to s	upport KCC when challenging other Author	ities to accept Ordinary Residence	re responsibilities	Director of Learning Dis	sability & Mental	
Plans developed to manage the number of child	ren in care and ongoing discussions with hi	gh placing LA's placing children in c	are in Kent.	Director of Specialist Children's Services		
Benefits of enablement support to existing and p Transformation Programme and ensure there is	otential service users, their families and ke sufficient capacity in the market to provide	y partners being marketed. Work is Enablement Services	linked into the Adult	Director of Strategic Co	ommissioning	
Continue to support early intervention and support support and helps improve quality of life	ort services that make a difference in terms	of delaying the need for more expe	nsive social care	Director of Specialist C	hildren's Services	
Joint commissioning of services with health, in p	articular for people with dementia, long term	n conditions and for carers.		Director of Strategic Co Director of Older Peopl Disability		
Utilise opportunities to make contracting and pro	ocurement controls drive value for money fu	rther		Director of Strategic Co	ommissioning	
Develop better understanding of demand profile	and respond as early as possible to have the	he greatest impact on demand mar	nagement	Director of Strategic Co	mmissioning	
Continued drive to maximise the use of Telecare	e as part of the mainstream community care	eservices		Director of Older Peopl Disability and Director of Learnin Mental Health	•	
Maintain the use of appropriate tools to obtain va	alue for money in relation to the commission	ning of expensive specialist resident	tial accommodation	Director of Strategic Co	ommissioning	

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Adult Social Care Transformation Programme – outputs from planning phase delivered	Director of Strategic Commissioning	
Health & Social Care Integration Programme in place with a strategic objective of proactive	ly tackling demand for health & social care services	Director of Older People & Physical Disability
Action Title	Action Owner	Planned Completion Date
Ensure the appropriate number of children in care	Director of Specialist Children's Services	October 2013 (review)
Ensure that children in care receive appropriate levels of support and services through effective multi-agency intervention that is responsive to their needs.	Director of Specialist Children's Services	January 2014 (review)
Re-focusing of early intervention and prevention services (both direct and commissioned)- is specifically designed to address this pressure and to ensure improved outcomes for children and young people	Director of Strategic Commissioning / Corporate Director Families & Social Care	January 2014 (review)
Jointly develop risk stratification tools with Health to better target interventions.	Director of Older People and Physical Disability Services	January 2014
Public Health & Social Care to ensure effective provision of information, advice and guidance and to promote self management to reduce dependency	Director of Public Health / Director of Older People and Physical Disability Services	January 2014 (review)
Continue to support investment in preventative services through voluntary sector partners	Director of Strategic Commissioning	January 2014 (review)

Risk ID 12	Risk Title	Welfare Reform changes				
Source / Cause of Risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Welfare Reform Act 2 many of the proposals set 2010 white paper <i>Universal</i>	out in the Il Credit: Welfare	The financial models and budgets and funding sources underpinning the new schemes prove to be	Failure to meet statutory obligations. Ineffective delivery of schemes	Corporate Director Customer & Communities	Possible (3)	Serious (4)
that Works. It aims to brin overhaul of the benefits sy transference of significant responsibilities to local aut KCC needs to be prepared uncertain affects and outco changes may have on the	stem and the centralised horities.  to manage the omes that the	inadequate and allocation of payments and grants has to become prioritised against more challenging criteria.  The impact of the reforms in regions outside of Kent could trigger the influx of significant numbers of 'Welfare' dependent peoples to Kent.  Failure to plan appropriately to deal with potential consequences.	and operations to customers compounds demand on KCC and partner services.  An increase in households falling below poverty thresholds with vulnerable people becoming exposed to greater risk.  New schemes and operations are undermined by a negative impact on Kent's demographic profile.  Insufficient employment to meet	Corporate Director Families & Social Care  (Corporate Director of Finance & Procurement)	Target Residual Likelihood Possible (3)	Target Residual Impact Significant (3)
			additional demand and to fill the publics' 'funding gap' places additional challenges for adult and child safeguarding and demand for	Member(s): Finance &		
			social support.	Procurement		
			Increasing deprivation leads to increase in social unrest and	Community Services		
			criminal activity.	Adult Social Care & Public Health		
Control Title					Control Owner	
Welfare Reform sub-group	of Kent Chief Exe	ecs Group in place				
Regular reporting to Corpo	rate Board				Head of Policy & Strate	gic Relationships
Key work streams and out	outs to prepare for	r changes identified and detailed in a Welfare	e Reform Implementation, Response a	nd Monitoring Plan	Head of Policy & Strate Head of Business Intell	
Initial analysis of impacts of	onducted by KCC	Business Intelligence & external partners to	give an indication of scale of implication	ons of benefits cap	Research & Evaluation Manager, Business Intelligence / Head of Policy & Strategic Relationships	
Initial analysis of potential	mpact of Persona	al Independence Payment (PIP) conducted			Research & Evaluation Business Intelligence	Manager,
Briefings given to Managers and staff in Families & Social Care directorate to raise awareness of potential implications of changes					Policy Manager, Busine Support	ess Strategy &
Housing Strategy team wo	rking with South E	East Housing associations to consider likely i	mpact on sector		Strategic Housing Advis	sor
Mechanism developed to t	rack benefit cap n	nigration into Kent			Research & Evaluation Business Intelligence	Manager,
Arrangements for Council	Tax Benefit Locali	sation scheme in place			Finance Strategy Mana	ger

Social Fund Project Board established to oversee implementation of the pilot scheme & se	Cabinet Member Customer & Communities	
Welfare Reform report produced to improve understanding of key issues	Research & Evaluation Manager	
Contacts established with Local Authorities in Essex and Suffolk to share intelligence	Research & Evaluation Manager	
Comprehensive method of tracking inward migration in place	Research & Evaluation Manager	
Action Title	Action Owner	Planned Completion Date
Universal Credit – Continue work with DWP to establish local delivery aspects in terms of face-to-face support	Head of Service – Customer Relationship Unit	January 2014 (review)
Close monitoring of demand and performance of Kent Support and Assistance Service (localised social fund) to inform planning of 2014/15 programme	Director of Service Improvement	December 2013 (review)
Six monthly in-depth Research & Evaluation updates will be delivered with interim bulletins if significant changes are identified earlier.	Head of Business Intelligence	December 2013

Risk ID CRR13 Risk Title D	Delivery of 2013/14 and 2014/15 savings					
Source / Cause of Risk  The ongoing difficult economic climate has led to significant reductions in funding to the public sector and Local Government in particular. KCC has already made significant cost savings and still needs to make ongoing year-on-year savings in order to "balance its books."	Risk Event The required savings from key programmes or efficiency initiatives are not achieved.	Consequence Urgent alternative savings need to be found which could have an adverse impact on service users and/or residents of Kent Potential adverse impact on whole-council transformation plans. Reputational damage to the council.	Risk Owner On behalf of CMT: Corporate Director Finance & Procurement  Responsible Cabinet Member(s):  Finance & Procurement	Current Likelih Likely (4) Target Residu Likelihood Very unlikely (	Serious (4)  Ial Target Residual Impact	
	Control Title  Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process  Corporate Director (Finance & Procurem					
Process for monitoring delivery of savings is in p				Corporate Director (Finance & Procurement)		
Robust monitoring and forecasting of arrangement Programme Office in place providing independent ensure appropriate benefits realisation, including	ent assurance of significant transformational	programme and project manageme	ent across KCC to rd as appropriate.		or (Finance & Procurement) Strategic Relationships	
Procedures for appropriate consultation in place considered	(including Equality Impact Assessments) w	hen decisions relating to changes ir	services are being	Head of Consulta	tion & Engagement	
Arrangements for localisation of council tax agre	eed with District Councils (cross reference to	Risk 12 Welfare Reform)		Finance Strategy	Manager	
Action Title		Action Owner			Planned Completion Date	
Ensure existing controls and mechanisms remain	in robust during the coming years	Corporate Director Finance & Procurement			December 2013 (review)	
Delivery of Social Care Transformation Program	me - monitoring of key milestones	Corporate Director Families & Soc Care	ial		January 2014 (review)	
Additional monitoring of council tax collections		Head of Financial Strategy			December 2013 (review)	

Risk ID CRR14 Risk Title P	rocurement					
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelih	ood Current Impact	
As part of KCC's whole-council transformation programme the Authority is moving towards more strategic commissioning arrangements. This will put even greater emphasis on the importance of robust procurement and commissioning arrangements and contract management.	Commercial or contractual failure of suppliers  A procurement process is challenged because it is considered to be discriminatory or to have failed to adhere to procedures set out in procurement law.  Potential conflict between best price and Bold Steps for Kent objectives  Non-delivery of procurement savings  Ineffective contract management – KCC fails to act as a strong enough 'client'.  Procurement and commissioning functions not appropriately aligned.	Providers fail to deliver expected benefits. Service users / residents of Kent suffer – potential legal, financial and reputational implications.  Procurement processes may have to be halted / restarted, which has service and financial implications  Failure to secure optimum value for money from service providers.	On behalf of CMT: Corporate Director Finance & Procurement  Responsible Cabinet Member(s):  Finance & Procurement	Serious (4)  Target Residu Likelihood Unlikely (2)		
Control Title				Control Owner		
KCC Procurement Strategy sets out the strategic	c approach to procurement across the Author	ority		Head of Procurement		
Spending the Council's Money - Code of Practic	ce setting out how strategic approach to pro-	curement is to be achieved at opera	tional level.	Head of Procurement		
Procurement Board in place, establishing clear a different levels of commissioning and procureme		ow, governance structures and acco	untability between	Head of Procurer	ment	
iProcurement rolled out, as an online way of ma	king and managing requisitions and purcha	ses		Head of Procurement		
Procurement training for KCC managers, as part	t of the Kent Manager standard, in place			Head of Procurement		
Category Management approach established				Head of Procurer	ment	
Procedures for appropriate consultation in place being considered	(including Equality Impact Assessments) w	here procurement and commissioni	ng decisions are	Head of Consulta	ition & Engagement	
Procurement and Legal Services joint protocol in	n place to clarify the respective responsibilit	ties of these two functions and servi	ce managers	Head of Procurer Governance & La		
Action Title		Action Owner			Planned Completion Date	
Completion of Category Management strategies		Head of Procurement			December 2013 (review)	
Review of commissioning and procurement arran	ngements in KCC	Head of Procurement / Director of Strategic Commissioning / Directo Service Improvement			December 2013	

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By: Paul Carter, Cabinet Member for Business Strategy,

**Audit & Transformation** 

David Cockburn, Corporate Director for Business

Strategy & Support

To: Governance and Audit Committee – 18<sup>th</sup> December

2013

Subject: Review of KCC's Risk Management Policy

Classification: Unrestricted

#### Summary:

The Governance and Audit Committee is responsible for the annual review of the Council's Risk Management Policy.

The Governance and Audit Committee is asked to approve the revised Risk Management Policy.

#### **FOR DECISON**

#### 1. Introduction and background

- 1.1 As part of the Governance & Audit Committee's terms of reference, KCC's Risk Management Policy is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 Several revisions have been made to the attached policy. In particular, section 4 'Risk Management Objectives', has been updated to include reference to the *Facing the Challenge* transformation agenda, plus commitments to promote a wider understanding of our risk appetite across the Authority; continuous challenge and quality assurance of the risk management process; and a focus on mitigating actions. For ease of reference, the changes to the policy have been tracked.
- 1.3 A small, dedicated risk management team works with Members and Officers across the Authority to implement the objectives outlined within the policy.
- 1.4 Cabinet Members and the Corporate Management Team have considered the refreshed policy and now seek Governance and Audit Committee approval for its implementation. A copy of the refreshed Risk Management Policy is presented with this covering report (appendix 1).

#### 2. Recommendations

2.1 That Members of the Governance and Audit Committee, on behalf of the County Council, APPROVE the Risk Management Policy for the coming year.

# Richard Hallett, Head of Business Intelligence Richard.hallett@kent.gov.uk

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Corporate Risk Manager
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# Risk Management Policy 2013/14

For presentation to Governance & Audit Committee

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18<sup>th</sup> December 2013

#### **POLICY OWNER:**

Richard Hallett Head of Business Intelligence Sessions House, Maidstone Richard.hallett@kent.gov.uk 01622 694134

#### **POLICY AUTHOR:**

Mark Scrivener Corporate Risk Manager Sessions House, Maidstone mark.scrivener@kent.gov.uk 01622 696055

VERSION	CONTROL		
	Version	Issue Date	Comments
	1.00	19/09/2011	Author: David Tonks, reviewed by PAT and Interim senior Risk Manager. Amended to reflect project and programme risk and amended from pure ISO principles to more practical OGC best practice.
	2.00	08/11/11	Issued to CMT and Cabinet Members
	2.01	17/09/2012	DRAFT version subject to Governance & Audit Committee approval. Minor revisions to reflect changes in KCC governance structures.
	3.00	25/09/12	Approved by Governance & Audit Committee
	<u>3.01</u>	13/11/2013	DRAFT issued to CMT and Cabinet Members
	3.02	18/12/2013	DRAFT issued to Governance & Audit Committee for approval

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#### **Review Process:**

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the Corporate Management Team and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

# **Risk Management Policy**

#### 1. Introduction

1.1. As an organisation concerned with service provision and the social and economic development of the county it is essential that the risks to achieving our objectives are managed efficiently and effectively.

1.2. By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, and achieve better value for money.

- 1.3. Risk management will therefore be at the heart of our good management practice and our corporate governance arrangements. Our risk management arrangements will be proactive and will enable decisions to be based on properly assessed risks that balance risk and reward, ensuring that the right actions are taken at the right time.
- 1.4. Our risk management framework is based on the Office of Government Commerce publication *Management of Risk: Guidance for Practitioners* which provides a 'best practice' reference point for risk management. It is derived from the HM Treasury 'Orange Book' and is closely aligned and informed by the international standard for risk management ISO: 31000.

## 2. Mandate and commitment

- 2.1. This policy is supported and endorsed by the Corporate Management Team and Cabinet Members who will ensure that:
  - the risk management objectives are aligned with the objectives and strategies of the Council;
  - the Council's culture and risk management policy are aligned;
  - the necessary resources are allocated to risk management; and
  - the framework for managing risk continues to remain appropriate.

#### 3. Applicability

8.1. This policy applies to the whole of Kent County Council's (KCC) core functions. Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established through procurement processes.

## 4. Objectives of risk management

- .1. The aims of this policy are to set out how KCC will:
  - manage risks in line with its risk appetite, and thereby enable us to achieve our objectives more effectively;

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- apply recognised best practice to manage risk using a balanced, practical and effective approach (Office of Government Commerce publication Management of Risk: Guidance for Practitioners)
- embed effective risk management into the culture of the Council;
- integrate the identification and management of risk into policy and operational decisions;
- eliminate or reduce the impact, disruption and loss from current and emerging events, consequently reducing the cost of threat;
- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;
- anticipate and respond in a proactive and timely way to social, environmental and legislative changes and directives that may impact delivery of our objectives;
- harmonise risk management disciplines across all Council activities;
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; and
- demonstrate increasing confidence in our ability to deal effectively with the uncertainty that internal and external pressures present.
- demonstrate a consistent approach to the management of risks when embarking on significant transformational activity.

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- 4.2. KCC shall achieve these aims by:
  - <u>maintaining</u> the common links between business planning, performance and risk management;

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- integrating effective risk management practices into <a href="mailto:the-council's">the Council's management, decision making and planning activities;</a>
- exploiting available business technology to store and share risk information and providing the business with access to a repository of risk knowledge and learning;
- maintaining the frequency and effectiveness of monitoring of key risks in line with the council's internal control framework.

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- embedding risk management into the Kent Manager Standard;
- providing a mix of risk management training, awareness sessions and support for both Officers and Members of the County Council;

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- ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the council;
- subjecting KCC's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
- ensuring risk management arrangements are embedded within the <u>Facing the</u>\*
   Challenge transformation agenda.

 providing continuous challenge and quality assurance to all elements of the risk management process. **Formatted:** Bullets and Numbering

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- promoting a wide understanding of the Council's risk appetite and how it translates into tolerance levels within a service or programme setting.
- focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed
- 4.3. The Corporate Risk Manager shall maintain a programme that sets out the delivery of this policy with delivery being assured by the Corporate Management Team and, where necessary, the Performance & Evaluation Board.

