

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 29th January, 2015

10.30 am

Darent Room, Sessions House, County Hall, Maidstone

There will be a training session for Members of the Committee at 10.00am on the key provisions of Local Audit Accountability Act 2014





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 29th January, 2015, at 10.30 am
Darent Room, Sessions House, County Hall,
Maidstone

Ask for: **Andrew Tait**
Telephone: **03000 416749**

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 E E C Hotson, Mr A J King, MBE,
Mr S C Manion, Mr R A Marsh and Mr J E Scholes

UKIP (3) Mr H Birkby, Mr C P D Hoare and Mr B Neaves

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
2. Substitutes

3. Declarations of Interest in items on the agenda for this meeting
4. Minutes (Pages 7 - 20)
Committee – 3 October 2014
Trading Activities Sub-Committee – 20 November 2014 (To Note)
5. Committee Work and Member Development Programme (Pages 21 - 26)
6. Corporate Risk Register (Pages 27 - 64)
7. Review of the KCC Risk Management Policy and Strategy (Pages 65 - 84)
8. Treasury Management 6 Monthly Review (Pages 85 - 96)
9. Debt Management (Pages 97 - 108)
10. KCC Annual Complaints, Comments and Compliments Report (Pages 109 - 140)
11. External Audit Update (Pages 141 - 160)
12. Effectiveness of Internal and External Audit Liaison (Pages 161 - 166)
13. Review of the Committee Terms of Reference (Pages 167 - 172)
14. Internal Audit and Counter-Fraud Progress Report (Pages 173 - 230)
15. 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
03000 416647

Wednesday, 21 January 2015

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.

This page is intentionally left blank

TERMS OF REFERENCE

Governance and Audit Committee

15 Members

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

The purpose of this Committee is to:

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

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

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

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

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Friday, 3 October 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr R H Bird, Mr H Birkby, Mr N J D Chard (Substitute for Mr R J Parry), Mr J A Davies, Mr C P D Hoare, Mr E E C Hotson, Mr A J King, MBE, Mr S C Manion, Mr R A Marsh, Mr J E Scholes, Mr W Scobie, Mr D Smyth, Mr M E Whybrow and Mrs Z Wiltshire (Substitute for Mr B Neaves)

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds, MBE

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr G Wild (Director of Governance and Law), Mr R Patterson (Head of Internal Audit), Mr N Vickers (Head of Financial Services), Ms S Buckland (Audit Manager), Mr P Rock (Counter Fraud Manager), Ms C White (FTC - Review Team Co-ordinator) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr Paul Hughes and Ms E Olive from Grant Thornton UK LLP.

UNRESTRICTED ITEMS

35. Minutes - 24 July 2014
(Item 4)

RESOLVED that the Minutes of the meeting held on 24 July 2014 are correctly recorded and that they be signed by the Chairman.

36. Committee Work and Member Development Programme
(Item 5)

(1) The Head of Internal Audit proposed an updated forward Committee Work and Member Development programme.

(2) The Committee agreed on the importance of detailed consideration being given to the Internal Audit Quality Assurance assessments at the next meeting. The Head of Internal Audit advised that this would be included in the Internal Audit progress report.

(3) RESOLVED that approval be given to the proposed forward work programme and Member Development programme to October 2015.

37. Update on 2014/15 Budget Savings programme
(Item 6)

(1) The Corporate Director of Finance and Procurement updated the Committee on the progress in making the revenue budget savings 2014/15. He drew attention to

the improved position following management action in respect of the projected overspend which now stood at between £5 and 6m.

- (2) RESOLVED that the progress on the 2014/15 revenue budget savings be noted for assurance.

38. Facing the Challenge Transformation Programme governance arrangements
(Item 7)

(1) The FTC Review Team Co-ordinator reported on the current governance arrangements for the Facing the Challenge Transformation Programme and proposed a governance framework for future companies in which KCC had an interest. She confirmed in respect of paragraph 2.9 that the report to Trading Activities Sub-Committee on any proposal for KCC to have an interest in a company of 50% or below, would contain a full explanation of why it was not proposed for KCC to have a controlling interest.

(2) The Committee agreed that paragraph 2.8 on the stages of the engagement process should be deleted as the process described incorporated informal discussions within a political group as a part of a formal process.

(3) RESOLVED to note for assurance:-

- (a) the governance arrangements to be adopted during the Market Engagement and Service Reviews (subject to (2) above);
- (b) that full Business Cases will be presented to the Trading Activities Sub-Committee whenever it is proposed to set up a new company; and
- (c) that regular update reports will be presented to the Committee on the progress of the Transformation Programme.

39. Commercial Services Policies
(Item 8)

(1) The Head of Internal Audit introduced a report summarising the key differences between the policies of Kent County Council and those recently introduced by Commercial Services.

(2) Members of the Committee commented on the desirability of achieving a homogenous set of policies for each company and for these policies to mirror those of KCC wherever possible. The Committee expressed particular concern over the Commercial Services policy which allowed the acceptance of some gifts and hospitality up to £75 without prior authorisation or recording on the Gifts and Hospitality register. The Committee therefore requested a further report setting out how these issues were being developed.

(3) RESOLVED that:-

- (a) subject to (2) above, the report be noted for assurance;
- (b) the views expressed by the Committee be conveyed to Commercial Services for their consideration; and
- (c) a further report be submitted to the Committee.

40. Treasury Management Update
(Item 9)

(1) The Cabinet Member for Finance and Business Support and the Treasury and Investments Manager presented an update on treasury management issues. This included the rationale for the move to greater investment in Covered and Corporate Bonds.

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

41. External Audit Annual Audit Letter 2013/14
(Item 10)

(1) Ms Liz Olive from Grant Thornton UK LLP provided a summary of the most important findings from the external audit work in respect of the 2013/14 audit year. She reaffirmed the unqualified opinion on the 2013/14 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

(2) RESOLVED that:-

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

42. External Audit Update
(Item 11)

(1) Mr Paul Hughes from Grant Thornton LLP reported on progress on delivering their responsibilities for 2013/14 and also on emerging issues and developments.

(2) The Corporate Director of Finance and Procurement drew the Committee's attention to the cost and complexity of meeting the requirements of LAAP Bulletin 100 (Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets).

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

43. Internal Audit Benchmarking results

(Item 12)

(1) The Head of Internal Audit summarised the 2013/14 Internal Audit Benchmarking results.

(2) RESOLVED that the contents of the report be noted in relation to 2013/14.

44. Internal Audit Progress Report

(Item 13)

(1) The Head of Internal Audit summarised the outcomes of Internal Audit activity for the 2014/15 financial year to the end of September 2014.

(2) RESOLVED to note:-

(a) progress against the 2013/14 Internal Audit Plan and the proposed amendments to it; and

(b) the assurances provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

45. Anti-Fraud and Corruption progress report

(Item 14)

(1) The Counter Fraud Manager provided a summary of progress of anti-fraud and corruption as well as the outcomes of investigations concluded since the last meeting of the Committee in July 2014.

(2) RESOLVED that the progress of prevention and investigation of anti-fraud and corruption activity be noted.

**GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES
SUB - COMMITTEE**

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub - Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 20 November 2014.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman) and Mr H Birkby

ALSO PRESENT: Mr R H Bird, Mr A H T Bowles, Mr M C Dance, Mr C P D Hoare, Mr D Smyth and Mr M E Whybrow

IN ATTENDANCE: Mr A Wood (Corporate Director Finance and Procurement), Ms S Buckland (Audit Manager), Mr D Smith (Director of Economic Development), Ms J Ward (Senior Partnership Officer), Mr J Burr (Director Highways, Transportation & Waste and Principal Director of Transformation), Mr N Sarrafan (County Transport & Development Manager) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

6. Minutes - 3 March 2014
(Item 3)

RESOLVED that the Minutes of the meeting held on 3 March 2014 are correctly recorded and that they be signed by the Chairman.

7. The creation of an East Kent Equity Investment Fund via a Limited Liability Partnership
(Item 4)

(1) Mr M C Dance, Cabinet Portfolio Holder for Regeneration and Economic Development introduced the report by explaining that KCC had been successful in its bid to the Regional Growth Fund (RGF) for three programmes including *Expansion East Kent*. This could have been funded through the straightforward mechanism of a grant. It had, however, been decided that a more positive approach would be achieved through offering a flexible 0% loan for a period of some 5 years. The best way to do this was through a bank which would take the first charge whilst KCC took the second if directors' loans were involved. There were more than 40 North American companies which were looking to locate to Kent provided that support could be offered for them to get started. He believed that Kent was already well placed to provide the right infrastructure and other incentives which would enable the county to compete with other parts of the UK for additional investment and employment. The East Kent Equity Investment Fund constituted the extra support that was needed.

(2) Mr Smith confirmed that the funding had come from central government by way of an endowment. They were managed by KCC subject to the rules prescribed by the Department of Business, Innovation and Skills. These rules permitted KCC to

make equity investments from that fund. The EU had State Aid rules (Market Economy Investment Principles) which prevented its member states unfairly subsidising businesses in their own countries. These rules required a local authority to set up a corporate vehicle if it wished to make equity investments so that such decisions were made on commercial grounds.

(3) Mr Smith went on to say that the corporate vehicle adopted in this instance had followed expensive legal advice from *Hogan and Lovells*, the UK's leading specialist in this particular sector. A second opinion was also taken from *Geldards* who were sub-contracted to KCC. The need for such external legal advice had been proven by the experience of other authorities when they had set up legal structures which had prevented them from adding other private investors to their equity fund when they had wished to do so.

(4) Mr Smith then said that as a result of the legal advice obtained, the Equity Fund had been set up in two phases. The first of these (which the Sub-Committee was being asked to examine) involved the only money invested (the £5m from the RGF) coming from KCC. Phase 2 would involve investment from other sources, requiring a changed structure and ownership.

(5) Mr Birkby asked for details of the amount being paid for legal advice. Mr Smith replied that payment to *Hogan and Lovell* was being made by *Narec Capital*. KCC itself was only paying *Geldards*.

(6) The Sub-Committee agreed that it did not need the full details of the actual amount paid at the meeting itself. This sum would be communicated to all Members of the Governance and Audit Committee at a later stage.

(7) Ms Ward explained that advice had been obtained from *Geldards* some 18 months before this meeting on structure under the Localism Act. The actual documents and legal agreements were still being awaited from *Hogan and Lovells*. *Geldards* would be asked to review these from an independent perspective.

(8) Mr Parry asked who the Members and Designated Members of the LLP would be. Mr Smith replied that the Partnership would be wholly owned by KCC. This would include all the liabilities and management responsibilities. The Leader of the Council had not yet been asked to make a decision on the actual identity of the designated Members. The recommendation to him was likely to be that there should be a mixture of KCC Members and Officers.

(9) The Chairman asked for the Governance and Audit Committee Members to be notified of the eventual Member and Designated Member appointments as well as of any changes to the governance arrangements.

(10) Mr Hoare asked how *Narec* had been chosen as partners of KCC. Mr Smith replied that they were wholly owned by the Department of Business, Innovation and Skills for the promotion of technology in the field of alternative and renewable energy. They were based in NE England and as a public sector body were a partner in governance to KCC. They were not a commercial body. *Narec Capital* had been set up for similar reasons to those which had led to KCC wishing to set up the Equity Investment Fund. *Narec Capital* was unique in this area as it was a combination of public sector capital finance expertise and the commercial contribution made by

Ashburton (the other partner in *Narec Capital*). They had been selected on the advice of the Technology Strategy Board, which was a body set up to report directly to the Department of Business, Innovation and Skills in order to provide grants and financial assistance on a non-commercial basis to companies in innovative engineering and technology sectors. *Narec Capital* had provided similar services to the Scottish Government. The selection process had been through a standard KCC procurement in 2012.

(11) Mr Smyth noted that paragraph 3.1 of the report stated that the public and private sectors could only provide funding on a 50/50 basis. Mr Smith had, however, suggested that this would not be the case. He also noted that the Investment Committee which approved investments would have 2 Directors who would have veto rights. He asked whether these veto rights were absolute or conditional.

(12) Mr Smith said that, in respect of the 50/50 question, a company which set itself up and was looking for equity investment would naturally have its own Board of Investors and a commercial strategy of its own. KCC would seek to invest in rather than direct that company. The EU state aid rules did not allow KCC to become a lead investor in such a company. The maximum amount that KCC could take was therefore 50%. He anticipated that KCC would only take a maximum of a 10% holding in any company in which it invested. This was a separate matter from the LLP whose funds would be 100% owned by KCC.

(13) Mr Smith then said that the veto rights in the Investment Committee were necessary because KCC would be seeking membership from people with technical expertise. KCC would have two out of the 5 members of this Committee, but they would have absolute veto rights. Every decision for this Committee would have to be considered by an Advisory Board which had already been set up, chaired by the Leader of the Council. Mr Dance was a Member of this Advisory Board which also contained a private sector Panel to advise on the overall strategy.

(14) The Chairman asked for assurance that either through shareholder agreements or through issuing different classes of equity shares with special rights, KCC would be able to ensure that matters it considered important required its consent as a shareholder. Mr Smith replied that he could give an absolute assurance to that effect. Each investment from the fund would be accompanied by a shareholder agreement.

(15) Mr Smith replied to a question from Mr Whybrow by saying that the aim was for the LLP to be operational in December 2014. He then explained that KCC had already agreed with three companies to make investments in three companies where KCC was a shareholder without going through the LLP. These three shareholdings would (subject to events proceeding as expected) be added to the Equity Fund.

(16) Mr Whybrow asked for assurance that KCC would be able to gain access to accounts direct from the company itself rather than from Companies House. Ms Ward replied that she could give that assurance because the due diligence process at the point of application required the company to make the accounts available to KCC with an update every three months.

(17) Mr Bird asked whether *Narec's* expertise extended to bio science, life science and other sciences in Discovery Park. Mr Smith replied by referring to the Mandate

for Investments set out in paragraph 5.10 of the report which stated that the Fund would invest in companies producing sustainable energy and life science/medical related technologies and products. *Narec* had considerable expertise in sustainable energy, technology and engineering, but acknowledged that it had none in bio science and medical technologies generally. It was therefore envisaged that *Narec Capital's* expertise would be as much in the investment management process and that, if required, they would be able to assist in identifying the necessary area of expertise from other organisations in evaluating proposals.

(18) Mr Hoare asked why KCC was getting involved so deeply in the failing renewable energy sector. Mr Smith replied that the government had set up *Narec Capital* ten years earlier for the purpose of investing in alternative and renewable energy. Since then it had widened its expertise and had become an engineering and technology research organisation.

(19) Mr Birkby asked how confident it was possible to be that the initial tranche of £5m from *Expansion East Kent* would leverage £45m from the private sector and then £150m from captive co-investment. Mr Smith replied that in the scheme, any company could fail. Early stage investment was very risky. The creation of a Fund would ensure that the successful investments would outweigh the unsuccessful ones. Although it was not possible to predict the eventual returns to the Fund, there was a financial incentive for the Fund managers to succeed rather than to make losses or simply retain the initial investment.

(20) Mr Smith replied to a question from Mr Parry by saying that there were two success factors. These were firstly that the funds allocated by the Government would be used to make an economic impact in East Kent. This would potentially be true even if a company failed after a few years of providing technological development and employment. The second success factor was that investment should increase over time. Returns from investment would be re-invested and not be used for other purposes.

(21) Mr Smith replied to a question from Mr Birkby by saying that the Internal Appraisal Board referred to in paragraph 6.3 of the report was an advisory board to the Leader of the Council. It consisted of a range of directors from a wide range of different business experiences. Should the political composition of the Council change, it would be more than likely that the composition of the Board would change too. Since publication of the agenda papers, two more appointments had been made. These were Mr John Gilbey, Leader of Canterbury CC) and Mr Ron Roser, formerly Regional Director of Barclays Bank.

(22) Mr Dance said that longevity would be provided by the structure that had been established and which was already being replicated for *TIGER* and *Escalate*.

(23) Mr Whybrow asked whether the governance arrangements in relation to job creation would allow measures to be taken if a company which had received a loan was unable to meet its job creation targets. Mr Smith replied that Equity Investment was different from Grant or Loan in that it was not a subsidy. Decisions were based on commercial considerations. Loans were given on the basis of targets being met. The monitoring of the Equity Investments was going to replicate that for the Loan to establish whether the investment had been successful. To state that an Equity

Investment was conditional upon the creation of jobs would be in breach of State Aid Rules.

(24) RESOLVED that subject to those details currently unavailable being communicated to the Committee, the governance arrangements set out in the report be approved.

8. Establishment of a Transport Related Local Authority Trading Company *(Item 5)*

(1) Before consideration of this item commenced, Members expressed dissatisfaction that the Exempt report to Environment and Transport Cabinet Committee on this matter had been appended as an open report but with certain passages redacted. The Chairman said that it would be preferable if reports were prepared with the Sub-Committee in mind and without redaction but that, in the event that a report did have to appear in this form again, he would expect the Exempt version to be circulated to all Members of the Governance and Audit Committee in full.

(2) Mr Burr said that KCC had invested in the Trip Rate Information Computer System (TRICS) database 25 years earlier within a consortium which also consisted of Hampshire, Dorset, East Sussex, Surrey and West Sussex County Councils. This software system had been very successful, achieving a high share of the market and being nationally recognised as the best system to use in transport planning.

(3) Mr Burr continued by saying that *JMP Consultants Ltd* had been awarded the contract to operate the database. This company had run into financial difficulties, leading the consortium to reconsider its position. The decision had been reached by the partners to develop a LATCO. KCC would have had the option of withdrawing from the company and hiring the software whenever it wished to use it. The set-up costs would be provided by monies already in the company.

(4) Mr Burr then referred to the business case in the papers, highlighting that 4 members of staff would be employed. Three of these would TUPE transfer from the existing supplier. The other member of staff would be a manager.

(5) Mr Burr said that audited accounts would be produced annually, although this was not actually required by Law. Legal advice had been provided to the consortium by *BA Beachcraft*. KCC had taken its own advice from KCC Legal Services and from the Corporate Director of Finance and Procurement. The company was limited by share at an equity of £35k.

(6) Mr Burr summed up his presentation by saying that the company was limited by share, the software was a successful and well-proven product. There was very little risk attached to becoming a formal shareholder rather than stepping out of the company and buying into use of the product at a later stage.

(7) Mr Burr responded to a question from Mr Birkby by saying that as the consortium would now be delivering the product itself there would be no risk of a private company failing to deliver due to its own financial difficulties.

(8) Mr Sarrafan responded to a question from Mr Parry by saying that the legal position in respect of a potential breach of contract had been examined. There was no risk in this regard because the company to whom the contract had been awarded was no longer in existence. Although the parent company had been operating the service, there was no actual contract with them to do so. There had been no novation clause and therefore no significant risk of challenge. Since production of the appended report in September 2014, there had been no challenge and the new company would start trading on 1 January 2015. The insolvency of the *JMP Consultants Ltd* had made it possible for a change of control to take place.

(9) Mr Whybrow referred to paragraph 4.3.5 of the appended report. He asked whether the consortium would receive the customer database system. Mr Sarrafan replied that following negotiations, the consortium now owned the database, which was currently being managed by the private company but would come over to the new company when it started trading. No important intellectual property resided with the contractor.

(10) Mr Smyth asked whether it would be possible for the current managing company to set up a company in competition with the consortium using the names that the consortium itself was not entitled to use. Mr Sarrafan replied that the trademark, brand name and website belonged to the consortium even though they had been registered by the managing company.

(11) Mr Smyth referred to paragraph 10.6 of the appended report which stated that there was a requirement for decisions taken by the new company to be unanimous, whereas the next paragraph set out the requirement for the decisions made by the Board of Directors to be made by a majority decision.

(12) The Chairman suggested that the answer might be that decisions made by the parties as shareholders would need to be unanimous, whereas decisions made by directors (in a different forum) would be by a majority. Mr Burr said that he believed this to be the case and would confirm at a later stage.

(13) Mr Bird said that he was concerned that if all parties were obliged to agree, there was a possibility that the result could be an impasse. He asked what would happen if three of the parties had confidence in the managing director whilst the other three did not.

(14) Mr Bird then asked whether there was absolute certainty that all the intellectual properties would be transferred to the consortium in time. Mr Burr replied that he was confident that this would be the case because only the consortium would have the entitlement to use it. Anyone aiming to compete would need to start from scratch when the consortium itself had a two thirds market share.

(15) In response to a question from the chairman, Mr Burr confirmed that this would be a transfer of undertaking to which TUPE would apply. The three staff concerned would have the right to transfer if they so wished.

(16) Mr Birkby explained that he wished to abstain on the recommendation in the report as he was concerned over the redactions in the Appendix.

- (17) On being put to the vote the recommendations were carried by 2 vote to 0 with 1 abstention.
- (18) RESOLVED that the governance arrangements for the Transport Related Local Authority Trading Company be approved as set out in the report.

This page is intentionally left blank

By: Richard Long, Chairman of Governance and Audit Committee
Robert Patterson, Head of Internal Audit

To: Governance and Audit Committee – 29th January 2015

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

Classification: Unrestricted

Summary: This report provides an update on the forward Committee Work and Member Development programme and revised best practice guidance in relation to Audit Committees.

FOR DECISION

Introduction and background

1. In December 2013, CIPFA published updated best practice guidance on the function and operation of audit committees in Local Government. The guidance recommends that this Committee's work programme is designed to ensure that it can fulfil its terms of reference and that adequate arrangements are in place to support the Committee with relevant briefings and training.
2. This paper is a standing item on each agenda to allow Members to review the programme for the year ahead, and provide Members with the opportunity to identify any additional items that they would wish to include.

Current Work Programme

3. Appendix 1 shows the latest programme of work for the Committee, up to January 2016. 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.
4. The programme reflects requests made from previous Committee members for additional reports on specific items of interest.

Member Development Programme

5. For 2014-15, the following sessions were agreed for pre-meeting briefings, focusing on areas that are of specific relevance to this committee, the second of which was delivered prior to today's meeting.

Description	Timing
Audit Committee interactive update – CIPFA guidance and Public Sector Internal Audit Standards	October 2014 (delivered)
Local Audit Accountability Act 2014 – what are the key provisions and how will it change the way that Councils appoint external auditors?	January 2015 (delivered)
Annual Governance Statement – what assurance does it give us?	April 2015

6. A further programme of financial training is currently being developed and will commence in the autumn. This will cover all the major areas of finance including the budget, financial information, treasury management, the pension fund and procurement.
7. Members may also ask for additional training if they require.

Recommendations

8. It is recommended that Members approve the forward Committee Work (**Appendix 1**) and Member Development programme.

Appendix 1 Committee work programme

Robert Patterson
Head of Internal Audit (03000 416554)

Category / Item	Owner	Jan -15	Apr-15	Jul - 15	Oct-15	Jan 16
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	RP	✓	✓	✓	✓	✓
Member Development Programme	RP	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme	RH	✓				✓
Report on Insurance and Risk Activity	NV			✓		
Treasury Management quarterly report/six monthly review	NV	✓	✓		✓	✓
Treasury Management Annual Report	NV			✓		
Ombudsman Complaints	GW	✓			✓	
Annual Complaints Report	DC	✓			✓	✓
Update on Savings programme	AW		✓		✓	
Annual report on 'surveillance' activities carried out by KCC	MR		✓			
Corporate Governance						
Update on development of management guides	DW	If significant changes to the approach or purpose of the management guides				
Annual review of Terms of Reference of G&A	RP	✓				✓
Debt Recovery	NV	✓		✓		✓
Facing the Challenge – governance update	JB		✓		✓	
Annual review of the Council's Code of Corporate Governance	GW	If material changes to the Code				
Review of Bribery Act Policy	GW		✓			
Commercial Services Policies	AW	If informed of material changes to Policies				

Category / Item	Owner	Jan -15	Apr-15	Jul - 15	Oct-15	Jan 16
Internal Audit and Counter Fraud						
Internal Audit and Counter Fraud Progress Report	RP	✓	✓		✓	✓
Schools Audit Annual Report	RP			✓		
Internal Audit and Counter Fraud Annual Report	RP			✓		
Internal Audit Strategy and Annual Plan	RP		✓			
Internal Audit Benchmarking Report	RP				✓	
Review of the anti-fraud and anti-corruption Strategy	RP			✓		
Review of anti-money laundering Policy	RP	✓				
External Audit						
External Audit Update	RP	✓	✓	✓	✓	✓
External Audit Findings Report	RP			✓		
Pension Fund Audit Findings Report	RP			✓		
Value for Money Report (formerly Financial Resilience Report)	RP			✓		
External Audit Annual Audit Letter	RP					
External Audit Certification of Claims and Returns Report	RP		✓			
Effectiveness of Internal and External Audit Liaison	RP	✓				✓
External Audit Plan	RP		✓			
External Audit Pension Fund Plan	RP		✓			
External Audit Fee letter	RP		✓			
External Audit Fraud, Law & Regulations & Going Concern Considerations	AW		✓			
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW			✓		
Revised Accounting Policies	CH		✓			
Review of Financial Regulations	EF		✓			

This page is intentionally left blank

By: Paul Carter, Cabinet Member for Business Strategy,
Audit and Transformation
David Cockburn, Corporate Director Strategic &
Corporate Services

To: Governance and Audit Committee – 29th January 2015

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary:

Governance & Audit Committee receives the Corporate Risk Register every six months for assurance purposes. The register is presented to the Committee along with an overview of the changes since last presented 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 each autumn, 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

2.1 The Corporate Risk Register contains fourteen risks. Changes since the register was last reported to Governance & Audit Committee in July 2014 are as follows:

- NEW RISK: CRR20 – A risk relating to the Banking Reform Act has been added to the Corporate Risk Register at the request of the Corporate Director of Finance & Procurement. From July 2015, local authority depositors with unsecured deposits in a bank would be exposed to a higher proportional loss should that bank fail. KCC has unsecured deposits with various banks, in accordance with its Treasury Strategy and is currently reviewing its position.
- The previous risk relating to procurement (CRR 14) has now been broadened to reflect key considerations relating to the development of KCC as a Strategic Commissioning Authority. The risk now incorporates elements of the former Governance & Internal Control risk (CRR 7), particularly the importance of ensuring our governance arrangements keep pace with any changes to operating models. Consequently, risk CRR7 has been closed.

- CRR17 - The future operating environment for local government risk now explicitly references the scale of the financial challenge, with the 2015 – 2018 medium term financial picture included.
- CRR9 - Better Care Fund (previously known as Integration Transformation Fund). The level of risk was raised from amber to red in July after the Government announcement changes to funding arrangements, which could potentially impact on the level of funding available for social care initiatives that promote independence. With the revised BCF plan approved with support, and Government arrangements with Clinical Commissioning Groups advancing, the level of risk has been reduced back to amber.
- CRR 18 - Public Services Network Code of Compliance security standards. KCC has successfully complied with these Government security standards. The risk level, while remaining 'amber' overall has been amended slightly from a score of 8 to 9 to reflect the fact that the risk relates to the potential impact on transformation activity of complying with more stringent standards being introduced, rather than non-compliance with the standard.
- CRR 13 – Delivery of 2014/15 Savings. The Risk Owner has advised that the overall budget is broadly balanced and although not all of the specific savings plans will be delivered, particularly in Children's Services, compensating savings will have been found.

2.2 To summarise, out of the fourteen risks there are three areas of risk currently rated as 'high', ten rated as 'medium' and one rated as 'low'. The high risks relate to the management of demand in both adults and children's social care and the future financial and operating environment / landscape for local government. All risks have mitigating actions in place that aim to achieve a target residual rating of 'medium' or 'low'.

- Management of Adult Social Care Demand – Adult Social Care services across the country are facing growing pressures, particularly with factors such as increasing numbers of young adults with long-term complex needs, increases in Deprivation of Liberty Safeguards Assessments and likely implications of the Care Act on demand for services. The Adult Social Care transformation programme aims to respond to these challenges and the design stage of Phase 2 of the Programme is currently in progress.
- Management of demand on specialist children's services: A programme to deliver integrated Early Help and Preventative Services for 0-19s and their families is underway. A one-year plan for early help & preventative services has been produced, setting out priorities for service development and change. Diagnostic work has been conducted with the aid of an efficiency partner, aiming to ensure an improved and measurable impact

of Early Help Services on Specialist Children's Services demand. A 'sandbox' approach is being used to provide an opportunity to test out new and innovative service design concepts.

- Future operating and financial environment for local government: Local authorities nationally are facing increasing pressures as public sector austerity measures will continue well into the next parliament. KCC's response is its 'Facing the Challenge' Transformation Programme, which is continuing apace with progress updates regularly reported to County Council. Work undertaken so far includes completion of phase 1 service reviews, the launch of a new Leadership & Management Framework to address identified gaps in key skills and the establishment of four change portfolios to enable a clear and single view of all the change activity taking place across the council. A commissioning workstream is progressing to deliver the recommendations set out in the May 2014 County Council paper "Facing the Challenge: Towards a Strategy Commissioning Authority".

2.3 Further details of these risks, including controls and mitigating actions, are contained in appendix 1.

2.4 The Corporate Risk Team supports directorates to ensure that the Corporate Risk Register is underpinned by divisional / service and directorate risk registers, from which risks will be escalated in accordance with KCC's Risk Management Policy. Directorate risk registers are formally reviewed quarterly by Directorate Management Teams and on an annual basis by Cabinet Committees.

3. Monitoring, Review and Reporting

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 In addition, the corporate risks relevant to each Cabinet Committee were reported in the 2014 summer round of Committees along with directorate risk registers, allowing for discussion of these risks with the relevant Risk Owners and responsible Cabinet Members. The output from these discussions informs directorate risk registers and aids the refreshing of the Corporate Risk Register.

3.3 Subsequent to the presentation of the Corporate Risk Register to Cabinet in December 2014, the Risk Owners for two of the Authority's 'high' rated risks were asked to attend Scrutiny Committee to provide more detail on the nature of the risks and the Authority's response.

4. Corporate Risks and Transformation

- 4.1 It is likely that the Authority's risk profile will continue to evolve during the coming months as KCC's transformation agenda progresses
- 4.2 High-level risks identified so far are common to many major change programmes, and include:
- delivery of financial and non-financial benefits;
 - potential gaps in key skills relating to commercial acumen, contract management and programme and project management;
 - ensuring appropriate decision making pathways and processes are followed utilising good quality evidence and intelligence;
 - strain on management capacity through change;
 - potential implications for staff health, wellbeing and morale;
 - securing stakeholder engagement for change;
- 4.2 Key risks such as those above are regularly monitored by the Corporate Directors and the Transformation Advisory Group, with risks and associated mitigations featuring in risk registers at corporate, directorate and divisional levels in addition to more specific risks in individual project and programme registers.
- 4.3 From a corporate perspective, much of our transformation activity is in place to mitigate against organisation-wide risks, as continuing public sector austerity and a radical public service reform agenda presents KCC, like all local authorities, with increasing risk and significant challenges as it seeks to maintain quality of services for residents. For example management of adult and children's social care demand requires true transformational activity rather than simply efficiency improvements, and the 'Facing the Challenge' transformation agenda in its totality is being undertaken as a response to the challenging future financial and operating environment for local government as outlined in CRR 17 (see appendix 1).

5. Recommendations

- 5.1 The Governance and Audit Committee is asked to:
- a) NOTE the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register.