#### 5. Principles of risk management

The following principles of risk management have been adopted by KCC from the Office of Government Commerce's (OGC) recognised best practice guidance - *Management of Risk: Guidance for Practitioners*. The eight principles provide the basis on which KCC will manage risk and are informed by both corporate governance principles and the international standard for risk management *ISO: 31000*:

#### a) Aligns with objectives

Risk Management focuses on and around the achievement of the council's priorities and objectives together with those risks that may impact their successful achievement. In aligning risk management to its objectives the Council will determine the amount of risk it is able to withstand and the amount of risk it is prepared to tolerate.

#### b) Fits the context

<u>The organisation</u> is aware of the changing nature of the internal and external operating environment and the factors and events that may threaten or impact its stability.

#### c) Engages stakeholders

The Council has determined, assessed and appropriately engaged all internal and external groups and individuals with a vested interest in its activities. It will understand how stakeholders may influence Council activities and how Council activities affect them.

#### d) Provides clear guidance

The Council encourages the effective management of its risk through provision of a 'user friendly' and transparent approach, that is suitably resourced and that is consistently applied throughout the organisation to best effect.

#### e) Informs decision making

The Council harnesses its risk management capability within its decision making and planning processes to objectively inform both the substance for the decision or plans and achievability of desired outcomes. Additionally, the Council will assess approval of its decisions and plans alongside its capacity and appetite for taking risk.

#### f) Facilitates continual improvement

The Council has the means to gather knowledge and learning from its risk management activities and applies it to continually refine and enhance capability and effectiveness.

#### g) Creates a supportive culture

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Risk management is embedded within the Council's day to day activities with the full support and commitment of Corporate Management and Members. This support will align risk management to the Council's values and culture through encouraging openness, transparency and sharing of risks. It will develop a 'risk aware' culture that increases the value and benefit derived from its investment in risk management.

#### h) Achieves measurable value

Enabled by the previous seven principles the effective operation of the Council's risk management framework will need to demonstrate that it adds value to the organisation through helping the achievement of objectives and increase Council and stakeholder confidence and success.

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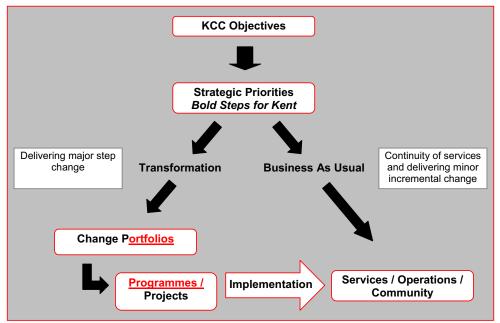
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#### 6. Context of risk management

- 6.1. To be effective, risk management must take account of the external and internal environment (or context) within which the Council seeks to achieve its objectives. We are a highly complex organisation delivering or commissioning multiple services. Our external environment is very dynamic and the changes occurring are not always subject to our control or influence. The external context can impact directly on our internal context, but other internal factors must also be understood, such as our policies and objectives, our governance, the Council's capability and capacity and our culture.
- 6.2. In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;
  - 'Business as usual' the day to day management of operations and services to agreed service levels and performance; and
  - Transformation managing the development and implementation of key step changes that will deliver our objectives and priorities.
- 6.3. The operational delivery model below provides a visual demonstration of how these two management elements operate in the greater context of organisational direction. They also help to determine where risk occurs providing five risk perspectives;
  - **Corporate** where decisions are made that shape our overall mission, strategic priorities and ambitions.
  - **Strategic** where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
  - Programme where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes of the Council and the County
  - Project where we are exposed to risks that could affect our ability to successfully deliver predefined outputs that enable us to deliver outcomes and realise benefits.

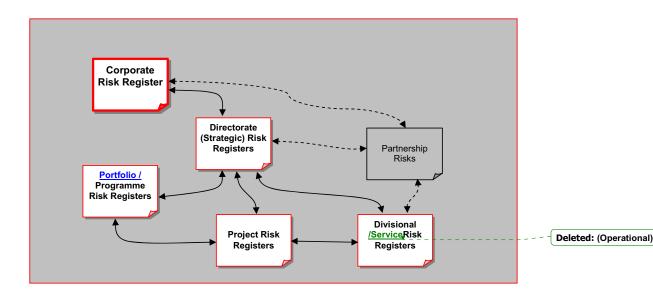
 Operational / Service – where we are exposed to risks that could affect our control and ability to successfully and continually deliver services to our customers.

#### **Delivery Model**



6.4 These five perspectives are inherent at different levels across the organisation. They have clear interdependencies for effective management of risk and provide a logical structure of risk registers that inform each other and allow risks to be communicated and if necessary escalated up and down and across the hierarchy. The Corporate Risk Register leads this hierarchy and will be a key document through which the Council maintains assurance around its most significant risk areas.

#### Risk Perspectives and Interdependencies



7. Governance of risk management

7.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The main individuals and groups and reporting structure for Risk Management are set out in Appendix 1 and the roles and responsibilities are set out in Appendix 2.

7.2. Other officer groups deal with related risk specialisms such as Health and Safety; Treasury; Emergency Resilience and Business Continuity; Insurance; Information Security etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.

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#### 8. Overview of the risk management framework and process

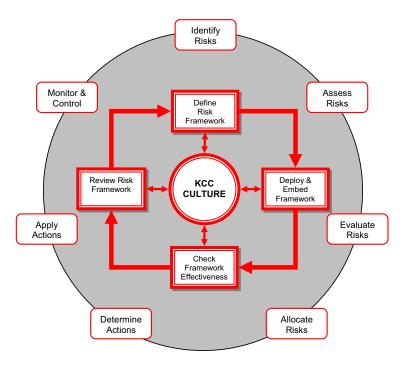
8.1. Our risk management framework will align with OGC's recognised best practice guidance - *Management of Risk: Guidance for Practitioners*, as expressed in diagram 1 below: The framework is an iterative process to enable continuous improvement.

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Diagram 1 - The Risk Management Framework

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- 8.2. The risk management framework is summarised below and practical detail for managers is set out in the risk management guidance and support resources on KNet.
- 8.3. **Risk Management Framework** The four core elements of the framework development, highlight the need for its risk management approach and practices to be informed by, and aligned with, its values and <u>culture</u>. They form the basis of the Council's Risk Management Policy:
  - Define risk framework The Head of Business Intelligence determines and
    recommends policy and practical guidance for the management of the
    Council's risks in line with its culture and values. Supported by Cabinet
    Members and Corporate Directors, it will set out the standards and practices
    that must be used across the Council and will define the activities and
    practices for assessing and managing risk.
  - Deploy & embed framework Senior management will assign resources to implement risk management throughout the council. This will entail the promotion and communication of the policy supported by the delivery of training in the principles and practices of risk management to Members and appropriate officers.
  - Check framework effectiveness The Corporate Management Team will
    ensure that the council's arrangements for managing risk are regularly
    reviewed and will report on this to Cabinet Members. The Governance and
    Audit Committee shall regularly commission its internal auditors to undertake
    a formal review of the Council's risk management arrangements. The
    outcomes of the internal review will be presented to the Governance and
    Audit Committee and be used to inform its review of the policy and
    framework.

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 Review risk framework – All information collated on the effectiveness of the Council's risk management arrangements will be interpreted and used alongside lessons learned to review and strengthen the policy and to provide greater capability and capacity for managing the Council's risks. This in turn will provide greater assurance to stakeholders.

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- 8.4 **Risk Management Approach** Illustrated above, surrounding the four concepts of the risk management framework, are the defined process and practices for assessing and managing risk. Practical details are outlined within the management guidance and support resources for managers on KNet:
  - Identify Risk Concerns our methodology for establishing an activity's exposure to risks and how they are to be recorded for each of the five risk perspectives.
  - Assess Risk A process through which risks are analysed <u>according to</u> <u>potential likelihood and impact</u>.

 Evaluate Risk – The evaluation of risks against parameters (risk appetite and tolerance) which provides assurance of a consistent approach to the measurement of risk and appropriate management and escalation.

- Allocate Risk Ensuring that identified risks are suitably allocated to stakeholders who are best placed to take ownership of the risk and who have the required level of authority to effectively manage them.
- **Determine Actions** A logical approach to determining appropriate, proportionate and viable solutions to eliminating, reducing or controlling threats and enhancing opportunities in line with risk appetite.
- Apply Actions Our approach for the agreement and deployment of selected actions.
- Monitor & Control Methodology for reviewing risks against factors that could affect their profiles and for exercising control over risk to reduce and maintain them to tolerable levels.

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9. Risk Appetite, Tolerance & Escalation

Principle e) in Section 5 makes reference to Risk Appetite – our willingness to tolerate a particular level of exposure to specific risks or risk groups. Understanding risk appetite is a vital aspect in supporting effective risk management. It follows that this appetite reflects the Council's capacity to bear risk and will vary by risk type and perspective.

Our appetite for risk is implicitly defined within our standard for determining risk levels (below). Risks rated as "High" will be deemed to have exceeded tolerance levels and will be subject to escalation to the next management level for review and action. The target residual rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

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evaluation

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#### KCC's Standard for determining risk levels

	Very likely	5	5	10	15 Madiana	20	25
			Low	Medium	Medium	High	High
	Likely	4	4	8	12	16	20
8	,		Low	Medium	Medium	High	High
2	Possible	3	3	6	9	12	15
Likelihood			Low	Low	Medium	Medium	Medium
	Unlikely	2	2	4	6	8	10
			Low	Low	Low	Medium	Medium
	Very	1	1	2	3	4	5
	Unlikely		Low	Low	Low	Low	Low
			1	2	3	4	5
RISK	RATING MATR	IX	Minor	Moderate	Significant	Serious	Major
Impact							

## 10. Training on risk management

10.1. The Corporate Risk Team will develop and deliver appropriate training to support the implementation of this policy for Members and Officers. Officer training will be linked to the Kent Manager standard and approved by the Corporate Management Team to ensure that the requirements of the various staff groups within the Council are met. Supplementary training will also be delivered to directorates and business units if requested and where capacity allows.

10.2. Attendance at training sessions will be monitored to ensure that risk management capability is consistently embedded across all areas of the Council. Training will also be evaluated by attendees to facilitate continual improvement.

#### 11. Review of this policy

- 11.1. It is the responsibility of the Governance and Audit Committee to: 'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.' Internal Audit will support their role in assuring its effectiveness and adequacy.
- 11.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

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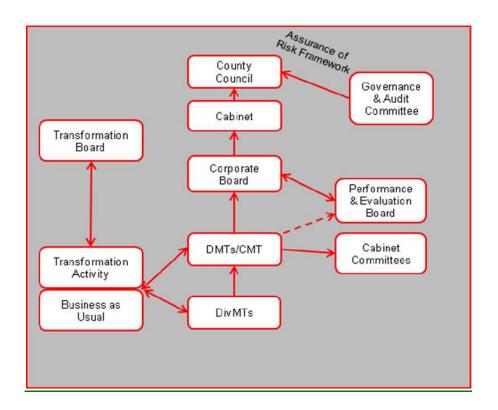
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Appendix 1

# **Risk Management Governance Structure**

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# Appendix 2

Group or Individual	Responsibilities		
County Council	Ensure that an effective system of risk management is in place.		
Governance & Audit	On behalf of the Council ensure that risk management and		
Committee	internal control systems are in place that are adequate for		
	purpose, and are effectively and efficiently operated.		
Cabinet	Responsibility for the operation of the risk management system,		
	including the establishment of the Council's risk appetite.		
Cabinet Member for	On behalf of Cabinet ensure effective risk management		
Business Strategy,	arrangements are put in place		
Audit & Transformation			Deleted: Performance &
	D		Health Reform
Cabinet Portfolio	Responsibility for the effective management of risk within their		
Holders	portfolio areas and ensuring that they consider risks in all		
0.1:0	decisions they make		
Cabinet Committees	To provide scrutiny pre-decision to ensure that due		
0 " 454 05"	consideration is given to associated risks.		
Section 151 Officer	Active involvement in all material business decisions to ensure		
	immediate and longer term implications, opportunities and risks		
	are fully considered.		
Corporate Management	To ensure the Council manages risks effectively through the		
Team (CMT)	Risk Management Policy and actively consider, own and		
	manage key strategic risks affecting the Council through the		
	Corporate Risk Register.		
	Keep the Council's risk management framework under regular		
	review and approve and monitor delivery of the annual risk work		
	programme		
Performance &	Investigate strategic risks where monitoring indicates that		
Evaluation Board	progress against mitigating actions is not sufficient.		<b>Deleted:</b> On behalf of the
Portfolio / Programme /	To ensure that portfolio, programme and project risks are		Executive monitor the Corporate Risk Register to
Project Boards	effectively identified and managed and that any impacts on the		ensure that actions are being
	business that may follow implementation are reported and		implemented to mitigate risk
	managed.		within the Council's risk appetite and report on
Corporate Portfolio,	To develop and ensure implementation of <u>portfolio</u> , programme		exceptions and key changes to
Office	and project governance, controls and risk management	\ \ \	risk impact or immediacy.¶ Obtain assurance from those
	arrangements to successfully deliver outputs and secure desired	\ \	responsible for the delivery of
	outcomes and benefits.	\ \ \	the council's priorities and
Directorate	Responsibility for the effective management of risk within the	\ \ \\	major change programmes that the associated risks are
Management Teams	directorate, including risk escalation and reporting to the	\\	effectively identified and
(DMT)	Corporate Management Team as appropriate.	<u> </u>	managed and report by
Divisional Management	Responsibility for the effective management of risk within		exception.
Teams (DivMT)	divisions, including risk escalation, and reporting to DMT as	`\	Deleted: Programme
	appropriate.		Deleted: Performance &
Corporate Director	Responsibility for the overall monitoring of strategic risks across		Evaluation Board and
Business Strategy &	the Council, including the endorsement of priorities and		
Support (Head of Paid	management action. Responsible for ensuring that risk		
Service),	management resources are appropriate.		Deleted: ¶
Head of Business	Establish the organisational context and objectives for risk		Deleted: ¶
Intelligence,	management and map the external and internal risk		Deleted: Performance & Risk
	environment.		Deleteu. Fenolinance & RISK
	Develop and maintain the risk management policy, strategy,		
	management guidance and support resources.		
		1	
Corporate Risk	Promote a positive risk management culture within KCC,		
Corporate Risk Manager	developing and implementing the risk management framework		

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	effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team. Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.
Corporate Risk Team	Day to day responsibility for developing and co-ordinating risk management across the Council and providing advice, support and training, and contributing to ongoing regular reporting on risk management
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk
Directors and Kent Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to minimise the Council's exposure to risk and uncertainty.
All staff members	<u>Jdentify risks and contribute to their management as appropriate.</u> Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

**Deleted:** Understand, accept and implement risk management processes

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By: Deputy Leader and Cabinet Member for Finance and

**Business Support** 

Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 18 December 2013

Subject: TREASURY MANAGEMENT 6 MONTH REVIEW

2013/14

Classification: Unrestricted

Summary: To present the Treasury Management 6 Month Review.

#### FOR DECISION

#### INTRODUCTION

1. This is a 6 month update on treasury management issues.

#### **BACKGROUND**

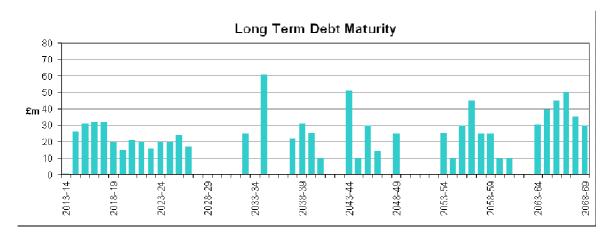
- 2. The Treasury Management Strategy for 2013/14 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
- 3. The Code also recommends that members are informed of Treasury Management activities at least twice a year-in fact we report to each meeting of this committee. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
- 4. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 5. Although formally this report is to 30 September it covers developments in the period since up to the date of this report.
- 6. If agreed by members this 6 month report will then go on to Council.

#### **DEBT MANAGEMENT**

7. The PWLB remained an attractive source of borrowing for the Authority as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and

yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates while the most pronounced increase was for 10 year loans where rates as at 30 September were 0.83% higher than 1 April. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

- 8. For the Authority the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Authority's treasury advisor.
- 9. As at 30 September the Council had long term borrowings of £1,012million with a maturity profile as follows:



- 10. Total external debt managed by KCC includes £42.6million pre-LGR debt relating to Medway Council and £2.5million for other bodies.
- 11. The forecast financing items under spend is £1.178million comprising a £1.582million shortfall in interest on cash balances due to lower than anticipated interest rates on deposits, offset by savings of £2.760million on debt charges as no new borrowing is planned.

#### INVESTMENT ACTIVITY

- 12. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement (TMSS) for 2013/14.
- 13. During the 6 months to 30 September the Council's maximum maturities for new investments have been:

- Royal Bank of Scotland, NatWest and Santander UK overnight
- Barclays and Nationwide BS for a maximum period of 100 days
- Lloyds TSB and Bank of Scotland for a maximum period of 6 months
- HSBC Bank and Standard Chartered for a maximum period of 12 months
- DMO 6 months

The maximum investment with a single financial institution is £50 million.

#### **COUNTERPARTY UPDATE**

- 14. Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Authority's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms / potential support from a well-resourced parent institution; share price.
- 15. On 17 September the Government sold a 6% stake in the Lloyds Banking Group to institutional investors at a price of 75p and in a positive move Fitch upgraded Lloyds' viability rating to bbb+. Lloyds TSB Bank Plc subsequently changed its name to Lloyds Bank Plc with effect from 23 Sept 2013 and 632 Lloyds' branches were transferred to TSB Bank, a new bank which will be sold through a listing on the stock market in 2014. Following advice from Arlingclose the maximum duration of term deposits was increased to 6 months with Lloyds
- 16. Following a meeting of The Treasury Management Advisory Group (TMAG) on 31 July a recommendation for diversifying the Council's investment portfolio went to Cabinet.
- 17. At its meeting on 16 September Cabinet agreed that a core investment portfolio of £75 million be established. This would invest in:
  - (1) Absolute Return Funds Pooled funds investing in a range of asset types including equities, fixed income and alternatives.
  - (2) Equity Income Funds Either UK or Global funds focussing on companies which produce strong income i.e. dividend returns.
  - (3) Property Pooled Funds Very large well established balanced funds and funds with high covenant and long leases linked to RPI
  - (4) Other Opportunistic investments potentially linked to local economic regeneration projects. These would need to be low risk and securitised.

Cabinet agreed a maximum exposure of £5million in any one fund.

- 18. A decision has since been made to invest £5million in the Pyrford absolute return fund, and following a presentation from the CCLA to TMAG on 13 November, a £5million investment in the Local Authorities Property Fund has been agreed.
- 19. A list of the Council's investments on 15 November is attached at Appendix 1.
- 20. The average cash balances during the 6 months were £407million representing the Council's reserves, working cash balances, capital receipts and schools balances etc. Cash balances are expected to fall towards the end of the financial year.
- 21. The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016. Since April interest rates on call accounts and term deposits have fallen as banks access cheaper sources of finance. New investments were made at an average rate of 0.62% and the Council anticipates an investment outturn of £2.52million, 0.58% for the whole year.

#### COMPLIANCE WITH PRUDENTIAL INDICATORS

22. The Council can confirm that it has complied with its Prudential Indicators for 2013/14 set as part of the Council's Treasury management Strategy Statement. Details can be found in Appendix 2.

#### RECOMMENDATION

23. Members are asked to endorse this report and recommend that it is submitted to Council.

Alison Mings Treasury and Investments Manager

Ext: 7000 6294

# KCC Investments as at 15 November 2013

Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate	Territory
Турс	Counterparty	£	Life Date	%	Territory
Fixed Deposit	Bank of Scotland	5,000,000	08/05/2014	0.75	LUC Dent
Fixed Deposit		· · · · ·			UK Bank
Fixed Deposit	Bank of Scotland	5,000,000	22/01/2014	0.7	UK Bank
Fixed Deposit	Bank of Scotland	5,000,000	31/03/2014	0.75	UK Bank
Same Day Call Deposit	Bank of Scotland	7,550,000	n/a	0.4	UK Bank
Same Day Call	Dank of Scotland	7,550,000	II/a	0.4	UN Dalik
Deposit	Barclays FIBCA	40,000,000	n/a	0.6	UK Bank
Fixed Deposit	Lloyds TSB	5,000,000	06/05/2014	0.75	UK Bank
Fixed Deposit	Lloyds TSB	5,000,000	19/11/2013	0.7	UK Bank
Fixed Deposit	•	5,000,000	21/11/2013	0.7	UK Bank
	Lloyds TSB	· · · · · ·			
Fixed Deposit	Lloyds Bank	5,000,000	27/12/2013	0.7	UK Bank
Fixed Deposit	Lloyds Bank	5,000,000	27/03/2014	0.75	UK Bank
Fixed Deposit	Lloyds Bank	5,000,000	22/04/2014	0.75	UK Bank
Same Day Call	Llauda Dank	10 000 000	70/0	0.4	LUC Danie
Deposit Same Day Call	Lloyds Bank	10,000,000	n/a	0.4	UK Bank
Deposit	NatWest	25,000,000	n/a	0.6	UK Bank
Same Day Call	Royal Bank of	20,000,000	11/4	0.0	OK Bank
Deposit	Scotland	50,000,000	n/a	0.85	UK Bank
Same Day Call		, ,			
Deposit	Santander UK	50,000,000	n/a	0.4	UK Bank
Certificate of					
Deposit	Standard Chartered	10,000,000	02/01/2014	0.53	UK Bank
Certificate of	Otanadanal Obantanad	40,000,000	00/04/0044	0.54	LUC Davida
Deposit Certificate of	Standard Chartered	10,000,000	06/01/2014	0.54	UK Bank
Deposit	Standard Chartered	10,000,000	05/02/2014	0.56	UK Bank
Certificate of	Otandard Onartored	10,000,000	03/02/2014	0.00	OK Bank
Deposit	Standard Chartered	10,000,000	12/02/2014	0.56	UK Bank
Certificate of		, ,			
Deposit	Standard Chartered	10,000,000	02/04/2014	0.54	UK Bank
Total UK Bank D	eposits	277,550,000			UK
	Nationwide Building				Building
Fixed Deposit	Society	10,800,000	25/11/2013	0.4	Society
Total UK Buildin	g Society Deposits	10,800,000			
Debt Management		, ,			
Treasury Bill	Office	5,000,000	25/11/2013	0.305	UK Govt.
Total UK Govt. I	Deposits	5,000,000			
Total Icelandic E	Bank Deposits	12,416,710			
Grand Total of A	All Deposits	305,766,710			

# 2013-14 Quarter 2 Monitoring of Prudential Indicators

#### 1. Estimate of capital expenditure (excluding PFI)

Actuals 2012-13 £181.229m Original estimate 2013-14 £286.571m

Revised estimate 2013-14 £291.057m (this includes the rolled forward re-phasing

from 2012-13)

# 2. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2012-13	2013-14	2013-14	2014-15	2015-16
	Actual	Original Estimate	Forecast as at 30-09-13	Forecast as at 30-09-13	Forecast as at 30-09-13
	£m	£m	£m	£m	£m
Capital Financing requirement Annual increase/reduction in underlying need to	1,464.961	1,483.590	1,454.655	1,437.314	1,380.495
borrow	-30.912	-2.825	-10.306	-17.341	-56.819

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

#### 3. Estimate of ratio of financing costs to net revenue stream

Actuals 2012-13	14.55%
Original estimate 2013-14	13.42%
Revised estimate 2013-14	13.51%

#### 4. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2013-14

#### a) Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator	Position as at 30.09.13
	£m	£m
Borrowing	993	969
Other Long Term Liabilities	1,134	1,155
	2,127	2,124

# (b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	Prudential Indicator	Position as at 30.09.13
	£m	£m
Borrowing	1,040	1,011
Other Long Term Liabilities	1,134	1,155
	2,174	2,166

#### 5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2013-14 are:

#### a) Authorised limit for debt relating to KCC assets and activities

	Authorised limit for debt relating to KCC assets and activities	Position as at 30.09.13	Authorised limit for total debt managed by KCC	Position as at 30.09.13
	£m	£m	£m	£m
Borrowing Other long term	1,033	969	1,080	1,011
liabilities	1,134	1,155	1,134	1,155
	2,167	2,124	2,214	2,166

The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

# 6. Compliance with CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the Code of Practice on Treasury Management and has adopted a Treasury Management Policy Statement. Compliance has been tested and validated by our independent professional treasury advisers.

# 7. Upper limits of fixed interest rate and variable rate exposures

The Council has determined the following upper limits for 2013-14

Fixed interest rate exposure 100% Variable rate exposure 30%

These limits have been complied with in 2013-14.

#### 8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 30.09.13
	%	%	%
Upper 12 months	10	0	0.1
12 months and within 24 months	10	0	2.6
24 months and within 5 years	15	0	9.4
5 years and within 10 years	15	0	9.1
10 years and within 20 years	15	5	10.5
20 years and within 30 years	20	5	14.7
30 years and within 40 years	20	10	12.9
40 years and within 50 years	25	10	17.9
50 years and within 60 years	30	10	22.8

# 9. Upper limit for principal sums invested for periods longer than 364 days

Indicator Actual £30m £0m

By: Deputy Leader and Cabinet Member for Finance &

Procurement

Corporate Director of Finance & Procurement

To: Governance & Audit Committee – 18 December 2013

Subject: **DEBT MANAGEMENT** 

Classification: Unrestricted

Summary: To report on the Council's debt position

#### FOR ASSURANCE

#### INTRODUCTION

1. The purpose of this report is to provide the Governance and Audit Committee with assurance on the Council's outstanding debt position.

2. This report concentrates mainly on debt over 6 months old.

#### **MANAGEMENT SUMMARY**

- 3. The overall outstanding debt as at 30 October 2013 as shown on Oracle Accounts Receivable Business Intelligence Suite is £39,026,951.52. This represents social care debt from SWIFT of £17,917,952.98 (28,783 invoices) and sundry debt of £21,108,998.54 (3121 invoices). Any debts paid by instalments but originating from a single invoice are counted only once. The sundry debt figures include Health debt of £3,273,559.73, although please see Paragraph 16 for further details of this.
- 4. The detail around the Social Care element of debt can be found in sections 20-30, with earlier sections referring to AR sundry debt only. The Social Care debt reflects the four weekly client billing process run on 15 October 2013.
- 5. Please note that throughout this report Business and Strategic Support (BSS) will include the old Chief Executive debt; Education and Learning Skills (ELS) will include the old CFE debt; Enterprise & Environment (E&E) will include the old EHW debt; Customers & Communication (C&C) will include old Communities debt; and Families & Social Care (FSC) will include the old KASS debt. We are unable to retrospectively amend Oracle to reflect the current directorate structure. The debt reporting is calculated from the invoice due date and not the invoice date for Sundry Debt, but is based on invoice date for Social Care debt owing

to the ongoing nature of the billing through which invoices are issued every four weeks.

6. The table below is an analysis of the summary position as at 30 October 2013:

Directorate	Not Yet Due	AR Overdue 0- 60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
BSS	£1,915,409.85	£531,107.79	£329,299.32	£167,993.53	£2,943,810.49
C&C	£318,038.57	£1,729,781.63	£81,500.40	£35,369.91	£2,164,690.51
CASHIER MISC INCOME	£0.00	£0.00	£0.30	£0.00	£0.30
E&E	£794,975.99	£265,064.93	£176,293.05	£96,515.67	£1,332,849.64
EDUKENT	£205,721.09	£3,438,395.15	£127,667.76	£3,398.69	£3,775,182.69
ELS	£637,194.55	£1,536,856.47	£235,829.86	£114,810.46	£2,524,691.34
FSC	£835,013.25	£3,386,030.15	£3,145,018.18	£1,001,711.99	£8,367,773.57
Grand Total	£4,706,353.30	£10,887,236.12	£4,095,608.87	£1,419,800.25	£21,108,998.54

#### **PERFORMANCE**

- 7. There are two performance indicators that the Debt Recovery Team aims to achieve. The percentages are based on the total outstanding unsecured debt.
  - Total outstanding sundry debt under 60 days old greater than 75%
  - Total outstanding sundry debt over 6 months old less than 20%

As at 30 October 2013, 73.87% of the total sundry outstanding debt was under 60 days old whilst 6.73% was over 6 months old.

There has been significant movement of debt between 0-60 days overdue – which has caused the under 60 days old debt to fall under the target.

This is due to a large number of high value invoices being raised recently.

## **DEBT LEVELS OVER SIX MONTHS OF AGE**

8. Over the page is an analysis of the categories of debt over 6 months old by Directorate, followed by more detailed analysis. Some invoices are currently marked as "untagged" – this is due to the fact that some invoices are chased directly by the Directorate responsible for them – and they are thus responsible for changing the tag status.

# 9. <u>BSS</u>

DEBT CATEGORY	BSS
AR SECURED DEBT	£7,527.75
EXC ONGOING ACTION	£24,093.25
HEALTH DEBT - HQ	£1,140.00
INSTALMENTS	£800.00
INTERNAL	£240.00
PAYMENT PLAN	£11,169.69
REFERRED FOR WRITE OFF	£14,545.45
REFERRED TO DIRECTORATE	£99,813.03
REFERRED TO LEGAL	£6,782.66
SMALL CLAIMS COURT	£1,881.70
GRAND TOTAL	£167,993.53

The £99.8k marked as Referred to Directorate represents 45 invoices, the largest being a repayment of an empty property loan of £50k. This sum has reduced from £100k and discussions with Legal and the Regeneration Manager are ongoing in order to secure the remaining debt.

## 10. <u>ELS</u>

DEBT CATEGORY	ELS
IN THE PROCESS OF BEING TAGGED	£575.20
EDUKENT	£1,524.39
EXC ONGOING ACTION	£35,580.15
INSTALMENTS	£1,808.48
PAYMENT PLAN	£7,867.95
REFERRED FOR WRITE OFF	£105.00
REFERRED TO DIRECTORATE	£45,725.55
REFERRED TO LEGAL	£19,016.27
SMALL CLAIMS COURT	£2,607.47
GRAND TOTAL	£114,810.46

 The £45.7 marked as Referred to Directorate for action represents 14 invoices. A £40K payment has been received regarding services provided by the ELS Innovation Unit and is in the process of being allocated.

# 11. <u>E&E</u>

DEBT CATEGORY	E&E
IN THE PROCESS OF BEING TAGGED	£6,667.25
AUTOMATIC WRITEBACK	£626.34
EXC ONGOING ACTION	£14,314.96
INSURANCE	£46,219.18
LIQ'S/INSOLV'S/RECV	£207.50
REFERRED FOR WRITE OFF	£453.69
REFERRED TO DIRECTORATE	£22,802.98
REFERRED TO LEGAL	£5,223.77
GRAND TOTAL	£96,515.67

 The £22.8k marked as Referred to Directorate represents 20 invoices, the largest being £4.2k to BT Openreach. Recovery negotiations are ongoing.

# 12. <u>FSC</u>

DEBT CATEGORY	FSC
IN THE PROCESS OF BEING TAGGED	£5,921.53
EXC ONGOING ACTION	£25,761.34
HEALTH DEBT - EK	£56,524.39
HEALTH DEBT - HQ	£53,322.54
HEALTH DEBT - SECURED - HQ	£84,666.07
HEALTH DEBT - SECURED - WK	£44,912.40
HEALTH DEBT - WK	£445,133.54
INSTALMENT - SMALL CLAIMS	£10,314.92
INSTALMENTS	£9,691.00
LIQ'S/INSOLV'S/RECV	£595.14
PARKED TERMINATED	£381.39
PAYMENT PLAN	£38,922.48
REFERRED FOR WRITE OFF	£42,994.94
REFERRED TO DIRECTORATE	£113,185.96
REFERRED TO LEGAL	£66,348.42
SMALL CLAIMS COURT	£3,035.93
GRAND TOTAL	£1,001,711.99

 The £113.2K marked as Referred to Directorate relates to 45 invoices. The largest value invoice is £48.9K and relates to an ordinary residence dispute.

Kent County Council is in liaison with Hastings & Rother District Council regarding the responsibility for the provision of a Direct Payment Service for a service user in 2012. The Assistant Director

for Learning Disability in West Kent is currently engaging Legal Services.

• The total of the over six month debt value for Health Debt relates to 17 invoices. The highest value invoices are a combined sum of £266.3k raised in March 2011 to Lambeth Primary Care Trust in respect of reimbursement for the NHS Continuing Health Care funding for a residential placement for the period June 2010 – March 2011. The Director of Learning Disability and Mental Health Services is in ongoing discussion with Legal Services regarding this invoice – and is currently trying to arrange a meeting to resolve the issue.