Report Author:

Mark Scrivener
Corporate Risk Manager
mark.scrivener@kent.gov.uk
Tel: 01622 696055



KCC Corporate Risk Register

FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE - 29TH JANUARY 2015

Corporate Risk Register - Summary Risk Profile

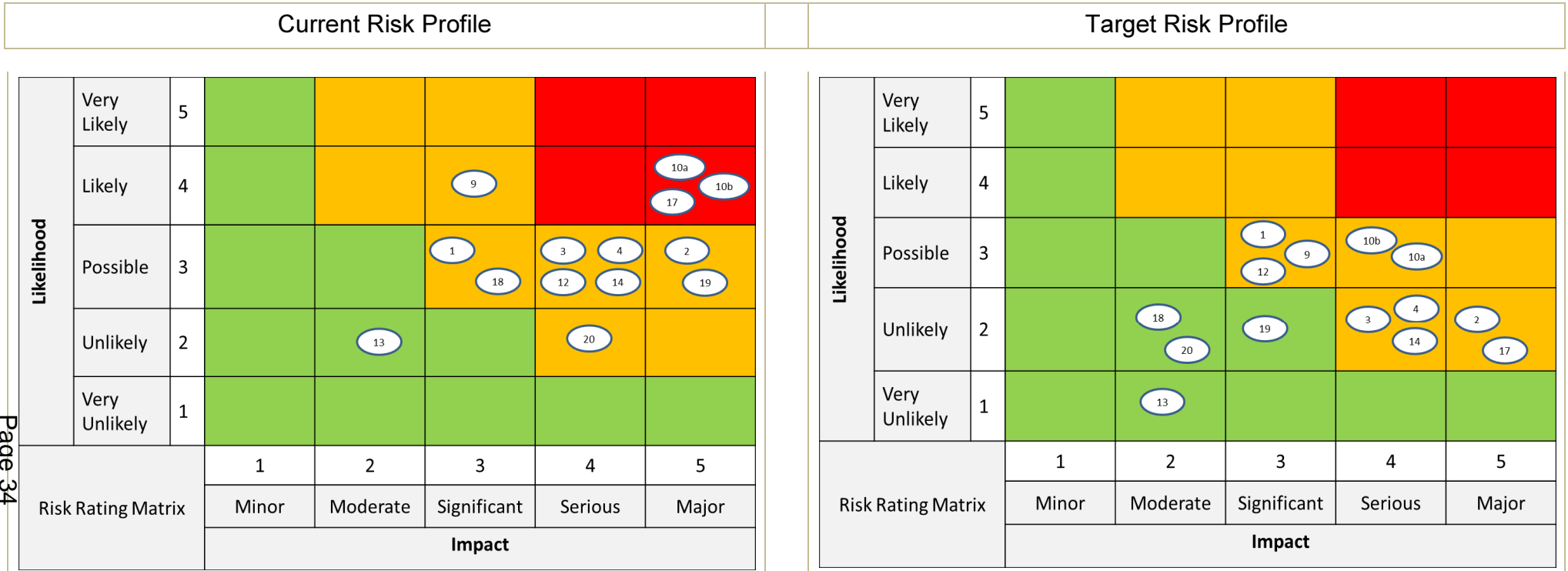
Low = 1-6
Medium = 8-15
High =16-25

Risk No.*	Risk Title	Current Risk Rating	Direction of Travel since 24 th July	Target Risk Rating
CRR 1	Data and Information Management	Medium (9)	↔	Medium (9)
CRR 2	Safeguarding	Medium (15)	↔	Medium (10)
CRR 3	Access to resources to aid economic growth and enabling infrastructure	Medium (12)	↔	Medium (8)
CRR 4	Civil Contingencies and Resilience	Medium (12)	↔	Medium (8)
CRR 9	Better Care Fund (Health & Social Care Integration)	Medium (12)	↔	Medium (9)
CRR 10(a)	Management of Adult Social Care Demand	High (20)	↔	Medium (12)
CRR 10(b)	Management of Demand – Specialist Children’s Services	High (20)	↔	Medium (12)
CRR 12	Welfare Reform changes	Medium (12)	↔	Medium (9)
CRR 13	Delivery of 2014/15 savings	Low (4)	↓	Low (2)
CRR 14	Development of strategic commissioning authority governance arrangements	Medium (12)	Revised risk	Medium (8)
CRR 17	Future operating & financial environment for local government	High (20)	↔	Medium (10)
CRR 18	PSN – Implications of compliance with Code of Connection security standards	Medium (9)	↑	Low (4)
CRR 19	Implications of the Care Act 2014	Medium (15)	↔	Low (6)
CRR 20	Banking Reform Act	Medium (8)	New Risk	Low (4)

*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.

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.

Corporate Risk Register Risk Profile – as at January 2015



Page 34

1	Data and Information Management
2	Safeguarding
3	Access to Resources to aid Economic Growth and Enabling Infrastructure
4	Civil Contingencies and Resilience
9	Better Care Fund (Health & Social Care Integration)
10(a)	Management of Adult Social Care Demand
10(b)	Management of Demand – Specialist Children’s Services

12	Welfare Reform Changes
13	Delivery of 2014/15 Savings
14	Development of Strategic Commissioning Authority Governance Arrangements
17	Future Operating & Financial Environment for Local Government
18	PSN – Implications of compliance with Code of Connection Security Standards
19	Implications of the Care Act 2014
20	Banking Reform Act

Risk ID CRR1	Risk Title	Data and Information Management					
<p>Source / Cause of risk</p> <p>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.</p> <p>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.</p>	<p>Risk Event</p> <p>Information security incidents resulting in loss of personal data or breach of privacy/confidentiality</p> <p>Data Subject complaint upheld by Information Commissioners Office (ICO)</p> <p>Failure to achieve either annual PSN or NHS Information Governance certification</p>	<p>Consequence</p> <p>ICO sanction (eg undertaking, assessment, improvement, enforcement or monetary penalty notice) issued against the Authority.</p> <p>Reputational damage.</p> <p>Damages claims.</p> <p>Cost of remediation.</p> <p>Access to PSN and/or NHS connected services revoked or restricted resulting in significant interruption to services.</p>	<p>Risk Owner</p> <p>On behalf of CMT:</p> <p>Geoff Wild, Director Governance & Law</p> <p>Peter Bole, Director ICT</p> <p>Responsible Cabinet Member(s):</p> <p>Gary Cooke, Corporate & Democratic Services</p>	<p>Current Likelihood</p> <p>Possible (3)</p>	<p>Current Impact</p> <p>Significant (3)</p>		
				<p>Target Residual Likelihood</p> <p>Possible (3)</p>	<p>Target Residual Impact</p> <p>Significant (3)</p>		
				<p>Control Title</p> <p>Senior Information Risk Officer supported by Information Governance cross-directorate group.</p>		<p>Control Owner</p> <p>David Cockburn, Corporate Director Strategic and Corporate Services</p>	
				<p>SIRO IG Action Plan and Information Risk Register in place and regularly reviewed</p>		<p>Geoff Wild, Director Governance & Law</p>	
				<p>Information Governance policies and procedures in place and monitored.</p>		<p>Geoff Wild, Director Governance & Law</p>	
				<p>Information Governance Management Framework in place</p>		<p>Geoff Wild, Director Governance & Law</p>	
<p>Information Resilience and Transparency team providing business information governance support</p>		<p>Caroline Dodge, Team Leader- Information Resilience & Transparency team</p>					

Information Assurance maturity monitoring procedure in place.	Geoff Wild, Director Governance & Law/Peter Bole, Director ICT	
Contractor information assurance procedure in place	Mark Lobban, Director Commissioning SCHWB	
Corporate Director Social Care Health & Wellbeing is KCC Caldicott Guardian, protecting confidentiality of service user information and enabling appropriate information sharing. Caldicott Guardian Support Officers nominated in relevant services	Andrew Ireland, Corporate Director SCHWB	
County wide protocols in place for information sharing between agencies and governed by Kent & Medway Information Governance Partnership Board. Information Sharing Designated Officers nominated in relevant services.	Charlie Beaumont, Education & Young People Services	
ICT Security and Service Transition Team operational.	Peter Bole, Director ICT	
Electronic Communications User Policy, Virus reporting procedure and social media guidelines in place	Peter Bole, Director ICT	
Information Governance training completed by employees, contractors and temporary staff. Specialist training needs identified and training plan in place. Information Governance training plan in place and monitored.	Geoff Wild, Director Governance & Law	
Discussions in place with Government regarding requirements of the Code of Connection (cross reference to CRR 18)	Peter Bole, Director ICT	
Corporate Information Asset Register established and risk assessments in progress.	Geoff Wild, Director Governance & Law	
Information risk assessments completed for systems processing personal data and for new/change projects	Geoff Wild, Director Governance & Law	
Information Security & Information Risk Management supporting procedures and processes are monitored to ensure realisation of benefits	Andrew Ireland, Corporate Director SCHWB/Geoff Wild, Director Governance & Law/Peter Bole, Director ICT	
Public Service Network (PSN) code of compliance information security standard achieved	Peter Bole, Director ICT	
NHS Information Governance Toolkit 'satisfactory' rating achieved	Peter Bole, Director ICT	
Action Title	Action Owner	Planned Completion Date
All staff to complete Information Governance e-learning training	Geoff Wild, Director Governance & Law	March 2015

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 On behalf of CMT: Andrew Ireland, Corporate Director SCHWB Responsible Cabinet Member(s): Peter Oakford Specialist Children's Services Graham Gibbens, 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 through Divisional Management Team, District 'Deep Dives' and audit activity				Andrew Ireland, Corporate Director SCHWB			
Independent scrutiny by Kent Safeguarding Children Board				Independent Chair Kent Safeguarding Children Board			
Manageable caseloads per social worker and robust caseload monitoring				Philip Segurola, Interim Director Specialist Children's Services			
Significant ongoing work to increase rigour and managerial grip in Duty and Initial Assessment Teams				Philip Segurola, Interim Director Specialist Children's Services			

Central Duty Service & Central Referral Unit now in place to ensure increase in consistency and threshold application	Andrew Ireland, Corporate Director SCHWB
SCHWB management team monitors social work vacancies and agrees strategies for urgent situations	Andrew Ireland, Corporate Director SCHWB
Active strategy in place to attract and recruit social workers through a variety of routes with particular emphasis on experienced social workers. Detailed programme of training	Philip Segurola, Interim Director Specialist Children's Services / Amanda Beer, Corporate Director Human Resources
CMT, SCHWB Directorate Management Team and the Cabinet Member for Adult Social Care & Public Health and Specialist Children's Services receive quarterly safeguarding performance reports.	Andrew Ireland, Corporate Director SCHWB
Programme of internal and external audits for adult safeguarding case files with regards to SCHWB and Kent & Medway Partnership Trust (KMPT) in place.	Andrew Ireland, Corporate Director SCHWB
Performance management of safeguarding is part of the Improvement Plan in place between KCC (SCHWB directorate) and KMPT.	Penny Southern, Director Learning Disability & Mental Health
SCHWB Strategic Adults Safeguarding Board provides a strategic countywide overview of adult safeguarding within SCHWB and monitors progress towards the SCHWB Strategic Adult Safeguarding action plan	Andrew Ireland, Corporate Director SCHWB
Safeguarding Vulnerable Adults (SGVA) coordinators work closely with Contracting colleagues where there are safeguarding concerns in the independent sector using 'Quality in care' framework	Andrew Ireland, Corporate Director SCHWB
Education Safeguarding Team in place	Sue Rogers, Director Education Quality & Standards
Practice Development Programme in place to strengthen practice across Children and Families Teams	Philip Segurola, Interim Director Specialist Children's Services
Ofsted action plans monitored at bi-monthly Kent Corporate Parenting Group (KCPG)/Corporate Parenting Panel (CPP) meetings	Philip Segurola, Interim Director Specialist Children's Services
Children's Quality Monitoring Framework in place	Philip Segurola, Interim Director Specialist Children's Services
Annexe A Peer Review conducted by West Sussex	Philip Segurola, Interim Director Specialist Children's Services
New improvement action plan published and monitored through the Specialist Children's Services Divisional Management Team	Philip Segurola, Interim Director Specialist Children's Services
Audit of Children in Need (CIN) cases undertaken	Philip Segurola, Interim Director Specialist Children's Services

Action Title	Action Owner	Planned Completion Date
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	Andrew Ireland, Corporate Director SCHWB /Amanda Beer, Corporate Director Human Resources	December 2014 (review)
Implementation of transformation programme for children's services, including Social Work Contract Programme	Philip Segurola, Interim Director Specialist Children's Services	January 2015 (review)
Learning from the Annex A Peer review to be addressed by Specialist Children's Services Divisional Management Team and other colleagues as necessary	Philip Segurola, Interim Director Specialist Children's Services	December 2014
Safeguarding aspects of the Care Act being addressed (see risk CRR19)	Nick Sherlock, Head of Adult Safeguarding	December 2014

Risk ID CRR3	Risk Title Access to resources to aid economic growth and enabling infrastructure					
<p>Source / Cause of Risk</p> <p>The Council seeks access to resources to develop the enabling infrastructure for economic growth and regeneration.</p> <p>However, in parts of Kent, there is a significant gap between the costs of the infrastructure required to support growth and the Council's ability to secure sufficient funds through s106 contributions, Community Infrastructure Levy and other growth levers to pay for it. This is especially the case in the east of the county.</p> <p>At the same time, Government funding for infrastructure (for example via the new Local Growth Fund) is limited and competitive and increasingly linked with the delivery of housing and employment outputs. Several local transport schemes proposed will require preparatory work without knowledge of funding allocation in order to deliver on time.</p>	<p>Risk Event</p> <p>Inability to secure sufficient contributions from development to support growth.</p> <p>Failure to attract sufficient funding via the Local Growth Fund and other public funds to both support the cost of infrastructure and aid economic growth and regeneration.</p>	<p>Consequence</p> <p>Key opportunities for growth missed.</p> <p>The Council finds it increasingly difficult to fund KCC services across Kent and deal with the impact of growth on communities.</p> <p>Kent becomes a less attractive location for inward investment and business</p> <p>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</p> <p>Our ability to deliver an enabling infrastructure becomes constrained</p>	<p>Risk Owner</p> <p>Barbara Cooper, Corporate Director Growth, Environment and Transport</p> <p>Responsible Cabinet Member(s):</p> <p>Mark Dance, Economic Development</p>	<p>Current Likelihood</p> <p>Possible (3)</p> <p>Target Residual Likelihood</p> <p>Unlikely (2)</p>	<p>Current Impact</p> <p>Serious (4)</p> <p>Target Residual Impact</p> <p>Serious (4)</p>	
Control Title				Control Owner		
<i>Unlocking the Potential</i> being prepared as Kent and Medway growth strategy to secure future Government infrastructure funds				David Smith, Director Economic & Spatial Development		
KCC's 20 year transport delivery plan, <i>Growth without Gridlock</i> sets out the key transport drivers for change which will help to facilitate and stimulate economic growth in the County. Implementation plan in place and regularly monitored.				Paul Crick, Director Environment Planning & Enforcement		
Key infrastructure is identified and planned for as part of District Local Plans and Infrastructure Delivery Plans.				Paul Crick, Director Environment Planning & Enforcement		
Environment Planning & Enforcement and Economic Development teams working with each individual District on composition of infrastructure plans including priorities for the CIL and Section 106 contributions, from which gaps can be identified				David Smith, Director Economic & Spatial Development / Paul Crick, Director Environment Planning &		

		Enforcement
Coordinated approach in place between Development Investment Team and service directorates		David Smith, Director Economic & Spatial Development
Dedicated team in Economic Development in place to lead on major sites across Kent.		David Smith, Director Economic & Spatial Development
Economic Development SMT review of "critical" programmes/projects and review of KPIs to ensure continued appropriateness and relevance		David Smith, Director Economic & Spatial Development
Strong engagement of private sector through Kent and Medway Economic Partnership (KMEP), Business Advisory Board and Kent Developer' Group		David Smith, Director Economic & Spatial Development
Growth Deal allocation announced, July 2014, allocating funds for specific identified schemes in Kent and Medway		Ross Gill, Economic Strategy & Policy Manager
Action Title	Action Owner	Planned Completion Date
Maintain coordinated dialogue with developers, Districts and KCC service directorates	Nigel Smith, Head of Development	April 2015 (review)
Development & delivery of programme of transport interventions to deliver growth to utilise first round of Local Growth Fund monies	Ann Carruthers, Transport Strategy Delivery Manager	April 2015
Bidding for second round of Local Growth Fund 2 monies	David Smith, Director Economic & Spatial Development	December 2014

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 other Category 1 Responders in the County, has a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood, and impact, of high impact incidents and emergencies and severe / extreme weather conditions.	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 harm or 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. Adverse effect on local businesses and the Kent economy. 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.	On behalf of CMT Barbara Cooper, Corporate Director Growth, Environment & Transport Responsible Cabinet Member(s): Mike Hill, Community Services	Possible (3) Target Residual Likelihood Unlikely (2)	Serious (4) Target Residual Impact Serious (4)	
Control Title			Control Owner			
Legally required multi-agency Kent Resilience Forum in place, with work driven by risk and impact based on Kent's Community Risk Register. Key roles of group include: <ul style="list-style-type: none"> • Intelligence gathering and forecasting; • Regular training exercises and tests; • Task & Finish groups addressing key issues. • Plan writing • Capability building 			Stuart Beaumont, Head of Community Safety & Emergency Planning (KCC lead)			
Critical functions identified across KCC as a basis for effective Business Continuity Management (BCM).			Stuart Beaumont, Head of Community Safety & Emergency Planning			

Management of financial impact to include Bellwin scheme	Dave Shipton, Head of Financial Strategy
Maintenance & delivery of emergency procedures, plans and capabilities in place to respond to a broad range of challenges.	Stuart Beaumont, Head of Community Safety & Emergency Planning
System in place for ongoing monitoring of severe weather events (SWIMS)	Carolyn McKenzie, Sustainability & Climate Change Manager
Implementation of Kent's Climate Adaptation Action Plan	Carolyn McKenzie, Sustainability & Climate Change Manager
Local multi-agency flood response plans in place for each district / borough in Kent, in addition to overarching flood response plan for Kent	Stuart Beaumont, Head of Community Safety & Emergency Planning
Winter Resilience Planning Group & action plan in place.	Stuart Beaumont, Head of Community Safety & Emergency Planning
ICT resilience improvements made to underlying data storage, data centre capability and network resilience.	Peter Bole, Director ICT
Business Continuity Management Plan in place to improve overall resilience for Contact Point	Christopher Smith, Operations Manager Contact Point
On-going programme of review relating to Disaster Recovery and Business Continuity	Peter Bole, Director ICT
Kent Resilience Team in place bringing together personnel from KCC, Kent Police and Kent Fire and Rescue Service in an integrated and co-located team to deliver enhanced emergency planning and business continuity in Kent	Stuart Beaumont, Head of Community Safety & Emergency Planning
Multi-Agency recovery structures are in place at the Strategic and Tactical levels & working effectively.	Paul Crick, Director Environment Planning & Enforcement
KCC Community Wardens trained as Incident Liaison Officers	Stuart Beaumont, Head of Community Safety & Emergency Planning
Pan-Kent Flood Group established to oversee implementation of multi-agency recommendations arising from lessons learnt from Christmas and New Year floods 2013/14	Paul Crick, Director Environment Planning & Enforcement
KCC and local Kent Resilience Forum partners have tested preparedness for Ebola outbreak in line with national requirements. The Director of Public Health has additionally sought and gained assurance from the local Public Health England office and the NHS on preparedness and maintaining business continuity.	Andrew Scott-Clark, Acting Director Public Health
'Introduction to Emergency Planning' e-learning package available to all staff	Stuart Beaumont, Head of

		Community Safety & Emergency Planning
Emergency planning strategic level training completed by Senior Management in the Autumn 2014		Paul Crick, Director Environment Planning & Enforcement
Action Title	Action Owner	Planned Completion Date
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.	Tony Harwood, Senior Resilience Officer (lead role)	March 2015 (review)
Upgrading / enhancement to Automated call distribution system	Peter Bole, Director ICT/Jane Kendal, Head of Service, Customer Experience	January 2015 (review)
Implement recommendations from internal and external debriefs into the Christmas/New Year 2013 -14 storms and floods and other recent emergencies.	Paul Crick, Director Environment Planning & Enforcement	December 2014 (review)
Senior management on-call rota being devised and agreed	Paul Crick, Director Environment Planning & Enforcement	December 2014
Emergency planning training being rolled out	Paul Crick, Director Environment Planning & Enforcement	December 2014 (Tactical)
Recruitment of additional emergency reservists to aid emergency responses	Paul Crick, Director Environment Planning & Enforcement	December 2014

Risk ID CRR9	Risk Title	Better Care Fund (Health & Social Care Integration)				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Government's spending review in June 2013 announced an Integration Transformation Fund (now relabelled Better Care Fund), which provides an opportunity to create a shared plan for health & social care activity and expenditure.	The new regulations may reduce the money available to support social care services through the BCF by 50%	Failure to maximise opportunities presented for health & social care integration, and ensure changes achieve maximum impact.	Andrew Ireland, Corporate Director SCHWB	Likely (4)	Significant (3)	
The plan for 2015/16 needs to start in 2014 and form part of a five-year strategy for health & social care.	Plans to reduce hospital admissions are destabilised	Additional budget pressures.	Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
A fully integrated service calls for a step change in current arrangements to share information, staff, money and risk.	Governance arrangements for pooled budgets unclear		Roger Gough, Education & Health Reform	Possible (3)	Significant (3)	
Government announced in July 2014 that over 25% of the total BCF monies are being held back and ring-fenced to support acute hospital trusts where BCF activity fails to achieve targets to reduce emergency hospital admissions. This moves the burden of risk from hospitals into other sectors such as social care.			Graham Gibbens, Adult Social Care & Public Health			
Control Title				Control Owner		
KCC has designated Cabinet Portfolio Holders for Public Health and Health Reform, who have assumed central roles at strategic level				Paul Carter, Leader of the Council		
Health & Wellbeing Board and CCG-level Health & Wellbeing Board sub-committees established				Roger Gough, Cabinet Member Education & Health Reform		
Joint Commissioning Board Strategy & Commissioning plans established with Clinical Commissioning Groups				Mark Lobban, Director Commissioning SCHWB		
Kent chosen as one of 14 pioneers of health & social care integration in the UK				Andrew Ireland, Corporate Director SCHWB(KCC lead)		
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				Anne Tidmarsh, Director Older People & Physical Disability (KCC)		

		lead)
Detailed delivery plans being developed with CCG areas		Andrew Ireland, Corporate Director SCHWB
Joint Area Team, CCG and KCC group established		Andrew Ireland, Corporate Director SCHWB
Revised integrated BCF plan submitted by Health & Wellbeing Board to BCF Programme Director and agreed with support		Andrew Ireland, Corporate Director SCHWB
Action Title	Action Owner	Planned Completion Date
Establishment of Partnership Board to oversee the delivery of the BCF plan and finalise governance arrangements (inc. section 75 agreement)	Andrew Ireland, Corporate Director SCHWB/Andy Wood, Corporate Director Finance & Procurement	March 2015
Develop understanding of NHS 'Five Year Forward Plan' and what this means for BCF implementation in Kent	Andrew Ireland, Corporate Director SCHWB	February 2015

Risk ID CRR10(a)	Risk Title	Management of Adult Social Care Demand				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
Adult social care services across the country are facing growing pressures. Overall demand for adult social care services in Kent continues to increase due to factors such as increasing numbers of young adults with long-term complex care needs and Ordinary Residence issues. This is all to be managed against a backdrop of reductions in Government funding, implications arising from the implementation of the Care Act, a recent Supreme Court ruling that may lead to increases in Deprivation of Liberty Assessments and longer term demographic pressures.	Council is unable to manage and resource to future demand and its services consequently do not meet future statutory obligations and/or customer expectations.	Customer dissatisfaction with service provision. Increased and unplanned pressure on resources. Decline in performance. Legal challenge resulting in adverse reputational damage to the Council. Financial pressures on other council services.	Andrew Ireland, Corporate Director SCHWB Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care & Public Health	Likely (4)	Major (5)	
				Target Residual Likelihood	Target Residual Impact	
				Possible (3)	Serious (4)	
Control Title				Control Owner		
Regular analysis and refreshing of forecasts to maintain the level of understanding which feeds into the relevant areas of the MTFP and the business planning process				Andrew Ireland, Corporate Director SCHWB/ Mark Lobban, Director Commissioning SCHWB		
Implementation of Adults Transformation partnership programme progressing including: Care Pathways, Commissioning & Procurement and Optimisation				Mark Lobban, Director Commissioning SCHWB/Anne Tidmarsh, Director Older People & Physical Disability/Penny Southern, Director Learning Disability & Mental Health		
Monitoring, vigilance and challenge regarding the placement of Adults into Kent by other local authorities.				Mark Lobban, Director Commissioning SCHWB		
Legal Services are engaged where required to support KCC when challenging other Authorities to accept Ordinary Residence re: responsibilities				Penny Southern, Director Learning Disability & Mental Health		
Benefits of enablement support to existing and potential service users, their families and key partners being marketed. Work is linked into the Adult Transformation Programme and ensure there is sufficient capacity in the market to provide				Mark Lobban, Director Commissioning SCHWB		

Enablement Services		
Joint commissioning of services with health, in particular for people with dementia, long term conditions and for carers (links to Better Care Fund – see Risk CRR9).	Mark Lobban, Director Commissioning SCHWB/ Anne Tidmarsh, Director Older People & Physical Disability	
Continued drive to maximise the use of Telecare as part of the mainstream community care services	Anne Tidmarsh, Director Older People & Physical Disability and Penny Southern, Director Learning Disability and Mental Health	
Maintain the use of appropriate tools to obtain value for money in relation to the commissioning of expensive specialist residential accommodation	Mark Lobban, Director Commissioning SCHWB	
Health & Social Care Integration Programme in place with a strategic objective of proactively tackling demand for health & social care services	Anne Tidmarsh, Director Older People & Physical Disability	
Risk stratification tools devised. Now being used by GP's	Anne Tidmarsh, Director Older People & Physical Disability	
Briefings being provided in relation to key elements of the Care Bill and their potential implications for KCC	Michael Thomas-Sam, Strategic Business Advisor, SCHWB	
Care Act Preparation Programme established as part of the Adults Transformation Change Portfolio to ensure implementation of Care Act.	Michael Thomas-Sam, Strategic Business Advisor, SCHWB	
Continued support for investment in preventative services through voluntary sector partners	Mark Lobban, Director Commissioning SCHWB	
Briefing on implications of Supreme Court ruling relating to Deprivation of Liberty Assessments issued	Andrew Ireland, Corporate Director, SCHWB	
Analysis conducted to identify the likely event of demand for Deprivation of Liberty Assessments	Mark Lobban, Director Commissioning, SCHWB	
Action Title	Action Owner	Planned Completion Date
Public Health & Social Care to ensure effective provision of information, advice and guidance to all potential and existing service users, and to promote self-management to reduce dependency	Andrew Scott-Clark, Interim Director Public Health / Anne Tidmarsh, Director Older People and Physical Disability Services	December 2014 (review)
Lobby the Treasury to investigate Ordinary Residence matters in more detail as a national funding issue	Andy Wood, Corporate Director Finance & Procurement/Penny Southern, Director Learning	February 2015

Disability & Mental Health		
Continual review and monitoring of demand in relation to Deprivation of Liberty Assessments	Mark Lobban, Director Commissioning, SCHWB	December 2014 (review)
Delivery of Adults Transformation Phase 2 Design including: <ul style="list-style-type: none"> • Agreement of baselines and key performance indicators against which progress/savings will be monitored • Establishment of Programme Management Office to ensure the right change initiatives are being delivered and to coordinate delivery of change initiatives in the right way • Development of detailed implementation plan for phase 2 	Mark Lobban, Director Commissioning SCHWB	April 2015

Risk ID CRR10(b)	Risk Title Management of Demand – Specialist Children’s Services
<p>Source / Cause of Risk</p> <p>Local Authorities continue to face increasing demand for specialist children’s services due to a variety of factors, including consequences of highly publicised child protection incidents and serious case reviews, and policy/legislative changes.</p> <p>At a local level KCC is faced with additional demand challenges such as those associated with significant numbers of Unaccompanied Asylum Seeking Children (UASC) There are also particular ‘pressure points’ in several districts.</p> <p>These challenges need to be met as specialist children’s services face increasingly difficult financial circumstances and operational challenges such as recruitment and retention of permanent qualified social workers.</p>	<p>Risk Event</p> <p>High volumes of work flow into specialist children’s services leading to unsustainable pressure being exerted on the service.</p> <p>Consequence</p> <p>Children’s services performance declines as demands become unmanageable.</p> <p>Failure to deliver statutory obligations and duties or achieve social value.</p> <p>Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources.</p> <p>Ultimately an impact on outcomes for children, young people and their families.</p> <p>Risk Owner</p> <p>Andrew Ireland, Corporate Director SCHWB</p> <p>Patrick Leeson, Corporate Director EYPS</p> <p>Responsible Cabinet Member(s):</p> <p>Peter Oakford, Specialist Children’s Services</p> <p>Current Likelihood</p> <p>Likely (4)</p> <p>Target Residual Likelihood</p> <p>Possible (3)</p> <p>Current Impact</p> <p>Major (5)</p> <p>Target Residual Impact</p> <p>Serious (4)</p>
Control Title	Control Owner
Analysis and refreshing of forecasts to maintain the level of understanding which feeds into the relevant areas of the MTFP and the business planning process	Andrew Ireland, Corporate Director SCHWB / Mark Lobban, Director Commissioning SCHWB
Kent Integrated Adolescent Support Service (KIASS) aims to reduce demands by enabling swift access to specific additional and early help, particularly for the most disadvantaged and vulnerable young people, to meet their needs quickly and flexibly.	Patrick Leeson, Corporate Director EYPS
Plans developed to appropriately manage the number of children in care (subject to continual monitoring)	Philip Segurola, Interim Director Specialist Children’s Services
Intensive focus on ensuring early help to reduce the need for specialist children’s support services.	Patrick Leeson, Corporate Director EYPS / Andrew Ireland, Corporate Director SCHWB
Continued support for investment in preventative services through voluntary sector partners	Mark Lobban, Director

		Commissioning SCHWB
Maintain the use of appropriate tools to obtain value for money in relation to the commissioning of expensive specialist residential and independent fostering accommodation		Mark Lobban, Director Commissioning SCHWB
Dedicated Children in Care project action plan being presented to June 2014 Children's Transformation Board		Philip Segurola, Interim Director Specialist Children's Services
Scoping of diagnostic work for children's services with aid of efficiency partner has been completed		Philip Segurola, Interim Director Specialist Children's Services
Early Help & Preventative Services one year plan 2014/15 produced setting out priorities for service development and change and ambitious targets to improve outcomes for children, young people and families		Florence Kroll, Director of Early Help & Preventative Services
Action Title	Action Owner	Planned Completion Date
Implement a programme of work to deliver integrated, early help and prevention service for the 0-19s and their families that is streamlined, responsive and effective in terms of reducing demand for acute services and managing need at the appropriate level/tier of support.	Patrick Leeson, Corporate Director EYPS	December 2014 (review)
In-house fostering capacity to be developed and assertive monitoring of all children in care performance milestones	Philip Segurola, Interim Director Specialist Children's Services	January 2015
Specialist Children's Services, Early Help and External Spend teams involved in 'sandbox' approach, providing an opportunity to test out new and innovative service design concepts	Patrick Leeson, Corporate Director, Education & Young People's Services/Andrew Ireland, Corporate Director SCHWB	December 2014
Implementation of Unified 0-25 programme with projects targeted within Specialist Children's Services, Early Help and Prevention and External Spend	Patrick Leeson, Corporate Director, Education & Young People's Services/Andrew Ireland, Corporate Director SCHWB	December 2015