### 13. C&C

DEBT CATEGORY	C&C
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£880.00
EDUKENT	£309.60
EXC ONGOING ACTION	£12,865.81
HEALTH DEBT – HQ	£180.00
INSTALMENTS	£802.04
LIQ'S/INSOLV'S/RECV	£1,605.63
REFERRED FOR WRITE OFF	£1,846.49
REFERRED TO DIRECTORATE	£10,603.08
REFERRED TO LEGAL	£562.64
SMALL CLAIMS COURT	£1,603.37
GRAND TOTAL	£35,369.91

• The £10.6k marked as Referred to Directorate refers to 3 invoices.

### 14. EduKent

• As at the date of this report, the sum of £3,398.69 is categorised as EduKent Debt over six months' old. This represents 3 invoices.

### **INSTALMENT PAYMENTS**

15. The table over represents the amount and value of debt being paid by instalments:

Sundry debt instalments as at 30 October 2013			Previous I	Month
Directorate	Number of cases	Total Value	Number of cases	Total Value
FSC & KASS	24	£48,386.18	33	£83,923
ELS	13	£19,727	18	£40,548
BSS	12	£31,152	25	£55,462
E&E	6	£5,474	6	£6,142
C&C	1	£1,322.04	2	£3,584
Total	56	£106,061	84	£189,659

 The reduction is due to a review of instalment debts. A new debt tag of "payment plan" has been introduced in order to distinguish formal instalment plans paid via a Direct Debit arrangement from those debtors who have arranged an informal payment plan – currently 25 debtors.

### **SUNDRY HEALTH DEBT**

16. The Sundry Health Debt as at 30 October 2013 was identified as being £3,273,599.73 comprising of 123 invoices. This is a reduction of £1.8 million when compared to the position reported in May 2013. Analysis by debtor is as follows:

Customer Name	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£2,127.60	£0.00	£78,215.00	£0.00	£80,342.60
EASTBOURNE DGH PHARMACY	£0.00	£0.00	£502.80	£0.00	£502.80
EASTERN & COASTAL KENT PRIMARY CARE TRUST	£0.00	£0.00	£0.00	£10,624.90	£10,624.90
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£56,035.32	£136,119.45	£30,751.24	£1,750.00	£224,656.01
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£0.00	£0.00	£0.00	£180.00	£180.00
KENT COMMUNITY HEALTH NHS TRUST	£3,990.14	£34,700.00	£50.00	£81,666.07	£120,406.21
LAMBETH PRIMARY CARE TRUST	£0.00	£0.00	£0.00	£266,309.06	£266,309.06
LENWORTH CLINIC	£0.00	£0.00	£0.00	£80.00	£80.00
LONDON PORT HEALTH AUTHORITY	£4,004.40	£7,243.20	£0.00	£0.00	£11,247.60
NHS ASHFORD CCG	£0.00	£5,519.15	£3,044.00	£0.00	£8,563.15
NHS CANTERBURY & COASTAL CCG	£5,878.16	£88,470.04	£0.00	£0.00	£94,348.20
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£18,253.69	£350,621.34	£6,448.00	£0.00	£375,323.03
NHS EASTERN AND COASTAL KENT PCT	£0.00	£0.00	£99,360.00	£51,452.54	£150,812.54
NHS KENT AND MEDWAY	£0.00	£0.00	£0.00	£1,140.00	£1,140.00
NHS LAMBETH	£0.00	£0.00	£0.00	£88,999.68	£88,999.68
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£0.00	£65,600.00	£0.00	£0.00	£65,600.00
NHS SOUTH KENT COASTAL CCG	£53,829.27	£1,340,819.21	£0.00	£0.00	£1,394,648.48
NHS SWALE CCG	£0.00	£142,612.28	£0.00	£0.00	£142,612.28
NHS THANET CCG	£207.38	£85,289.17	£1,471.51	£0.00	£86,968.06
NHS WEST KENT CCG	£5,381.20	£36,665.98	£55,000.00	£0.00	£97,047.18
SOUTH LONDON AND MAUDSLEY NHS TRUST	£0.00	£39,682.31	£0.00	£0.00	£39,682.31
THORNHILLS MEDICAL PRACTICE	£0.00	£0.00	£0.00	£40.00	£40.00
USE 70953 CONTINUING HEALTHCARE NHS WEST KENT CCG	£0.00	£0.00	£10,425.64	£0.00	£10,425.64
WEST KENT PCT	£0.00	£0.00	£0.00	£3,000.00	£3,000.00
Grand Total	£149,707.16	£2,333,342.13	£285,268.19	£505,242.25	£3,273,559.73

### **TRENDS**

17. Listed below is the outstanding debt over 6 months old as the percentage of the total debt as at 30 April for the last 5 years:

30-Apr-	30-Apr-	30-Apr-	30-Apr-	30-Apr-	30-Apr-
13	12	11	10	09	08
8%	12%	8%	6%	11%	12%

18. The numbers and values of invoices raised for the last 5 years are:

	2012-13	2011-12	2010-11	2009-10	2008-09
Number of invoices raised	28,353	32,029	29,336	30,369	34,097
Value of invoices raised	£237,392,631	£160,139,056	£176,597,554	£183,961,032	£183,804,045

### **WRITE OFFS**

19. The table over shows the sum written off for 2013/14 as at 30 October 2013. The data is based on write offs input to the Receivables system in 2013/14 rather than the year they have been allocated to GL.

KCC Adjustment Name	Grand Total
BSS REVENUE DEBT WRITE OFF	£6,384.81
C&C REVENUE DEBT WRITE OFF	£184,301.61
E&E BAD DEBT WRITE OFF	£645.00
E&E REVENUE DEBT WRITE OFF	£4,651.76
ELS BAD DEBT WRITE OFF	£53.62
ELS REVENUE DEBT WRITE OFF	£11,320.62
FSC REVENUE DEBT WRITE OFF	£51,837.88
WRITE OFF/WRITE BACK REVERSAL	(£856.49)
Grand Total	£258,338.81

### **SOCIAL CARE DEBT**

### 20. Client Charging

- (i) Clients are financially assessed to determine their contribution towards either their residential or non residential care costs.
- (ii) Residential Charging This charging is distinct from non-residential charging in that councils have a duty to charge for services under Section 22 of the National Assistance Act 1948. Councils have no discretion in how they charge individuals, and all councils are required to do so.
- (iii) Non-Residential Charging Section 17 of the Health and Social Security and Social Services Adjudication Act 1983 gives councils

- the power to charge a person for non-residential services no more than it appears reasonable for them to pay.
- (iv) This means that each council has discretion in how they charge individuals for certain services and how much an individual has to contribute to the costs.
- (v) In 2012/2013 the total amount of income charged to clients through the client billing system was £61,093,382.51. This is an increase of £1,116k compared to the previous financial year and is likely to be as a result of the changes to the non-residential charging policy.

### **ANALYSIS OF CLIENT RELATED DEBT**

21. As at the billing run on 15 October 2013 the overall client related social care debt stood at £18,969k. This debt can be broken down as follows:

Residential	£16,427k
Non-Residential	£2,542k
Total	£18,969k

- 22. Of the £18,969k only £14,113k is actually due for payment, invoices having only just been dispatched for the remaining £4,856k.
- 23. The £18,969k can be broken down between secured and unsecured debt as follows:

Customer Credit Status	15-Oct-13
	£'000
Health	£14
Secured	£8,218
Unsecured	£10,737
Grand Total	£18,969

### AGED ANALYSIS OF CLIENT RELATED DEBT

24. The table below shows an analysis of unsecured debt that is due for payment:

Sum of AR Outstanding Amount				
	Under Six Months	Six Months to a Year	Over One Year	Total Overdue
Total Unsecured	£2,667k	£921.3k	£2,656k	£6,244k

### **NUMBERS OF UNSECURED DEBTORS**

25. There are currently 12,214 debtors which an unsecured debt. This figure includes both due and not yet due debts – which total £10,737k.

### SOCIAL CARE DEBT MOVEMENTS

26. The two tables below show the movement in debt since April 2013, firstly in terms of total debt (due and not yet due, including secured and unsecured) and secondly the movements in unsecured overdue debt, which is the "highest" risk debt. Both tables show the breakdown of the movement by Locality; additionally the second table shows the position since April 2010.

Total Debt	15thOct 2013	30th April 2013
Locality	Total Debt	Total Debt
	£'000	£'000
Dartford, Gravesham Swanley	£3,549	£3,375
Maidstone/Malling	£3,180	£3,034
SW Kent	£3,243	£3,146
Ashford/Shepway	£3,095	£2,806
Canterbury/Swale	£2,843	£2,816
Thanet/Dover	£3,059	£3,318
Total	£18,969	£18,495

Unsecured Overdue Debt	15thOct 2013	April	April	April	April	
Locality	<b>Total Debt</b>	•	•	•	-	
		2013	2012	2011	2010	
	£'000	£'000	£'000	£'000	£'000	
Dartford, Gravesham						
Swanley	£1,096	£1,013	£1,067	£1,141	£1,052	
Maidstone/Malling	£786	£808	£796	£787	£697	
SW Kent	£1,102	£1,094	£1,205	£941	£875	
Ashford/Shepway	£1,175	£1,084	£880	£1,029	£1,136	
Canterbury/Swale	£928	£965	£783	£1,051	£1,099	
Thanet/Dover	£1,160	£1,112	£1,113	£1,316	£1,409	
Total	£6,246	£6,076	£5,845	£6,264	£6,267	

Many of the debts currently marked as unsecured will move to the secured tag once the Legal Charge, that has already been requested, is registered.

### **WRITE OFFS**

27. The sum written off as at 15 October for Social Care through Client Billing is £265,798.26. The data is based on write offs input to the

Receivables system in 2013/14 rather than the year they have been allocated to GL.

### **RECOMMENDATION**

28. Members are asked to note the content of this report.

### **Andrea Hanson**

Acting Team Leader (Debt Recovery) 0300 333 5314

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 – 18 December 2013

Subject: External Audit Update November 2013

Classification: Unrestricted

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

### FOR ASSURANCE

### Introduction and background

- 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

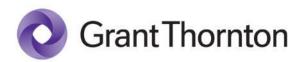
#### Recommendation

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

Næember 2013

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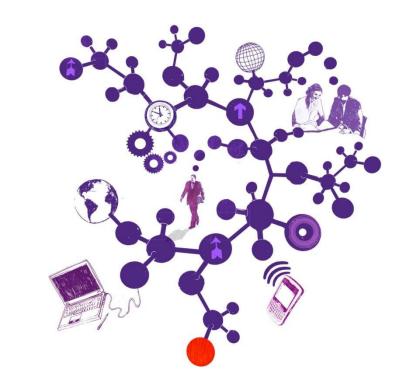
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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### Introduction

This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Council.

Members of the Governance and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', '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?'

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 Engagement Manager.

Degren Wells Engagement Lead T 01293 554130 M 07880 456152 <u>darren.j.wells@uk.gt.com</u>

Elizabeth Olive Engagement Manager T 0207 728 3329 M 07880 456191 <u>elizabeth.l.olive@uk.gt.com</u>

# Progress at 26 November 2013

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	No	We will issue separate audit plans for the Council and Pension Fund audits following the interim accounts audit.
<ul> <li>Interim accounts audit</li> <li>Our Interim fieldwork visit includes:</li> <li>updating our review of the Council control environment</li> <li>updating our understanding of financial systems</li> <li>review of Internal Audit reports on core financial systems</li> <li>early work on emerging accounting issues</li> <li>early substantive testing</li> <li>proposed Value for Money conclusion.</li> </ul>	January and April 2014	No	We have had an initial planning meeting with finance officers and will undertake the risk assessment work for 2013/14 in January 2014. The work was previously planned for October 2013 but was moved in September to avoid a clash with internal audit work in quarter 3 of the financial year.

# Progress at 26 November 2013

Work	Planned date	Complete?	Comments
<ul> <li>2013-14 final accounts audit</li> <li>audit of the 2013-14 financial statements; and</li> <li>proposed opinion on the Council's accounts.</li> </ul>	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:  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 – April 2014	No	We will plan the value for money conclusion work by completing the initial risk assessment in the January 2014 audit visit.
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.

# Progress at 26 November 2013

Work	Planned date	Complete?	Comments
Other areas of work – grants certification We will be required to certify the following return for the Council in 2013-14:	October 2014	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.
Teachers' Pensions Return			

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### Local government guidance

### Income from charging

In September, the Audit Commission published 'Income from charging: Using data from the VFM Profiles, September 2013'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

### Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- There is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to Service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

### Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?

### Local government guidance

### **Preparing for the Health and Social Care Integration Transformation Fund**

The 'Integration Transformation Fund' is a single pooled budget for health and social care services to work more closely together in local areas. The Integration Transformation Fund statement, signed on 8 August between the LGA and NHS England sets out the background and provides a roadmap for local areas to plan in the run up to the fund taking full effect from 2015/16. Authorities need to plan with their partners for access to the fund. In summary:

- £3.8bn will be available for 2015/16, with funds transferred mainly from existing CCG budgets
- Even though the funds are not available until 2015/16, local areas will need to work together to produce two ear plans for 2014/15 and 02015/06. This is because access to £1bn of the funding in April 2015 is performance related, taking account of achievements in 2014/15
- ultimately Ministers will approve and sign off the plans, following review and assurance from NHS England

### Challenge question:

How is your Council planning to work with its partners to formulate joint plans and obtain funding?

#### **Grant Thornton**

### Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'He ping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

### Challenge questions:

- Does your Council have a properly functioning procurement process, where duties are clearly segregated?
- Does your Council maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your engagement manager to see how Grant Thornton could help.

#### **Grant Thornton**

#### **Local Government Pensions Governance Review**

This report presents the findings of our first review of Local Government pension schemes' governance. Based on comprehensive research with pension fund senior officers and supported by insights from pension fund auditors, our report shows that there is a wide variety of practice across the UK:

- 70% of funds operate with a single pension committee, but those that use sub-groups are able to act more quickly, with a greater focus on the strategic management of the fund, while ensuring the important aspects of operation are given proper consideration
- only 25% of funds provide their pension committee with regular (more than once a year) reports on key risks affecting the fund
- only 22% of funds are implementing action plans resulting from the CIPFAs knowledge and skills framework
- 60% of pension funds benchmark their costs and have reduced them in recent years, but reporting to pension committees on administration costs and savings is under-developed
- There are lessons to be learnt from funds that have worked collaboratively to reduce costs, share expertise and improve services.

The report also provides an outline of governance and reporting best practice and an update on the significant changes to Local Government pension schemes.

### Challenge questions:

- Have you reviewed the report and used the questions posed in the report to help assess the strength of your current governance arrangements?
- What action do you plan to take to improve governance arrangements?

If you have any queries on governance, talk to your engagement manager to see how Grant Thornton could help.

### **Accounting and audit issues**

### **Consultation on Local Authority Accounting Code of Practice for 2014/15**

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In Pespect of the some of the other key consultation issues, our views were:

- NFRS 13 the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

#### Challenge question:

Has your Chief Accountant reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

### **Accounting and audit issues**

### Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to 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
- items within a class of property, plant and equipment 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.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

#### Challenge questions

- Are both your Head of Financial Management and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Capital Finance Manager reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?
- Where your Council is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial and has an action plan been put in place to address non-compliance issues in future years?

### **Accounting and audit issues**

### Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a briefing note on the Local Audit and Accountability Bill. The Bill is currently going through Parliament. The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- · collective procurement arrangements
- · audit appointment arrangements
- the National Fraud Initiative
- small bodies
- -gupporting accountability to Parliament and the public
- Reporting on arrangements to secure value for money
- Pupdating the legislative framework governing local public audit.

### Challenge question:

Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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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 – 18 December 2013

Subject: External Audit - Annual Audit Letter 2012/13

Classification: Unrestricted

**Summary**: The Annual Audit Letter provides a summary of the most important findings from the external audit work in respect of the 2012/13 audit year.

#### FOR ASSURANCE

#### Introduction

- 1. The Audit Commission's Code of Audit Practice requires that the external auditors prepare an Annual Audit Letter (the Letter) and issue it to the Council. The purpose of the Letter is to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from auditors' work, which the Engagement Lead considers should be brought to the attention of the Council. The Letter covers the work carried out by the external auditors in respect of the 2012/13 audit year.
- 2. The Letter highlights any key issues drawn from reports previously presented to the Governance and Audit Committee and the auditors' conclusions on relevant aspects of the audit.