Risk ID CRR 12	Risk Title	Welfare Reform changes				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Welfare Reform Act 2012 put into law many of the proposals set out in the 2010 white paper <i>Universal Credit: Welfare that Works</i> . It aims to bring about a major overhaul of the benefits system and the transference of significant centralised responsibilities to local authorities. KCC needs to be prepared to manage the uncertain affects and outcomes that the changes may have on the people of Kent.	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. The financial models and budgets and funding sources underpinning the new schemes prove to be inadequate and allocation of payments and grants has to become prioritised against more challenging criteria.	Failure to meet statutory obligations. An increase in households falling below poverty thresholds with vulnerable people becoming exposed to greater risk. Increasing deprivation leads to increase in social unrest and criminal activity. Additional pressure on KCC services e.g. school places	Andrew Ireland, Corporate Director SCHWB Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care & Public Health	Possible (3)	Serious (4)	
				Target Residual Likelihood	Target Residual Impact	
				Possible (3)	Significant (3)	
Control Title			Control Owner			
Ongoing analysis of impacts conducted by Policy & Strategic Relationships and Business Intelligence teams plus external partners to give an indication of scale of implications of reforms. Mechanism developed to track benefit migration into Kent.			Richard Hallett, Head of Business Intelligence /David Whittle, Head of Policy & Strategic Relationships			
Policy & research updates produced periodically to aid monitoring of potential impacts			David Whittle, Head of Policy & Strategic Relationships/Richard Hallett, Head of Business Intelligence			
Kent Support and Assistance Service pilot scheme operating			Graham Gibbens, Cabinet Member Adult Social Care & Public Health			
Action Title		Action Owner		Planned Completion Date		
Universal Credit – Local Support Service Framework (LSSF) Continue work with DWP to establish local delivery aspects in terms of face-to-face support		Jane Kendal, Head of Service, Customer Experience		March 2015 (review)		
Options for the future of Kent Support & Assistance Service to be discussed in light		Mark Lobban, Director		December 2014		

of potential changes to Government funding arrangements from April 2015	Commissioning SCHWB	
Update on potential impacts of welfare reform changes to be provided to aid understanding	David Whittle, Head of Policy & Strategic Relationships/Richard Hallett, Head of Business Intelligence	January 2015

Risk ID CRR13	Risk Title	Delivery of 2014/15 savings				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
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."	The required savings from key programmes or efficiency initiatives are not achieved.	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.	On behalf of CMT: Andy Wood, Corporate Director Finance & Procurement Responsible Cabinet Member(s): John Simmonds, Finance & Procurement	Unlikely (2)	Moderate (2)	
				Target Residual Likelihood	Target Residual Impact	
				Very unlikely (1)	Moderate (2)	
Control Title				Control Owner		
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process				Andy Wood, Corporate Director (Finance & Procurement)		
Process for monitoring delivery of savings is in place, including a Budget Programme Board to scrutinise progress.				Andy Wood, Corporate Director (Finance & Procurement)		
Robust monitoring and forecasting of arrangements in place relating to the KCC budget as a whole				Andy Wood, Corporate Director (Finance & Procurement)		
Corporate Portfolio Office in place providing independent assurance of significant transformational programme and project management across KCC to ensure appropriate benefits realisation, including delivery of savings. Reports to Corporate Board and Budget Programme Board as appropriate.				Elizabeth Beadle, Head of Corporate Portfolio Office		
Procedures for appropriate consultation in place (including Equality Impact Assessments) when decisions relating to changes in services are being considered				Steve Charman, Head of Consultation & Engagement		
Arrangements for localisation of council tax agreed with District Councils (cross reference to Risk 12 Welfare Reform)				Dave Shipton, Head of Financial Strategy		
Savings PIDS are used to ensure personal accountability for delivery of savings				Andy Wood, Corporate Director Finance & Procurement		
Controls and mechanisms remain robust				Andy Wood, Corporate Director		

		Finance & Procurement
Action Title	Action Owner	Planned Completion Date
Management action plans being devised and agreed to address potential 2014/15 budget issues in several areas	Corporate Directors	December 2014

Risk ID CRR14	Risk Title	Development of strategic commissioning authority governance arrangements				
Source / Cause of Risk 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 and ensuring robust and responsive governance arrangements remain in place	Risk Event Lack of understanding of what a commissioning authority is and how it should operate KCC's governance arrangements do not keep pace with changes to operating models of its services leading to risk of governance & internal control failure. Too much or too little KCC oversight of any alternative delivery models introduced. Ineffective contract management – KCC fails to act as a strong enough 'client'. Procurement and commissioning functions not appropriately aligned. Lack of appropriate skills to facilitate a commissioning approach	Consequence Failure to secure optimum value for money from service providers.	Risk Owner All Corporate Directors	Current Likelihood Possible (3)	Current Impact Serious (4)	
		Decisions taken that are not based on understanding of customer need Loss of confidence in the Council and/or financial loss.	Responsible Cabinet Member(s): Paul Carter, Business Strategy, Audit, Transformation	Target Residual Likelihood Unlikely (2)	Target Residual Impact Serious (4)	
Control Title			Control Owner			
KCC Procurement Strategy sets out the strategic approach to procurement across the Authority and Spending the Council's money – Code of Practice, sets out how strategic approach to procurement is to be achieved at operational level.			Henry Swan, Head of Procurement			
Commissioning & Procurement Board in place, establishing clear agreed relationships, support, information flow, governance structures and accountability between different levels of commissioning and procurement.			Henry Swan, Head of Procurement			
Procurement training for KCC managers, as part of the Kent Manager standard, in place			Henry Swan, Head of Procurement			
Procedures for appropriate consultation in place (including Equality Impact Assessments) where procurement and commissioning decisions are being considered			Steve Charman, Head of Consultation & Engagement			
Governance & Audit Committee (inc. Trading Activities sub-group) and Internal Audit roles			Andy Wood, Corporate Director			

		Finance & Procurement
Management Guide for Alternative Service Delivery Models produced		Neeta Major, Strategic Financial Advisor
Procurement and Legal Services joint protocol in place to clarify the respective responsibilities of these two functions and service managers		Henry Swan, Head of Procurement/Geoff Wild, Director Governance & Law
Protocol relating to companies in which KCC has an interest in place – establishes processes and provides additional controls to ensure such companies are run according to rules of good governance		Geoff Wild, Director Governance & Law/Andy Wood, Corporate Director Finance & Procurement
“Guidance on Local Authority Companies” available to assist anyone with the Council wishing to set up a company		Andy Wood, Corporate Director Finance & Procurement/ Geoff Wild, Director Governance & Law
Cross-directorate Commissioning Support Working Group meets regularly to move the agenda forward		Olivia Crill, Project Manager
Member working group established to build understanding of the role of elected Members in a commissioning authority, with Commissioning Advisory Board in place		Councillor Hotson
Action Title	Action Owner	Planned Completion Date
Development of a commissioning workstream within the Business Capability change portfolio to deliver the recommendations set out in the May 2014 County Council paper Facing the Challenge: Towards a Strategic Commissioning Authority.	David Cockburn, Corporate Director Strategic & Corporate Services (supported by Olivia Crill, Project Manager)/Andy Wood, Corporate Director Finance & Procurement	March 2015
Development of outcomes framework for KCC that has coherence with existing statutory outcomes frameworks, for consideration by County Council	David Whittle, Head of Policy & Strategic Relationships	December 2014
Review the Council’s Leadership & Management Framework to ensure leadership of effective commissioning becomes an integral part	Amanda Beer, Corporate Director Human Resources	March 2015
Further development and rollout of Contract Management training across the council	Henry Swan, Head of Procurement	February 2015
Completion of Procurement & Commissioning review	Andy Wood, Corporate Director Finance & Procurement	January 2015
Ensure key governance & control mechanisms (e.g. KCC constitution) are refreshed and communicated as required if new operating models are introduced	Geoff Wild, Director Governance & Law/All of Corporate Management Team	March 2015 (review)

Risk ID CRR17						
Risk Title						
Future operating & financial environment for local government						
Source / Cause of Risk	Risk Event	Consequence	Risk Owner(s)	Current Likelihood	Current Impact	Target Residual Likelihood
			Responsible Cabinet Member(s):			Target Residual Impact
<p>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.</p> <p>It is estimated that on top of significant savings already delivered, another £206m are required between 2015/16 and 2017/18. There is uncertainty for Local Government over the next spending round.</p>	<p>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.</p> <p>Quality of services suffers as financial situation continues to worsen.</p> <p>Financial settlement from Government is less than anticipated for 2015 onwards.</p>	<p>Unsustainable financial situation.</p> <p>Reduction in resident satisfaction and reputational damage.</p>	<p>Corporate Directors</p> <p>Paul Carter, Business Strategy, Audit & Transformation</p>	<p>Likely (4)</p> <p>Unlikely (2)</p>	<p>Major (5)</p> <p>Major (5)</p>	
Control Title				Control Owner		
<p>“Facing the Challenge: Whole-Council Transformation” paper approved at County Council – sets out how the Authority will position itself to meet the anticipated financial challenges, outlines a future vision for the Council and a whole-council transformation approach</p>				<p>Paul Leader, Leader of the Council</p>		
<p>Version 1 of Transformation Plan (Facing the Challenge: Delivering Better Outcomes) presented to County Council outlining a phased roadmap for transformation</p>				<p>Paul Carter, Leader of the Council/Transformation Advisory Group</p>		
<p>Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process</p>				<p>Andy Wood, Corporate Director Finance & Procurement</p>		
<p>Processes in place for monitoring delivery of savings and budget as a whole, including Budget Programme Board to scrutinise progress</p>				<p>Andy Wood, Corporate Director Finance & Procurement</p>		
<p>Corporate Directors are providing managerial leadership for the transformation agenda and ensuring resources for delivering transformation are adequate and appropriate to ensure successful delivery, alongside maintaining focus on 'business as usual' activity, and meeting regularly to ensure effective oversight and co-ordination of officer level programme management</p>				<p>Corporate Directors</p>		
<p>Effective operation of Cross-party Advisory Board in order to gain wider engagement of political groups</p>				<p>Paul Carter, Leader of the</p>		

		Council/Transformation Advisory Group
Effective operation of Transformation Advisory Group as the vehicle through which strategic management and oversight of delivery takes place.		Paul Carter, Leader of the Council
Corporate Portfolio Office in place charged with identifying and managing dependencies across all programmes and projects		Elizabeth Beadle, Head of Corporate Portfolio Office
Communications and Engagement Strategy for <i>Facing the Challenge</i> developed		Diane Trollope, Change/Engagement Manager
Change Portfolio arrangements established		Portfolio Senior Responsible Officers (SROs)
Top-tier posts realigned to support transformation		Paul Carter, Leader of the Council
Agreed approach with Democratic Services on decision making, governance and approval routes for <i>Facing the Challenge</i> programme		John Burr, Director Transformation/ Portfolio Senior Responsible Officers (SROs)
Staff development and Leadership & Management frameworks established to further develop key skills, including commercial acumen, project management and contract management, across the organisation as an essential enabler of transformation		Amanda Beer, Corporate Director Human Resources
Three year cash limits allocated across the organisation to aid planning		Andy Wood, Corporate Director Finance and Procurement
Action Title	Action Owner	Planned Completion Date
Commissioning Framework being developed for KCC as part of move towards a strategic commissioning authority.	Olivia Crill, Project Manager	March 2015
Development of interventions to improve professional capacity and capability of project and programme delivery as a distinct skill set within KCC	Julie Cudmore, Workforce Development Manager	December 2014 (review)

Risk ID CRR 18	Risk Title	Public Sector Network – Implications of Compliance with Code of Connection Security Standards				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Public Services Network is a UK government Wide Area Network, whose main purpose is to enable connected organisations, including local authorities and central government, to communicate electronically and securely at low protective marking levels. The customer Code of Connection (CoCo) provides a minimum set of security standards that organisations must adhere to when joining PSN. Due to the Government's zero-tolerance approach a number of local authorities need to make changes to current policies / ways of working that requires additional investment. Ongoing compliance with the standard will have a number of potential impacts on KCC objectives.	Additional investment in technology required to meet standards without commensurate increase in productivity.	Impact on "Doing things Differently" objectives – less technology choices available. Financial implications	David Cockburn, Corporate Director Strategic & Corporate Services Peter Bole, Director ICT Responsible Cabinet Member(s): Gary Cooke, Corporate & Democratic Services	Possible (3)	Significant (3)	
				Target Residual Likelihood	Target Residual Impact	
				Unlikely (2)	Moderate (2)	
Control Title				Control Owner		
Thorough analysis of potential impacts of satisfying the CoCo compliance conducted				Peter Bole, Director ICT		
Impact analysis conducted for adoption of Baseline Personnel Security Standards (BPSS)				Peter Bole, Director ICT/Amanda Beer, Corporate Director HR		
CMT commitment to comply communicated to Public Services Network Authority (PSNA)				Corporate Management Team		
Project plan devised to achieve compliance				Peter Bole, Director ICT		
KCC compliant with current Code of Connection standards				Peter Bole, Director ICT		
Action Title			Action Owner	Planned Completion Date		
Action plan to meet requirements for compliance in September 2015			Peter Bole, Director ICT	April 2015 (review)		

Continuing liaison with Government on evolving security standards to encourage risk-based, proportionate approach

Peter Bole, Director ICT

April 2015 (review)

Risk ID	CRR 19	Risk Title	Implications of the Care Act 2014			
Source / Cause of risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Care Act 2014 establishes a new legal framework for care and support services. The new law marks the biggest change to care and support law in England since 1948. The changes will have significant implications for Kent residents and Kent County Council, in terms of both opportunities and risks.		Costs of implementation may not be fully funded.	Additional financial pressure	Andrew Ireland, Corporate Director Social Care Health & Wellbeing	Possible (3)	Major (5)
		The effect of the changes in law on the existing cost differential between the Local Authority and a self-funder may erode.	Increase in demand for services in addition to existing demand pressures (see CRR 10a risk)		Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care and Public Health	Target Residual Likelihood
		Significant increase in people coming forward for care and financial assessments.	Confusion and dissatisfaction of residents and potential service users	Unlikely (2)		Significant (3)
		The public may not understand the reforms. Appropriate systems enhancement may not be completed within 2016 timescales				

Page 61

Control Title	Control Owner	
Care Act Programme established to ensure KCC is well placed to deliver its new responsibilities and that Kent residents who need social care, their carers and local providers are able to take advantage of the developments coming. Programme Board contains representatives from across KCC and efficiency partner.	Andrew Ireland, Corporate Director Social Care Health & Wellbeing (SCHWB)	
Adults Transformation Board to oversee the Care Act Programme, setting direction, approving decisions and ensuring successful implementation	Andrew Ireland, Corporate Director SCHWB	
Care Act Programme is part of the wider Adults Transformation Change Portfolio to ensure appropriate linkages with other programmes in the portfolio, ensuring that they are "Care Act proof".	Andrew Ireland, Corporate Director SCHWB	
Regular briefings for elected Members and other stakeholders being held	Care Act Policy Lead Manager	
Costs have been modelled to give KCC an understanding of the total costs involved in implementing the Care Act	Michelle Goldsmith, Finance Business Partner	
Action Title	Action Owner	Planned Completion Date

Programme Plan in place including a number of projects:		
Communications – to provide clear and accurate communication to inform the public, service staff and providers about forthcoming changes	Andrew Bose, Communications Account Manager, Social Care	January 2015 (review)
Workforce capacity, planning and training – ensuring the necessary capacity and that all relevant staff receive appropriate training prior to implementation	Andrea Cahill, Professional Development Advisor, Social Care	January 2015
Commissioning – ensuring that duties regarding preventative services, information & advice, independent advocacy, the facilitation of independent financial advice and oversight of care markets are implemented	Emma Hanson, Head of Commissioning (Community Support) / Head of Commissioning (Accommodation solutions)	January 2015
Financial assessment and charging – to address the changes in assessment, including the residential means-test threshold, and changes to charging, including the extension of powers to charge	Michelle Vickery, Assessment & Income Client Services Manager	December 2014
Safeguarding – to address safeguarding aspects of the Care Act, including making arrangements for the Adult Safeguarding Board	Nick Sherlock, Head of Adult Safeguarding	December 2014
IT and information systems – to provide effective and timely changes to IT and finance systems	Linda Harris, ICT Applications Team Manager	April 2015 (review)
Consideration of whether to adopt national standard eligibility criteria	Andrew Ireland, Corporate Director SCHWB	December 2014

Risk ID CRR 20 DRAFT		Risk Title Banking Reform Act			
Source / Cause of risk Bail in risk stemming from the enactment of the following legislation: - Banking Reform Act 2013 - Bank Recovery and Resolution Directive 2015 - Deposit Guarantee Scheme Directive 2015 Unsecured investments in a bank that fails are not protected. KCC may make unsecured deposits with various banks in accordance with its Treasury Strategy	Risk Event KCC making an unsecured deposit is a financial risk. The Council losing a significant proportion of its unsecured deposits in the event of a bank failing is both a financial risk and reputational risk.	Consequence The immediate consequence for KCC of a bank failing could be illiquidity and KCC perhaps unable to pay its bills. It could borrow short term to cover its liquidity requirements but would be subject to interest rate exposure. This is a financing risk. The Council in due course could suffer a significant financial loss and possible reduction in its reserves. Potential impact on service delivery. Reputational damage.	Risk Owner Andy Wood, Corporate Director Finance & Procurement Responsible Cabinet Member(s): John Simmonds, Finance & Procurement	Current Likelihood Unlikely (2)	Current Impact Serious (4)
				Target Residual Likelihood Unlikely (2)	Target Residual Impact Moderate (2)
Control Title				Control Owner	
KCC receives expert advice from Arlingclose about banks' stability and viability and they will advise accordingly. The Council also takes account of credit ratings and other risk metrics.				Alison Mings, Treasury & Investments Manager	
The Treasury Management Strategy provides for diversification into tradable assets, many of which are secured and therefore not subject to bail in, which may be sold to realise cash. The TMS also sets limits for unsecured deposits with a single bank, as well as group, sector and country limits.				Alison Mings, Treasury & Investments Manager	
KCC has a Treasury Management Advisory Group to oversee the Treasury Strategy. The issue of Bail in has been on the agenda and plans agreed to mitigate the risks				Nick Vickers, Head of Financial Services	
Action Title		Action Owner		Planned Completion Date	
Treasury Strategy to be revised to limit the exposure to the Council		Nick Vickers, Head of Financial Services		31 March 2015	

This page is intentionally left blank

By: Paul Carter, Cabinet Member for Business Strategy,
Audit & Transformation
David Cockburn, Corporate Director for Strategic &
Corporate Services

To: Governance and Audit Committee – 29th January 2015

Subject: **Review of KCC's Risk Management Policy & Strategy**

Classification: Unrestricted

Summary:

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

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

FOR DECISION

1. Introduction and background

- 1.1 As part of the Governance & Audit Committee's terms of reference, KCC's Risk Management Policy & Strategy is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 Since the December 2013 review, the County Council has published and consulted on its Commissioning and Outcomes Frameworks, and our attitude and approach to risk as an Authority has been highlighted as one of nine key enablers of change. The financial landscape for local authorities still remains bleak, with significant challenges ahead. Therefore, the main proposed changes to the policy are:
 - Section 4: Risk Strategy – several contextual paragraphs have been added to this section, emphasising the scale of the financial and operational challenges facing KCC and the consequent increase in risk in the environment.
 - Section 4: Risk Strategy – a paragraph has been added referencing the move to a Strategic Commissioning Authority and how the focus on risk management is moving from process-based to 'softer' human factors as our risk maturity increases.
 - Section 4: Risk Strategy – several new objectives and tasks have been added to reflect commissioner / provider governance arrangements.
 - Section 9: Risk Appetite, Tolerance & Escalation – previously this section highlighted our 5x5 risk matrix, pointing out that any 'high' rated risks are to

be escalated to the next management level for review. Further information has been added on KCC's risk appetite, giving examples of what could be seen as 'intolerable' risks, but pointing out that an organisation as large and diverse as KCC will not have just one application of appetite. The added text reflects conversations about KCC's approach to risk that began in November 2013.

- Section 11: Reporting – a section has been added on risk reporting, making explicit the requirements for management review of risks and reporting of strategic risks.

- 1.3 For ease of reference, the changes to the policy have been tracked.
- 1.4 A small, dedicated risk management team works with Members and Officers across the Authority to implement the objectives outlined within the policy & strategy.
- 1.5 Cabinet Members and the Corporate Management Team have considered and endorsed the refreshed Policy & Strategy (appendix 1) and now seek Governance and Audit Committee approval for its implementation.

2. Recommendations

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

Richard Hallett, Head of Business Intelligence

Richard.hallett@kent.gov.uk

Tel: 03000 416192

Contact Officer

Mark Scrivener

Corporate Risk Manager

Mark.scrivener@kent.gov.uk

Tel: 01622 696055

Appendix 1

Risk Management Policy & Strategy 2015

**DRAFT for presentation to
Governance & Audit Committee**

29/01/15

POLICY OWNER:

Richard Hallett
Head of Business Intelligence
Sessions House, Maidstone
richard.hallett@kent.gov.uk
03000 4161921622-694134

POLICY AUTHOR:

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

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.

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 and demonstrate compliance with the Local Audit & Accountability regulations.

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 will be~~ 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;
- there is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making; and
- the framework for managing risk continues to remain appropriate.

3 Applicability

3.1 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 and monitored through procurement processes and contract management arrangements.

4 Risk Strategy Objectives of risk management

4.1 Ongoing public sector austerity measures mean that KCC, like all local authorities, continues to face serious financial and operational challenges. This will mean that KCC is exposed to significant and increasing levels of risk in its operating environment, with less resource to manage those risks. Therefore the Authority is likely to be required to accept or tolerate greater levels of risk in conducting its business as it seeks to innovate and transform in order to protect the quality of services for services users and residents of Kent.

4.2 The Council's desire to move towards a Strategic Commissioning Authority requires reviewing of the Council's governance arrangements, including the risk management framework, which will evolve as the Authority evolves. This is expected to require a much greater focus on the 'softer' elements of the risk framework – our culture, behaviours and values rather than risk management processes.

4.3 Objectives of risk management – in support of the Council's move towards a strategic commissioning authority and achievement of KCC's desired Outcomes Framework, the Council aims to:
~~The aims of this policy are to set out how KCC will:~~

- manage risks in line with its risk appetite, and thereby enable ~~it~~ to achieve ~~its~~ objectives more effectively;
- 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, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives;
- 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~~;

- ensure effective intelligence sharing and collaboration~~harmonise risk management~~between risk management disciplines across all Council activities;
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge;
- ~~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; and
- ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust ensuring clear effective lines of communication and the management of relationships.

4.4 KCC shall achieve these aims by:

- maintaining the common links between business planning, performance and risk management;
- integrating effective risk management practices into the Council's management, decision making and planning activities;
- using~~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;
- embedding risk management into the *Kent Manager Standard* and wider *Leadership & Management Development Framework*;
- highlighting and promoting our attitude and approach to risk as one of the nine key service design principles to enable change;
- providing a mix of risk management training, awareness sessions and support for both Officers and Members of the County Council;
- 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 *Facing the Challenge* transformation agenda;
- providing continuous challenge and quality assurance to all elements of the risk management process;

- 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;
- working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements;
- Striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.

4.5 The Corporate Risk Manager shall maintain a programme that sets out the delivery of this policy and strategy, with delivery being assured by the Corporate Management Team and, where necessary, the Performance & Evaluation Board.

5 Principles of risk management

5.1 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

The organisation 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 objectively. In Additionally addition, 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

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.

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, and have stated our intent to become a strategic commissioning authority. 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.

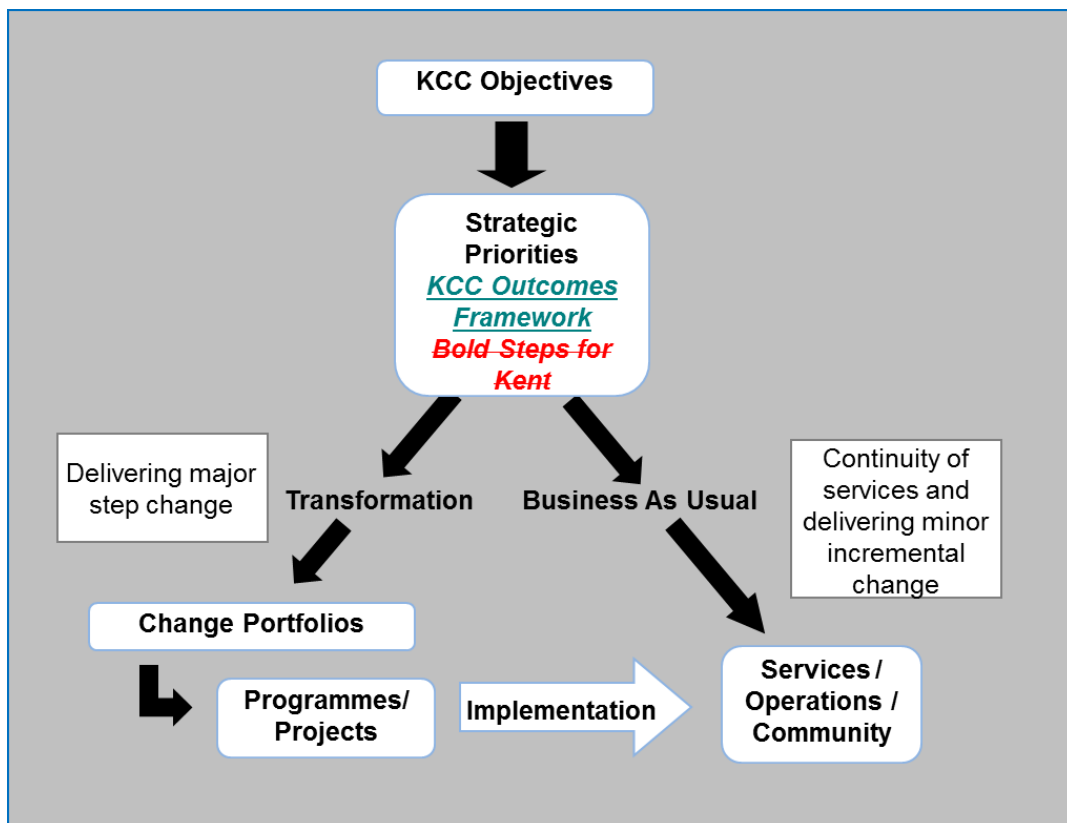
6.2 In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;

- '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.

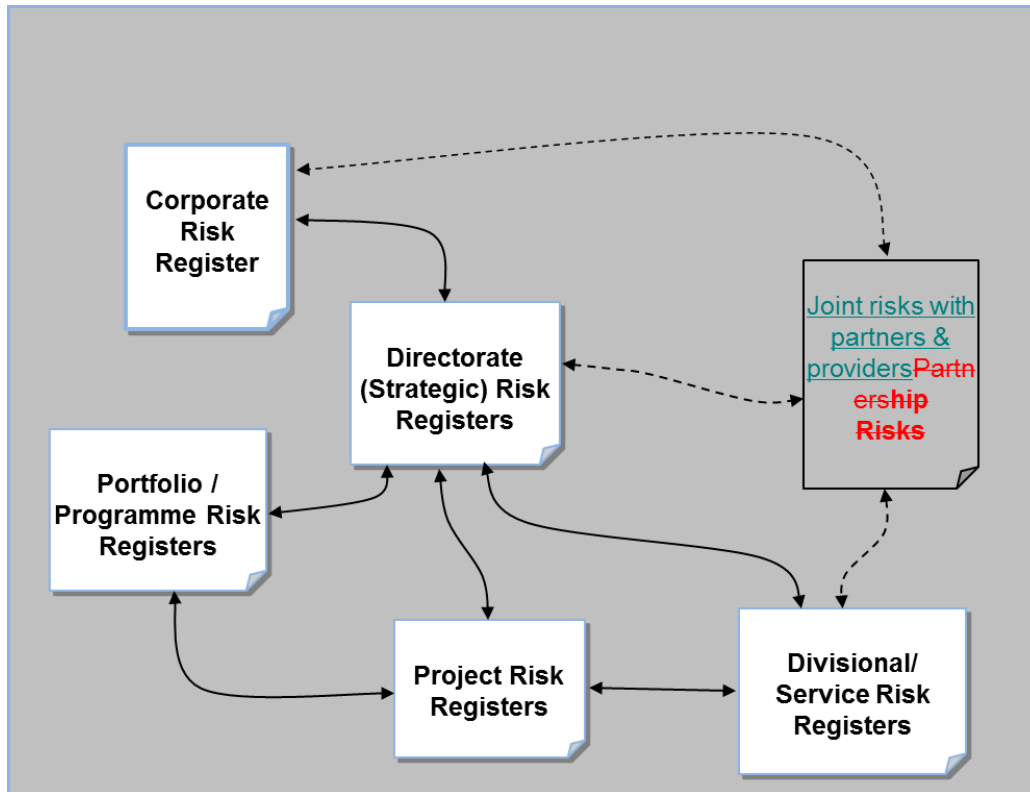
Delivery Model



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

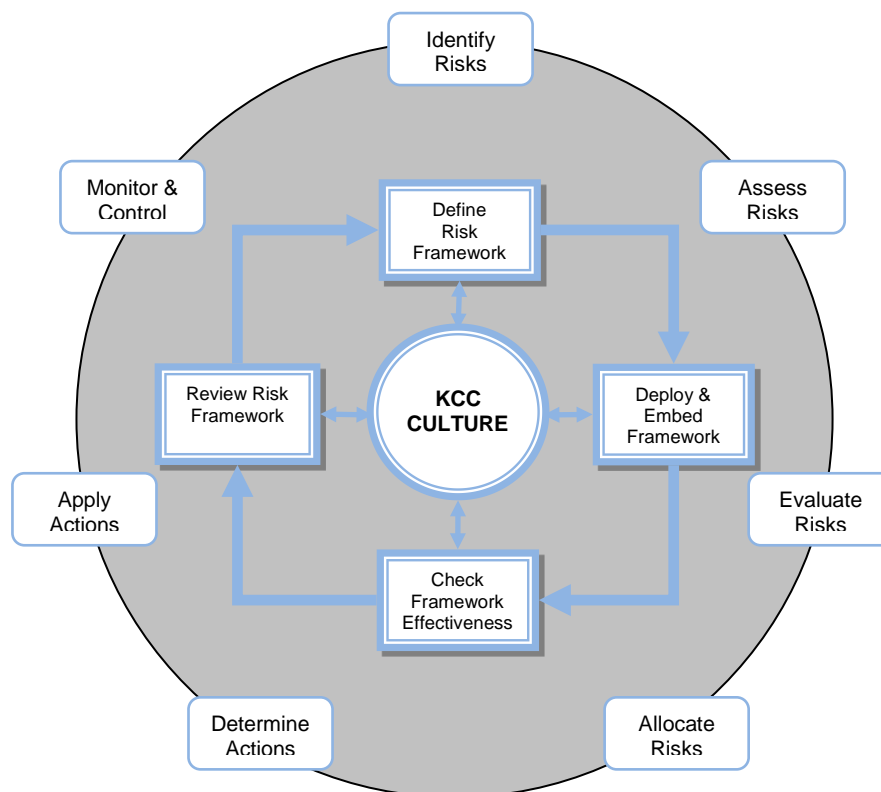
7.1 Responsibility for risk management runs throughout the Council; everyone has a role to play. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The main individuals and groups and reporting structure for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

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.

Diagram 1 – The Risk Management Framework



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 [KCC's](#) risk management approach and practices to be informed by, and aligned with, its values and culture. 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.
- **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.

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 according to potential likelihood and impact.
- **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 [effectively](#).
- **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.

9 Risk Appetite, Tolerance & Escalation

9.1 The Facing the Challenge – whole council transformation (July 13) document outlined the intention for the council to have “a mature approach to the management of risk, one that has moved beyond the traditional local government approach centered on a risk-averse culture that seeks to mitigate risk beyond all reasonable doubt, to managing risk based on an appropriate balance of probabilities in regards to the likelihood of risk occurring and the impact a risk issue might have”.

9.2 Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an ‘open’ approach to risk, with risks managed in a proportionate manner.