### Summary of the letter

- 3. This Letter summarises the work from the External Auditor's 2012/13 Audit Plan and includes:
  - The audit opinion and financial statements
  - Value for money
  - Certification of grant claims and returns
- 5. The Letter reaffirms the unqualified opinion on the 2012/13 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

#### **Publication of the Letter**

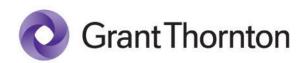
7. The Letter is addressed to all Members and the Engagement Lead requires that all Members receive a copy. There is also a statutory requirement to publish the Letter. The Audit Commission has published all Letters on its

website as part of its objective to make its findings easily accessible to everyone. The Council will also publish the Letter on the website.

### Recommendations

- 8. The Governance and Audit Committee is asked to receive the Annual Audit Letter for assurance and note:
  - the requirement of the External Auditors to prepare and issue an Annual Audit Letter to the Council has been met.

Neeta Major Head of Internal Audit Ext: 4664



# The Annual Audit Letter for Kent County Council

### Year ended 31 March 2013

Ochober 2013

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#### **Darren Wells**

Director

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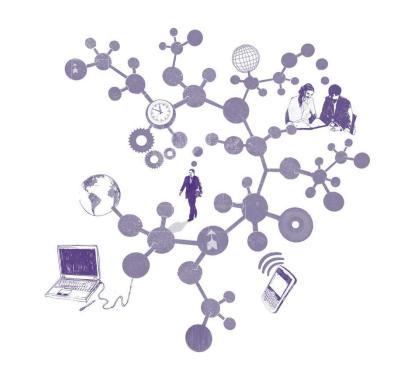
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# **Section 1:** Executive summary

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03.	Value for Money	
04.	Certification of grant claims and returns	

### Executive summary

### **Purpose of this Letter**

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Kent County Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- Contribution of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stal cholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 July 2013.

### Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (<a href="www.audit-commission.gov.uk">www.audit-commission.gov.uk</a>).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

#### **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission.

Our work on the Teachers' Pensions return is on-going. There are no other claims for audit in 2012/13.

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### Executive summary (continued)

### **Key areas for Council attention**

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The economic environment remains challenging for local government. In December 2012 the Secretary of State announced further reductions to the Revenue Support Grant. You face a significant financial challenge to deliver the current level of services with reducing funding. You have made savings totalling £174 million in the past two years and built in a further £95 million savings into the 2013/14 budget. There is an expectation that you will have to make savings of a similar magnitude over the next three years. It continues to be one of the most challenging financial periods and members and officers have recognised that new ways of working need to be identified.

Against the tight financial backdrop you have continued to meet annual savings targets and delivered a revenue underspend in 2012/13. However, identifying savings options and then delivering against them are increasingly difficult. Savings associated with adults transformation in 2013/14 are challenging to fully deliver by the end of the financial year. Appropriate contingencies are under discussion and currently, officers predict an overall forecast underspend for the year of £4.4 million.

With this in mind, you launched 'Facing the Challenge: Delivering Better Outcomes' in September 2013 which recognises the need for whole Council transformation. This sets out the vision for the Council in the future and identifies three key themes to shape the transformation: market engagement and service review; integration and service redesign; and managing change better.

You have estimated that you will need to deliver savings of around £239 million between 2015/16 and 2017/18 and are planning to link these savings to the transformation plan.

Your financial statements were prepared to a good standard and we issued unqualified opinions on your accounts and on the pension fund on 24 July 2013. A small number of amendments were made following the accounts audits. We also issued an unqualified value for money conclusion on the same date.

### **Acknowledgements**

This Letter has been agreed with the Corporate Director of Finance and Procurement and shared with members of the Governance and Audit Committee.

This has been Grant Thornton's first year as your external auditors. The Audit Commission appointed us for a period of five years, with a 40 per cent reduction in scale fee compared with 2011/12. The fee reduction has required us to work closely with management to deliver the audit in an efficient way.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

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### **Section 2:** Audit of the accounts

01	01Executive summary	
02.S	Audit of the accounts	
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04.	Certification of grant claims and returns	

### Audit of the accounts

#### **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

You presented us with draft accounts on 14 June 2013, which is two weeks earlier than the national deadline. Good quality working papers were made available from the start of the audit fieldwork, which commenced on 17 June 2013. Officers were responsive to queries and additional information requests and the majority of the audit work was completed in the three week onsite visit.

We met with finance officers monthly to discuss the new audit methodology and attended the closedown champion meetings which enabled officers to respond to changes throughout the year. In addition, centralising the finance team for 2012/13 enhanced the closedown arrangements and led to a more efficient audit visit for the accounts.

### Issues arising from the audit of the accounts

A small number of disclosure amendments were made to your accounts following audit. All of which were agreed by management with the exception of one misstatement. This was not material and did not impact on the audit opinion. We worked with finance officers to 'declutter' the statement of accounts to make it more readable to stakeholders whilst ensuring compliance with CIPFA's Code of Practice.

### **Annual governance statement**

You produced an enhanced Annual Governance Statement for 2012/13 following attendance at a Grant Thornton governance session and in line with CIPFA guidance. As part of these enhancements, you chose to highlight and disclose several issues which you are addressing, recognising the continuing improvements you are making to meet the financial pressures and transformation changes to service delivery.

#### **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Governance and Audit Committee at the Council). We presented our report to the Governance and Audit Committee on 24 July 2013 and have summarised only the key messages in this Letter.

We issued an unqualified opinion on your 2012/13 accounts, including the pension fund accounts, on 24 July 2013, two months earlier than the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## **Section 3:** Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

### Value for Money

### **Scope of work**

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### **Key findings**

#### Securing financial resilience

We reviewed your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission. We also considered and evaluated your financial resilience as measured by key indicators of financial performance on a RAG (red, amber, green) rating:

- key indicators of financial performance green;
- financial governance green;
- financial planning green;
- financial control green.

Our work highlighted that you have sound processes in place for financial governance, planning and control. You continue to face significant financial pressures to balance your budgets and have started on a journey to transform services to meet increasing demands with reduced funding. You are planning to improve the financial monitoring reports to streamline the information so those responsible for budgets have greater understanding of the latest financial position. Further details are provided in our Financial Resilience report presented to the Governance and Audit Committee on 24 July 2013.

### Challenging economy, efficiency and effectiveness

We reviewed whether you have prioritised your resources to take account of the tighter constraints you are required to operate within and whether you have achieved cost reductions and improved productivity and efficiencies. Our work did not identify any significant weaknesses that would impact on our conclusion for 2012/13. Our work highlighted that you have continued your strong record of making efficiencies and savings and your corporate governance arrangements are sufficient to help you deliver value for money.

#### **Overall VFM conclusion**

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2013.

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## Section 4: Certification of grant claims and returns

01. Executive summary
02@Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

# Certification of grant claims and returns

### Introduction

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

# **Approach and context to certification**

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

# Key messages

Todate, you have submitted one return for audit: Teachers' Pensions Return. This is currently being audited and the deadline for certification is 30 November 2013. Findings from the audit will be provided in our certification report issued in December 2013.

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Appendices

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# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

#### **Fees**

	Per Audit plan £	Actual fees £
Audit Fee	207,900	207,900
Grant certification fee	6,250	6,250
Total fees	214,150	214,150

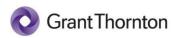
### **Fees for other services**

Service	Fees £
Regional Growth Fund claim audit	4,000

# **Reports issued**

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	July 2013
VfM – Financial Resilience Report	July 2013
Annual Audit Letter	October 2013
Certification report (to be issued)	December 2013

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By: Richard Long, Chairman of Governance & Audit Committee

Neeta Major, Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

Subject: REVIEW OF THE COMMITTEE TERMS OF REFERENCE

Classification: Unrestricted

Summary: This paper reviews and updates the Committee's Terms of

Reference.

### FOR DECISION

# Introduction and Background

 In September 2012 Members reviewed and approved the revised Committee Terms of Reference. This has been included at Annex 1 for ease of reference. Annual review of an Audit Committee's terms of reference is good practice.

# **Suggested Changes**

- No substantial changes are suggested to the Terms of Reference. The only proposed changes reflect the altered Membership following the elections in May 2013. This change is shown in bold underlined italics in Annex 1 for ease of reference.
- 3. The Council is undergoing a programme of significant transformation currently. Although unlikely, these developments may impact on the role of the Committee, and it is therefore appropriate that the Terms of Reference be reviewed regularly in December of each year to ensure they remain "fit for purpose".

### Recommendations

- 4. Members of the Committee are asked to:
  - Recommend to full Council that the Terms of Reference at Annex 1 be approved.

### **Appendices**

**Annex 1** Proposed Terms of Reference

Neeta Major Head of Internal Audit (x4664)

# **Governance and Audit Committee**

### TERMS OF REFERENCE

15 Members

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

# **Overarching Purpose**

The purpose of the Governance and Audit 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.

## Objectives of the Committee

On behalf of the Council the Governance and Audit 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 best practice, 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 the 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.
- 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.

# Responsibilities

# Risk Management and Internal Control

The Committee should:

- Review annually the Council's Risk Management Policy and Procedures to ensure they remain up to date and relevant;
- Review the Council's Corporate Risk Register every six months to assess the
  effectiveness of the systems established by senior officers to identify, assess, control
  and monitor financial and non-financial risks;
- Review regular and ad-hoc assurance reports from officers in order to assess the
  effectiveness of the planned actions to mitigate the risks identified;
- Commission investigations into any matter of concern within the Terms of Reference of the Committee, consider the findings thereof and make appropriate recommendations to the Council;
- Ensure appropriate action is taken in response to recommendations arising from any external audit, internal audit, operational compliance or business risk report to monitor such action, making appropriate recommendations to the Council;
- Ensure that any significant partnership that the Council enters into has appropriate
  Governance and Risk Management arrangements, and that any risk to the Council from
  the Partnership is minimised;
- Consider the Risk Management Reports and assess the impact of the findings on the Annual Governance Statement;
- Review regular monitoring reports on treasury management activity and significant risks.

### Corporate Governance

The Committee should:

- Ensure that the Annual Governance Statement (including the list of significant issues for action in the ensuing year) is prepared in accordance with the statutory requirements and guidance, properly reflects the risk environment, and monitor progress on the significant issues and actions identified in the Statement;
- Review the Council's key financial governance procedures i.e., Financial Regulations, Schemes of Delegation, the Procurement Policy and the Treasury Management Policies, and recommend any necessary amendments;
- Review the Council's Code of Corporate Governance and make recommendations to Council to ensure that it remains relevant to the Council's work and remains in compliance with best practice and legislation;
- Consider issues referred by the Head of Paid Service, Corporate Director of Finance and Procurement, Monitoring Officer, any Council body or appropriate external party within the remit of these Terms of Reference;

- Monitor the Council's compliance with its own published standards and controls;
- Make recommendations to the Council on amendments to the Constitution to ensure compliance with standards of financial probity and stewardship;
- Consider arrangements made by the Superannuation Fund Committee for effective governance of the Kent Pension Fund.

### Internal Audit

The Committee should:

- review annually the Internal Audit Strategy, ensuring that its Annual Plan addresses the key risks of the Council, recommending changes and additions as necessary;
- Review at each meeting of the Committee progress against, and changes to, the Annual Plan;
- Review at each meeting of the Committee the findings of Internal Audit work and the adequacy of management response to their findings;
- Review at each meeting of the Committee the implementation by officers of agreed "High" priority Internal Audit recommendations, seeking explanations from those responsible where implementation has not been achieved;
- Consider the results of the annual benchmarking and Key Performance Indicator results for Internal Audit;
- Assess the implications of the Internal Audit Annual Report on the Council's risk management, control and governance processes;
- Annually assess the co-operation between External and Internal Audit and other inspection agencies or relevant bodies;
- Approve the Terms of Reference and Charter of Internal Audit.

### External Audit

The Committee should:

- Approve on behalf of the Council the appointment of the External Auditor selected by the Audit Commission;
- Approve the annual External Audit plan and fee, ensuring that non-mandated work is proportionate, relates to recognised risks of the Council and takes account of the work of Internal Audit or other assurance activities;
- Review at each meeting of the Committee progress against, and changes to, the External Audit plan and fee;
- As "those charged with governance", receive the Annual Governance Report and the Annual Audit Letter and monitor Council's response to the External Auditor's findings and the implementation of external audit recommendations.

# Financial Reporting

The Committee should:

- Approve the Statement of Accounts on behalf of the Council, specifically considering the suitability of accounting policies and treatments and any changes to these; areas of major judgement; and any significant issues or amendments resulting from the audit;
- Ensure that the Kent Pension Fund Accounts, and summary extracts in the Council's Accounts, have been prepared in accordance with recommended practice, and statutory requirements.

### Fraud

The Committee should:

- Regularly review the Council's Anti-Fraud and Anti-Corruption strategies;
- Regularly review the Council's procedures for handling allegations from whistleblowers;
- Receive details of the findings of investigations resulting from either detected fraud or allegations made under the whistleblowing arrangements.

# Membership

<u>The membership of the Committee shall be 15 non-executive Members (Conservative 8; UKIP 3; Labour 2; Liberal Democrat 1; Independents 1).</u>

### Reporting

The Minutes of the Governance and Audit Committee will be reported to Council after each meeting.

### Rights and Access

The Committee may procure specialist ad-hoc advice from officers or from suitably qualified external sources.

The Head of Internal Audit and the representative of External Audit will have unrestricted and confidential access to the Chairman of the Committee.

### Meetings

The Committee will meet at least four times a year. The Chairman may convene additional meetings if required.

The guorum for Committee meetings is one third of its total voting membership.

The Committee may still validly exercise its functions even if Members have not been appointed to all the places on it.

### **Attendees**

The Committee will normally be attended by the Corporate Director of Finance and Procurement, the Director of Governance and Law, the Head of Internal Audit, the Head of Performance, Business Intelligence and Risk /Corporate Risk Manager and a representative of External Audit.

The Committee may request that any other Member or Officer attend to assist with its discussions on any particular issues.

### Work of other Committees

In all of the above, the Committee will strive to develop effective liaison with the following:

- the Standards Committee with regard to matters of ethical governance;
- the Scrutiny Committee to complement but not to duplicate the exercise of their role in checking compliance with Council processes and policies in reviewing decisions and actions:
- Cabinet Members, in particular those whose portfolios include executive functions related to the matters covered by these Terms of Reference;
- the Council, especially when developing the Council's Code of Corporate Governance.

# Training and Development

The work of the Members of the Committee will be supported by a training and development programme consistent with the responsibilities to be discharged.

By: Anna Simmonds - Commercial Services Internal Audit

Manager

To: Governance and Audit Committee – 18 December 2013

Subject: Commercial Services Internal Audit Progress Report

Classification: Unrestricted

**Summary**: This report summarises the outcomes of the Commercial Services Internal Audit activity for the 2013 financial year to date.

### FOR ASSURANCE

### Introduction

1. This report summarises:

- The key findings from completed Internal Audit reviews by the Commercial Services (CS) Internal Audit team;
- Progress against the 2013 CS Internal Audit Work Programme; and,
- Achievement against key performance indicators.
- 2. As reported by the KCC Head of Internal Audit on 18 April 2012 in the KCC Internal Audit Strategy and Annual Audit Plan 2012-2013, Commercial Services planned to appoint dedicated resources to undertake audits.
- 3. In June 2012, a Commercial Services Internal Audit Manager was appointed and a dedicated CS Internal Audit team comprising of a Manager, Senior Internal Auditor and Trainee Auditor post, has been fully operational since April 2013.
- 4. The CS Internal Audit Work Programme for 2013 was agreed by the KCC Head of Internal Audit who hopes to place reliance on the work of the CS Internal Audit, following an assessment in January 2014 in accordance with International Standards of Auditing.

### **Development of Audit Plan**

- The internal audit work programme for 2013 was developed as a result of discussions with CS Directors and Heads of Businesses, taking into account the CS business plans, using a risk based and assurance mapping methodology.
- 6. The programme was agreed with the CS Managing Director, CS Finance Director and the KCC Head of Internal Audit.

# Recommendation

7. Members are asked to NOTE progress made against the Commercial Services Internal Audit Work Programme 2013 attached to this report.

Anna Simmonds Commercial Services Internal Audit Manager

Ext: 01622 236959

# Status Report: Progress against the Internal Audit Work Programme 2013

Internal Audit	Progress as at	Final Report	Overall	Summary of Findings or Additional Comments
Review	09 December	Date	Assessment	
ACCURANCE DEVIEN	2013			
ASSURANCE REVIEW		05.1.1.2042		THE PLANT OF STATE THE ALLEY AND ADDRESS OF STATE OF STAT
1. Laser Billing and Validation	Final Report Issued	05 July 2013	Substantial	The validation routines in GEMS are well established and help Laser to ensure that their customer invoices are produced accurately. During the review management introduced further restrictions over who has the ability to set up and amend these routines in GEMS. Further enhancements have already been noted for the GEMS II project, where estimated usage will form part of the validation routine and an audit trail recording changes to the validation routines will be introduced.
				We did note in a few instances that the segregation of duties for inputting and checking price data updating GEMS with prices had not always been observed, with the same person both inputting and checking samples, or checks not being carried out. We understand that management will be evaluating the input and checking processes as part of the GEMS II project to try and automate the checking process so all data input is checked.
2. Recruitment	Final Report Issued	11 Sept 2013	Substantial	Comprehensive guidance has been produced by HR for managers in respect of recruitment processes. Testing identified some instance of non compliance by recruiting managers with areas of good business practice. However, the Human Resource (HR) team was aware of such areas and hopes to address these issues by reminding recruiting managers that these documents should be provided to HR and providing training sessions on good recruitment practices in the autumn. Furthermore, the HR team plans to introduce the SAGE online recruitment module during 2014, which will streamline the process, reducing the administration burden on recruiting managers and HR team.
3. Business Disaster Recovery and Business Continuity Planning (BCP)	Final Report Issued	29 Oct 2013	Limited	Although Commercial Services (CS) has a document outlining its BCP arrangements, it is not readily available to all relevant staff and also has not been updated to reflect changes over the last 18 months to senior staff, business operations and key sites. Whilst this document required all CS units to produce their own BCP, our review found some units do not have a BCP or existing BCP's need updating. It was also found that plans have not been subject to testing. Furthermore, CS does not yet have a BCP policy nor has any BCP training been provided to help those staff responsible for managing their unit's BCP arrangements. Governance and oversight for BCP is also weak as there is currently no formal monitoring and reporting mechanism in place to review and check the adequacy of BCP arrangements.

Produced by: Anna Simmonds - CS Internal Audit Manager

Internal Audit	Progress as at	Final Report	Overall	Summary of Findings or Additional Comments
Review	09 December	Date	Assessment	
	2013			
4. Work In Progress	Draft Report			
	Prepared			
5. Data Protection	Draft Report			
	Issued			
6. Follow Up	Draft Report			
	Prepared			
7. Payroll	In Progress			
8. Declarations of Interest	In Progress			
9. Year End	In Progress			
Accounting				
Processes				
10. Expenses	Engagement Plan being drafted			
	First Interim Final	09 Oct 2013	Advisory	This review was planned to be undertaken in two phases, with the first assessing the
3	Report Issued			adequacy of information security policies, procedures and controls for accessing the CS IT
3	Second phase to			network and the new Abbey Wood Road (AWR) server room physical and environmental
	commence after			controls. Our second report will provide an assurance opinion to management actions to
	network split			enhance controls have been implemented, together with confirmation that former controls
	(likely post 2013)			continue to operate effectively post the network split from KCC.
ADVISORY REVIEW				
12. Due Diligence	In Progress			
Process				
13. Warehouse	First Interim Final	18 July 2013	Advisory	These reports provide the CS Executive with an independent update on the progress of the
Build and Move	Report Issued			project, at appropriate intervals as agreed with management.
Project	Second Interim	30 Oct 2013	Advisory	
	Final Report			
	Issued			
	Third phase in			
14 1 05140	progress	16 4 1 2012	A al. d	This is a local town qualitate Na foreth an arrange (III)
14. Laser GEMS and GEMS II	First Interim Final Report Issued	16 August 2013	Advisory	This is a long term project. No further reports will be produced before December 2013. In line with the length of the project, this review will be carried forward into next years plan.
allu GEIVIS II	neport issued			However, CS Internal Audit continue to maintain a 'watching brief' over the project.
				nowever, continue to maintain a watching brief over the project.
				I .

Internal Audit	Progress as at	Final Report	Overall	Summary of Findings or Additional Comments
Review	09 December	Date	Assessment	
	2013			
ADDITIONAL ADVISO	ORY REVIEWS REQUE	STED BY MANAGEN	MENT	
County Print & Design (CP&D) Contract End	Final Report Issued	12 July 2013	Advisory	
Simplicare Store Stock Count	Final Report Issued	16 Sept 2013	Advisory	
Delegated Authorities	Draft Report Issued			
CARRIED FORWARD			-	General ledger follow up included in performance indicators)
15. Kent County Supplies (KCS) – One Office Application Review Follow Up	Final Report Issued	11 June 2013	Adequate	This review was carried forward from 2013 plan but was not considered as part of the 2012-2013 annual opinion.  Of the original nine actions arising, one had been implemented, four partly implemented and four had not been implemented. Whilst there has been a lack of progress to implement the original recommendations raised completely, some efforts have been taken to address weaknesses. As a consequence, we have revised recommendations and in some instances reduced their priority. This resulted in four 'medium' and four 'low' priority recommendations being raised, which will be followed up as part of the general follow up review process. However, we are aware that there are plans to replace this system in 2014.
16. General Ledger Follow Up Payment Card	Final Report Issued Final Report	19 July 2013 07 August 2013	Substantial  Limited	This review was carried forward from 2013 plan but was not considered as part of the 2012-2013 annual opinion.  Of the original three actions arising, one has been partially implemented, one has been superseded and the remainder is outstanding. Management has identified actions to address outstanding issues.  Assurance opinion already included as part of 2012-2013 annual opinion.
Industry (PCI) Compliance	Issued			
Accounts Receivable	Final Report Issued	14 Oct 2013	Adequate	Assurance opinion already included as part of 2012-2013 annual opinion.

# **Progress Against Key Performance Indicators**

This includes external and internal indicators and have been calculated prior to the changes as part of the mid year review.

Performance Measure	Target	Progress
Effectiveness of Internal Audit Service		
% of issues of concern accepted by management	98%	94% (49 of 52)
Efficiency	1	1
% of plan delivered by end of December (final reports issued)	90%	37% (6 of 16)*
% of draft reports completed within 10 days of finishing the fieldwork (e.g. debrief meeting)	90%	100%
Preparation of the annual plan	By end November	Achieved
Preparation of CS annual report	By end January	
Preparation of KCC annual report	By 11 April	
Quality of Service	I	I
Average client satisfaction survey	90%	100%

<sup>\*</sup> Whilst this figure appears low, a number of reviews have included interim reports being issued and finalised, which have not contributed to progress against the performance measure. Furthermore, from the progress table it can be seen that much of the fieldwork had been undertaken and draft reports prepared. To date we have drafted 10 of 16 reports (63%).

### **Issues of Concern Raised**

The table below shows the total number of issues concern raised that management has agreed to action. The figures have been taken from both assurance and advisory reports that have been finalised.

Priory	Issues of Concern Raised	Issues of Concern Management have agreed to Action	%
High	5	5	100%
Medium	21	20	95%
Low	26	24	92%
TOTAL	52	49	94%
1			

The table above now includes General Ledger Follow Up, PCI Compliance, advisory and ad hoc review figures.

Below are the details of the issues of concern raised that management have **not** agreed to action to date.

Internal Audit Review Title	Priority of Issue of Concern	Issue of Concern Raised	Management Response	Final Report Date	Further Commentary by Internal Audit
General Ledger Follow Up	Medium	There is a risk that journal transactions could be recorded inaccurately.	There is a clear audit trail for all journals processed in CODA <sup>1</sup> , which is simple to access, review and investigate. As a result the resource cost associated with authorising journals independently before processing, is not cost effective.  Any errors associated with journal entries are captured as part of the on going process of controls and procedures set up within finance. These controls and procedures have been and are being strengthened, to reflect the increasing size and complexity of the organisation.	12 July 2013	Journal processes will be reviewed as part of the scheduled Year End Processes review

<sup>&</sup>lt;sup>1</sup> **CODA** is the finance system used by CS.

Produced by: Anna Simmonds - CS Internal Audit Manager

Laser Billing and	Low	Delays in obtaining contract sign off	We have written confirmation from customers	05 July 2013	None, management
Validation		could increase the risk of obtaining	that they have committed to our contracts		have considered the
		timely and satisfactory resolution of	prior to supply commencing. We would also		risk
		any disputes that might arise.	like signed tripartites to be in place before		
			supply commences, but this depends on lead		
			time between the framework being executed		
			and the supply period commencing, and the		

			timeliness of customers executing agreements.		
Laser GEMS <sup>2</sup> and GEMS II	Low	Lack of clarity on project spend to date and the validity of the software and hardware budget could impact on the ability to effectively monitor and control project expenditure. Whilst the variance for previous spend and hardware and software will be <10% of the budget, they represent reasonable amounts. As the Project Board members are not aware of the position they cannot challenge and assess whether these funds should be retained or released from the project.	No action proposed. Project Budgets are in most cases calculated at business case / project summary stage prior to detailed planning. The Projects team use best endeavours to ensure client departments' budgets are sensible.  The methodology selected by the client for the delivery of the GEMS 2 project is Agile <sup>3</sup> (specifically Scrum). In Scrum <sup>4</sup> , it is recognised that project requirements are constantly in flux. This means that planning can only be accurate within the period of a sprint. The further into the future a plan looks, the less accurate it becomes. Therefore the exact duration and resource required may not be known at the outset of the project.  In the Project context, the budget and tolerances stated within the (Project Initiation	16 August 2013	None, management have considered the risk and believe current arrangements are adequate

<sup>&</sup>lt;sup>2</sup> **GEMS** (General Energy Management System) is the in-house developed software used by Laser.

A key principle of Scrum is its recognition that during a project the customers can change their minds about what they want and need (often called requirements churn), and that unpredicted challenges cannot be easily addressed in a traditional predictive or planned manner. As such, Scrum adopts an empirical approach—accepting that the problem cannot be fully understood or defined, focusing instead on maximizing the team's ability to deliver quickly and respond to emerging requirements. (courtesy of Wikipedia)

<sup>&</sup>lt;sup>3</sup> **Agile** software development is a group of software development methods based on iterative and incremental development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams. It promotes adaptive planning, evolutionary development and delivery, a time-boxed iterative approach, and encourages rapid and flexible response to change. It is a conceptual framework that promotes foreseen tight interactions throughout the development cycle. (courtesy of Wikipedia)

<sup>&</sup>lt;sup>4</sup> **Srum** is an iterative and incremental Agile software development framework for managing software projects and product or application development. Its focus is on "a flexible, holistic product development strategy where a development team works as a unit to reach a common goal" as opposed to a "traditional, sequential approach". Scrum enables the creation of self-organizing teams by encouraging co-location of all team members, and verbal communication among all team members and disciplines in the project.

	Document) PID define the Project Managers	
	financial resource for project delivery. During a	
	project, costs will vary across PID "budget	
	headings". However, it is not appropriate to	
	report each variance to the Project Board as	
	such action would result in an unnecessarily	
	"stop – start" approach to project delivery	
	whereby the Project Manager would spend	
	significant amounts of time reporting variances.	
	Only variances beyond the tolerances stated in	
	the PID for the project as a whole are taken to	
	the Project Board.	

By: Neeta Major – Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

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. 18 assurance/advisory reviews have been finalised and 15 draft reports have been issued and are in the process of being finalised. Fieldwork is in progress for a further 30 audits.
- 3. Progress against the Audit Plan for 2013/14 is 47% complete at end of October 2013. This is compared to a prorated target of 43.5% (based on the annual target to achieve 90% of the Audit Plan). Progress against Plan is therefore now above target, although we are monitoring this closely as there are a number of vacancies within the team and challenges in recruiting and retaining experienced staff continue due to the current market.
- 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 101 recommendations due in the reporting period 67 are complete or have been superseded. Revised implementation dates have been agreed for all outstanding recommendations; 13 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 December 2013

Samantha Buckland Audit Manager Ext. 4611

# **Appendix 1**



# Kent County Council

Internal Audit Progress Report December 2013

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# 1. Introduction

# 1.1 Purpose of this report

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

This report summarises the work that the Council's Internal Audit service has undertaken in 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 88 projects at December 2013. We communicate closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

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

The following amendments are proposed:

#### Deletions/Deferral

The audit of ICT Governance has been postponed to 2014/15 as ICT are reviewing these arrangements themselves as part of preparation for market engagement and service review under Facing the Challenge.

The following work has been undertaken year to date:

- 18 final reports/assurance/advisory work completed
- 15 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 30 audits

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 October 2013 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted	98%	100%
Efficiency		
% of plan delivered (Note 1)	90% by year end	47%
% of available time spent on direct audit work	85%	85%
% 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 2)	90%	84%

### Note 1

The prorated target for % of Plan at 31<sup>st</sup> October is 43.5%; therefore we are on target to deliver 90% by 31<sup>st</sup> March 2014.

#### Note 2

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. No performance concerns have been highlighted from the client feedback responses.

# **Appendix A**

# Summary of individual 2013/14 Internal Audits issued since September 2013

# **Carbon Reduction Commitment**

### Scope

The overall objective of the audit was to provide assurance over the accuracy and completeness of data and supporting evidence used for measuring carbon usage in relation to the Carbon Reduction Commitment Energy Efficiency Scheme as required by Central Government (the Environment Agency).

# Overall assessment - Compliant

The 'compliant assessment is based on there being management processes and record keeping procedures in place for compiling the CRC evidence pack and annual report that comply with Environment Agency requirements. Testing of a sample of energy consumption figures for properties back to original source data confirmed that they were accurately recorded. This year the CRC evidence pack has been produced as an electronic document in line with Environment Agency guidance.

We made two recommendations to improve control, neither of which are high priority. The recommendations related to adding electronic links between the total consumption figures in the annual report and the supporting spreadsheets and linking the evidence pack to relevant supporting documentation produced for last year's CRC return.

# **Children's Services Improvement Programme**

### Scope

The overall objective of the audit was to provide assurance that Specialist Children's Services (SCS) can evidence implementation of the recommendations made in the Ofsted report published 15 January 2013.

### **Overall Assessment – Adequate**

Ofsted carried out an unannounced inspection of the Council's arrangements for the protection of children between 26 November and 5 December 2012. The subsequent report gave an overall assessment of 'Adequate', and made 10 recommendations with implementation timeframes ranging from immediately to 6 months.

The 'adequate' assurance is based on audit testing confirming that there is a satisfactory action plan in place to meet Ofsted requirements and, for all recommendations, there was evidence that identified actions were in progress. The Central Duty Team (CDT) had re-designed the triage process, and there was evidence of improvement in the timeliness of decision-making. Sample testing identified that, following changes to the process, decisions had been made appropriately.

We have made five recommendations to further improve controls, none of which are high priority. These include ensuring that a review into the approach to conducting child protection conferences is presented to the Divisional Management Team, ensuring that a follow-up process is in place to assure full implementation of Ofsted recommendations and retaining evidence of CDT exception monitoring.

# **Contract Compliance and Letting – FSC Adults**

### Scope

The overall objective of the audit was to provide an assurance that procurement/ contract risks were being managed adequately and effectively.

### Overall assessment - Adequate

The audit reviewed the procurement processes and contract management arrangements for two major contracts procured by FSC for the Supported Independence Service (SIS) and Carers Assessment and Support. This was to assess changes in place as a result of the new Strategic Commissioning Team.

A number of issues were identified with the SIS procurement and contract management which need to be taken into consideration by FSC for future procurements. However the audit evidenced that there was a clear improvement in procedures for contract procurement and management for Carers Assessment and Support compared to the SIS contract, including robust tender procedures (evaluation, authority and award) and improved contract management arrangements; this reflects the new restructured Strategic Commissioning Team in FSC.

We have made six recommendations to improve control, one of which is high priority. This recommendation concerned establishing a formal protocol for reporting on and monitoring the performance of SIS and SIS Plus service providers.

Other recommendations were raised concerning clearly documenting and completing the tender evaluation process in full, retaining information and ensuring payment arrangements specified within the contracts are followed.

# **Highways - Customer Fault Handling**

### Scope

The overall objective of the audit was to provide an assurance on the adequacy and effectiveness of controls to handle customer reporting and complaints related to Highways faults.