9.3 As local authorities face continued reductions in Government funding in the coming years, the Authority’s environment will, by default, contain greater risk, and therefore it is likely that KCC will need to accept higher levels of risk in order to meet its desired outcomes. While high risks defined as ‘high’ are to be managed down to a tolerable level, it is important that risks across the Authority are not over-controlled.

9.4 It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite should be set with reference to the strategy for service delivery in each particular area. However, examples of risks that would be seen as intolerable are those that are likely to:

- Negatively affect the safety of our service users, residents or employees;
- Severely damage the Authority’s reputation;
- Lead to breaches of laws and regulations;
- Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).

9.5 In addition, to aid managers in understanding what risks are acceptable, 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.

~~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.~~

KCC's Standard for determining risk levels

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

9.6 To underpin consideration of risk appetite, Cabinet Members and the Corporate Management Team encourages an appropriate 'authorising environment' for risk management, where well-informed risk taking is encouraged without fear of blame, accepting that a mature approach to risk means that occasionally the adverse impacts of these risks may materialise.

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 wider Leadership & Management Development Framework](#) 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 Risk Reporting

11.1 Risks should be reviewed every three months as a minimum, with a more formal review and refresh of significant risks annually. The frequency will be dependent on the circumstances and environment around the risks. Within a rapidly changing environment monthly monitoring and three monthly reviews may be more appropriate. Risks rated as 'high' should be subject to more detailed and frequent monitoring.

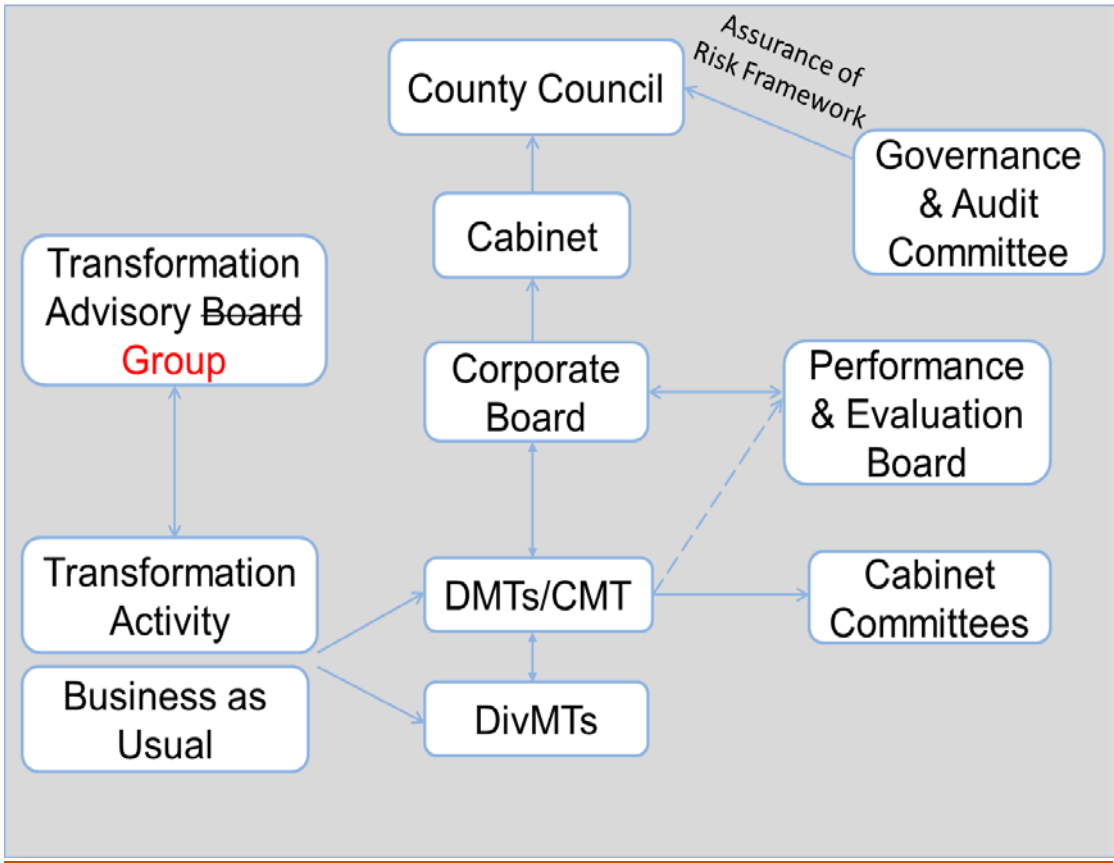
11.2 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh. It is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes. Strategic risks facing the County Council are to be reported to Cabinet Committees annually, alongside the business planning process. The Risk Strategy and corporate risks are also to be reported to County Council as part of the Medium Term Financial Plan.

12 Review of this policy

12.1 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.

12.2 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.

Risk Management Governance Structure



Appendix 2

Risk Management Roles and Responsibilities

Group or Individual	Responsibilities
County Council	Ensure that an effective system of risk management is in place.
Governance & Audit Committee	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.
Cabinet	Responsibility for the operation of the risk management system, including the establishment of the Council's risk appetite. Promoting and modelling the behaviours and values that encourage open and frank conversations about risk and a no blame culture when well-informed risks are taken and do not achieve the desired outcomes
Cabinet Member for Business Strategy, Audit & Transformation	On behalf of Cabinet ensure effective risk management arrangements are put in place
Cabinet Portfolio Holders	Responsibility for the effective management of risk within their portfolio areas and ensuring that they consider risks in all decisions they make
Cabinet Committees	To provide scrutiny pre-decision to ensure that due 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 Team (CMT)	To ensure the Council manages risks effectively through the 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. Promoting and modelling the behaviours and values that encourage open and frank conversations about risk and a no blame culture when well-informed risks are taken and do not achieve the desired outcomes.
Performance & Evaluation Board	Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient.
Portfolio / Programme / Project Boards	To ensure that portfolio, programme and project risks are effectively identified and managed and that any impacts on the business that may follow implementation are reported and managed.
Corporate Portfolio Office	To develop and ensure implementation of portfolio, programme and project governance, controls and risk management arrangements to successfully deliver outputs and secure desired outcomes and benefits.

Directorate Management Teams (DMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMT)	Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.
Corporate Director Business Strategy & Support (Head of Paid Service)	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.
Head of Business Intelligence	Establish the organisational context and objectives for risk management and map the external and internal risk environment. Develop and maintain the risk management policy, strategy, management guidance and support resources.
Corporate Risk Manager	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an 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. <u>Promoting and modelling the behaviours and values that encourage open and frank conversations about risk and a no blame culture -when well-informed risks are taken and do not achieve the desired outcomes.</u>
All staff members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

This page is intentionally left blank

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 – 29 January 2015

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2014/15**

Classification: Unrestricted

Summary: To present the Treasury Management 6 Month Review.

FOR DECISION

Introduction

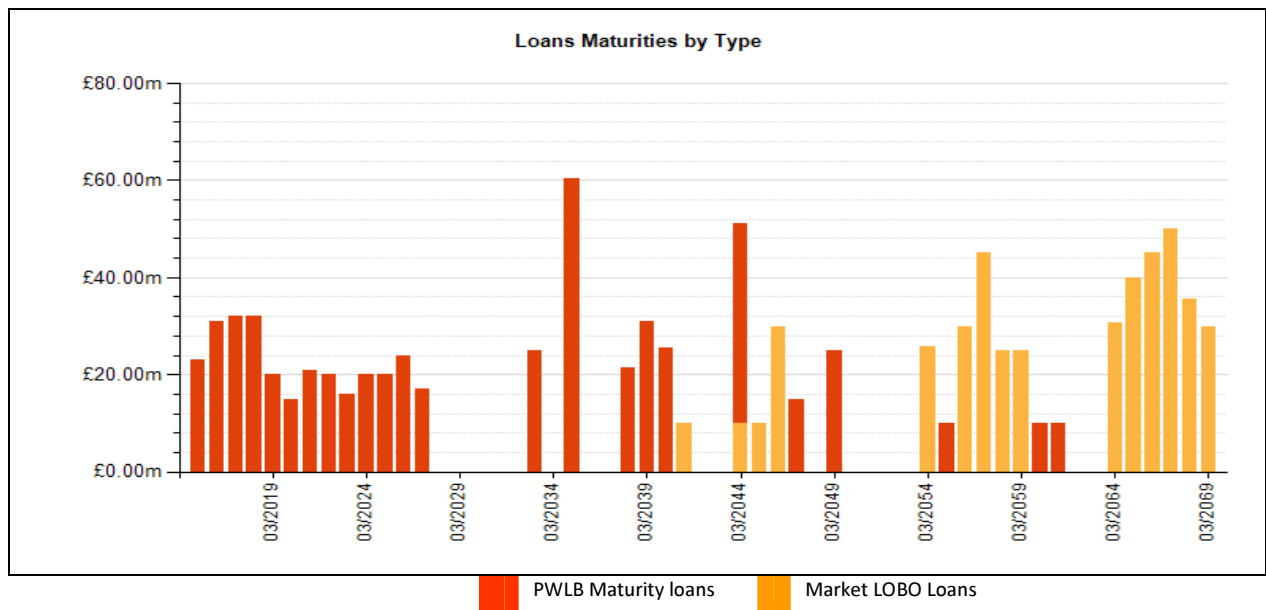
1. This is a 6 month update on treasury management issues.

Background

2. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
3. 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."
4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
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.

Borrowing Strategy

7. As at 30 September the Council had long term borrowings of £1,007million with a maturity profile as follows:



7. Total external debt managed by KCC includes £40.6m pre-LGR debt managed by KCC on behalf of Medway Council and £2.5million for other bodies.
8. The Council does not expect to borrow in 2014/15. £23m of existing loans are due for repayment before 31 March 2015.
9. The Council’s chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council’s long-term plans change being a secondary objective.
10. Affordability and the “cost of carry” remain important influences on the Council’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. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council has determined it is more cost effective in the short-term to use internal resources instead.
11. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council’s Treasury Advisor, Arlingclose, assists it with this ‘cost of carry’ and breakeven analysis. This strategy has also lowered overall treasury risk by reducing both external debt and temporary investments.
12. The Council holds £441.8m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £55.7m of these LOBOS had options during the half year, none of which were exercised by the lender. As a further £75m of LOBOS have options during 2014/15, the Council acknowledges there is

an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

Investment Activity

Counterparty Update

13. UK and European Governments have been working on options to avoid a repeat of the “bail out” of banks which we have seen since 2008. This has been replaced with the concept of “bail in” where classes of owners or depositors in the bank take the first tranches of any losses.
14. The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Over the next 5 months the rating agencies changed their outlook for UK, European and Canadian banks from stable to negative citing the reduction of government support for systemic banks and the potential bail in risk now faced by investors as the reason.
15. In October the European Union legislated to pass the cost of failing banks onto a smaller number of creditors, including local authority and financial institution depositors.

Investment activity 2014/15

16. The Council holds significant invested funds averaging £421m year to date, representing income received in advance of expenditure plus balances and reserves held. Cash balances are expected to fall towards the end of the financial year.
17. 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 2014/15.
18. In response to the likely impact of “bail in” on local authorities Cabinet on 2 June approved the following changes to the Treasury Management Strategy Statement for 2014/15.
 - a. Increase the Svenska Handelsbanken limit to £40m.
 - b. Increase the allocation to Covered Bonds to £100m in aggregate with a £20m limit by institution.
 - c. Increase the maximum investment in the CCLA LAMIT Property Fund to £10m.
 - d. Introduce Corporate Bonds with a maximum individual limit of £5m.

- e. Introduce Bond Funds with a maximum investment in any one fund of £5m within the investment portfolio aggregate limit of £75m
19. In August it was decided not to place any new deposits with Standard Chartered Bank as the result of concerns relating to their trading particularly in China and falling share price. To date no investments have been made in corporate bonds or bond funds.
20. Taking account of advice from Arlingclose maximum duration limits for deposits have been reduced. In September the Barclays limit was reduced to 6 months and in October limits with HSBC, Standard Chartered, Nationwide Building Society, Lloyds Bank, Bank of Scotland, Svenska Handelsbanken, Australian and Canadian banks were reduced to 6 months, Barclays was reduced to 100 days while the duration of deposits with Close Brothers and smaller building societies remained at 100 days.
21. As at the end of November the types of investment held were as follows:

Type of Investment	Total	
Call Account	£67,800,000	20.1%
Certificate of Deposit	£35,000,000	10.4%
Fixed Deposit	£104,850,000	31.0%
Supranational Bond	£13,792,950	4.1%
Covered Bond	£71,256,671	21.1%
T-Bill	£14,964,538	4.4%
Total Icelandic Deposits	£12,416,710	3.7%
Internally managed cash	£320,080,869	94.7%
External Investments	£15,268,077	4.5%
Equity	£2,681,260	0.8%
Total	£338,030,206	100.0%

22. The UK Bank Rate has been maintained at 0.5% since March 2009 and short-term money market rates have remained at relatively low levels. The purchase of covered bonds has beneficially impacted on the investment return, extended the maturity profile of the fund and reduced the risk. New internally managed investments were made at an average rate of 0.72%.

Iceland

23. Shortly before Christmas a large dividend was received from Landsbanki, the total received was £5.3m and it brings the recovery to date to £14.7m (86% of the principal sum) and total recoveries to £48m. Dividend payments to priority creditors from Landsbanki had been held up by issues involving the Central Bank of Iceland. The expected recovery from Landsbanki and Heritable is 100%, after receiving 100% of the Glitnir funds, and so a full recovery is anticipated.

Forecast outturn

24. The continued low interest rate on savings and investments, partially offset by the re-phasing of last year's capital programme, means that we are continuing to forecast a pressure of £0.4m.

Compliance with Prudential Indicators

25. The Council can confirm that it has complied with its Prudential Indicators for 2014/15 set as part of the Council's Treasury management Strategy Statement. Details can be found in Appendix 2.

Recommendation

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

Alison Mings
Treasury and Investments Manager
Ext: 03000 416488

KCC Investments as at 30 November 2014

Internally Managed Investments

Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate
Certificate of Deposit	Barclays Bank	£5,000,000	14/08/2015	0.99%
Same Day Call Deposit	Barclays FIBCA	£30,000,000	n/a	0.5%
	Total Barclays	£35,000,000		
Fixed Deposit	Close Brothers Ltd	£5,000,000	23/01/2015	0.6%
	Total Close Brothers Ltd	£5,000,000		
Fixed Deposit	Bank of Scotland	£5,000,000	07/05/2015	0.7%
Fixed Deposit	Bank of Scotland	£5,000,000	22/01/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	06/05/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	19/05/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	19/02/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	23/02/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	22/04/2015	0.7%
Fixed Deposit	Lloyds Bank	£5,000,000	31/12/2014	0.7%
	Total Lloyds Group	£40,000,000		
Certificate of Deposit	Standard Chartered	£10,000,000	07/01/2015	0.56%
	Total Standard Chartered	£10,000,000		
Total UK Bank Deposits		£90,000,000		
Fixed Deposit	Nationwide Building Society	£4,850,000	31/12/2014	0.64%
Fixed Deposit	Nationwide Building Society	£6,400,000	21/01/2015	0.64%
Fixed Deposit	Nationwide Building Society	£5,600,000	11/02/2015	0.64%
Fixed Deposit	Nationwide Building Society	£5,000,000	05/01/2015	0.5%
Fixed Deposit	Nationwide Building Society	£5,000,000	03/02/2015	0.56%
Fixed Deposit	Nationwide Building Society	£5,000,000	02/04/2015	0.66%
	Total Nationwide Building Society	£31,850,000		
Fixed Deposit	Vernon Building Society	£1,000,000	30/01/2015	0.55%
	Total Vernon Building Society	£1,000,000		
Total UK Building Society Deposits		£32,850,000		
Fixed Deposit	Commonwealth Bank of Australia	£7,000,000	02/12/2014	0.5%
	Total Commonwealth Bank of Australia	£7,000,000		
Fixed Deposit	Australia and New Zealand Banking Group	£10,000,000	08/12/2014	0.52%

KCC Investments as at 30 November 2014

Fixed Deposit	Australia and New Zealand Banking Group	£10,000,000	07/01/2015	0.56%
	Total Australia and New Zealand Banking Group	£20,000,000		
Total Australian Bank Deposits		£27,000,000		
Certificate of Deposit	Bank of Montreal	£10,000,000	22/04/2015	0.53%
Certificate of Deposit	Bank of Montreal	£10,000,000	07/04/2015	0.56%
	Total Bank of Montreal	£20,000,000		
Total Canadian Bank Deposits		£20,000,000		
Same Day Call Deposit	Svenska Handelsbanken	£37,800,000	n/a	0.5%
	Total Svenska Handelsbanken	£37,800,000		
Total Swedish Bank Deposits		£37,800,000		
Treasury Bill	DMO	£4,987,193	29/12/2014	0.515%
Treasury Bill	DMO	£4,987,689	26/01/2015	0.495%
Treasury Bill	DMO	£4,989,656	16/03/2015	0.47%
Total UK Govt. Deposits		£14,964,538		
Floating Rate Covered Bond	Abbey National Treasury	£2,486,016	05/04/2017	0.77594%
Floating Rate Covered Bond	Abbey National Treasury	£1,405,637	05/04/2017	0.71594%
Floating Rate Covered Bond	Abbey National Treasury	£5,769,320	20/01/2017	0.81969%
Floating Rate Covered Bond	Abbey National Treasury	£3,009,901	20/01/2017	0.7139%
Fixed Rate Covered Bond	Bank of Scotland	£2,140,610	08/11/2016	1.293%
Fixed Rate Covered Bond	Bank of Scotland	£3,079,599	08/11/2016	1.309%
Floating Rate Covered Bond	Barclays Bank	£5,008,933	15/09/2017	0.6934%
Fixed Rate Covered Bond	Coventry Building Society	£3,308,211	19/04/2018	1.933%
Fixed Rate Covered Bond	Coventry Building Society	£5,495,025	19/04/2018	1.703%
Fixed Rate Covered Bond	Coventry Building Society	£2,208,806	19/04/2018	1.52%
Fixed Rate Covered Bond	Leeds Building Society	£2,182,448	17/12/2018	2.016%
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	01/10/2019	0.966506%
Floating Rate Covered Bond	Lloyds	£3,009,392	14/01/2017	0.8056%
Floating Rate Covered Bond	Lloyds	£1,406,519	01/07/2019	0.7578%
Floating Rate Covered Bond	National Australia Bank	£5,015,729	12/08/2016	0.64688%
Floating Rate Covered Bond	Nationwide Building Society	£1,899,992	17/07/2017	0.7572%
Floating Rate Covered Bond	Nationwide Building Society	£1,001,356	17/07/2017	0.7502%

KCC Investments as at 30 November 2014

Floating Rate Covered Bond	Nationwide Building Society	£2,103,420	17/07/2017	0.6972%
Floating Rate Covered Bond	Yorkshire Building Society	£3,059,206	23/03/2016	0.911%
Floating Rate Covered Bond	Yorkshire Building Society	£5,108,065	23/03/2016	0.911%
Fixed Rate Covered Bond	Yorkshire Building Society	£2,192,863	12/04/2018	1.981%
Floating Rate Covered Bond	Yorkshire Building Society	£2,044,781	23/03/2016	0.911%
Fixed Rate Covered Bond	Yorkshire Building Society	£3,320,841	12/04/2018	1.55%
Total Covered Bonds		£71,256,671		
Fixed Rate Supranational Bond	European Bank of Regeneration and Development	£10,027,756	15/12/2014	0.43%
Fixed Rate Supranational Bond	Nordic Investment Bank	£3,765,194	16/12/2014	0.4%
Total Supranational Bonds		£13,792,950		
Total Bonds		£85,049,621		

Icelandic deposits	Recoveries outstanding	£9,270,107		
Icelandic deposits	ISK held in Escrow at Islandsbanki	£3,146,603		
Total Icelandic Deposits		£12,416,710		
Total Internally Managed Investments		£320,080,869		

Externally Managed Investments

Investment Fund	Book Cost	Market Value as at 30 November 2014	Total annualised return to 30 November 2014
CCLA LAMIT Property Fund	£10,000,000	£10,114,921	4.45%
Pyrford Global Total Return (Sterling) Fund	£5,000,000	£5,153,156	5.61%
Total Investment Funds		£15,268,077	
Equity	Book Cost	Market Value as at 30 November 2014	
Kent PFI (Holdings) Ltd	£2,681,260	£2,681,260	
Total Equity Investments		£2,681,260	
Total Externally Managed Investments		£17,949,337	

Total Investments	£338,030,206
--------------------------	---------------------

2014-15 Quarter 2 Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actuals 2013-14	£219.458m
Original estimate 2014-15	£270.967m
Revised estimate 2014-15	£320.878m

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

	2013-14	2014-15	2014-15	2015-16	2016-17
	Actual	Original Estimate	Forecast as at 30-09-14	Forecast as at 30-09-14	Forecast as at 30-09-14
	£m	£m	£m	£m	£m
Capital Financing requirement	1,435.263	1,437.960	1,398.508	1,379.677	1,321.485
Annual increase/reduction in underlying need to borrow	-29.697	-27.001	-36.755	-18.831	-58.192

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 2013-14	14.55%
Original estimate 2014-15	13.42%
Revised estimate 2014-15	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 2014-15

Operational boundary for debt relating to KCC assets and activities

	Prudential Indicator	Position as at 30.09.14
	£m	£m
Borrowing	993	966
Other Long Term Liabilities	261	254
	<u>1,254</u>	<u>1,220</u>

(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 30.09.14
	£m	£m
Borrowing	1,038	1,007
Other Long Term Liabilities	261	254
	<u>1,299</u>	<u>1,261</u>

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 2014-15 are:

	Authorised limit for debt relating to KCC assets and activities	Position as at 30.09.14	Authorised limit for total debt managed by KCC	Position as at 30.09.14
	£m	£m	£m	£m
Borrowing	1,033	966	1,078	1,010
Other long term liabilities	261	254	261	254
	<u>1,294</u>	<u>1,220</u>	<u>1,339</u>	<u>1,264</u>

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 2014-15

Fixed interest rate exposure	100%
Variable rate exposure	40%

These limits have been complied with in 2014-15.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 30.09.14
	%	%	%
Upper 12 months	10	0	2.28
12 months and within 24 months	10	0	6.25
24 months and within 5 years	15	0	6.65
5 years and within 10 years	15	0	9.63
10 years and within 20 years	15	5	12.6
20 years and within 30 years	20	5	14.8
30 years and within 40 years	20	10	10.48
40 years and within 50 years	25	10	21.41
50 years and within 60 years	30	10	15.94

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

Indicator	£175.0m
Actual	£67.1m

This page is intentionally left blank

By: Deputy Leader and Cabinet Member for Finance & Procurement
Corporate Director of Finance & Procurement

To: Governance & Audit Committee – 29 January 2015

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 1 December 2014, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £28.2m. This represents Social Care debt of £14.9m (29,166 invoices) and Sundry Debt of £13.3m (3,570 invoices).
4. The sundry debt figures include Health debt of £2.9m, although please see Paragraph 21 for further details of this.
5. The total debt reported has decreased by £17.5m from the £45.7m reported in the last Governance and Audit report. However, the value of total debt at any given date can vary considerably, particularly when large one-off invoices are raised – and thus paid. A better measure of comparative performance can be seen by movements in the value of sundry debt over six months' old as a percentage of total debt over the course of the last seven years, as the table below illustrates.

30-Apr-14	30-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09	30-Apr-08
7%	8%	12%	8%	6%	11%	12%

6. The detail around the Social Care element of debt, as well as the movement in value since the last report, can be found in sections 24-32, with earlier sections referring to Sundry debt only. The Social Care debt analysed from this point on reflects the four weekly client billing process run on Tuesday 9 December 2014.

7. Please note that changes in the most recent directorate structure are reflected in this report. This also means that debt incurred prior to the latest restructure is reported separately where appropriate. 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.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2014:

FTC	Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount
New Directorate	EY	£1,071,894.68	£662,613.09	£81,784.45	£310.00	£1,816,602.22
	GT	£2,175,209.60	£618,600.39	£119,403.91	£1,875.88	£2,915,089.78
	SC	£1,927,166.47	£1,680,936.24	£468,157.20	£11,692.05	£4,087,951.96
	ST	£790,207.78	£541,822.28	£316,061.24	£11,891.07	£1,659,982.37
Old Directorate	BSS	£85,368.55	£196,293.94	£1,114.59	£612,398.56	£895,175.64
	C&C	£0.00	£726.00	£3,489.60	£30,637.61	£34,853.21
	E&E	£6,077.71	£0.00	£40.00	£100,734.85	£106,852.56
	ELS	£58,828.04	£0.00	£0.00	£151,344.87	£210,172.91
	FSC	£44,974.37	£0.00	£1,239.46	£495,980.29	£542,194.12
Other	EDUKENT	£187,017.35	£299,834.25	£257,603.78	£2,156.28	£746,611.66
	Penalty Notices	£79,180.00	£6,780.00	£6,960.00	£0.00	£92,920.00
	Property Rents	£62,144.70	£26,103.24	£81,465.00	£0.00	£169,712.94
Grand Total		£6,488,069.25	£4,033,709.43	£1,337,319.23	£1,419,021.46	£13,278,119.37

PERFORMANCE

9. 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 1 December 2014, 79.24% of the total sundry outstanding debt was under 60 days old whilst 10.69% was over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

10. Below 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 "Other" – this is usually 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.

11. EY – Early Years

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£310.00
TOTAL	£310.00

- The £310.00 refers to 3 invoices. All providers have been supplied with a copy invoice for payment.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£775.88
OTHER	£400.00
REFERRED TO DIRECTORATE	£700.00
TOTAL	£1,875.88

- There are 5 outstanding invoices over 6 months for GT – the Debt Recovery Team is in liaison with the Directorate.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£11,154.23
INSTALMENTS	£360.22
REFERRED FOR WRITE OFF	£177.60
TOTAL	£11,692.05

- None of these debts have yet been referred to the Directorate, the Debt Recovery Team is currently addressing each of these debts.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
PAYMENT PLAN	£6,768.11
REFERRED TO DIRECTORATE	£5,122.96
TOTAL	£11,891.07

- Of the £11,891.07 outstanding, 11 debts have been “Referred to the Directorate” for assistance or further instruction regarding recovery of the debt.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£32,920.08
ONGOING ACTION	£253,419.17
HEALTH DEBT - HQ	£88,587.14
INSTALMENT - SMALL CLAIMS	£1,027.75
INSTALMENTS	£0.00
INTERNAL	£1,050.00
OTHER	£0.00
PARKED TERMINATED	£210.00
PAYMENT PLAN	£20,739.15
REFERRED FOR WRITE OFF	£11,112.47
REFERRED TO DIRECTORATE	£191,859.40
REFERRED TO LEGAL	£10,011.70
SMALL CLAIMS COURT	£1,461.70
TOTAL	£612,398.56

- The £191,986.17 tagged as “Referred to Directorate” consists of 22 invoices. Of these, the largest one refers to a Commercial Services debt owed to Corporate Finance for Pensions Charges - negotiations regarding the debt are ongoing.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
AR SECURED DEBT	£4,111.25
AUTOMATIC WRITEBACK	£1,867.65
ONGOING ACTION	£9,132.10
INSTALMENT - SMALL CLAIMS	£1,052.00
LIQ'S/INSOLV'S/RECV	£7,736.13
OTHER	£73.68
PAYMENT PLAN	£692.04
REFERRED FOR WRITE OFF	£186.00
REFERRED TO DIRECTORATE	£5,786.76
TOTAL	£30,637.61

- The £5,786.76 tagged as “Referred to Directorate” consists of 7 invoices. Of these, the largest one refers to a salary overpayment and is being paid off in instalments.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£42,502.13
INSTALMENT - SMALL CLAIMS	£0.00
INSTALMENTS	£0.00
INSURANCE	£42,490.14
LIQ'S/INSOLV'S/RECV	£6,023.35
PAYMENT PLAN	£1,028.33
REFERRED FOR WRITE OFF	£472.48
REFERRED TO DIRECTORATE	£5,654.26
REFERRED TO LEGAL	£2,564.16
TOTAL	£100,734.85

- The £5,654.26 tagged as “Referred to Directorate” consists of 7 invoices. Of these, the largest invoice for £4,017.71 is for Sainsbury Supermarket for traffic signals commissioning at Sainsbury’s in Northfleet. Despite numerous attempts to secure payment it has proven unsuccessful and we are therefore awaiting direction and assistance from the Budget Holder in Growth, Environment and Transport.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
AUTOMATIC WRITEBACK	£297.60
EDUKENT	£1,508.47
ONGOING ACTION	£1,170.00
OTHER	£170.00
PAID TO CS IN ERROR	£80.00
PAYMENT PLAN	£6,230.88
REFERRED FOR WRITE OFF	£40.00
REFERRED TO DIRECTORATE	£121,768.79
REFERRED TO LEGAL	£19,016.27
SMALL CLAIMS COURT	£1,062.86
TOTAL	£151,344.87

- The £121,768.79 tagged as “Referred to Directorate” consists mainly of one invoice totalling £120,000. Full payment has since been received and the debt is no longer outstanding.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£50,322.86
HEALTH DEBT - HQ	£37,942.57
HEALTH DEBT - SECURED - HQ	£42,745.04
INSTALMENT - SMALL CLAIMS	£8,317.38
INSTALMENTS	£0.00
LIQ'S/INSOLV'S/RECV	£1,082.34
OTHER	£120.00
PARKED TERMINATED	£4,354.46
PAYMENT PLAN	£66,551.29
REFERRED FOR WRITE OFF	£69,426.27
REFERRED TO DIRECTORATE	£135,924.86
REFERRED TO LEGAL	£70,083.43
SMALL CLAIMS COURT	£9,109.79
TOTAL	£495,980.29

- The £135,924.86 tagged as “Referred to Directorate” consists of 41 Invoices. Of these, the largest invoice for £24,967.79 is for London Borough of Croydon for the reclaim of costs regarding a Fostering Placement made by Kent within the Borough. Payment has not been forthcoming due to a dispute with the invoice value; the dispute has recently been resolved and a copy invoice provided for payment.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£2,156.28
TOTAL	£2,156.28

- The £2,156.28 refers to 15 invoices. The EduKent team are currently trying to recover these debts.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 December 2014 was identified as being £2.9 million comprising of 42 invoices. This is a decrease of £2.3 million when compared to the position reported in July 2014. The Sundry Health debt as at 1 December 2014 includes all current debt identified as being owed by a debtor classed as “Health Debt”, to include secured and unsecured debt-even if new debts had not yet been tagged as such. Analysis by debtor is as over:

Customer Name	Sum of Not Yet Due	Sum of AR Overdue 0-60 Amount	Sum of AR Overdue 61-181 Amount	Sum of AR Overdue 182+ Amount	Sum of Total AR Outstanding Amount
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£0.00	£491.40	£399.00	£0.00	£890.40
HIGHLAND HEALTH AND SOCIAL CARE PARTNERSHIP	£0.00	£100.00	£0.00	£0.00	£100.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£58596.35	£7980.83	£100.00	£100.00	£66777.18
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£399.00	£0.00	£0.00	£0.00	£399.00
KENT COMMUNITY HEALTH NHS TRUST	£9612.75	£3780.00	£107.10	£0.00	£13499.85
LONDON PORT HEALTH AUTHORITY	£8586.00	£0.00	£0.00	£0.00	£8586.00
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	£325.00	£50.00	£0.00	£0.00	£375.00
NHS ASHFORD CCG	£44577.12	£72194.75	£0.00	£88587.14	£205359.01
NHS CANTERBURY & COASTAL CCG	£76919.50	£0.00	£0.00	£0.00	£76919.50
NHS COMMISSIONING BOARD	£1145000.00	£0.00	£0.00	£0.00	£1145000.00
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£35965.92	£32109.05	£259475.12	£37065.82	£364615.91
NHS ENGLAND RE PCT/SHA CLOSURE	£0.00	£0.00	£0.00	£42745.04	£42745.04
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£66802.34	£0.00	£0.00	£0.00	£66802.34
NHS PROPERTY SERVICES LTD	£0.00	£1961.77	£0.00	£0.00	£1961.77
NHS SOUTH KENT COASTAL CCG	£109811.46	£116659.92	£7660.00	£0.00	£234131.38
NHS SWALE CCG	£58579.24	£212547.76	£0.00	£776.75	£271903.75
NHS THANET CCG	£46760.66	£1038.38	£32423.00	£0.00	£80222.04
NHS WEST KENT CCG	£110793.96	£159890.53	£21136.41	£0.00	£291820.90
SOUTH LONDON AND MAUDSLEY NHS TRUST	£50143.27	£0.00	£0.00	£0.00	£50143.27
THE JOHN TOWNSEND TRUST	£0.00	£50.00	£0.00	£0.00	£50.00
Grand Total	£1822872.57	£608854.39	£321300.63	£169274.75	£2922302.34

TRENDS

22. The numbers and values of invoices raised for the last 6 years are:

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Number of invoices raised	30,290	28,353	32,029	29,336	30,369	34,097
Value of invoices raised	£246,893,065	£237,392,631	£160,139,056	£176,597,554	£183,961,032	£183,804,045

WRITE OFFS

23. The table below shows the sum written off for the financial year 2014/15 to date in relation to Sundry debts.

Directorate	Total Write Offs
BSS REVENUE	£12,170.88
C&C REVENUE	£4,366.62
E&E BAD DEBT	£99.04
E&E REVENUE DEBT	£14,474.96
ELS REVENUE DEBT	£10,954.10
FSC REVENUE DEBT	£18,342.18
WO/WRITEBACK REVERSAL	(£1,052.87)
Grand Total	£59,354.91

SOCIAL CARE DEBT

24. 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 2013/2014 the total amount of income charged to clients through the client billing system was £67,091,677.04. This is an increase of nearly £6 million compared to the previous financial year. This is principally due to

the fact that there were 14 billing runs in 2013/14 as opposed to the usual 13 billing runs. However, the average amount billed on each invoice run has increased from £4,699,500.48 in 2012/13 to £4,792,262.65 in 2013/14.