#### Overall assessment - Substantial

Kent residents and visitors are able to report faults such as potholes, faulty street lights, faulty traffic signals, overgrown trees and broken signs either via the Council's website or over the telephone. For the 12 months from June 2012, Highways received over 180,000 contacts regarding faults on the highways within Kent, 110,000 of which resulted in recorded enquiries, and have a budget of approximately £120 million per annum. The standard for percentage of routine repairs being completed on time is consistently met.

The 'Substantial' assurance is based on there being defined procedures in place detailing how enquiries should be dealt with, as well as clear guidance on when the customer should be contacted to provide information regarding the progress of their enquiry. A check of work completed is undertaken on a monthly basis where a sample of customers is contacted to gather their views on the service received. Monitoring of KPIs is done on a weekly basis and the information is used monthly to inform performance review meetings in order to improve the service provided.

We have made ten recommendations to further improve controls, none of which are high priority. These include making it easier for faults to be reported via the webform to help encourage customers to report via this medium, as well as improving the recording of enquiry status and the quality of information held on the Works Asset Management System.

# <u>Highways - Term Maintenance Contract Delivery</u>

### Scope

The overall objective of the audit was to provide an assurance that the procurement for the Highways Term Maintenance Contract (to include Adverse Weather and Winter Service) followed the correct procedures and that the contract is being managed adequately and effectively in order to meet service and corporate objectives.

#### Overall assessment - Substantial

The audit reviewed the procurement process and contract management for the Highways Term Maintenance contract.

The audit confirmed that the procurement of the contract was extensive, rigorous and followed the requirements set out in 'Spending the Council's Money', Kent County Council's Constitution and EU legislation. There was a robust evaluation of the submitted tenders to reach a clear conclusion on the preferred bidder.

The audit also confirmed improvements to the contract structure when compared to the previous contract and significant changes envisioned with the procurement of the new contract have been put in place.

Inevitably, with a contract of this size and complexity, additional rates or an evolution of the existing rates were required to reflect the practicalities involved in running the contract.

We made three recommendations to improve control, none of which are high priority. The recommendations concerned contract coverage, rate rationalisation and other contract process issues.

# **Early Years Free Provision**

### Scope

The overall objective of this audit was to provide assurance on Free Early Years Education (FEYE) providers' compliance with KCC and legislative requirements, and the accuracy and validity of claims made by providers.

#### **Overall Assessment - Substantial**

Free Early Years Education Entitlement is available for three and four year olds, and for some two year olds who meet certain criteria. This allows up to 15 hours per week free entitlement, the majority of which is delivered by the private & voluntary sector. Other providers are registered childminders, independent schools and some maintained schools.

The 'Substantial' assurance is based on a sample of visits to providers of FEYE, which found that the majority were complying with requirements in KCC's Provider Agreement'. There were some examples of non compliance, but this was mainly because of a lack of understanding. The Childcare Development Marketing Team and the Management Information Unit (MIU) provide good support to providers. The MIU carry out comprehensive and thorough checking of data submitted by the providers and identify and resolve queries on a timely basis.

We have made three medium priority recommendations to further improve controls, which include the training of another member of staff in the MIU for contingency, and follow up visits to the providers where issues were identified during the audit.

# **User Equipment and Asset Management**

### Scope

The overall objective of the audit was to provide assurance on the degree to which the Council manages risks associated with user equipment asset management.

#### Overall Assessment - Substantial

The Council employs approximately 12,000 staff in a variety of roles operating from a number of geographical locations across the County. ICT equipment assets including desktops, laptops, mobile phones, tablets and portable storage devices are used on a daily basis by staff to deliver the Council's services. It is therefore imperative to have effective management of user ICT equipment assets to assist in managing the Council's overall IT costs.

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 departmental procedures in place for the management of most user equipment assets which are available to staff. Obsolete equipment is stored securely at Cantium House and a third party company is used for destruction. There is an agreement in place for the deletion or removal of hard disk drives following their collection from the Council.

We have made four recommendations to further improve controls, none of which are high priority. These include a review of policies and procedures on the use of USB storage and developing a disposal procedure for leased equipment. ICT Senior Management have confirmed that they do not intend to implement two of the recommendations made as the risks presented are within their risk appetite – these relate to periodic reconciliation of the equipment held by users against the asset register and defining a formal IT Asset Management Strategy.

# **Works Asset Management System (WAMS)**

### Scope

The overall objective of the audit was to provide assurance over the controls put in place by the ICT support and development team, who provide second line support via their system administrators, as well as the WAMS team who perform the day to day operations on the application.

#### Overall Assessment - Substantial

The WAMS system was supplied by a third party provider in 2005 and has been continually developed since that time. The application has 30 modules performing different functions for highways and transportation management. The system is upgraded at least annually, including bug fixes and patches to apply critical fixes.

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 WAMS system is appropriately licensed and ownership is assigned to a system owner who is responsible for the data that is processed through the system. User access controls are adequate and system interfaces are identified, documented, scheduled and reconciled in a timely manner. Input accuracy and completeness checks have been built in to the system with exception warnings and reports that are reviewed to confirm the integrity of the data input. Changes are requested and managed via the service desk SupportWorks system.

We have made nine recommendations to further improve controls, none of which are high priority. These include enhancements to system security and improvements to documentation, change process, back-up arrangements and arrangements in place to monitor the SLA.

# **Community Learning Services**

### Scope

The overall objective of the audit was to provide assurance over key financial controls within income collection and allocation, expenditure, banking and government returns.

### Overall Assessment - Adequate

Community Learning Services are responsible for delivering adult and community learning, work based learning and employability provision for the council. There are 17 Adult Education centres, four separate centres delivering Skills Plus, three Key Training centres and many outreach venues. These are all managed by the central strategic and administration team based in Sittingbourne. Contracts are held with the Education Funding Agency (EFA) and also the Skills Funding Agency (SFA) and for which both require management information returns to be submitted regularly.

The 'Adequate' assurance is based on evidence that separation of duties is in place for day to day operations with accurate receipting, reconciliation and banking. Monitoring of purchase card expenditure and the completion and review of monthly budget monitoring returns is being carried out. The learner payroll reports are reconciled and checked pre submission for payment and the main government returns are being authorised and submitted accurately.

We have made seventeen recommendations to further improve controls, one of which is high priority and relates to the need to generate a missing standing order payment report on a monthly basis. Further recommendations relate to enhancing processes for invoicing, recording and receipting of income, authorisation and receipts to support certain expenditure types and terms and conditions for lettings.

# **ICT Procurement (12/13)**

### Scope

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The overall objective of the audit was to provide assurance that the controls put in place over the management of IT procurement are adequate and meet corporate and industry best practice standards and requirements. The audit focused on the arrangements in place over hardware, software and computer applications and covered related activity in the ICT and Finance and Procurement functions

### Overall assessment - Adequate

IT assets are procured through two main methods. The first is the IT Shop which is an online service operated by the IT Service Desk providing smaller and more standardised items of hardware and software to IT users. The second is through a formal competition process with support from ICT and procurement personnel.

The 'Adequate' assurance is based on sample testing, interviews with key officers and review of supporting documentation. Controls were found to be operating effectively over the procurement of hardware and software through the IT Shop, but improvements were identified in the larger procurements reviewed during the audit. Hardware assets are tagged when they are received and recorded within an asset register. However, currently software licenses are not similarly recorded.

We have made 6 recommendations to further improve controls, two of which are high priority. These are to implement arrangements to support the management and use of software licenses and to update the procurement policy to clearly define and communicate to staff the need for ICT involvement in IT related procurements.

# Safeguarding Adults (12/13)

### Scope

The overall objective of the audit was to provide assurance on compliance with the Council's safeguarding procedures through a desktop review of other assurances (e.g. internal review programme, and peer review), implementation of identified actions and review of practitioner competence including the competency framework, training needs analysis and action plans in place.

### Overall assessment - Adequate

The previous audit of Compliance with Adult Protection Procedures undertaken in 2008/09 was given limited assurance; therefore this review demonstrates an upward direction of travel.

The adequate assurance is based on work already in progress on safeguarding. Good progress is being made against the peer review action plan, and additional actions identified from other quality assurance work have been incorporated into the new plan. Progress is monitored and reported on a regular basis. In addition it is clear that there is significant work being undertaken by the Adult Safeguarding Unit and Safeguarding Coordinators to improve practice in spite of increasing safeguarding alerts and resource pressures.

We have made six recommendations to further improve controls, two of which are high priority. These relate to improvements to monthly audits, in particular around the consistent recording and feedback, completion and trend analysis. Practitioner competence is high on the agenda however the current arrangements require reviewing to ensure that they are fit for purpose and embedded across the directorate. We acknowledge that the Head of Adult Safeguarding made arrangements for the review of the competency framework during the course of the audit.

# **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 nine audits at five Children's Centres, two outdoor education centres, one country park and one adult day care centre. The audits review financial controls as well as quality/performance elements and safety and security controls. Four final reports have been issued, four audits are at draft report stage and one is 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 October 2013	Date to G&A	Overall Assessment	Project	Progress at October2013	Date to G&A	Overall Assessment
Core Assurance				_			
Corporate Governance	Planning						
Annual Governance Statement	Complete	September 2013	Substantial				
Schemes of Delegation	Fieldwork in progress						
Risk Management	Planning						
Business continuity and resilience planning	Fieldwork in progress						
Performance Management Framework inc data quality	Planning						
Information Governance	Planning						
Records Management	Fieldwork in progress						
Procurement							
Business Planning	Complete	September 2013	Substantial				
Recruitment and Selection	Fieldwork in progress						
Appraisal Process	Planning						
Workforce Planning	Planning						
Completeness of contracts	Fieldwork in progress						
Contract compliance (below £50k)	Fieldwork in progress						
Company Governance	Planning						

Project	Progress at October 2013	Date to G&A	Overall Assessment	Project	Progress at October2013	Date to G&A	Overall Assessment
Core Financial Assurance					·	•	
Accounts Payable inc iProcurement (Payments process)	Planning			Local budgetary reviews	Draft Report		
Debt Recovery	Fieldwork in progress			Compliance programme*	Ongoing*	Update in each paper	Various
Cash and Bank (inc reconciliations)				Half year journal and AP IDEA testing	Cancelled	N/a	N/a
Treasury Management follow-up	Planning						
Pension Contributions follow-up	Planning						
Pension Fund Investments follow- up	Planning						
Foster Care Payments	Draft Report						
Social Care Client Billing							
Transaction Data Matching	Planning						
Client Financial Affairs/CMS							
Payroll Schools	Complete	September 2013	Adequate				
Payroll – starters, leavers and overpayments follow-up	Fieldwork in progress						
Schools Financial Services	Planning						
Revenue Budget Monitoring follow- up	Planning						
Corporate Purchase Cards – follow-up	Planning						

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

December 2013 12

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

December 2013 13

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

December 2013 14

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

# 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 £1.26m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £445,000 and £187,000 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 to date we have undertaken 24 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 the Draft Strategic Commissioning Operating Framework was reviewed with formal feedback provided, further work will be undertaken on the implementation of the framework in 2014/15. 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

December 2013

# **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/o0r evidence of a level on 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	to be i	nmendations implemented October 2013	overd	nmendations ue as at 31 er 2013	Comments	Revised implementation date
	Н	M	Н	M		
Authority Wide						
Members Expenses (AW14-2011)	0	6	0	0	All recommendations due have been implemented or superseded.	
Core Systems	·	· ·	1	- I		1
General Ledger (CS01-2013)	0	3	0	1	Access Database is currently being developed.	31 <sup>st</sup> January 2014
Capital Programme  – Planning and Monitoring (CS06- 2013)	0	2	0	0	All recommendations due have been implemented.	
Foster Care Payments (CS14- 2013)	0	1	0	0	Cost of report required cannot be justified so the risk is accepted and the recommendation will not be implemented.	
Payroll Schools (CS14-2014)	0	1	0	0	All recommendations due have been implemented.	
VAT (CS19-2013)	0	4	0	0	All recommendations due have been implemented.	
Policy	I		1	l		
Declarations of Interest (CF08- 2013)	0	4	0	4	Recommendations due to be implemented January 2014.	31 <sup>st</sup> January 2014
Communications Toolkit (POL12-	2	3	2	0	A formal system to manage the communications workflow will be purchased and introduced later this financial year. This will assist monitoring the trail of work completed and reporting for	31 <sup>st</sup> March 2014

December 2013

Audit	Recommendations to be implemented by 31 October 2013		Recommendations overdue as at 31 October 2013		Comments	Revised implementation date
	Н	M	Н	M		
2012)					performance indicators.	
Risk Based		<u> </u>	1	1		1
Service Re-design (RB01-2013)	0	3	0	0	All recommendations due have been implemented.	
Property Disposals (RB04-2013)	4	4	4	1	The outstanding recommendations are in the process of being implemented but not yet complete.	31 <sup>st</sup> December 2013
Developer Contributions (RB05-2013)	5	3	4	3	Agreed action plan in place for recommendations, but as yet, not complete. A follow-up will be undertaken in quarter 1 of 2014/15 to give assurance on progress.	31 <sup>st</sup> March 2014
Strategic Commissioning (RB08-2013)	0	3	0	0	Recommendations now superseded. Work being undertaken by efficiency partner.	
Data Quality (RB10- 2013)	0	1	0	1	A final upgrade needs completing and then the recovery process can be tested.	31 <sup>st</sup> January 2014
LASER – follow up review (RB26-2013)	0	4	0	2	Rescheduled to give time for tender evaluation policy to be formally approved by KCC. Also, an informal PSG quality review process is taking place.	31 <sup>st</sup> December 2013
Core Assurance				l		1
Corporate Governance (CA01- 2013)	0	2	0	0	All recommendations due have been implemented.	
Annual Governance Statement (CA02- 2014)	1	0	0	0	All recommendations due have been implemented.	
Performance Management Framework (CA06-	0	3	0	1	There are currently no Performance Indicator Definition forms for Key Performance Indicators. These will be in place by December 2013.	31 <sup>st</sup> December 2013

Audit	Recommendations to be implemented by 31 October 2013		be implemented overdue as at 31		Comments	Revised implementation date
	Н	M	Н	M		
2013 0						
Business Planning (CA10-2014)	0	3	0	0	Recommendations are no longer applicable.	
Learning and Development (CA13-2013)	0	4	0	0	All recommendations due have been implemented.	
Workforce Planning (CA16-2013)	0	5	0	0	All recommendations due have been implemented or superseded	
IT Audits	-L					1
PC End User Controls (CED09- 2011)	0	1	0	0	The implementation of the recommended software has been formally abandoned as it cannot be made to fully integrate with the Council's Active Directory. The Council's K-Mail and KNet continue to be used to advise all users of ICT security issues and best practice.	
Firewalls and Firewall Management (CS22-2012)	0	4	0	2	Completion of the agreed actions is pending implementation of new software. Decommissioning the last remaining legacy firewall is due to be completed by the end of November.	31 <sup>st</sup> December 2013
Business Objectives (CS31-2012)	0	1	0	0	All recommendations due have been implemented.	
Registrations (CS32-2012)	0	1	0	1	Work is in progress and the service is currently discussing this recommendation with the software supplier.	31 <sup>st</sup> December 2013
CapitaOne (CS33- 2012)	0	3	0	1	Audit trails cannot be implemented until the Capita system has been upgraded. This is planned to be done by December 2013, which will enable the Audit Trails to be fully utilised.	31 <sup>st</sup> March 2014
Oracle HR (IT02-	0	2	0	0	All recommendations due have been implemented.	

Audit	to be implemented		Recommendations overdue as at 31 October 2013		Comments	Revised implementation date
	Н	М	Н	M		
2013)						
BACS and payment system (IT04-2013)	0	3	0	0	All recommendations due have been implemented.	
BYOD (IT07-2013)	0	4	0	0	The recommendations made are no longer relevant due to a change of approach which we are monitoring to ensure risk levels are appropriate.	
Contract Compliand	e					
Supporting People (CC03-2013)	1	0	0	0	All recommendations due have been implemented.	
Professional and Highway Consultancy Contract (CC05- 2013)	3	0	0	0	All recommendations due have been superseded.	
Biffa Household Waste Recycling Centre (CC08-2013)	3	4	3	4	Implementation of recommendations is in progress. The recommendations are being included in new contract.	31 <sup>st</sup> May 2014
Total	19	82	13	21		

H = High risk

M = Medium risk

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By: Neeta Major, Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

Subject: <u>Effectiveness of Internal and External Audit Liaison</u>

Classification: Unrestricted

**Summary**: This paper summarises the effectiveness of the liaison arrangements

between Internal and External Audit

## FOR ASSURANCE

#### Introduction

The requirement for Internal Audit and External audit to liaise in an effective way
is recognised by professional guidance within both disciplines. Effective liaison
can reduce the audit burden for finance and other front line staff. For this reason
the Committee's Terms of Reference includes the responsibility for the
Committee to annually assess the co-operation between Internal and External
Audit.

# **Professional requirements**

- 2. It is important to understand that both functions have very different remits. Internal Audit is an independent assurance function within the Council, whereas External Audit is responsible for giving an independent opinion on the Council's financial statements and a conclusion on its arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 3. Although their overall remits differ, it should be possible for internal and external auditors to rely on each other's work, subject to the limits determined by their responsibilities.
- 4. External Audit's work is governed by the International Standards on Auditing (ISAs). In particular ISA 610 requires External Audit to:
  - Determine whether, and to what extent, to use specific work of the internal auditors; and
  - If using the specific work of the internal auditors, to determine whether that work is adequate for the purposes of the audit.
- 5. ISA 610 is clear that effective internal auditing will often allow a modification in the nature and timing, and a reduction in the extent of audit procedures performed by the external auditor. However it also states that the external auditor may decide that internal auditing will have no effect on external audit procedures. In coming to a conclusion whether to rely on the work of internal audit, the external auditor usually makes an assessment of internal audit's organisational status, objectivity and scope of the function, technical competence of the team and the due professional care in place.

# **Current practice**

6. External Audit's evaluation of Internal Audit has been positive over recent years and no concerns across the four criterion set out in ISA 610 have been raised. This was reflected in Grant Thornton's 2012-2013 financial resilience report presented to the July Committee. There are regular meetings between the two

- teams to share, discuss and co-ordinate plans. The liaison arrangements are documented within a protocol shown at Apppendix 1 to this report.
- 7. In 2013/2014 Internal Audit is undertaking a number of core financial reviews and is liaising with Grant Thornton to ensure that they can use any work to inform their audit, co-ordinate timing and reduce duplication wherever possible.
- 8. The key financial systems audits that Internal Audit are undertaking in quarter four of 2013/14 where there may be the possibility of sharing systems documentation or controls testing are as follows;
  - Payroll follow up
  - Accounts payable
  - Treasury management
  - Pensions contributions
  - Pensions investment income
- 9. In addition the work that the Internal Audit section completes to provide core assurance e.g. Corporate Governance, Risk Management, and performance management is utilised by the External Auditors to inform their risk assessment of the Council. For 2012/2013 the corporate governance review was performed in conjunction with the External Auditors.

# Conclusion and next steps

- 10. Liaison between Internal Audit and External Audit is in place and working effectively. Reliance is placed on the work of Internal Audit by the External Audit team where this is relevant.
- 11. Both Internal and External Audit are starting to consider their plans for the 2014/2015 year (for external audit this is in relation to the 2013/2014 financial statements). The Head of Internal Audit has agreed with Grant Thornton to coordinate the timing and approach to work wherever possible. This will be reflected in the plans presented for approval by the Committee in April next year.

#### Recommendations

12. Members of the committee are asked to note this annual update on liaison arrangements between Internal and External Audit for assurance and the protocol at Appendix 1.

# **Appendices**

Appendix 1 KCC Internal Audit – External Audit Protocol

Neeta Major (Ext 4664) Head of Internal Audit



# Internal Audit – External Audit Protocol for Kent County Council

# Year ended 31 March 2014

Næember 2013

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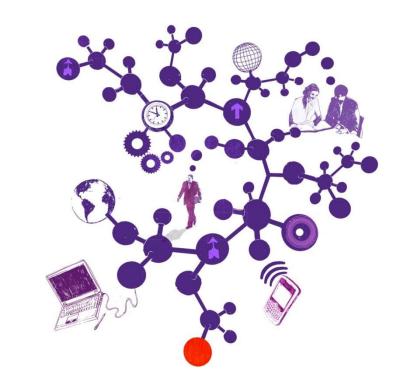
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# Introduction and Principles

#### Introduction

The protocol sets out the key principles and procedures underpinning the working relationship between Kent County Council Internal Audit team and the Council's external auditors, Grant Thornton. It establishes a framework for coordination, cooperation and exchange of information.

The protocol is based on the understanding of International Standards on Auditing (ISA), in particular ISA 315 (Identifying and assessing risks of material mistatement through understanding the entity and its environment) and ISA (Using the work of internal auditors).

# **Principles**

ISA 315 states the internal audit function is likely to be relevant to the audit of the financial statements if the nature of their work relates to the entity's financial reporting. ISA 610 recognises external audit and internal audit have different objectives and priorities. The external auditor has the sole responsibility for the opinion on the financial statements and using the work of internal audit does not impact on this responsibility in any way. Therefore the external auditor needs to consider how and whether it is appropriate to place reliance on the work of internal audit.

# **Procedures**

# **Together internal audit and Grant Thornton will:**

- Meet on a monthly basis to share and discuss audit plans, update and review issues identified through on-going or planned work, review progress and exchange key findings. Such discussions will inform the Grant Thornton audit approach.
- Liaise to identify and exchange knowledge of emerging or identified key risk areas.
- Use the meetings to ensure reporting lines to the Governance and Audit Committee are clear and information provided is clear and timely.

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# Internal audit including the fraud team will:

- Provide details to Grant Thornton of fraud above £10,000 and details of any identified or potential cases of corruption.
- Provide Grant Thornton with appropriate access to working papers and relevant documents, and with electronic access to published internal audit reports on key financial systems which may impact upon on the audit approach.
- Share its approach to systems audit work and associated documentation with Grant Thornton.

#### **Grant Thornton will:**

- Advise internal audit of the financial systems we consider are key to the production on the financial statements.
- Share testing strategies with internal audit on a timely basis to maximise the scope to ensure effective and efficient use of resources for both parties.
- Share details of our approach as requested.

# **Way forward:**

This protocol has been discussed and agreed with the Head of Internal Audit. The protocol will be reviewed annually and updated to reflect changes to internal audit standards and the ISAs.



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By: Neeta Major – Head of Internal Audit

To: Governance and Audit Committee – 18 December 2013

Subject: ANTI-FRAUD AND CORRUPTION

**PROGRESS REPORT** 

Classification: Unrestricted

**Summary**: This paper provides a summary of progress of anti-fraud and

corruption activity as well as the outcome of investigations concluded

since the last Governance and Audit Committee meeting in

September 2013.

## FOR ASSURANCE

# Introduction and Background

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 welldesigned 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 staff in Libraries and Archives, finance and senior leaders (schools), Families and Social Care (FSC) and to Members via the Financial Management Development Programme. We have also issued fraud alerts via Knet and Kent Trust Web to advise staff of emerging fraud risks.
- 3. To support the council in better protecting itself from recruitment fraud we have made a Document Fraud Awareness e-learning course available to all staff and Members via the e-learning gateway. We will continue to raise the level of fraud awareness across the Council and will provide a fraud awareness e-learning module by the end of the financial year.

#### Proactive Fraud

4. We have completed a review of the policies and procedures related to the financial assessment of personal budget recipients. Appendix A details the outcome of the review. Progress in relation to the implementation of the agreed recommendations will be reported within the Internal Audit Progress Report.

# **Irregularities**

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

Table 1 - Irregularities Received

	Number of Irregularities
Brought forward at 19 August 2013	20
New irregularities recorded in period	18
Concluded in period	18
Carried forward at 19 November 2013	20

6. Internal Audit has recorded 27 new irregularities in 2013/14. The most common types of fraud reported have been social services fraud (10) and payroll fraud (4). The definition of each fraud type is detailed in Appendix B. A full breakdown is shown below.

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

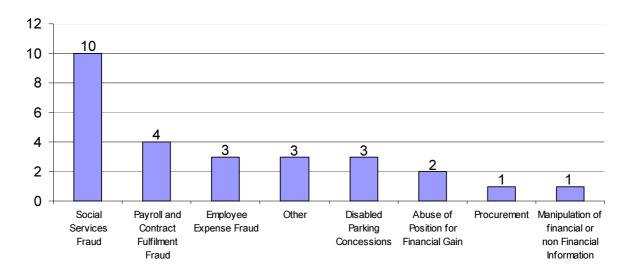
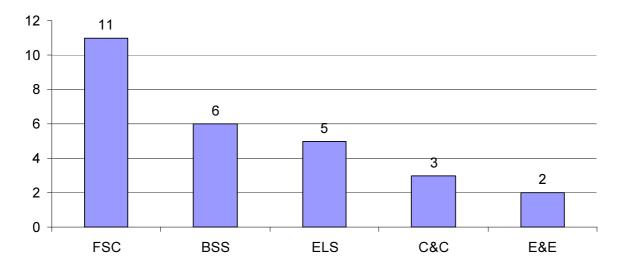


Chart 2 - Irregularities by Directorate 13/14 Year to Date



- 7. The increase in irregularities originating in FSC relates to an increase in social services fraud, which is any fraud linked to social services provision. For example, false payments to contractors for housing modifications or the failure to declare income/capital by social care clients. We have been providing increased support to FSC when responding to allegations of financial abuse by residential providers and carers, as well as misuse of personal budgets paid via Direct Payment. We will shortly complete a fraud risk assessment for all Directorates and will be discussing the results with key directors.
- 8. The most common sources of referral were management (10) and staff (10) 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 full breakdown is shown below:

12 10 10 10 8 6 4 4 2 2 0 -Management Staff Public Whistleblower Human

**Chart 3: Irregularities by Source** 

9. In addition to these irregularities, we have recorded and monitored a further 24 instances of Direct Payment misuse in 2013/2014. Historically, this information was collected by another team, but the Counter Fraud team are now receiving and analysing this data. We are currently reviewing our approach to these referrals and will provide further information once this review is complete.

Resources

## Recommendations

10. Members are asked to note for assurance:

• the progress of prevention and investigation anti-fraud and corruption activity

# **Appendices**

Appendix A Summary of Proactive Fraud Reviews and Concluded

Irregularities

Appendix B Definitions of Fraud Types

**Paul Rock** 

Counter Fraud Manager (Ext: 4694)

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# **Summary of Concluded Irregularities**

Ref	Allegation	Outcome
862	The sister of a social care client was alleged to be using her sister's personal budget, paid via a Direct Payment, to support her ailing business.	<ul> <li>The investigation substantiated that the client's sister had been misusing the Direct Payment and £1,649 has been repaid.</li> <li>The Direct Payment has been stopped and alternative care provision has been put in place.</li> </ul>
874	A member of the public alerted KCC to the sale of allegedly stolen vehicle parts on an auction website.	<ul> <li>The subsequent investigation established that vehicle parts and similar items had been misappropriated and sold on an auction website.</li> <li>The member of staff involved has returned the remaining items and was required to repay £2,845. He has now left KCC's employment.</li> </ul>
874b	A second employee was suspected to be involved in the thefts of vehicle parts identified above (874).	The subsequent investigation revealed no evidence of theft by the second employee and the case was closed.
875	Two care workers employed by KCC were alleged to have abused their position to create a banking account so that Service Users could donate funds in memory of a deceased resident.	Management investigated the allegations which did not identify any evidence of fraud or theft, however, one of the members of staff was issued with a final written warning for other performance related issues.
883	An allegation of theft of stock was received by KCC. A member of the public identified some lighting for sale on an auction website and suspected it was stolen.	<ul> <li>A review of stock identified some lighting was missing. The alleged theft was referred to Kent Police who investigated but declined to proceed with a prosecution. The police did not provide KCC with any evidence about who may have stolen the items. None of the alleged stolen property has been recovered.</li> </ul>
887	A member of the public alleged that KCC had appointed an unsuitable voluntary sector provider as the lead organisation coordinating a bid for central funding.	<ul> <li>No losses were suffered as the bid was not successful for reasons unrelated to the allegation.</li> <li>Evidence of increased level of risk associated to this organisation was identified.</li> <li>Recommendations have been made to improve understanding of different models of social enterprise and to enhance checks when engaging with the voluntary sector</li> </ul>
888	A member of the public alleged that KCC had committed offences of fraud through the inappropriate use of a single source tender.	<ul> <li>No evidence of fraud was identified.</li> <li>Recommendations were made to review the council procedures in relation to single source suppliers.</li> </ul>

Ref	Allegation	Outcome
893	A member of staff was alleged to be working for a third party during her contracted hours for KCC.	<ul> <li>The subsequent investigation substantiated that the member of staff had worked for her own company while she was supposed to be working for KCC on 4 occasions. A final written warning was issued.</li> </ul>
895	A Head Teacher of a school was alleged to have inappropriately awarded himself an increased salary for undertaking additional teaching duties.	<ul> <li>The investigation identified that the Governing Body had awarded the increased salary for additional teaching duties however this was in conflict with current DfE guidance.</li> <li>Recommendations were made to strengthen the school's recruitment and remuneration policies.</li> </ul>
896	A representative of a social care client was alleged to have deprived the client of capital to minimise the required contribution towards the cost of care.	The application for financial support was withdrawn by the client's representative during the preliminary phase of the investigation because there had been a misunderstanding. No further action was required. The client's representative elected to self-fund.
900	A member of the public applied for a pitch on a KCC operated site on the basis he was homeless. Anonymous information was received which alleged the applicant had a home in the Tonbridge area.	The subsequent investigation identified the applicant did not have a home elsewhere and the application was allowed to proceed.
901	A photocopied Blue Badge was seized by a neighbouring council's parking enforcement team and returned to KCC.	The Blue Badge was cancelled and a warning letter was issued to the badge holder. The badge holder was advised to reapply for a new badge.
903	An application for a Blue Badge was received that included a false Kent Association for the Blind registration number (KAB).	<ul> <li>The investigation identified that the applicant frequently changed his name and favoured a famous musical artist. KAB confirmed that a number had been issued to the address but not in the name the applicant. However, the applicant was entitled to a Blue Badge as a result of receiving Disability Living Allowance which was independently verified.</li> <li>A recommendation was made to process the application on the basis of the DLA award.</li> </ul>
904	The Natwest bank informed KCC that cheques relating to a client whose financial affairs were being managed by the Client Financial Affairs Team had been presented without an authorising signature.	The preliminary investigation identified there were no losses to client and no evidence that the cheques went missing after receipt by KCC. The Natwest Fraud Team is investigating. No further action required by KCC.

Ref	Allegation	Outcome
905	HR Business Centre notified Internal Audit of a salary overpayment that had accrued over 9 months and totalled £13,752.	The preliminary investigation revealed no evidence of dishonesty of fraud by the employee and the salary overpayment has been repaid in full. No further action required.
911	HR Business Centre notified Internal Audit of a salary overpayment that had accrued over 24 months and totalled £13,143.	The preliminary investigation revealed no evidence of dishonesty of fraud by the employee. The overpaid salary calculation will be reviewed by HRBC and recovered. No further action required.
912	A Blue Badge was confiscated by a council in London and returned to KCC. The badge was illegally being used by the son of the original badge holder.	The council in London are pursuing the person using the Blue Badge.     KCC has returned the Blue Badge to its original owner and issued a letter reminding the badge holder of their responsibilities.
913	A social care client in receipt of a personal budget, paid via a Direct Payment, was alleged to have either gifted, or had stolen, monies from his account.	The preliminary visit with FSC to the care client revealed this to be an issue of misuse by the client's mother. No evidence of fraud or financial abuse was discovered however £1,560 is being recovered because the Direct Payment was not spent in accordance with the assessed support needs.

# **Summary of Proactive Fraud Reviews**

# Financial Assessments – Personal Budgets

Directorate	Scope	Overall Findings
BSS/FSC	Preventing fraud through design or redesign of policy and procedures is a key element of the Council's Anti-Fraud and Corruption Strategy. The purpose of the review was to highlight potential weaknesses or risks in existing controls, policies or procedures in relation to the financial assessment of social care clients in receipt of a personal budget.	The review was based on a sample of non-residential cases and residential cases. When appropriate, we compared the Council's policy and procedures to those used by other Local Authorities to verify the personal and financial circumstances of Housing and Council Tax benefit claimants.  In our view the process for financially assessing personal budget clients is susceptible to fraud and error. The review identified that there was no framework that defined minimum standards for collecting and retaining evidence. This may have led to the inconsistent levels and quality of evidence requested and retained in support of the assessment.

	Two recommendations were made to strengthen the assessment process and associated forms, of which one was high priority. This recommendation concerned the introduction of a verification framework that defines the minimum standards of evidence that must be obtained, scrutinised and retained.
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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.