ANALYSIS OF CLIENT RELATED DEBT

25. As at the billing run on 9 December 2014 the overall client related social care debt stood at £18,843k. This debt can be broken down as follows:

Debt Type	£'000
Residential	£16,331
Non-Residential	£2,512
Total	£18,843

26. Of the £18,843K, £4,638K relates to the latest billing run and is therefore not yet due. This leaves £14,205K regarded as due debt.
27. The £18,843K can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
Health	£14
Secured	£8,020
Unsecured	£10,809
Total	£18,843

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Unsecured Debt	Under Six Months	Six Months to a Year	Over One Year	Total Overdue
	£'000	£'000	£'000	£'000
Total Unsecured	£2,673	£1,171	£2,730	£6,524

NUMBERS OF UNSECURED DEBTORS

29. There are currently 11,238 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £10,809K.

SOCIAL CARE DEBT MOVEMENTS

30. With effect from April 2014, social care debt is reported in terms of the new localities. The table below shows all due debt across all of the new localities. It also includes all types of debt.

Total Debt (due and not yet due, secured and unsecured)

Total Debt Locality	09-Dec-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29/04/2014 £'000
Dartford Gravesham Swanley and Swale	4,219	4,586	-367
West Kent	5,067	5,682	-614
Ashford and Canterbury	3,464	3,424	40
Thanet and South Kent Coastal	4,851	4,526	324
East Kent LD	666	704	-38
West Kent LD	368	289	79
Mental Health	203	144	59
Corporate	5	5	1
Total	18,843	19,360	-516

31. The table below shows the unsecured overdue debt, which is the "highest" risk debt.

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	09-Dec-14 Total Debt £'000	11-Nov-14 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29/04/2014 £'000
Dartford Gravesham Swanley and Swale	1,506	1,593	1,500	6
West Kent	1,753	1,731	1,643	110
Ashford and Canterbury	1,015	962	1,113	-98
Thanet and South Kent Coastal	1,787	1,739	1,632	155
East Kent LD	186	197	195	-9
West Kent LD	118	137	83	36
Mental Health	157	111	103	54
Corporate	3	3	3	1
Total	6,522	6,540	6,272	253

- 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

32. As at 9 December 2014, £357,827.01 in Social Care write offs had been processed in ORACLE since 1 April 2014. This figure includes any write back reversals that have been input this year. Write offs processed in previous years are as follows:

Social Care Write Offs	
Year	Amount
2013 - 2014	£400,685.90
2012 - 2013	£188,124.22
2011 - 2012	£468,094.95
2010 - 2011	£254,829.22
2009 - 2010	£433,369.86

CONCLUSION

33. Total Sundry Debt has decreased from £26.2million to £13.3 million since the last Governance and Audit report. The overdue element of the debt has actually reduced from £15.2 million to £1.4 million, since the date of the last Governance and Audit report, and this is largely due to old “health” debt being paid prior to the implementation of the CCG’s.
34. Total Social Care debt has decreased from £19.6 million to £18.9 million since the last Governance and Audit report. Unsecured debt has decreased from £10.9 million to £10.8 million. The overdue element of the Social Care debt has increased from £6.4 million to £6.5 million.
35. The most recent Debt Recovery Internal Audit report dated 7th February 2014 gave a “Substantial” opinion, stating that “the system of control is adequate and controls are generally operating effectively”.

RECOMMENDATION

36. Members are asked to note the content of this report for assurance.

Natasha Chase

Team Leader (Debt Recovery)

03000 410838

Email: natasha.chase@kent.gov.uk

This page is intentionally left blank

By: Bryan Sweetland – Cabinet Member for Traded Service

David Cockburn – Corporate Director
Strategic and Corporate Services - Customer Services

To: Governance and Audit Committee

Date:

Subject: KCC Annual Customer Feedback Report 2013/14

Classification: Unrestricted

Summary: This report provides a summary of the compliments, comments and complaints recorded by the Council. The report includes Local Ombudsman Complaints, Members Complaints and reference to recent and future improvements in the administration of customer feedback.

Recommendation: Committee is asked to note the contents of this report.

1. INTRODUCTION

1.1 This is the Council's fifth annual report on compliments, comments and complaints in this format. This report sets out:

- A summary of the compliments, comments and complaints received by the Council for the year April 1st 2013 to March 31st 2014
- The Local Government Ombudsman Complaints Statistics for the year April 1st 2013 to March 31st 2014
- Member Complaints for the year April 1st 2013 to March 31st 2014
- Progress planned for 2014/15 and beyond

1.2 During 2013, the Council launched 'Facing the Challenge' which sets the direction for KCC to become a Commissioning Authority, placing customers at the heart of everything we do. Building on the foundation of the existing Customer Service Strategy (2012), a new Customer Service Policy has been designed to support KCC and Commissioners to deliver on the Council's commitment to customers. This was endorsed by Corporate Management Team on 9th December 2014.

1.3 Customer feedback, whether it is a compliment, comment or complaint, provides invaluable insight to the experience of customers, service users and all who interact with the Council. Good quality insight builds intelligence and

understanding of where the Council is meeting expectation and doing well and what needs to be done to improve service outcomes for all customers.

- 1.4 This report presents a very positive position in respect of the low level of general complaints received relative to the volume of customer and service user interactions delivered by and on behalf of this Council. Further, during 2013/14, GovMetric has captured 121,971 individual expressions of customer feedback across three primary channels providing KCC with powerful insights into customer experience and satisfaction at point of service. KCC achievement across this year was Good 73.1%; Average 9.1%; Poor 17.8%.
- 1.5 Managing the collation and analysis of customer feedback is challenging for an organisation operating on the scale of KCC. This activity becomes increasingly critical as more services are devolved and delivered through an extended and more complex supply chain.
- 1.6 KCC's new Customer Service Policy will be linked to the Commissioning Framework and require internal and external suppliers to comply with our procedures; provide data in a timely and appropriate format, evidence that that intended performance outcomes have been achieved. This will ensure that Members are able to discharge their responsibilities to Kent residents.
- 1.7 KCC Complaints Policy will be refreshed to reflect a changing organisation. This Policy sets the common standard required for managing complaints to ensure that customers are assured through this process. Complainants will receive an acknowledgement to their complaint within 3 working days and a response within 20 working days, with the exception of Children Social Services and Adult Social Services statutory complaints.
- 1.8 In 2013, a detailed specification was developed for a 'corporate customer feedback' system. This approach was agreed and is linked to the implementation of a wider Customer Relationship system (CRM or similar) for the County Council. Implementation of this approach and system has been paused until the implications of Phase 1 Market Engagement activity are known.

2. MONITORING

- 2.1 The development of systems and mechanisms for recording all compliments, comments and complaints continues to be work in progress and opportunities to ensure the capture of all information from across KCC is ongoing. This report reflects current practice and the improvements that have been achieved. Officers currently involved in the local administration and reporting of customer feedback for their business areas are working very effectively. A best practice forum will be established to support further improvement and effective and more uniformed recording across KCC during 2015/16.
- 2.2 Customer Relationship and Digital Services are focused on making the KCC complaints handling and reporting process more responsive to customer needs. This will include:

- Streamlining contact channels by promoting a primary email, e-form, contact telephone number, and postal address for KCC (Social Care will continue with their existing arrangements)
- One leaflet for the council informing the public how to contact us regarding their feedback
- Identifying an initial complaints response team within the Contact Centre. This team will:
 - Log complaints arriving at a central point (mail, e-form and phone)
 - Acknowledge receipt of complaint - meeting 3 day standard
 - Answer 'simple' enquiries to resolve at first contact wherever possible
 - Divert complex complaints to 'specialist' directorate leads to answer within 20 days (with exception of statutory children's and adults' complaints)

2.3 Throughout the year complaints monitoring has been reported in the Council's Quarterly Performance Report, highlighting any issues that have arisen during the previous three months.

2.4 Data for this report is currently gathered manually, and is reliant on a range of inputs from local services that reflect a variety of collation and reporting methods.

2.5 A specification for a 'corporate feedback system' has been outlined. The system will provide a workflow for all feedback that requires a response and provide information on customer feedback in real time. It will enable tracking of issues that are presented to KCC as Complaints and then escalated to the Local Government Ombudsman or the issue challenged using Freedom of Information (reported separately).

3. CUSTOMER COMMUNICATIONS CHANNELS

3.1 Information on 'How to Complain' is available on our website and on our Complaints, Comments and Compliments leaflets. The public can now provide KCC with feedback in a number of ways. One area KCC must consider more robustly is Social Media. Increasingly, people will share poor experiences and issue untargeted complaints relating to commercial business as this type of exposure evidentially triggers a quicker response and reparation than via traditional Customer Service help lines.

3.2 The breakdown below indicates by percentage which channel customers have chosen to communicate feedback during 2013/14. There is an 8% percentage shift in preference for on-line reporting; 10% reduction in written media and a 2% increase in telephone reporting compared with 2012/13.

- 46% Phone (+ 2%)
- 30% e-mail (+ 7%)
- 16% Letter (-1%)
- 4% Comment Card (- 8%)

- 3% Online (+1%)
- .5% Face to Face (- .5%)
- .5% Other (- .5%)

3.3 It is essential to ensure that all channels remain open and effective so that customers can choose how they contact us. It should be noted, however, that it can be more difficult for staff to record comments, compliments and complaints when they are given face-to-face, although it may be more possible to resolve the situation there and then with the complainant.

4. GOVMETRIC FEEDBACK FOR 2013/14

4.1 The table below provides a breakdown of the GovMetric feedback for 2013/14, the first full year of operation.

2013/14	Q1	Q2	Q3	Q4	Rating Total	Overall Total
Telephone						
Good	9571	13279	8150	10205	41205	43680
Average	356	595	359	499	1809	
Poor	126	180	156	204	666	
F2F						
Good	7265	8571	7520	8122	31478	46225
Average	1488	1761	1343	1350	5942	
Poor	2130	2466	2064	2163	8805	
Web						
Good	5049	4020	4094	3361	16524	32066
Average	892	777	876	809	3354	
Poor	3097	2716	2667	3708	12188	

4.2 Implemented during 2012, this is a fully automated system that provides KCC with a consistent opportunity to feedback across three primary service channels - Kent.gov, Contact Point and nine Gateway/Library face-to-face centres.

4.3 GovMetric provides an additional and important facet to traditional methods of receiving customer feedback. Each comment provides a unique insight into the customer experience at the time of their transaction. When taken alongside contact volumes for each channel, the information provides insight to the behaviours and preferences of customers when dealing with KCC. This evidence is essential and will inform future service redesign toward cheaper digital service solutions, encouraging the customer preference for the convenience of the digital channel.

4.4 This table provides a breakdown of the GovMetric feedback recorded across each channels by quality rating and volume. During 2013/14, KCC

received 121,971 pieces of individual customer feedback with 35.81% recorded for Contact Point; 37.90% for Gateway/Library; and 26.29% for Kent.gov.

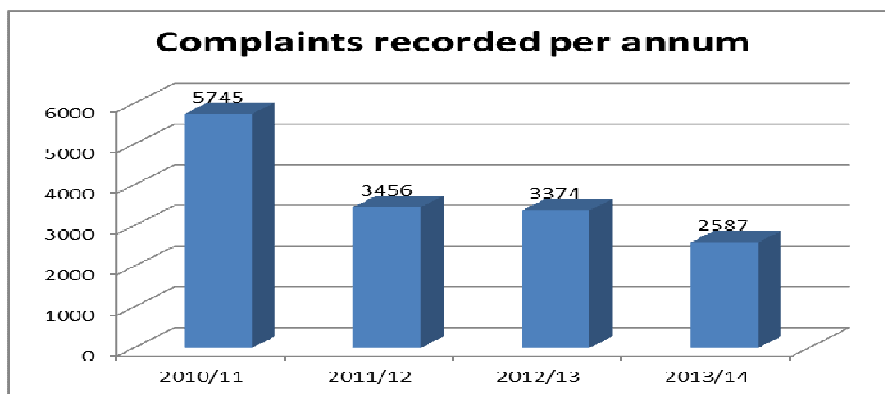
- 4.5 During 2013/14, customer satisfaction (when combining good and average ratings) with Contact Point was at 98.48%, with only 1.52% of comments rating the service poor; 80.95% had a positive experience of Gateway/Library transactions, with 19.05% recording a poor experience; 62.05% satisfaction with Kent.Gov, and 38% indicating a poor experience and recommending improvements. It must be noted that rating for Kent.gov precedes the implementation of the new content management system.
- 4.6 To supplement the broad opinion captured through GovMetric, the Digital Services team have devised a 'user exit survey' to ensure that improvements are made in direct response to user experience.
- 4.7 Where the customer provides an explicit insight with a poor rating, this information is used and converted into a formal complaint or enquiry to ensure that appropriate responses and actions are taken, and monitored under the standard complaint response times and processes.
- 4.8 A breakdown of complaints, compliments and comments by Directorate and Service can be found in Appendix F.

5. NUMBER OF COMPLIMENTS AND COMMENTS TO KCC

- 5.1 A **compliment** is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).
- 5.2 Compliments across the council decreased by 17% with 4,527 recorded compliments from April 2013 to March 2014 compared to the previous year when 5,456 compliments were recorded. Compliments are equally important to record and have provided a valuable source of learning and can act as an indicator of best practice or highlight areas where we are getting things right across the Council. We are currently updating our recording procedure with clear guidelines to ensure all Compliments are captured.
- 5.3 A **comment** is a general statement about policies, practices or a service as a whole, which have an impact on everyone and not just one individual. A comment can be positive or negative in nature. Comments may question policies and practices, make suggestions for new services or for improving existing services.
- 5.4 This year we received 2,250 comments compared with 1,530 last year. This is an increase of 47% on the previous year. The council actively encourages customers to give opinions about services and we are exploring how best to present information on Kent.gov about actions taken in response to comments received from the public.

6. NUMBER OF COMPLAINTS TO KCC

- 6.1 A **complaint** is an expression of dissatisfaction, whether justified or not and however made, about the standard or the delivery of a service, the actions or lack of action by the Council or its staff which affects an individual service user or group of users. This is consistent with the definitions used by other local authorities.
- 6.2 The emphasis in the complaints procedure is to ensure that staff are equipped and empowered to act decisively to resolve complaints at a local level. The aim is that we work harder to resolve issues at the first point of contact. By recording accurately where things went wrong, we can use that information to improve service delivery and ensure that customers receive consistently good service regardless of how they choose to access them.
- 6.3 In 2013/14 2,587 complaints were recorded compared with 3,374 for 2012/13, this equates to a **decrease** of 23% in complaints recorded.



Graph showing the four year trend in complaint volumes – Data can be found at Appendices F & G.

- 6.4 The drop in the number of formally reported complaints could reflect a breakdown in the recording processes deployed across KCC; it could also indicate that customers are satisfied leaving feedback using the GovMetric feedback facility.
- ## 7. REASONS FOR COMPLAINTS
- 7.1 Irrespective of service or business type, the main grounds for complaints during 2013/14 tend to fall under one of the following themes (not in order of prevalence):
- Quality of service
 - Delivery of service
 - Availability of KCC services
 - Poor communications
 - Changes to service delivery due to cost saving measures
 - Policy decisions

- Staff behaviour
- Timeliness

7.2 The factors indicate that there are opportunities for corporate learning in areas such as Policy implementation and Governance, Commissioning and/or Contract Monitoring and Staff Development and Training.

8. COMPLIANCE WITH STANDARDS

8.1 **KCC** is committed to acknowledge any complaints received within 3 working days and to provide the customer with a response within 20 working days. As a whole KCC acknowledged 96% and responded to 83% of complaints within corporate timescales.

8.2 The percentage of complaints meeting KCC response standards by directorate is shown in Appendix G.

Families & Social Care - Adult Social Care

8.3 There is only one statutory timescale for adult social care complaints and this is the acknowledgement of the complaint, which must be provided to the complainant within three working days of receipt. 97% of these complaints were acknowledged within the statutory timescale of three working days, this is an improvement against 95% last year. **79% of complaints were responded to within the 20 day time scale.**

8.4 The period for responding to the complaint is agreed with the complainant on a case by case basis depending on the nature and complexity of the complaint and the desired outcome. This can be anything from 5 to 65 days. 79% of complaints were responded to within the timescale agreed with the complainant which is a considerable improvement on the previous year when the Council achieved 67%.

8.5 The average response time for statutory complaints set with a complaint plan timeframe of 20 working days is 14 working days. Complex cases that require either an off-line/external investigation or a joint response with health colleagues are identified at the beginning of the complaint and a longer timeframe is negotiated.

Within Adult Social Care there is no statutory response timeframe to be measured against as the legislation allows for the response timescales to be agreed with the complainant.

Families & Social Care - Children's Social Services

8.6 The Local Authority must consider and try to resolve Stage One complaints within 10 working days of the start date for Children's Social Services complaints. This can be extended by a further 10 working days where the complaint is considered to be complex.

- 8.7 Timescales have been extended for particularly difficult or complex cases, for example when more than one agency or service is involved or when cases are involved in other processes such as court proceedings and safeguarding procedures. Performance against timescales has improved since the previous year. **In 2013/14, 75% of statutory complaints were completed within 20 working days**, this compares against 64% completed within 20 working days in the previous year.
- 8.8 The Local Authority should consider Stage Two complaints within 25 working days of the start date (the date upon which a written record of the complaints to be investigated has been agreed) but this can be extended to 65 working days where this is not possible.

9. THE LOCAL GOVERNMENT OMBUDSMAN COMPLAINTS REVIEW 2013/14

9.1 Overview of Ombudsman & Changes to Service from the Ombudsman

- 9.1.1 In cases where a customer is unhappy with the responses received about their complaint from the Council they can exercise their right to involve the Local Government Ombudsman. The Ombudsman will investigate cases where a customer has exhausted the Council's own complaints policy and feel that their case has not been appropriately heard or resolved.
- 9.1.2 The Ombudsman can look at complaints about things that have gone wrong that has caused problems for the Customer, either,
- in the way in which a service has been delivered
 - when a service has not been delivered at all, or
 - in the way a decision has been made.
- 9.1.3 Each year, in June/July, the Local Government Ombudsman issues an annual review to each local authority. In her letter and the summary of statistics to accompany this, she sets out the number of complaints about that authority that her office has dealt with.
- 9.1.4 In response to LGA, Care Quality Commission and SOLACE feedback, the Local Government Ombudsman service implemented a new business model for 2013/14 with the aim of delivering a comprehensive service and ensuring more effective local accountability of public services.
- 9.1.5 The changes provide a single Ombudsman service for all public services in England. Independent Chairs for the LGO Audit and Remuneration Committees and further independent advisory member has been introduced to the governing board, the Commission for Administration in England.
- 9.1.6 Changes to reporting include the opportunity for councils to compare their performance on complaints against their peers; copies of the Annual Review letter as well as any published Ombudsman will be issued to the Leader of the Council and Head of Paid Service/Chief Executive to encourage more

democratic scrutiny of local complaint handling and local accountability of public services.

9.1.7 As a result of these changes, updates to the classification of cases and the implementation of a new national database, the figures for this year were not directly comparable to our records and will not be comparable to previous years. KCC has responded to the Ombudsman on the findings of the report which shows a discrepancy of 19 cases which we believe is a reflection of coding for example a duplication of Premature Complaints, and complaints closed between May 2014 and June 2014 being attributed to 2013/14. (Appendix A)

9.1.8 The KCC data and the Ombudsman statistics published on the 15th July has been investigated. Whilst it was anticipated that the figures may not directly compare, there was found to be a variation of an additional 19 cases recorded against KCC for 2013/14. A further variation in the LGO figures was also identified in their summary alignment to the new case classifications. The tables below outline the assessment of KCC reporting against the Ombudsman Report.

Local Authority breakdown of Cases 2013/14

Local Authority	Adult Care Svs	Bens. and Tax	Corp. & Other Svc	Educ. & Child. Svc	Env. Svc & Public Prot. & Reg.	H/ways & Trans.	Housing	Plan. & Dev.	Grand Total
KCC Total	37	1	5	102	9	16	1	4	175
LGO Total	47	1	6	102	10	23	1	4	194*

Scope of error	+10 <i>Duplic./ Prem.</i>		+1 <i>reported in 12/13</i>		+1 <i>Medway Case</i>	+7 <i>1 x Dup/ Prem. 6 x Dup. Enq to Compl.</i>			
-----------------------	------------------------------	--	--------------------------------	--	--------------------------	--	--	--	--

‘LGO Summary of how cases were dealt with’.

Local Authority	Detailed investigations carried out		Advice given	Closed after initial enquiries	Incomplete/ Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
Kent CC	36	36	1	50	7	45	175
LGO Figures	36	41	1	57	12	44	191*
Scope of error	*+2 Mal Admin? +1 Medway Omitted?						

9.2 Changes to Classification and reporting

9.2.1 The Local Government Ombudsman has introduced two classifications of query made to the council. The first is an ‘enquiry’ which they normally ask the Council to respond to within 5 days. This classification includes a question relating to whether a complainant has exhausted the Council’s own complaints policy.

9.2.2 The rationale is that an early clarification will potentially reduce and number and time spent handling ‘premature complaints’ – when the complainant has not exhausted the Council’s procedure or where fault is not likely to be found.

9.2.3 The second classification is a ‘complaint’ in which the Ombudsman has chosen to fully investigate the claim and will give the council 28 Calendar days or 20 working days to respond to its questions.

9.2.4 Decision statements made in 2013/14 will be published - website <http://www.lgo.org.uk/publications/annual-reviews/> - three months after the date of the final decision. The information published will not name the complainant or any individual involved with the complaint. Cases in which the complainant, despite redaction of names, can be easily identified are not published.

9.3 KCC Performance – Ombudsman complaints

9.3.1 During 2013/14 KCC received a total of 175 complaints and 73 enquiries which includes 12 complaints deemed premature. This is an increase on 2012/13, when Council received 129 complaints and 40 enquiries, including 33 complaints that were deemed premature.

- 9.3.2 In 2013/14 the average number of working days taken KCC to respond to a 'Complaint' was 12 days (or 2.4 weeks) a significant reduction on last year's performance of 30 days (or 6 weeks). The reduction of time and improved performance reflects a more robust manual reminder and follow up process having been introduced during the year and effective inter-departmental liaison.
- 9.3.3 The time taken to respond to Local Ombudsman enquiries or requests for further information was not previously reported but has been introduced during this year to reflect the changing LGO model.
- 9.3.4 The average number of working days require to respond to a request for further information is high at 21 working days (or 4 weeks). Conversely, the average number of calendar days taken to respond to an 'Enquiry' is within target at just 4 days. This difference is due to the fact that the Ombudsman's office requires far less information when the Complaint is at their Enquiry stage.
- 9.3.5 The Ombudsman Annual Report states that KCC received 194 complaints and 73 Enquiries during 2013/14. These figures do not match those collated by KCC at 9.3.1.
- 9.3.6 According to this breakdown, the Ombudsman had been able to give decisions on 191 complaints received about the council. It is important to note that not all of these complaints would have been received in 2013/14. A breakdown of the Local Government Ombudsman Decisions in relation to KCC's Directorates made in 2013/14 can be found in Appendix B. Appendix C shows these decisions in relation to KCC's Units. A summary of Ombudsman Report findings can be found at Appendix D.
- 9.3.7 Of the other complaints investigated by the Ombudsman, 103 of the 175 (59%) received were under the category of Education & Children's Services. 31 related to Education Appeals, the authority statistically has one of the largest volumes of appeals relating to schools admissions. A further 3 related to Home to School Transport provision, following a change to policy in the previous year. A directorate breakdown can be found at Appendix E.

Local authority report – Kent County Council

For the period ending – 31/03/2014

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

Complaints and enquiries received

Local Authority	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection and regulation	Highways and transport	Housing	Planning and development	Total
Kent CC	47	1	6	102	10	23	1	4	194

Decisions made

Local authority	<u>Detailed Investigation Carried out</u>		Advice given	Closed after initial Enquiries	incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not upheld					
Kent CC	36	41	1	57	12	44	191

9.3.8 Further correspondence received from the LGO on 23 October confirmed that they are happy in the knowledge that the report is based on 'data will not be the same as that recorded by councils. This is not an error by either the LGO or the Council.' Further LGO acknowledges that the timing of decisions, categorisation, varying recording methods and limited resources for more detailed analysis prior to issuing the reports may result in marginal differences.

9.3.9 It is worth noting that one complaint which was being dealt with throughout 2013/14 (although was initiated in 2012) and related to concerns from a number of school governors about the Local Authority's dealing with a particular issue at their school was referred to the LGO but was deemed by them to be an issue outside their jurisdiction. This caused both KCC and the complainant difficulty as referral to the LGO is a well tried and tested method for potential resolution of complaints. As a result, KCC has lobbied for the remit of the LGO to be extended to cover cases of this type.

10. COMPENSATION

10.1 In 2013/14 £93,421.49 was paid in compensation, settlements, changes to the amount we charge and waived charges as a result of complaints to the organisation this includes;

- £34,058 adults which has been paid or waived as part of local resolution
- £30,828 children's which has been paid or waived as part of local resolution
- £28,535.49 additional payments following 28 Local Government Ombudsman Decisions found against KCC.

It is important to note that monies paid out during the 2013/14 financial year may relate to complaints recorded in previous years. This is due to the time that elapses between the date the complaint was lodged and achieving resolution.

10.2 This is an increase on 2012/13 when £63,642.48 was paid out.

11. LEARNING THE LESSONS AND SERVICE IMPROVEMENTS

11.1 Complaints are a valuable resource helping us to understand where improvements could be made to improve the customer experience. These improvements can be changes to procedures or processes, improvements in communications or improvements to the quality of service. The text below outlines examples of where improvements have been made as a result of a complaint being received;

11.2 Improving digital transactions

GovMetric feedback is providing positive opportunities to be responsive to customer experience by correcting broken links, improving language and information search capability.

11.3 Improvements to service experience and quality

Adult Social Care is conducting a review of the complaints procedure across their services to ensure that processes are efficient and continue to meet statutory requirements and best practice. Complaints information is reported to divisional management teams and lessons from complaints are presented to inform the Quality and Practice groups. The Care Act 2014 is likely to introduce an appeals element to the complaints procedure. The detail hasn't been produced but it is expected to be in place for April 2016 rather than 2015.

11.4 In the event that the Local Government Ombudsman upholds a complaint, KCC best practice involving key officers in developing a specific action plan for resolution.

12. LEVELS OF COMPLAINTS TO THE STANDARDS COMMITTEE (MEMBER COMPLAINTS)

12.1 As enacted on the 1st July 2012, the Localism Act 2011 puts in place a standards regime which includes the following features and requirements:

- (a) A duty to promote and maintain high standards of conduct by elected and co-opted members of the authority.
- (b) A requirement to have a Code of Conduct dealing with the conduct that is expected of members when they are acting in that capacity
- (c) A requirement for the Code of Conduct, when viewed as a whole, to be consistent with the principles of selflessness; integrity; objectivity; accountability; openness; honesty and leadership
- (d) A requirement to have in place arrangements under which allegations that a Member has failed to comply with the Code can be investigated and also under which decisions relating to those allegations can be made.
- (e) A requirement for the authority to appoint an 'independent person' whose views must be sought and taken into account by the authority before it

makes its decision on an allegation that it has decided to investigate. Additionally, the views of the independent person may be sought by the authority and by a Member in other limited circumstances specified in the Act.

- (f) A regime for requiring the notification to the Monitoring Officer of Disclosable Pecuniary Interests (DPIs) to enable him to establish and maintain a register of interests, backed by criminal sanctions. Under the new regime it is not only the interests of the Member that must be notified and registered, but also those of a spouse or civil partner; a person with whom the Member is living as husband or wife, or as civil partners.
- (g) The authority must also secure that its Code of Conduct includes appropriate provisions in respect of the registration of DPIs and interests other than DPIs.
- (h) As with the former regime, the new provisions allow for the withholding of sensitive information from the register where the Member concerned and the Monitoring Officer consider that the disclosure of details of the interest could lead to violence or intimidation.
- (i) As with the former regime there are provisions for obtaining dispensations to allow a Member to speak and vote notwithstanding an interest

Complaints recorded in 2013/14

12.2 During 2013/14, the number of complaints recorded and reviewed by the Monitoring Officer was 13. This matches the level of complaints recoded in the previous year. In any event, the Monitoring Officer found that no further action was necessary in response to any of these complaints.

Former	Former	New Regime	Outcome
1/4/12 to 30/6/12 Number of Complaints	1/7/12- 31/3/13 Number of Complaints	01/04/13 – 31/3/14 Number of Complaints	
2			No Action
	9		No Action Dismissed by the Monitoring Officer
		13	No Action Dismissed by the Monitoring Officer

13. RECOMMENDATIONS

13.1 The Governance & Audit Committee is asked to note the contents of this report for assurance.

Jane Kendal
Head of Service Customer Relationship

jane.kendal@kent.gov.uk +443000417108

Useful information:

It is a statutory requirement under the following items of legislation for local authorities to have in place a complaints and representations procedure:

- Children Act 1989 Representations Procedure (England) Regulations 2006
- The Local Authority Social Services and National Health Service Complaints (England) Regulations were published in February 2009 and came into force with effect from 1 April 2009. This procedure introduced a single approach to dealing with complaints for both the National Health Service and Adult Social Care.
- NHS & Community Care Act 1990 (section 50)
- Health & Social Care Act 2000
- Local Government Act 2000

Key for Appendix A – Decisions and their meanings

<i>Decision Reasons from 1 April 2013</i>	<i>What changed in February 2014</i>	<i>Decision Reasons from 1 April 2014</i>	<i>Meaning</i>
Not in jurisdiction (OJ) and no discretion	No Change	Closed after initial enquiries – out of jurisdiction	The complaint falls out of the LGO’s remit and they have no discretion available to them to investigate the complaint.
Not in jurisdiction (OJ) and discretion not exercised			The complaint falls out of the LGO’s remit and they have decided not to exercise discretion. There are cases in law where they can exercise discretion if the case warrants investigation.
Not investigated		Closed after initial enquiries – no further action	<ul style="list-style-type: none"> the law does not allow the LGO to investigate it the law does not allow the LGO to investigate unless there is an exceptional reason to do so, and they have decided there is no such exceptional reason there has been no fault by the council concerned there was fault, but the effect on the complainant was not serious enough to justify an investigation
To discontinue investigation		Not upheld: No further action	<ul style="list-style-type: none"> there was no fault by the council concerned even if there was fault, the effect on complainant was not serious enough to justify continuing to investigate the complaint the council or care provider agreed to take action to resolve to complaint during the LGO’s investigation.
<i>Decision Reasons from 1 April 2013</i>	<i>What changed in February 2014</i>	<i>Decision Reasons from 1 April 2014</i>	<i>Meaning</i>
Investigation complete and satisfied with authority actions or proposed actions and not appropriate to issue report S30(1B)	Investigation complete: Maladministration and Injustice	Upheld: Maladministration and Injustice	<ul style="list-style-type: none"> there was fault by the council concerned and the LGO makes recommendations about how the council should put the matter right there was fault found and the council had taken action to put the matter right by the time we complete our investigation there was fault found but this did not cause complainant significant injustice there was no fault found.
	Investigation complete: Maladministration, No Injustice	Upheld: Maladministration, No Injustice	
	Investigation complete: No	Not Upheld: No Maladministration	

	Maladministration		
Investigation complete and appropriate to issue a report S30(1)	Investigation complete and report issued: Maladministration and Injustice	Report issued: Upheld; maladministration and injustice	There is evidence of maladministration a report will be issued and publicised
	Investigation complete and report issued: Maladministration, No Injustice	Report issued: Upheld; maladministration, no injustice	
	Investigation complete and report issued: No Maladministration	Report issued: Not upheld; no maladministration	
Premature Complaint	Premature Complaint	Premature Complaint	Complainant has not exhausted KCC's Complaints procedure and has been referred back to the authority by the LGO.

Appendix B - Ombudsman Complaints – Decisions Made using Ombudsman Categories per Directorate in 2013/14

LGO Decision Category	Adult Care Services	Corporate & Other Services	Education & Children's Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Planning & Development	Grand Total
Invalid/Forwarded Decisions			1				1
Investigation complete and satisfied with authority actions of proposed actions and	11	2	41		5		59
Investigation complete: Maladministration and Injustice	2						2
Investigation complete: Maladministration No Injustice			1				1
Investigation complete: No Maladministration	2	1	1		2		6
Maladministration	1		1				2
Not in jurisdiction (OJ) & discretion not exercised		1	1	2	5	1	10
Not in Jurisdiction (OJ) & no discretion			8	1		1	10
Not Investigated Closed after initial enquiries - no further action			1				1
Not KCC	1						1
Not to initiate an investigation				1			1
Not upheld: No further action			1				1
Not upheld: No Maladministration	1		3				4
Out of jurisdiction (OJ) & discretion not exercised		1					1
Premature Complaint	2						2
Premature Complaint	9		3				12
Not Investigated	3		24	6	2	2	37
To Discontinue Investigation	3		5		2		10
To discontinue investigation			3				3
Upheld: maladministration and Injustice	1		7				8
Upheld: maladministration, No Injustice	1		1				2
Closed after initial enquiries - out of jurisdiction			1				1
Grand Total	37	5	103	10	16	4	175

APPENDIX C - Ombudsman Complaints – Decisions Made mapped against KCC Units in 2013/14

LGO Decision Category	E&W	ELS	FOI	FP & PG	GL & SSP	H&T	Libra- ries	OPPD	OPPD & CC	Plan- ning	PROW	SCS	SEN	SEN&R	SSP	Bene- fits	Grand Total
Invalid/Forwarded Decisions													1				1
Investigation complete and satisfied with authority actions of proposed actions and not appropriate to issue report S30(1B)				2	20	4		11			1	15	1	2	2	1	59
Investigation complete: Maladministration and Injustice								2									2
Investigation complete: Maladministration No Injustice					1												1
Investigation complete: No Maladministration						1	1	2			1	1					6
Maladministration								1				1					2
Not in jurisdiction (OJ) & discretion not exercised	1			1		6				1		1					10
Not in Jurisdiction (OJ) & no discretion	1	1								1		7					10
Not Investigated	6				10	2		3		2		10			4		37
Not Investigated Closed after initial enquiries - no further action												1					1
Not KCC					1			1									2
Not to initiate an investigation	1																1
Not upheld: No further action												1					1
Not upheld: No Maladministration					1			1				2					4
Out of jurisdiction (OJ) & discretion not exercised			1														1
Premature Complaint								1	1								2
Premature Complaint								7	2			3					12
To Discontinue Investigation	1				1	1		3				2	2				10
To discontinue investigation												3					3
Upheld: maladministration and Injustice								1				6	1				8
Upheld: maladministration, No Injustice								1				1					2
Grand Total	10	1	1	3	34	14	1	34	3	4	2	54	5	2	6	1	175

Appendix D – Ombudsman Report Findings & Recommendations 2013/14

Report Findings	Link to report
<p>The Ombudsman found maladministration because: Kent County Council charged a lady for delivering a care package before completing a financial assessment against government guidelines.</p> <p>The lady agreed to have home care after a stay in hospital. Her care was free for the first six weeks but after a review a social worker recommended a long term care package. The lady agreed and Kent County Council agreed to deliver the package. The council then applied a provisional charge of £39 a week before completing a financial assessment. Guidance from the Department of Health, which councils should follow, does not allow for a charge to be applied for a past period before a financial assessment is completed and the customer is informed of the charge.</p> <p>The Ombudsman found maladministration causing injustice.</p> <p>To remedy the injustice, the Ombudsman recommended that the Council withdraw the policy of applying a provisional charge before completing a financial assessment;</p> <ul style="list-style-type: none"> • waive the provisional charge; and • pay the lady's son, who complained for her, £200 for his avoidable time and trouble in bringing the complaint. <p>The council acknowledged there are others who have been affected in the same way as this complainant. So the Ombudsman recommended the council identifies those customers and makes arrangements to repay any provisional charges that should not have been applied.</p> <p><i>Complaint submitted December 2012</i></p>	<p>http://www.lgo.org.uk/decisions/adult-care-services/assessment-and-care-plan/kent-county-council-12-014-343</p>
<p>The Ombudsman found maladministration by the Council because: Kent County Council failed to help a 16-year old with both his housing and welfare needs after he became homeless. It also failed to assess him as a 'looked after' child which meant he missed out on his entitlement to services due to all looked after children (before age 18 and when leaving care). The man approached the council for welfare and housing help when he became homeless after both his parents</p>	<p>http://www.lgo.org.uk/decisions/children-s-care-services/looked-after-children/kent-county-council-12-001-464</p>

abandoned him. Although the council offered a foster placement they didn't offer any other housing alternatives. They also failed to help him with his welfare needs. After staying with friends, the man became homeless again at age 18 and the council could not provide him with accommodation because he was not considered in priority need.

The Ombudsman found maladministration causing injustice.

To remedy the injustice the Ombudsman recommended that the man should have been assessed as a looked after child. To remedy that the council should now confirm him as a leaving care child. In addition, the council should:

- set aside £3,000 for the injustice caused to him by the loss of welfare benefits over a two year period. This should be used, in consultation with the Leaving Care Team, to promote his independent living and is in addition to the services he is entitled to as a leaving care child;
- review the implementation of its joint protocol to ensure it is meeting the council's responsibilities to all homeless young people; and
- bring this report to the attention of the Council's Committee and ensure the Lead Member of Children's Services is made aware of it.

Complaint submitted May 2012

Appendix E - Complaints Summary by Directorate 2013/14

<p>BUSINESS STRATEGY AND SUPPORT (now Strategic & Corporate Services)</p>	<p>85</p>	<p><u>Finance/Procurement/Insurance – 54 Complaints</u></p> <p>Total complaints for financial year 2013/14 were 54: 36 to Insurance and 18 to the rest of F & P (this excludes complaints relating to means tested care charges, which are included with Social Care).</p> <p>Eight complaints related to service delivery; 1 to staff conduct and 15 to communications. Of the latter 11 were about delays in acknowledging claims of damage attributed to highway potholes: In the winter we received up to 50 incoming claims a day; 30 were disagreements with decisions (mostly with the outcomes of financial claims).</p>
<p>CUSTOMER & COMMUNITIES (Now under Growth, Environment & Transportation)</p>	<p>172</p>	<p><u>Libraries – 172 Complaints</u></p> <p>The topics for complaints to the service are very wide ranging and can relate to subjects such as the behaviour of other customers through to building issues. The main themes for complaints in 13/14 were regarding teething problems with automated telephone renewals, software and hardware issues and the wording of pre-overdue reminders. We work closely with customers to resolve issues and feedback to them what we have done.</p>
<p>CUSTOMER & COMMUNITIES (Now under Social Care, Health & Wellbeing)</p>	<p>34</p>	<p><u>KSAS – 34 Complaints</u></p> <p>The majority of KSAS complaints are not upheld. They are mostly dealt with by Commissioned Services, in order to retain impartiality. Generally speaking, a large number of the complaints are as follows:</p> <ul style="list-style-type: none"> • Applicants who have been rejected for an award (many of whom are in fact not eligible or may have misrepresented important information) or have misunderstood what KSAS can offer. • Applicants unhappy with the time it takes them to get an answer (many of which are well within the timeframes set out in our KPIs) • Spurious complaints from people who are disproportionately angry over a range of matters; often people with mental health issues. These include things such as claiming to have called the police over a call-handler being “rude” to them.

Appendix E - Complaints Summary by Directorate 2013/14 (Cont'd)

<p>CUSTOMER & COMMUNITIES (Now Strategic & Corporate Services)</p>	<p>50</p>	<p><u>Contact Point – 50 Complaints</u></p> <p>Contact Point have had a range of complaints, with Call Waiting Times being the most recorded (10% of complaints).</p> <p>The change of the main numbers to 03000 generated a few complaints, both about the loudness and speed of the Rad Message advising customers of the change, to the customers feeling that the change was not publicised. These led to a review of the associated RAD messages, and changes for some service to make these clearer.</p> <p>There were some complaints regarding errors made by advisors, which prompted re-training in specific areas for these individuals.</p> <p>Other complaints were more service specific, with the Automated Libraries change, and a fault with GovMetrics also being reported.</p>
<p>CUSTOMER & COMMUNITIES (Now Education & Young People's Services)</p>	<p>103</p>	<p><u>Community Skills – 103 Complaints</u></p> <p>From approximately 35,000 customers, 103 complaints were received within Community Learning and Skills which equates to 0.29%. Of the 103 received 'no specific' areas of dissatisfaction regarding service delivery were identified.</p>
<p>ENTERPRISE & ENVIRONMENT (Now Growth, Environment and Transport)</p>	<p>211</p>	<p><u>Waste – 211 Complaints</u></p> <p>Waste 2013/14 complaints mainly related to the service provided or the policies in place at the Household Waste Recycling Centre, although the number of complaints continue to drop since the launch of the new policy in 2012. Compliments were mainly about individual staff or service provided at the Household Waste Recycling Centres.</p> <p>Complaint volumes for the Environment & Planning division in 2013/14 were low. A number of compliments were received regarding the handling of planning applications, events and service provided by individuals and teams.</p>

<p>ENTERPRISE & ENVIRONMENT (Now Growth, Environment and Transport)</p>	<p>1069</p>	<p><u>Highways – 1069 Complaints</u></p> <p>At the start of year 2013/14 the majority of complaints stemmed around Highway Operations and Resurfacing with customers complaining about the finished product not being to the standard it should, with the following months being similar but with no identifiable trends that stand out. In Q3 there was an increase in complaints which was been driven by the high demand on services due to winter weather with the majority of complaints about programmed maintenance and reactive works (Highway Ops). Towards the end of the year we saw a high volume of complaints about drainage due to the severe weather over the Christmas period, increase in the decision against policies regarding the implementation of Safe and Sensible Street Lighting (SSSL) and changes to the Kent Freedom Pass. Throughout the year we predominantly received complaints regarding service delivery but at the end of the year had an increase in decision and policy.</p> <p>NB: Although the highest number of complaints we receive relate to Highways and Transportation, 1,069 in total, as a proportion of Highways maintenance jobs completed,113,695, this represents only a small percentage (just under 1%).</p>
--	-------------	--

<p>ENTERPRISE & ENVIRONMENT (Now Growth, Environment and Transport)</p>	<p>1069</p>	<p><u>Highways – 1069 Complaints</u></p> <p>At the start of year 2013/14 the majority of complaints stemmed around Highway Operations and Resurfacing with customers complaining about the finished product not being to the standard it should, with the following months being similar but with no identifiable trends that stand out. In Q3 there was an increase in complaints which was been driven by the high demand on services due to winter weather with the majority of complaints about programmed maintenance and reactive works (Highway Ops). Towards the end of the year we saw a high volume of complaints about drainage due to the severe weather over the Christmas period, increase in the decision against policies regarding the implementation of Safe and Sensible Street Lighting (SSSL) and changes to the Kent Freedom Pass. Throughout the year we predominantly received complaints regarding service delivery but at the end of the year had an increase in decision and policy.</p> <p>NB: Although the highest number of complaints we receive relate to Highways and Transportation, 1,069 in total, as a proportion of Highways maintenance jobs completed,113,695, this represents only a small percentage (just under 1%).</p>
--	-------------	--

<p>FAMILIES & SOCIAL CARE (now Social Care, Health and Wellbeing)</p>	<p>327</p>	<p><u>Children’s – 327 Complaints</u></p> <p>A total of 19,744 referrals about children were made to Kent Specialist Children’s Services in 2013/14. Children in receipt of services, and the adults in their lives, are encouraged to exercise their right to complain should they wish to. Specialist Children’s Services received a total of 327 complaints in 2013/14: 222 complaints from children and families directly affected by services which were handled under statutory requirements and a further 105 non-statutory complaints which, by definition, were either from citizens not directly affected by services and with whom information about the child could not be shared, or were about functions such as child protection investigations or court action where there are other routes for challenging the Local Authority. The number of statutory complaints is comparable to last year but there was a slight reduction in the number of non-statutory complaints received.</p>
	<p>387</p>	<p><u>Adults’ – 387 Complaints</u></p> <p>Of the 387 statutory complaints received, 143 were upheld, 127 were partially upheld and 117 were not upheld.</p> <p>79% of complaints were responded to within the 20 day timescale agreed with the complainant and 97.73% of complaints were acknowledged within the statutory timescale of three working days.</p> <p>Some common themes include staff behaviour and poor communication and disputes with decisions made. Families and Social Care staff have been reminded to ensure that their correct details are on KNet to facilitate better communication and returning of calls and messages. Disputed decisions are usually related to funding decisions and reductions to support plans.</p>

Appendix F – Complaints/Compliments/Comments per Directorate and Service

Directorate/ Service	Com-plaints	Complim-ents	Com-ments
Highways	1069	482	0
All other EE	211	246	602
EE Total	1280	728	602
ELS Total	24	20	180
Childrens	327	72	179
Adults	387	718	305
All FSC	725	790	706
Insurance(Included with Fin/Proc)	0	0	0
Public Health	1	0	0
Property	9	0	0
Legal	5	22	14
Finance/Procure/Ins	54	102	58
IT both KCC and EIS	2	8	0
HR SPS	9	14	0
HR Grads	1	2	1
HR ESC/HRBC	4	2	19
PSR	0	0	0
Economic Development	0	0	21
Business Intelligence	0	27	36
BSS All	79	153	97
Libraries/registration	205	421	475
KSAS	30	132	0
Country Parks	23	38	23
Countryside Access PROW	7	215	0
Arts Development	0	0	0
Community Skills	103	105	58
Contact Point	54	103	0
Kent Scientific	14	13	0
Supporting People	4	0	0
KDDAT	3	1	0
Youth Services	24	1534	54
Communications	3	24	1
Community Safety	0	63	0
Countryside partnership	0	104	0
Trading Standards	3	15	2
Sports/Leisure	6	44	0
C&C All	479	2779	600
Council All	2587	4470	2185

Appendix G – Acknowledgement and Response Times Against Standards

	COMPLAINTS	COMPLIMENTS	COMMENTS	% answered within our standards	
				ACKNOWLEDGMENT	RESPONSE
COMMUNITIES					
2010/11	627	4,077	1,382	98%	96%
2011/12	1,083	2,497	582	91%	92%
2012/13	712	3,542	878	85%	85%
2013/14	479	2779	600	88%	85%
EDUCATION					
2010/11	88	5	178	78%	84%
2011/12	44	137	74	63%	64%
2012/13	40	5	109	86%	63%
2013/14	24	20	180	92%	75%
ENTERPRISE AND ENVIRONMENT					
2010/11	2,248	551	16	98%	91%
2011/12	1,284	916	3	97%	89%
2012/13	1,586	902	0	95%	92%
2013/14	1280	728	602	100%	92%
FAMILIES & SOCIAL CARE - CHILDRENS SOCIAL SERVICES					
2010/11	406	54	166	94%	79%
2011/12	503	59	159	71%	65%
2012/13	395	61	148	95%	56%
2013/14	327	72	179	98%	74%
FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES					
2010/11	527	598	266	88%	73%
2011/12	425	388	290	86%	67%
2012/13	416	716	297	93%	81%
2013/14	387	72	305	97%	75%
BUSINESS STRATEGY & SUPPORT					
2010/11	552	228	72	78% **	83% *
2011/12	117	95	35	77%**	93%**
2012/13	225	230	98	91%	97%
2013/14	79	153	97	100%	65%

* The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how the complaints are recorded and reported by some front line members of staff. ** Time taken to deal with Insurance claims.

**Appendix H – Directorate Breakdown
Comparison of Complaints numbers for 2010/11 to 2013/14**

CUSTOMER AND COMMUNITIES

Service	2010/11	2011/12	2012/13	2013/14
Community Learning and Skills	151	117	90	103
Community Safety	2	8	5	0
KDAAT	4	0	1	3
Contact Centre	61	66	72	54
Communication and Media	34	4	3	3
Kent Scientific Services	22	10	14	14
KSAS				30
Libraries, Registrations and Archives	133	722	473	205
Sports, Leisure and Olympics	5	2	4	3
Supporting People	32	17	5	4
Trading Standards	11	11	7	5
Integrated Youth Services	51	19	16	24
Country Parks	102	96	16	23
Countryside Access	8	9	6	7
Other	11	4	0	1
TOTAL	627	1083	712	479

EDUCATION, LEARNING & SKILLS

Service	2010/11	2011/12	2012/13	2013/14
Education	210	193	455	24

ENTERPRISE & ENVIRONMENT

Service	2010/11	2011/12	2012/13	2013/14
Waste Resource Management	210	193	455	211
Highways & Transportation	1,959	939	1109	1069
Planning and Environment	4	-	-	-
Commercial Services	-	152	22	**
TOTAL	2173	1284	1586	1280

**Service now independent from KCC

FAMILIES & SOCIAL CARE - CHILDREN SOCIAL SERVICES

Service	2010/11	2011/12	2012/13	2013/14
Children & Families non-statutory	139	198	169	105
Children & Families statutory	267	305	226	222
TOTAL	406	503	395	327

Appendix H – Directorate Breakdown (Cont'd)
Comparison of Complaints numbers for 2010/11 to 2013/14

FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES

Service	2010/11	2011/12	2012/13	2013/14
Strategic Commissioning Unit / Support Services	23	-	9	15
Learning Disability (+Mental Health 2013/14)	104	75	75	50
Mental Health	26	1	2	
Older People	351	253	245	
Phys Disability & Older People (combined 13/14)	44	53	54	293
Other (including Finance & Strat Comm)	49	43	31	29
Total	597	425	416	387

BUSINESS STRATEGY AND SUPPORT

Service	2010/11	2011/12	2012/13	2013/14
Business Intelligence (Was solutions & Policy?)	5	7	0	0
Finance/Procurement/Insurance	420	89	178	54
HR (Employee Services & Schools HR Services)	29	17	17	14
Property	23	4	21	9
Other including IT	-	-	9	8
TOTAL	477	117	225	85

This page is intentionally left blank

Local Government OMBUDSMAN

23 October 2014

Jane Kendal
Head of Service, Customer Relationship
Kent County Council
Invicta House, 3rd Floor
County Hall
Maidstone
ME14 1XQ

Dear Jane

Thank you for your letter of 19 September in reference to the Annual Review Letter 2014 for Kent County Council. Dr Jane Martin has asked that I respond to your letter on her behalf.

Annual Review letters are a valuable tool for sharing the information the Local Government Ombudsman (LGO) holds about the complaints we see about local authorities in England. We review the content of the letters annually to accurately reflect new business processes and to ensure that, as far as we are able, we provide information that is most useful to councils. However, we know that our data will not be the same as that recorded by councils. This is not an error by either the LGO or the council. We are confident that our data is an accurate representation of the data we hold for the last 12 months and councils may not have recorded their data in the same way. We are also aware that a portion of our registered complaints will have been premature complaints that we referred back for a local resolution, but which the complainant may not have pursued.

In addition, not every decision made will relate to a complaint made in that year. There may be complaints registered in 13/14 that have not yet been decided on, and decisions may have been made in the year for complaints registered in a previous year.

We also categorise our complaints slightly different to how councils may record their own. For example we include disabled facilities grant complaints within either Adult Care Services or Education and Children's Services depending on the age of the person affected. We also include blue badge complaints as part of Adult Care Services.

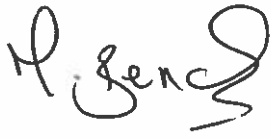
Due to limited resources we are unable to provide bespoke analysis of data for individual authorities. However, I recognise the need to understand our data and how it is derived. I have therefore provided the raw data for your authority in an attached spreadsheet. This data is an accurate record of the data we hold about Kent County Council and hope it assists you in reconciling your information.

This year, we shared our Annual Letters with Chief Executives and Council Leaders. We understand that they will ask officers challenging questions of the data. It is important that Chief Executives and Leaders understand that data is not expected to match that that is held by the council and that this position is acceptable. We will ensure that we explain more clearly the expected differences in future.

PO Box 4771
Coventry
CV4 0EH

T: 024 7682 0000
F: 024 7682 0001
W: www.lgo.org.uk

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Bench', with a stylized flourish at the end.

Marie Bench
Policy and Research Manager
Local Government Ombudsman

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 – 29 January 2015

Subject: **External Audit Update – January 2015**

Classification: Unrestricted

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

FOR ASSURANCE

Introduction and background

1. In order that the Governance and Audit Committee is kept up to date with the work of Grant Thornton UK LLP, progress reports are written by the external auditor as appropriate.
2. The attached report covers the following areas:
 - Progress on the planned audits for 2014/15
 - Emerging issues and developments.

Recommendation

3. Members are asked to note the report for assurance.

Robert Patterson
Head of Internal Audit
Ext: 4664

This page is intentionally left blank

Governance and Audit Committee Update for Kent County Council

Year ended 31 March 2015

January 2015

Page 143

Paul Hughes

Director

T 0207 728 2256

E paul.hughes@uk.gt.com

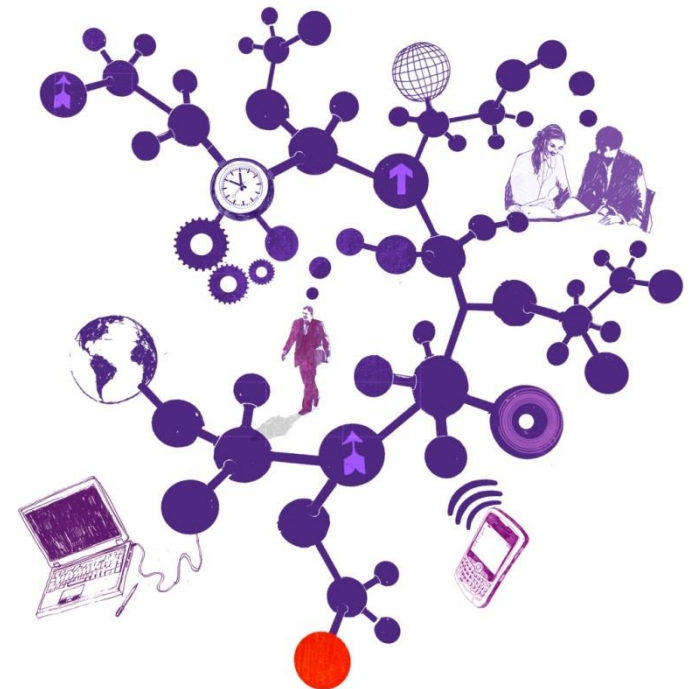
Elizabeth Olive

Senior Manager

T 0207 728 3329

M 07880 456191

E elizabeth.l.olive@uk.gt.com



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.

Contents

Section	Page
Introduction	4
Progress at 12 January 2015	5
Emerging issues and developments	
Grant Thornton	7
Accounting and audit issues	10
Local government guidance	14

Page 145

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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.

Paul Hughes Engagement Lead T 0207 728 2256 M 07860 282763
Elizabeth Olive Engagement Manager T 0207 728 3329 M 07880 456191

paul.hughes@uk.gt.com
elizabeth.l.olive@uk.gt.com

Progress at 12 January 2015

Work	Planned date	Complete?	Comments
<p>2014-15 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 2014-15 financial statements.</p>	April 2015	No	We will present separate accounts audit plans for the Council's financial statements and the Pension Fund accounts in April 2015.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	<p>Phase 1: 26 January – 6 February 2015</p> <p>Phase 2: 13 – 17 April 2015</p>	No	<p>We have agreed audit visit dates for the interim audits with officers.</p> <p>Phase 1 is focussed on planning and risk assessment procedures and phase 2 is early testing to reduce the work at the accounts audit visit.</p> <p>We have quarterly meetings with internal audit to discuss potential audit issues and fraud investigations. There are no issues arising that would impact on our audit opinion at this date.</p>
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	15 June – 10 July 2015	No	We have monthly meetings with the Head of Financial Management, Chief Accountant and Capital team to discuss potential accounting issues as they arise.

Progress at 12 January 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014-15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness in its use of resources. <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>	<p>Planning: January 2015</p> <p>Fieldwork: March and June 2015</p>	No	<p>We will undertake the initial risk assessment as part of the phase 1 interim audit. We will report the risks identified for 2014-15 in the Audit Plan in April 2015.</p> <p>We plan to complete the detailed risk assessment in two stages. This will include meetings with Corporate Directors and Members.</p>
<p>Whole of Government Accounts (WGA)</p> <p>We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.</p>	September 2015	No	We will complete the testing and certification by the October 2015 deadline.
<p>Other activity undertaken</p> <p>Our LG Advisory team carried out an urgent compliance review of the TIGER Regional Growth Fund in December 2014. We provided a short report for the Council and attended Scrutiny Committee to present the findings.</p>			

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Accounting for schools

Accounting and audit issues

Accounting for schools

The debate about the recognition of school land and buildings on local authority balance sheets (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they could be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school building to be clear cut and local judgement would need to be applied. We have not seen evidence that would support the view taken by CIPFA and have concerns about:

- whether the treatment proposed by CIPFA complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are working with the Audit Commission, CIPFA and the other audit firms suppliers to try to seek a practical way forward as soon as possible.

Continued overleaf

Accounting for schools (continued)

Accounting and audit issues

We will continue to share the latest developments with officers. In the mean time we would recommend that you continue your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

Challenge question

- Has the finance team put in place a plan to address the changes in accounting for schools?

Group accounting standards

Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

Changes to the definition of control over 'other entities'

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

Group accounting standards (continued)

Accounting and audit issues

Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

Challenge question

- Has your finance team assessed the potential impact of these standards for the authority's financial statements?

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

Kerslake report on Birmingham City Council

Local government guidance

Sir Bob Kerslake published his report, [The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council](#), on 9th December.

Commissioned by the Secretary of State this comes off the back of well publicised failures in Children's Services and the Trojan Horse issue in Birmingham Schools. It includes some tough messages for Birmingham City, but there are issues that resonate with all large local authorities.

The report's recommendations include the following.

- The Council needs an external Improvement Board to show that it is making the changes it needs to effectively serve its population.
- Internal governance needs fundamental change, including the relationship between members and officers, how it plans for the future, a stronger corporate core and a programme of culture change.

The Council needs more political clarity, moving away from annual thirds elections and reducing the number of members. This includes redesigning the model for representative governance.

- Medium term financial planning needs greater clarity, and the Council cannot assume that it will get any additional Government support.
- In moving from a 20,000 people organisation in 2010 to a 7,000 people one by 2018 the Council needs fit for purpose workforce planning.
- Devolution within the Council and across the City needs simplifying and a greater outcome focus.
- Partnership working needs redefining, with the Council moving away from a 'Big Brother' approach.
- The Council needs to work with the other West Midland MBCs to make the combined authority a reality that delivers jobs and prosperity to the region.

Challenge questions

- Have the Council considered whether there are lessons or issues from the report that it also needs to action?

Local government financial reporting remains strong

Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11th December.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Kent County Council is one of the bodies congratulated by name in the report.

Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

By: Robert Patterson, Head of Internal Audit
 To: Governance and Audit Committee – 29th January 2015
 Subject: **Effectiveness of Internal and External Audit Liaison**
 Classification: Unrestricted

Summary: This paper summarises the effectiveness of the liaison arrangements between Internal and External Audit

FOR ASSURANCE

Introduction

1. The requirement for Internal 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. In particular their July 2014 Value for Money report contained positive observations over the adequacy of internal audit arrangements. 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 Appendix 1 to this report.

7. External and internal work wherever possible is co-ordinated to reduce duplication and promote effective working wherever possible.
8. The 2014/15 Internal Audit plan contains a number of core financial reviews, a number of which are being reported back to this meeting. Internal Audit ensures that Grant Thornton are informed of the findings and outcomes from these audits and they can use any of this material to help plan and inform their own external audit work.
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.

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 2015/16 year (for external audit this is in relation to the 2014/15 financial statements). 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

Robert Patterson (03000 416554)
Head of Internal Audit

Elizabeth Olive (0207 7283329)
Senior Manager, Grant Thornton

Internal Audit – External Audit Protocol for Kent County Council

Year ended 31 March 2014

November 2013

Darren Wells

Director

T 01293 554130

M 07880 456152

E darren.j.wells@uk.gt.com

Elizabeth Olive

Senior Manager

T 0207 728 3329

M 07880 456191

E elizabeth.l.olive@uk.gt.com

Anna Tollefson

Support Manager

T 0207 728 3344

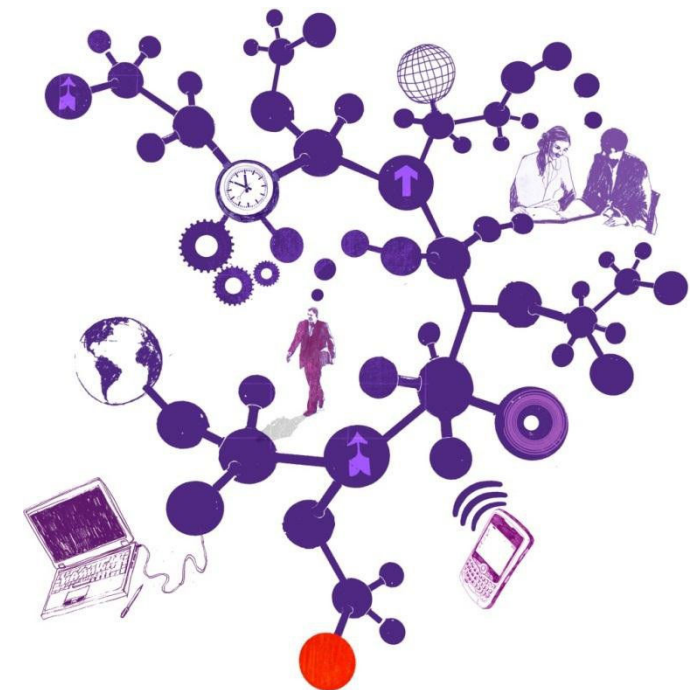
E anna.tollefson@uk.gt.com

Terence Rickeard

In-Charge Auditor

T 01293 554085

E terence.rickeard@uk.gt.com



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 misstatement through understanding the entity and its environment) and ISA 610 (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.

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.



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

By: Richard Long, Chairman of Governance & Audit Committee
Robert Patterson Head of Internal Audit

To: Governance and Audit Committee – 29th January 2015

Subject: **ANNUAL 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

1. In December 2014 Members reviewed and approved the revised Committee Terms of Reference. This has been included at Annex 1 for ease of reference. The opportunity to undertake an annual review of an Audit Committee's terms of reference is good practice.

Suggested Changes

2. No changes are suggested to the Terms of Reference. A minor amendment to the associated responsibilities is that for internal audit where 'issues' are now raised with departments rather than 'recommendations'.
3. Nevertheless with a significant transformation programme in progress that might impact on the role of this Committee, it is appropriate that the Terms of Reference be regularly kept under review and that such a formal evaluation continues to take place in December of each year.

Recommendations

4. Members of the Committee are asked to:
 - Recommend that no changes are made to the Terms of Reference
 - Approve the minor amendment to the associated responsibilities

Appendices

Annex 1 Proposed Terms of Reference
Annex 2 Associated responsibilities

Robert Patterson
Head of Internal Audit (03000 416554)

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.
- 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.
- j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.

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 **and issues**, 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

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

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 quorum 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: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 29th January 2015
Subject: **Internal Audit and Counter Fraud Progress Report**
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit and Counter Fraud activity for the 2014/15 financial year to date.

FOR ASSURANCE AND DECISION

Introduction

1. This report summarises:

- the key findings from completed Internal Audit reviews
- the key findings from completed counter fraud investigations
- progress against the 2014/15 Internal Audit Plan since the last report to the Governance and Audit Committee;
- achievement against the Internal Audit and Counter Fraud Key Performance Indicators; and
- work in progress and future plans and improvements for 2015/16
- approval for a revised Anti Money Laundering Policy and an external quality assessment of the internal audit and counter fraud unit

Overview of Progress

2. Appendix 1 details the outcome of Internal Audit and Counter Fraud work completed for the financial year to date. In total 38 audit reviews have been completed, including 29 substantive reviews. A further 4 substantive audits are at final draft stage and significant fieldwork is in progress for a further 8 audits. In relation to counter fraud work there have been 63 irregularities reported and investigated since the start of 2014/15 of which 38 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £393 million (excluding Treasury Management) since the start of 2014/15
3. Appendix 1 has also mapped the outcomes from this work against the more significant corporate risks where it is practical for internal audit work to provide assurance against the progression of the management and mitigation of such risks
4. Counter fraud work has also embraced the launch of a high profile fraud awareness campaign across the Council (which has already resulted in an increase in fraud referrals) and a successful bid for £480,000 of central Government funds to develop a pan Kent local authority fraud intelligence network.

5. Appendix 1 contains a proposed overhaul to the Council's anti money laundering Policy
6. Progress against the Audit Plan for 2014/15 is 59% complete at end of December 2014; this is on target to achieve 90% of the Audit Plan by 31st March. This has also absorbed unplanned work in relation to a number of additional work requests and special investigations.
7. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2014/15 year are detailed within Appendix 1.

Implications for Governance

8. Summaries of findings from completed work since September 2014 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.

Future plans and improvements

9. At the start of January a new Group Audit function has been established which will provide assurance against future arms length organisations (LATCO's), or equivalent, owned by the Council. This will commence with Commercial Services but will allow learning and expertise to be applied to future LATCO's as they develop.
10. Appendix 1 outlines future changes and enhancements as the service moves towards planning for 2015/16 coverage. In particular it is proposed to adapt audit judgments to incorporate a direction of travel relating to 'prospects for improvement'. In relation to counter fraud it is also important that in future a proportion of establishments subject to audit are subject to unannounced visits.
11. Under Public Sector Internal Audit Standards (PSIAS) it is now a requirement for internal audit to be subject to an independent review (External Quality assessment – EQA) against best practice standards once every 5 years. With the appointment of a new Head of Internal Audit it would be appropriate to carry out such an EQA before the end of 2014/15 and provide 'baseline' assurance over the quality of audit work and its resultant impact for the next 5 years.

Recommendations

12. Members are asked to note :
 - progress and outcomes against the 2014/15 Audit Plan and proposed amendments.
 - progress and outcomes in relation to Counter Fraud activity
 - the assurances provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date
 - the setting up of a pan Kent intelligence network as a result of successful bidding for central Government funds
 - the move to have future 'prospects for improvement' assessments in audit judgements
 - the introduction of 'unannounced' audits of establishments

13. Members are asked to approve:

- revisions to the Council's Anti Money Laundering Policy
- the completion of an external quality assessment of the internal audit and counter fraud unit during March 2015

Appendices

Appendix 1 Internal Audit Progress Report January 2015

Robert Patterson
Head of Internal Audit

(03000 416554)



Kent County Council

Internal Audit and Counter Fraud Progress Report

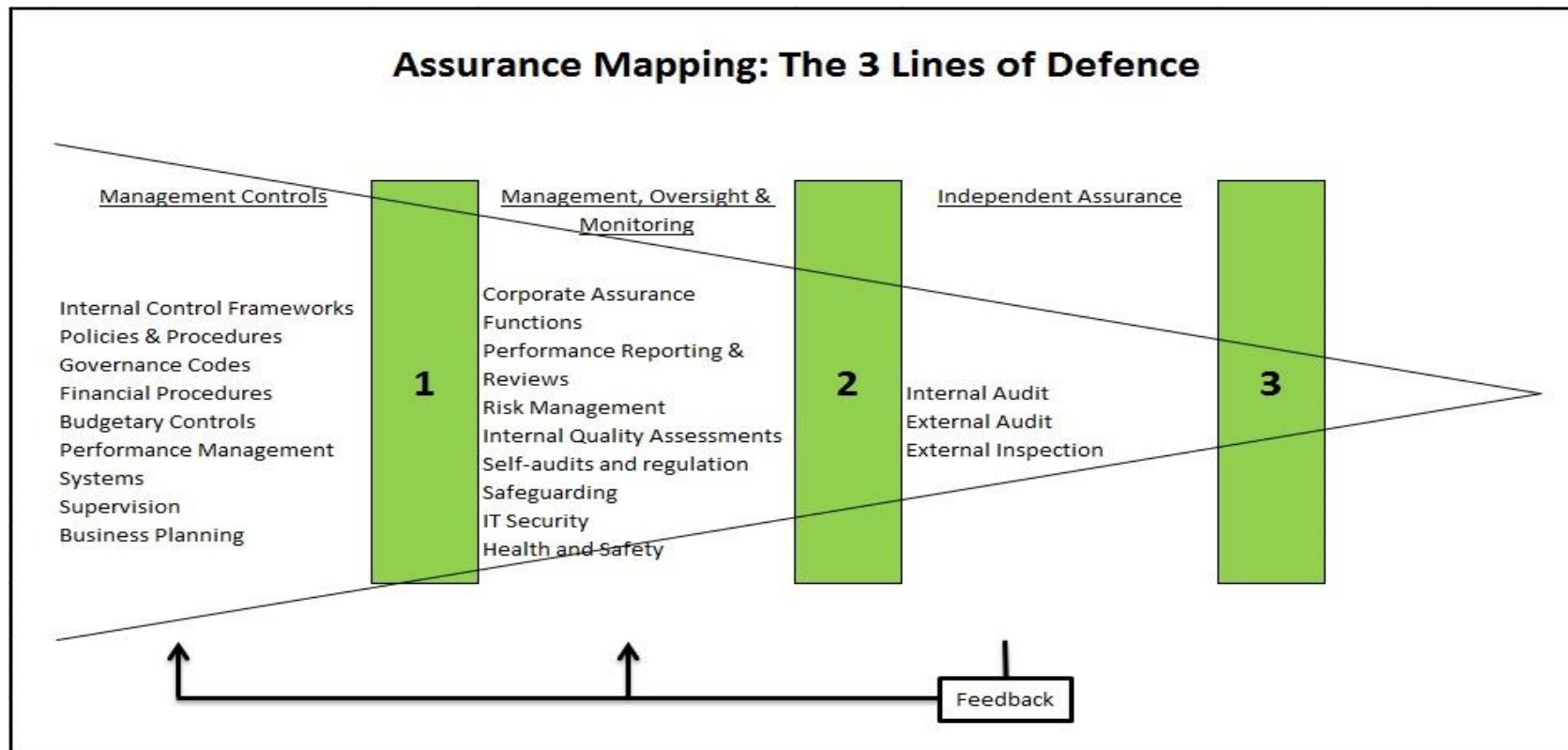
January 2015

Contents

1	Introduction and Purpose	6
2	Overview	8
3	Mapping Audit (and Counter Fraud) outcomes against corporate risks.	11
4	Other Audit Work	17
5	Group Audit Work - Commercial Services	20
6	Counter Fraud and Corruption	20
7	Follow Ups	24
8	Internal Audit and Counter Fraud Performance	25
9	Internal Audit and Counter Fraud Resources	27
10	Work in progress and future planned coverage	27
11	External Quality Assessment	28
12	Emerging Plans for 2015/16	28
13	In conclusion	29
	Appendix A - Summary of individual 2014/15 Internal Audits issued September – December 2014	30
	Appendix B - Summary of Significant Concluded Financial Irregularities	42
	Appendix C – Anti-Money Laundering Policy	43
	Appendix D - Audit Plan 2014/15 Progress	53
	Appendix E - Internal Audit Assurance Levels	57

1 Introduction and Purpose

- 1.1. This report details cumulative internal audit and counter fraud outcomes for 2014/15 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since the September 2014 Governance and Audit Committee (G&AC). It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.
- 1.2. As a reminder, internal audit is the 'third line of defence' in Kent County Council's governance, as per the table below:

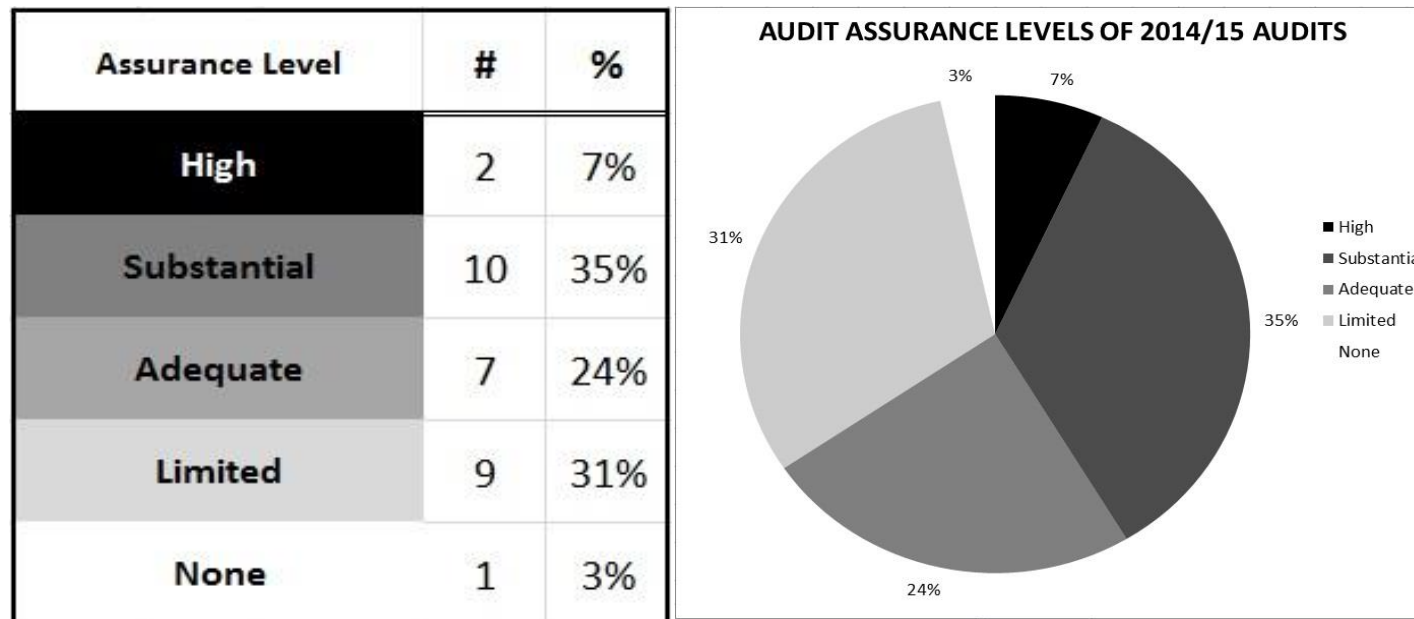


- 1.3. To date we have completed 38 internal audits (including establishment visits) and 38 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £ 393 million of KCC turnover to date (excluding Treasury Management).
- 1.4. A further 12 audits and 3 counter fraud proactive projects are currently in progress, and a further 25 counter fraud investigations remain ongoing.
- 1.5. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide appropriate assurance against key corporate risks or significant systems.
- 1.6. Internal audit also remains involved in monitoring the works in progress of selected significant change programmes and projects so as to provide timely pre-event challenge during the establishment of new control frameworks.

2 Overview

Internal Audit

2.1. Table 1 maps the assurance levels from the 29 substantive internal audits (i.e., excluding establishment visits) undertaken to date. This results in an overall distribution of:



A breakdown of each individual audit assurance level can be found in Appendix A

2.2. Particular strengths include:

- 66% of systems or functions have been judged with adequate assurance or better
- A pattern of general robustness of key financial systems audited
- Strong controls over systems related to governance
- A number of exemplar areas identified ranging from Treasury Management to schools financial returns
- 30% of establishments audited displayed strong local financial controls

2.3. Areas for further improvement relate to :

- The 34% of systems or functions that have been judged with limited assurance or worse
- Areas that are experiencing external or internal change that are required to be managed better. A clear example is the KDAAT service; but our current follow up work is now showing evidence of considerable improvements
- Controls in corporate risk areas around data and information management together with procurement / contract management
- 44% of establishments audited that displayed weaker financial controls

Counter Fraud

2.4. The counter fraud function has provided particularly positive outcomes as detailed on pages 19 to 23.

2.5. The business as usual activity (63 irregularities) and thematic pro-active counter fraud work provides assurance that there have been no material incidences of fraud or corruption reported through or uncovered.

2.6. The section has also been successful in:

- The launch of an authority wide anti-fraud "Spot it – Stop It" campaign with a number of follow on workshops and briefings. This has had a knock on effect of a substantive increase in whistleblowing and reporting of irregularities since November.
- Being successful in its bid for £480,000 of funding to the DCLG 'Counter Fraud Fund'. This will facilitate the creation of a county wide counter fraud intelligence network working in partnership with all the Kent Districts and Medway. The County Council will be at the hub of co-ordinating and disseminating data matching from a variety of sources to better target known fraud and error areas such as Council Tax single person discounts.

2.7. The counter fraud fund will be a sizeable project to manage so that it is in operation by the autumn of 2015 but the grant includes provision for additional staffing resources so that day to day counter fraud work is not disrupted.

Overview Assurance

- 2.8. The breadth of coverage and outcomes from our work to date have provided sufficient evidence to support an interim opinion that Kent County Council continues to have:
- Adequate and effective financial and non-financial controls
 - Adequate and effective governance processes
 - Adequate and effective processes to deter incidences of substantive fraud and irregularity
- 2.9. Management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.

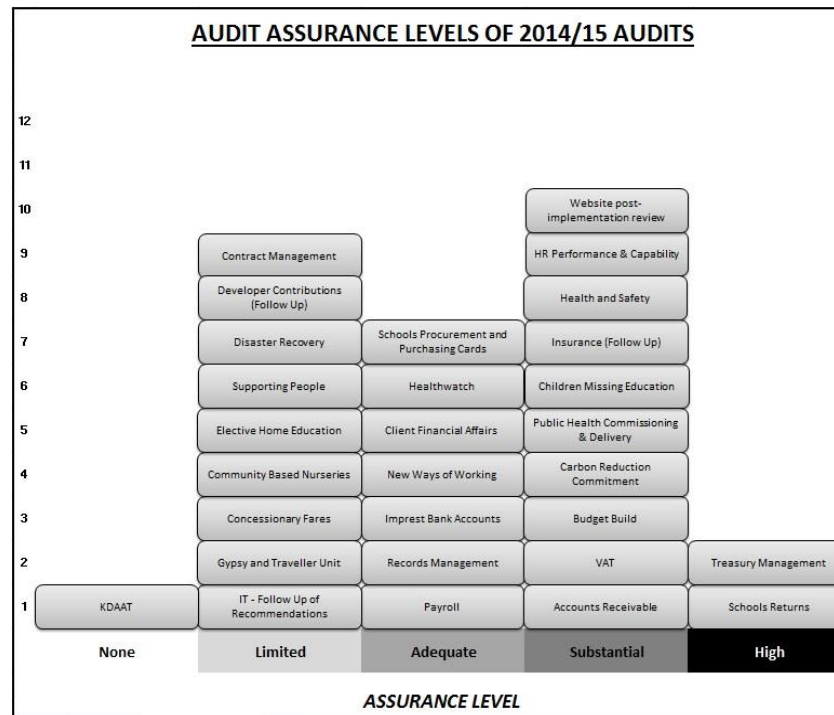


Table 1

3 Mapping Audit (and Counter Fraud) outcomes against corporate risks.

3.1. Appendix A provides detailed summaries on the outcomes from internal audit work completed since the October report to this Committee, but it is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the year to date.

Future operating environments – in particular Change Management and Governance of Change

3.2. During the year to date we have reviewed the following areas that have a common theme connected to the management of change.

	Assurance level	Issues Raised	
KDAAT	None	High: 7 Medium: 0	All accepted
Supporting People	Limited (Draft opinion)	High: TBC Medium: TBC	TBC
Healthwatch	Adequate	High: 0 Medium: 3	All accepted
New Ways of Working	Adequate	High: 1 Medium: 4	All accepted

Page 183

3.3. The above outcomes point to areas for improvement in how the Council sometimes responds to and plans for change. It will be seen from Appendix A that the outcomes from the Kent Drug and Alcohol Abuse Team (KDAAT) audit were particularly disappointing, but the response from the (new) management team has been positive and a follow up currently in progress is pointing to substantive improvements and progress in implementing recommendations made. As a result of these findings the audit of 'Supporting People' was brought forward and although the report is still in draft, it demonstrates similar, if lesser, weaknesses.

3.4. In addition to the above internal audit are also involved in change programmes by making input towards, or as part of the following:

- Adult Social Care Transformation Group
- The 0-25 Unified Portfolio
- Input into checkpoint reviews for a number of phase 1 and 2 transformation programmes
- Accommodation Commissioning Group
- The Care Act Steering Board
- The Financial Monitoring Group for Children’s Social Care and Early Help services
- Liaison with the Corporate Portfolio office

3.5. Any control issues arising are queried with the relevant groups and where we are undertaking ‘watching briefs’ over the roll out of change and improvement programmes we will, in future , produce periodic reports on selected lines of enquiry as well as feeding into an opinion in our annual report.

Data and Information Management

6. Assurance over the integrity and reliability of the Council’s information systems has been provided by audits of :

	Assurance level	Issues Raised	
Disaster Recovery	Limited	High: 3 Medium: 2	TBC
IT Follow Ups	Limited	No new issues raised	n/a
Records Management	Adequate	High: 0 Medium: 1	1 Medium Risk issue accepted by management and no action proposed
Website Post Implementation Review of Controls	Substantial	High: 0 Medium: 1	Partially accepted

- 3.7. The outcomes from these audits also point to some important areas for improvement. The Disaster Recovery (DR) review highlighted that the DR Infrastructure at the backup site in Medway Council has been built only for a limited number of critical systems and that extending it to make other systems recoverable would require a significant investment. The IT follow ups audit showed that although both of the high priority recommendations have now been implemented, 78% of medium recommendations made had not been implemented in line with the original agreed target dates. Following intervention from the Head of Paid Service, ICT have undertaken to give greater focus to IT audit issues in future.

Safeguarding

- 3.8. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have undertaken limited work in this area, but with the following outcomes:

	Assurance level	Issues Raised	
Children Missing Education and Education Programme	Substantial	High: 1 Medium: 3	All accepted
Elective Home Education	Limited	High: 3 Medium:3	All accepted
Client Financial Affairs	Adequate	High: 2 Medium: 2	All accepted

- 3.9. We are also establishing protocols with the safeguarding function within Social Care in relation to financial abuse relating to vulnerable children and adults.

Access to resources to aid economic growth and enabling infrastructure

3.10. We have undertaken one related audit in this period:

	Assurance level	Issues Raised	
Developer Contributions follow up audit (S106 Agreements)	Limited	No new issues raised	n/a

3.11. The limited assurance level is due to the slow progress in addressing the issues identified in the original audit in May 2013, with four high priority and 2 medium priority recommendations have yet to be fully implemented. The original agreed implementation date for these recommendations was September 2013, therefore the control weaknesses remained at the time of this follow up audit.

3.12. We have also undertaken initial work and a lessons learnt review into regional growth fund (RGF) initiatives such as Thames Gateway Investment Growth and Enterprise (TIGER) which will be built into a comprehensive review in the last quarter of 2014/15.

Page 186

Governance and Internal Control - critical systems and services

3.13. As would be expected from an internal audit function, a considerable proportion of our work is centred on reviews of core critical financial and corporate systems:

	Assurance level	Issues Raised	
Treasury Management	High	High: 0 Medium: 0	n/a
Accounts Receivable	Substantial	High: 0 Medium: 1	All accepted

VAT	Substantial	High: 0 Medium: 2	All accepted
Budget Build & Medium Term Financial Plan	Substantial	High: 0 Medium: 1	All accepted
Imprest Bank Accounts	Adequate	High: 1 Medium: 5	All accepted
Payroll	Adequate	High: 3 Medium: 3	All accepted
Insurance	Substantial	High: 0 Medium: 1	Issue not accepted - no further action proposed
HR Performance and Capability	Substantial	High: 0 Medium: 1	All accepted
Health and Safety (follow up review)	Substantial	High: 0 Medium: 1	All accepted
Declarations of Interest	N/A - Counter Fraud Review	No significant issues highlighted	n/a

- 3.14. In general these assurance levels point to the robustness of underlying financial and corporate systems.
- 3.15. The Adequate opinion from the Payroll audit was based on the three potentially high risk issues identified, (see Appendix A) although in all cases prompt action is being taken to address them.
- 3.16. The findings from the Imprest Bank Accounts audit indicated that there were a number of areas of good practice, but not all Imprest Operators and Imprest account users were adhering to the existing procedures. Actions to

address these control issues are being led by the central Finance team through further guidance and training for staff across the Council.

- 3.17. In relation to declarations of interest, through data matching with Companies House records we found approximately 400 staff had an interest in an entity registered with Companies House (which would include those operating as Trusts and charities) that had not declared via employee self-service. Through further matches with creditor payments and preliminary enquiries we found no evidence of any fraud or corrupt practices.

Better Care Fund

- 3.18. It is planned to review work on the Better Care Fund during the last quarter of 2014/15.

Management of demand - adult social care and specialist children's services

- 3.19. Clearly assurance over the mitigation of risks relating to demand led services is important. Our work to date relates to an audit of Promoting Independence Reviews, which is in the first stage of reporting and we are in discussion with management over the findings. This is the first of our independent reviews of the consultant initiated savings programmes.

Implementation of the Care Act

- 3.20. We are currently concluding an audit to provide assurance over preparations and project management of the Care Act. This will be reported back to the next Committee meeting.

Procurement and Contract Management

- 3.21. The effective management of procurement and commissioning is critical to the Council. We have undertaken the following related audits:

	Assurance level	Issues Raised	
Schools Procurement and Purchase Cards	Adequate	High: 2 Medium: 3	TBC
Contract Management	Limited	High: 1 Medium: 0	TBC
Concessionary Fares	Limited	High: 2 Medium: 1	All accepted

The Contract Management audit identified that contract management practices and processes are varied, with little consistency across the Council. Only half the contracts tested were registered on the Council's contract register and we identified instances of contract extensions and the continued use of a contractor after the contract term had finished without appropriate authorisation. Some instances of good practice were found, but these were isolated and dependent on individual officers developing their own contract monitoring protocols.

The Concessionary Fares audit found that there were weaknesses with the management of the contract including monitoring of performance

A more general audit of Council wide procurement is scheduled for February 2015.

Other Audit Work

Other

- 4.1. A further 7 pieces of work have been undertaken with the following outcomes:

	Assurance level	Issues Raised	
Schools Returns	High	High: 0 Medium: 0	n/a

Gypsy and Traveller Site Allocations	Limited	High: 1 Medium: 1	All accepted
Community Based Nurseries	Limited	High: 6 Medium: 2	All accepted
Public Health Commissioning and Delivery	Substantial	High: 1 Medium: 0	All accepted
Carbon Reduction Commitment	Compliant	High: 0 Medium: 0	n/a

4.2. The Community Based Nurseries audit concluded that financial controls at nursery level were weak and costs in relation to running each nursery were not fully allocated, therefore an accurate profit/loss position could not be established. As a result of the audit an options appraisal is being undertaken by the service to inform the future delivery model and we understand that this will be concluded imminently.

4.3. **Establishment Visits**

During the past 9 months we have concluded audits of 9 establishments with the following outcomes:

	Assurance level	Directorate
Hardelot Centre	Limited	Growth, Environment & Transport
Kent Mountain Centre	Limited	Education & Young Peoples Services
Guru Nanak Day Centre	Substantial	Social Care,

Cranbrook Childrens Centre	Adequate	Health & Wellbeing
Southfields Respite Centre	Substantial	
Whitstable Road Respite Centre	Adequate	
Meadowside Respite Centre	Substantial	
Dorothy Lucy Centre	Limited (draft opinion)	
Westview Integrated Care Centre	Limited (draft opinion)	

4.4. Overall the level of control across the establishments visited varied. General trends relate to essential training not being completed by all staff, which in some cases is attributable to staff not having relevant access to E-learning; declarations of interest not being regularly completed and asset registers not being up to date.

Other Audit Activity

- 4.5. KCC Internal Audit currently offers a comprehensive internal audit service for smaller Local Councils and other bodies. We are the appointed auditor for 13 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre. In 2014/15 we have undertaken 14 visits in total.
- 4.6. We also provide the internal audit service for the Kent and Medway Fire and Rescue Service. The plan for 2014/15 comprises 95 days made up of 9 audits, plus management time and contingency. At the end of December 2014 63.5% of the plan has been delivered.
- 4.7. The Internal Audit team certifies a number of grant claim forms and returns, working closely with the Council's External Funding team. This year to date the total value verified is approximately £2.07m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £813,000 and £223,000 for other

bodies including Visit Kent, Locate in Kent and Kent Fire and Rescue Service’.

5. Group Audit Work - Commercial Services

- Page 192
- 5.1. A key development during this period has been the creation of a Group Audit function within the team. This has in part been as a result of the dissolution of the internal audit unit within Commercial Services from the end of December 2014. The new Group Audit function will provide audit coverage and assurance to future arm’s length organisations and trading companies set up and owned by the Council, such coverage being based on risk. Initially resources will continue to be focused on Commercial Services and the new member of staff has been recruited from the previous team.
 - 5.2. Up until the dissolution of the Commercial Services audit team we continued to work with them to ensure work undertaken was performed to professional standards and to provide appropriate coverage and assurance. The next meeting of the Commercial Services Shareholder Board will receive a position statement on 2014/15 audit coverage and outcomes from the new Group Audit function.
 - 5.3. We have also liaised with Commercial Services management to ensure that the anti-bribery and hospitality policies in relation to the acceptance and declarations now conform with those of the Council, more particularly that it is not permitted to accept significant personal gifts or hospitality.

6 Counter Fraud and Corruption

Fraud and Irregularities

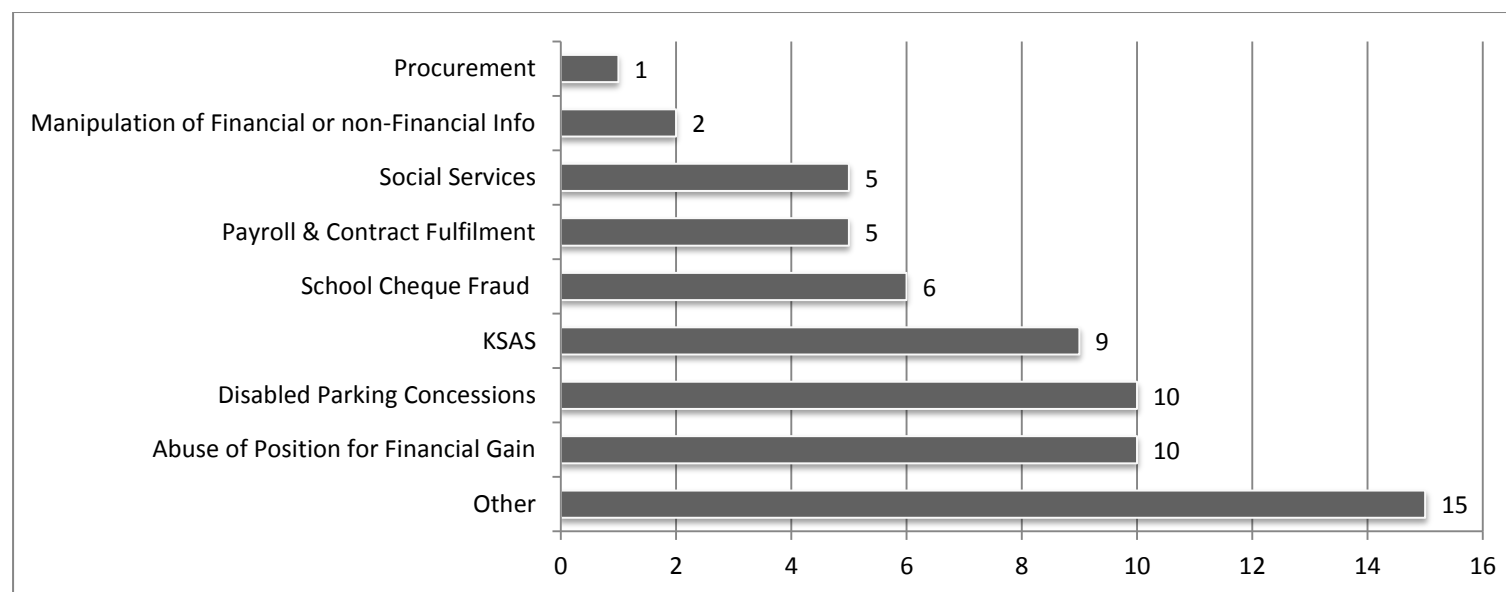
- 6.1. Tables CF1 to CF4 summarises current works in progress and the outcomes of concluded irregularities.
- 6.2. Appendix B details the more notable fraud and irregularity cases we have investigated and brought to a conclusion.
- 6.3. The most common types of fraud continue to be ‘Abuse of position for financial gain’ and the most common source of referral continues to be from staff which is indicative of good levels of fraud awareness across KCC,

6.4. Table CF5 shows patterns of fraud referrals over periods of the year. This demonstrates how remarkably 'seasonal' fraud reporting can be, but also the beneficial impact of the result of the launch of the fraud awareness campaign in November 2014.

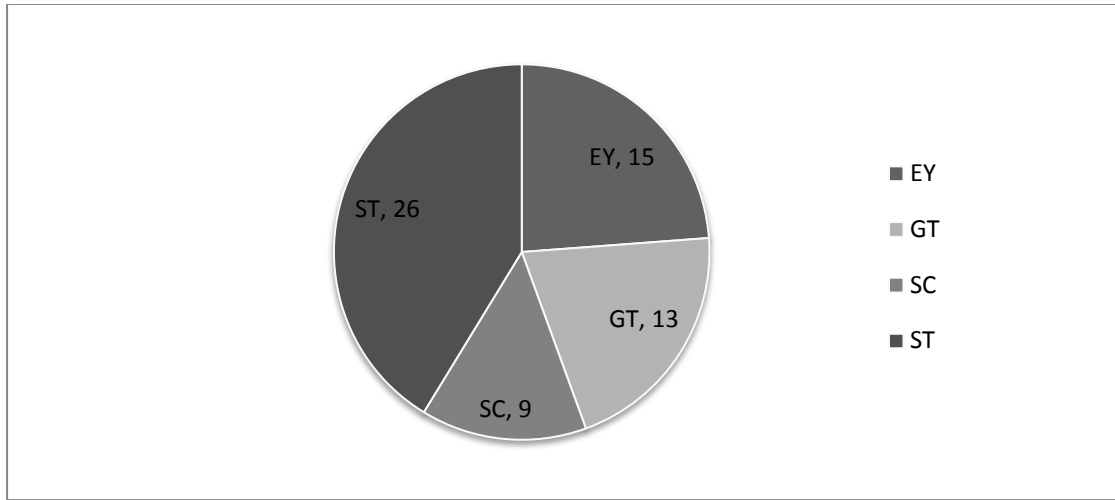
CF1 - Summary of Financial Irregularity Activity

	No. of Irregularities
Brought forward at 9 September 2014	28
New irregularities recorded in period	32
Concluded in period	33
Carried forward at 8 January 2015	28

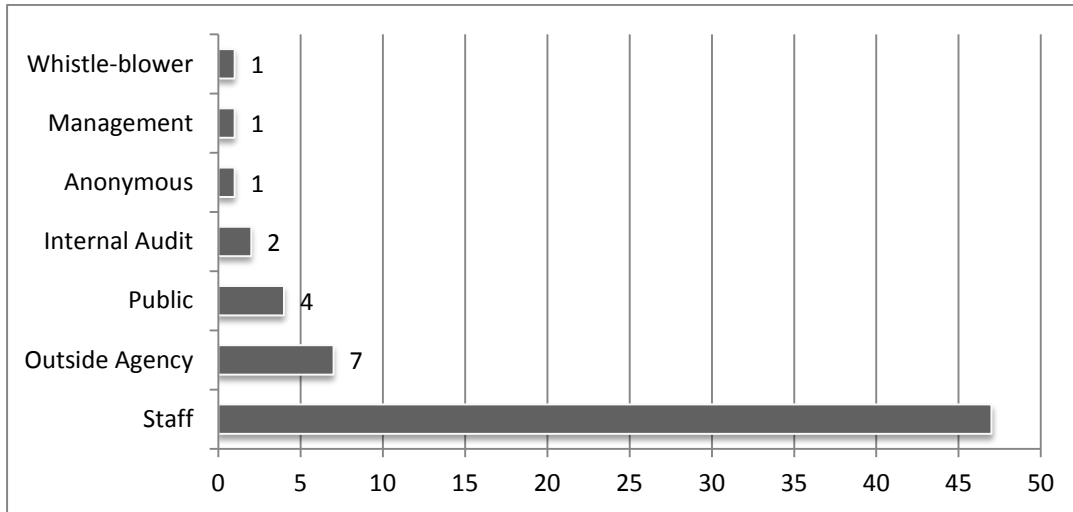
CF2 - Irregularities by Type



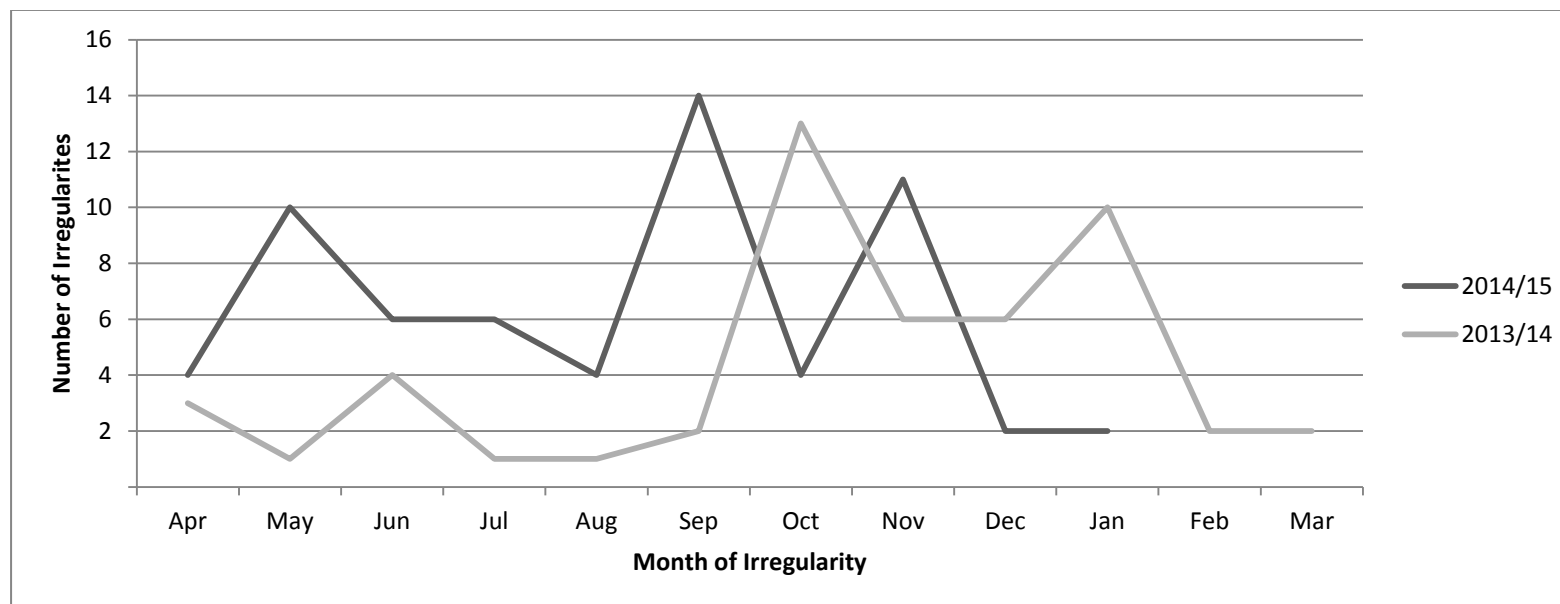
CF3 - Irregularities by Directorate



CF4 - Irregularities by Source



CF5 – Irregularities by Month



Code of Practice for Counter Fraud

6.5. In October 2014 the Chartered Institute of Public Finance & Accountancy (CIPFA) published a voluntary Code of Practice for Counter Fraud which sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

Applicable to all public services organisations, the five key principles are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

- 6.6. We have self-assessed against the code of practices and are pleased to report that we are compliant with the five key principles. CIPFA are intending to publish further guidance in relation to the principles at which time we will repeat the self-assessment and ensure we remain compliant.

Anti-Money Laundering Policy

- 6.7. We have completed a reviewed of the council's Anti-Money Laundering Policy. The policy is out of date and very long. We have therefore rewritten the policy to make it shorter and more user friendly.
- 6.8. In these circumstances it is appropriate for the policy to be presented to the Committee for review and agreement. A copy of the revised Anti-Money Laundering Policy is attached at Appendix C for the Committee to approve.

7 Follow Ups

- 7.1. It will be noted that there have been a number of formal follow up audits over the period under review with one outcome being particularly unsatisfactory. Indeed there are concerns that in some areas of the Council there is a culture of slow progress on previously agreed recommendations. This finding has been reported on to CMT and in future follow up processes will be undertaken more vigorously.
- 7.2. Periodic review of progress of implementation of recommendations / issues continues but unfortunately the current systems within the unit are not efficient. However the system is being upgraded. It is therefore proposed that a comprehensive review of progress in implementing recommendations and issues is brought forward to the April G&AC.

8 Internal Audit and Counter Fraud Performance

Internal Audit

8.1. Internal audit performance against our targets to the end of December 2014 are shown below:

Performance Indicator	Target	Actual
<i>Effectiveness</i>		
% of recommendations / issues accepted	98%	99%
<i>Efficiency</i>		
% of plan delivered	90% by year end	59%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork	90%	87%
Preparation of annual plan	By April 14	met
Periodic reports on progress	G&A Cttee meetings	met
Preparation of annual report	Prior to AGS 2014	met
<i>Quality of Service</i>		
Average Client satisfaction score	90%	92%

8.2. In general the achievement of these outcomes are in line with our plans. For 2015/16 we are aiming to overhaul the performance targets for the unit. This will be reported back to the Committee at the same time as the presentation of the 2015/16 plan.

Counter Fraud

- 8.3. As a result of the new Transparency Regulations there is now an obligation to publicly report on a suite of 11 indicators in relation to Counter Fraud work. This will be undertaken on an annual basis. These indicators are detailed below together with the results achieved in the last financial year:

New counter fraud transparency measures	Results for 2013/14
Total number of employees undertaking fraud investigations	3
Total number of professionally accredited counter fraud specialists	2
Amount spent on investigation and prosecution of fraud	£128,781
No of fraud cases investigated	35
No of irregularity cases investigated	51
Total No of occasions on which (a) fraud and (b) irregularity was identified	(a) 35 (b) 15 ¹
Total monetary value of (a) and (b) detected	(a) £409,072 (b) £43,739
Total monetary value of (a) and (b) recovered	(a) 113,625 (b) £31,680

¹ One incident remains under investigation.

This is illustrative of a particularly good performance for the Counter Fraud function for 2013/14, although as has been demonstrated earlier, often fraud detections and recoveries can be erratic.

9 Internal Audit and Counter Fraud Resources

- 9.1 During this period staffing resources have stabilised. Only one resignation has been received and the internal audit and counter fraud compliment of staff (19 FTE) is being bolstered by secondments of a senior officer from Social Care and a recently qualified accountancy trainee. In addition an intern with a criminology related degree is to join the counter – fraud until from early January for 12 weeks.
- 9.2 The new IT audit contract with the new supplier is also working extremely well.

10 Work in progress and future planned coverage

- 10.1 Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.
- 10.2 In the last quarter of the year we have a number of substantive audits to complete including
- Procurement
 - Capital Project Delivery
 - Regional Growth Fund
 - Supervision systems
 - Domiciliary Care
 - Optimisation
 - Enablement
 - Foster Care
 - Better Care Fund

11 External Quality Assessment

- 11.1 In order to comply with the Public Sector Internal Audit Standards (PSIAS) it is now a requirement for internal audit to be subject to an external quality assessment (EQA) every 5 years. Such an independent assessment examines compliance to professional internal auditing standards. It provides an overall assessment of internal audit's independence, scope, profile and resources and the reliance that can be placed on its work and the resultant impact on the Council.
- 11.2 With a new Head of Internal Audit it would be sensible to engage in an EQA in the current year and to be provided with an effective 'charter mark' and / or improvement plan for the next 5 years.
- 11.3 Quotations have been sought from 3 contractors to carry out this assessment, and it is likely such costs can be contained within the 2014/15 budget.

12 Emerging Plans for 2015/16

Future Audit Planning

- 12.1 Work has started on developing the 2015/16 audit plan. Following on from the main presentation in this report, it is proposed to develop and map a proportion of audit work against the top corporate risks.
- 12.2 Initial work has highlighted a need to refine or develop audit work to meet this objective, particularly in relation to independently assessing risks relating to change programmes and safeguarding.
- 12.3 In relation to audit participation in change programmes it is important that internal audit contribution is clear, understood and purposeful. As such we will be developing key lines of enquiry around audit involvement and review and would propose to report at critical times in the life cycle of such projects.
- 12.4 It is also evident that there is currently limited audit involvement against safeguarding, although this is a critical risk on the corporate risk register. Although safeguarding functions exist within relevant departments they are clearly not an independent 'third line of defence' and it is important that a proportionate assurance should periodically take place by internal audit on such critical non-financial controls. As such we would

propose to develop coverage potentially partnering with external expertise.

Future Internal Audit Judgements

- 12.5 Internal audit should be focused on helping management on driving through improvements and the current assurance judgement system does not provide an improvement or direction of travel assessment.
- 12.6 As such for 2015/16 it is proposed the audit assurance score should wherever possible be accompanied by a 'prospects for improvement' assessment. Appendix D outlines current and proposed judgements.

Establishment Visits

- 12.7 Currently all establishment audits are announced well in advance of a visit. Although this eases administration it means as a potential counter fraud exercise it is ineffective. As such it is proposed that from 2015/16 at least 50% of such visits will be unannounced. Clearly this change of emphasis will need to be communicated to the relevant departments.

13 In conclusion

- 13.1 We are satisfied that over the past 9 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.
- 13.2 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 13.3 We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Appendix A - Summary of individual 2014/15 Internal Audits issued Sept - Dec 2014

Human Resources – Performance and Capability

Scope

The overall objective of the audit was to provide assurance that there is consistency and fairness of treatment; that employees are given the opportunity and time to improve standards/attendance and that any Performance and Capability meetings and hearings take place in a timely manner.

Overall assessment – Substantial

The HR Advisory Team (HRAT) provides support and advice to managers in employee related issues. They follow ACAS guidelines ensuring that employees are made aware of the performance problem, the improvement that is required and the timescale for achieving this improvement.

The “Substantial” assurance is based on sample testing which established that HRAT have processes in place regarding sickness reporting and occupational health referrals which enables them to offer support at an early stage. All cases are recorded on an electronic system and records are securely held.

Issues were identified which included improvements to be made to the reporting and analysis of Performance and Capability cases and the need to develop a document/records destruction process.

We have raised 2 issues, 1 medium priority and 1 low priority.

KCC Staff Payroll

Scope

The overall objective of the audit was to provide assurance that there are adequate and effective controls in place to ensure the integrity of the Council’s payroll system and the accuracy of payments to KCC staff.

Overall assessment – Adequate

The “Adequate” assurance is based on sample testing of starters, leavers, recovery of overpayments and the payroll production process.

A number of areas were identified where controls are operating effectively. All KCC staff starters, leavers and amendments sampled had been accurately and promptly set up. Records are held detailing overpayments and appropriate recovery action is carried out.

However some issues and areas for improvement were identified. Instances were found where staff access to payroll systems was not removed when they left and buddy checking is not always carried out promptly.

A total of 9 issues have been raised, 3 high priority, 3 medium and 3 low.

New Ways of Working

Scope

The overall objective of the audit was to provide assurance that the New Ways of Working programme is progressing as planned and achieving its objectives adequately and effectively in order to meet corporate objectives.

Overall assessment – Adequate

The New Ways of Working Programme sits within the Council's 'Doing Things Differently' approach. The change initiative was initially set up as 'New Work Spaces' in 2012 and was later refined into the New Ways of Working Programme. It was established as an enabling programme aimed at providing fit for purpose accommodation for staff to support increased mobility across the workforce, improve efficiency and technology and to prepare the Council for change. Linked to this is the delivery of property related revenue savings.

The 'Adequate' assurance is based on evidence that the Programme has been set up with appropriate documentation and has a clearly defined governance and management structure. A 30 year base case has been set up to determine whether savings are achievable over the long term for this Programme. Regular reports are provided to relevant bodies on progress of the Programme and no inaccuracies in reporting were identified during the audit. Individual projects are set up for each building and working group meetings of interested parties are held during the projects.

However, issues were identified in some areas, for example there are no performance measures in place to monitor achievement of the 'softer' core aims of the Programme, there is varied engagement with other support teams on individual projects and formal lessons learnt reviews have not been undertaken for completed building projects.

We have raised seven issues as part of this audit, one of which is high priority.

Records Management

Scope

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

Overall assessment - Adequate

A Code of Practice has been issued under section 46 of the Freedom of Information Act 2000 which gives guidance on good practice in records management. The Code of Practice states that records management is important because "Records and information are the lifeblood of any organisation. They are the basis on which decisions are made, services provided and policies developed and communicated". Failure to comply with the Code could mean that the Council is "failing to comply with legislation relating to the creation, management, disposal, use and re-use of records and information and may consequently be in breach of their statutory obligations". The 'Adequate' assurance is based on sample testing that in the majority of cases, records were being held securely and appropriately, and facilities for storage were available to enable teams to meet their legal and regulatory requirements in relation to record keeping. Data sharing with third parties was managed by formal agreements in all but one of the cases sampled and the Council has an information sharing agreement set up which covers a large number of bodies.

However, further work needs to be completed to ensure that the action plans and recommendations agreed following the 2013/14 Records Management audit are fully implemented, as from the ten raised, eight have missed their target dates for implementation.

We have raised a further two issues (one medium and one low priority) in relation to protective marking of documentation and managing shared storage. The medium risk issue has been accepted and no management actions are proposed.

Client Financial Affairs

Scope

The overall objective of the audit was to provide assurance on controls over management of finances for clients who are incapable of managing themselves. e.g. payments for client care personal property and benefits maximisation.

Overall assessment – Adequate

The Client Financial Affairs (CFA) team is responsible for managing the financial affairs of clients who have no one to act for them and who are unable to manage their own financial affairs. All actions taken by the CFA team must be in accordance with benefits legislation, Court of Protection requirements, Office of the Public Guardian regulations, and the Council's policies and procedures.

The adequate assurance is based on the controls in place in a number of areas.

The process for the referral of new Clients to CFA by Case Managers was seen to be well managed, with each new referral being reviewed and formally approved for acceptance by the CFA team leader. Appointeeship and Deputyship were applied for accurately and appropriately. Client details are held on the CASPAR database and each client has their own named KCC bank account and a reserve account for savings where relevant. Banking is done online using Bankline with user access restricted and privileges set. Client income is correctly identified and redirected to the client's KCC bank account and hard copy records and documents are being held securely. On receipt of notification of death or request for discharge, client accounts are closed and all relevant parties informed promptly by CFA.

However the audit identified a number of issues and areas for further improvement, in particular we noted that full bank reconciliations were not being completed regularly and a reconciliation of personal allowance payments made to care homes on behalf of clients was not available in all cases. In addition, payments made via imprest by the Social Care locality offices are coded to the CFA imprest suspense account, but there was no evidence of authorisation or the rationale for many of these payments.

We have identified six issues, two of which are high priority.

Schools Financial Returns

Scope

The overall objective of the audit was to provide assurance that statutory school returns are submitted to the Returns and Compliance team promptly and data collected for KCC and the Department of Education is accurately recorded.

Overall assessment – High

Responsibility for financial management has been delegated to schools. However KCC has a statutory responsibility to produce certain consolidated information for the annual accounts and to submit Council wide returns and therefore schools financial information needs to be collected centrally. The "High" assurance is based on sample testing a number of returns submitted by schools and the collection of this data. Controls were found to be operating effectively in all areas.

No issues have been raised.

Treasury Management

Scope

The aim of the audit was to provide assurance that all investments and borrowings are undertaken and authorised in accordance with organisational policy.

Overall Assessment – High

Treasury Management is defined by CIPFA as ‘the management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

The ‘High’ assurance is based on sample testing and interviews with key officers which identified in general controls are operating adequately and effectively. Formal policies and procedures are in place, investment activity is limited to approved counterparties and limits, cash flow and liquidity is monitored daily and regular, timely Treasury Management reports are produced. Based on the sample of transactions tested we are satisfied that there is a sound system of control in place to ensure all investments and borrowings are undertaken and authorised in accordance with the Treasury Strategy.

We have raised two low risk issues to further improve controls.

Insurance

Scope

The aim of the audit is to provide assurance that the Council has adequate insurance cover, it is effectively managed and that there are robust procedures in place for insurance claims handling.

Overall assessment - Substantial

Insurance is arranged centrally to protect the Council against claims for compensation, to enable the authority to enter into contractual arrangements and to comply with legislation. The main policies purchased are Employers Liability, Public Liability, Property and Motor, which between them make up approximately 84% of the annual expenditure on premiums. The ‘Substantial’ assurance has been given as a number of areas were identified where controls were found to be operating adequately and effectively. After testing 60 claims this audit has found that all these claims were logged and processed correctly. The sample testing also showed that that claims are being checked, assessed and authorised in line with agreed procedures, with further checks being carried out throughout the progress of the claim. There was no evidence in the sample of any undue delays or backlogs or breaches of customer based PI’s.

However, we found that authorisation levels of staff at officer level set at £500, which is above the normal self-approval level for Officers within the Council and the internal quality checking of Public claims is not recorded. It was also found that limited information is uploaded on to claims management system, Figtree, so there is no opportunity for the service to analyse claim data for potential fraud risk and the procedure notes do not include any reference to consideration of fraud in the claims handling process.

In total 4 issues were reported, 3 low priority and 1 medium priority, however the medium priority issue has not been accepted by management.

Scope

The overall objective of the audit was to follow-up on the recommendations made in the 2013/14 audit of procurement in schools and review of relevant documentation, interviews with key officers and sample testing of procurement processes and purchase card transactions within a sample of schools. We also reviewed procurements undertaken/purchases made using a purchase card over the last 12 months.

Overall assessment – Adequate

A number of areas for improvement are required and are similar to those identified in the 2013-14 audit of procurement, including instances where three quotes had not been obtained, spend had not been appropriately approved and value for money requirements had not been considered for aggregated spend and procurements did not have supporting paperwork.

However, it is acknowledged that some of the recommendations raised in our previous audit had only recently been addressed, which therefore could be attributable to why considerable improvement has not been realised and has supported our adequate rating.

For purchase cards we found no instances of cards being used to circumvent procurement processes. However we did identify transactions that did not have supporting receipts and some transactions where we were unable to determine whether spend was appropriate, for example gifts or food for staff at notable events. Head teachers had not defined what constitutes appropriate spend which may be causing an inconsistent use between schools. Additionally, VAT is not being consistently claimed. There were 3 incidences of potentially inappropriate use of purchase cards including one particular transaction of note which relates to an outgoing Chair of Governors who had spent £118 on alcohol during an overnight hotel stay which the Head teacher has successfully reclaimed following our review.

We have raised five issues to improve on existing controls, two of which are high priority.

Scope

The aim of the audit was to provide assurance that proper governance arrangements are in place, expenditure through imprest accounts is appropriate and that imprest account balances are reconciled regularly to the bank statements.

Overall assessment - Adequate

An imprest account is a separate bank account which provides a cheque book and is used for local 'petty cash' facilities. The account should be operated in accordance with the Imprest Account guidelines and used for urgent day to day expenditure or for small items purchased locally which cannot be purchased through other means such as iProc, Accounts Payable or corporate purchase card. There are currently approximately 100 imprest bank accounts within Kent County Council of which we audited 10 in detail. The total balance on imprest accounts is approx £500k.

The 'Adequate' assurance is based on sample testing that although guidance notes and training are available to staff operating Imprest accounts, adherence to the key controls was inconsistent. A significant proportion of the imprest transactions reviewed should have been made through other means such as iProc or Oracle self-service and not all transactions had been authorised. We also found instances where cash differences were not being disclosed and some Imprest Operators held pre-signed cheques to avoid having to locate 2 cheque signatories each time a cheque was required.

We have raised 8 issues where further action should be taken to improve controls, one of which is high risk. These included: ensuring all cash discrepancies are reported for investigation, pre-signed cheques, use of imprest accounts only for appropriate expenditure, ensuring all payments are authorised and keeping imprest account balances at an appropriate level.

Website Redesign – Post Implementation Review of Controls

Scope

The overall objective of the audit was to provide assurance over the controls put in place by the Strategic & Corporate Services Directorate and the Digital Team to manage the Implementation of the Website Redesign Project and to maintain quality and robustness of the Council's web presence.

Overall Assessment – Substantial

In January 2013, the Corporate Management Team (CMT) agreed to the redesign of the existing KCC website in line with four principles: to design the website for customers; to follow user experience best practice for any changes to the website; to be robust and reliable; and to turn service information into usable and accessible content in order to meet customer expectations and user needs. Initial user feedback received via the GovMetric tool noted some initial issues and concerns and a plan was put in place to address these. As a result the initial website implementation plan was delayed from January to March 2014 when the new website was launched.

The Substantial opinion is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. Content owners have been identified and the content users and managers are adequately trained to manage the day to day operations of the site. Data has been accurately and completely migrated using a content matrix to make decisions on which pages to migrate and templates have been established for requesting and changing content. The website application and database servers are hosted by the supplier and are backed up appropriately.

We identified four issues which should be addressed to further improve controls, none of which are high priority. These include: the absence of a process to log, report and review changes made by the supplier or through the use of the Out of Hours account; the Customer Service Strategy being out of date; and the lack of evidence to confirm the outcome of test restores and security over the web servers.

Follow-up of Outstanding ICT Audit Recommendations

Scope

The aim of the audit was to confirm that the outstanding recommendations from ICT audits completed in the last 2 years remain relevant and that they have either been satisfactorily implemented or will be implemented by an agreed date.

Overall Assessment – Limited

ICT Audits are undertaken under a formal outsourced arrangement against an agreed annual plan. The audit reports are written in the standard KCC format and detail the audit findings and recommendations to address issues identified. Recommendations are assigned as high, medium, or low priority and management actions are agreed with the relevant issue owners prior to the audit reports being finalised.

Of the 18 recommendations reviewed during this audit, 8 recommendations had been satisfactorily implemented, but of these only three were of high or medium priority. Two further medium priority recommendations have been 'Risk Accepted'. Having completed this follow-up exercise, a revised implementation schedule has been agreed. 75% of high and medium priority recommendations were deferred at least once from the original target date agreed in the Final report and three of the deferrals were approaching two years. Seven medium priority recommendations remain outstanding.

Whilst we understand that delays are sometimes unavoidable the number and length of deferrals gives cause for concern.

We have not made any new recommendations as a result of this audit.

Disaster Recovery

Scope

The aim of the audit is to provide assurance that the Council has a robust Disaster Recovery framework that allows it to restore key services and systems in a defined timeframe, enabling services to continue key operations.

Overall Assessment – Limited (draft opinion, report not yet finalised)

A Disaster Recovery framework should allow an organisation to recover its key infrastructure and systems in the event of a 'disaster' scenario that prevents normal operation for an extended period. Typically such a scenario would mean loss of a primary data centre.

The 'Limited' assurance is based on the key findings regarding the current DR Infrastructure at the backup site in Medway Council and the adequacy of DR plans. The DR infrastructure has been built only for a limited number of critical systems and hence in the event that the Sessions House Data centre is not available for an extended period, only these systems are recoverable in the short term. Extending the ability to make other systems recoverable would require significant business investment in infrastructure. Currently systems without DR infrastructure would only be recovered on a 'best endeavor' basis in a priority order that would have to be defined according to the circumstances or time of the disruption.

Seven issues have been raised with management, three of which are high risk. In addition to the key issue above the recovery plans for systems that have a DR infrastructure at the Medway recovery site are not written in a consistent format and are not centrally stored to ensure accessibility in an emergency situation.

A priority order for recovery of all systems is not defined and agreed with the business.

Kent Resource Partnership

Scope

The overall objective was to provide advice on the internal governance arrangements relating to the Kent Resource Partnership (KRP).

The present KCC governance arrangements were subject to a critical review, taking into account the present structure of the partnership, the financial arrangements, staffing and changes to KCC's approach to partnership working.

Overall Assessment – N/A - Advisory

The partnership was set up in 2006/07 to include the twelve district councils and KCC to provide a forum for the formation and delivery of the Kent Joint Municipal Waste Management Strategy. The establishment of a partnership effectively pooled the recycling credits available to the districts paid by KCC.

The review recommended that the present partnership relationship should be reassessed taking into account changes identified since the partnership was established. If the reassessment concludes that a partnership will still continue that the overall governance arrangements should be changed to ensure that outcomes are clearly defined and can be measured;

- The governance and reporting channels are based on clear accountability for outcomes and decision making areas;
- The financial contributions from KCC are reduced to reflect the changed working arrangements; and
- The staffing requirements are reassessed to ensure that line management reporting responsibilities are clear and unambiguous and reflect the actual working arrangements with regard to the allocation of time.

The Head of Waste has accepted all the issues identified.

Scope

The overall objective of the audit was to provide assurance that the systems and controls to calculate and process payments to bus operators are secure, adequate and operating effectively.

Overall Assessment – Limited

The KCC budget for the ENCTS for 2014/15 is approximately £17m. The Council has a contract for the management and administration of the ENCTS arrangements in relation to bus operators. The 'Limited' assurance is based on findings that the contract is not being effectively managed.

The contractor has detailed and documented processes in place and calculations for the various parameters for reimbursement of bus operators required by the Department of Transport are well controlled. The payments to operators were processed by KCC in line with the information from the contractor and were paid within the required timescales. There is appropriate monitoring of expenditure against budgets.

We have raised three issues of which consideration would further improve control.

Two of the issues are high priority. These include the need for KCC Transport Section to carry out checks on the reimbursement calculation rather than place complete reliance on the data provided by the contractor. Also the contract is not presently monitored in line with agreed Key Performance Indicators set out in the contract and formal meetings with the contractor are not recorded.

Scope

The aim of the audit is to provide assurance that Health and Safety risks are being managed adequately and effectively in order to meet service and corporate objectives.

Overall Assessment – Substantial

The last audit completed on Health and Safety was in the 2011-2012 financial year and Substantial assurance was given that controls over Health and Safety are operating effectively. Controls over Health and Safety training received a Limited assurance opinion.

The 'Substantial' assurance has been given as a number of areas were identified where controls were found to be operating adequately and effectively. This audit reviewed the progress made with the six recommendations from the previous Health and Safety audit in 2012 to establish whether controls are now operating adequately and effectively. Testing has shown that five of the six recommendations have now been successfully implemented.

However, we found that 56% of the incident report forms were received from managers with missing information. It was noted that work place inspections were not completed for two out of six workplaces tested during the audit, one of which was a remote service site whose role includes close working with children and which had no formal health and safety programme in place.

We have raised 2 issues, 1 medium priority and 1 low priority.

KCC Operated Nurseries

Scope

The overall objective of the audit was to provide assurance that key financial controls are in place at each of the three community nurseries operated by KCC, KCC performance monitoring standards are being addressed, the nurseries comply with KCC safety and security standards, and risks are being managed adequately and effectively in order to meet service objectives.

We also provided a strategic opinion with options for overall future service delivery of these nurseries.

Overall Assessment – Limited

The overall objective of the audit was to provide assurance that key financial controls are in place at each of the three community nurseries operated by KCC, KCC performance monitoring standards are being addressed, the nurseries comply with KCC safety and security standards, and risks are being managed adequately and effectively in order to meet service objectives.

Conversely financial controls were considered to be weak and costs had not been fully allocated resulting in financial management information being undermined.

We also provided a strategic opinion with options for overall future service delivery of these nurseries.

Kent Alcohol and Drug Team (KDAAT)

Scope

The audit aimed to provide assurance on the governance, risk management, contract management and performance monitoring arrangements in place, to ensure that associated risks were being managed adequately and effectively.

Overall Assessment – No Assurance

At the time of fieldwork, KDAAT was not part of Public Health and therefore commissioning structures had not been integrated. Governance structures were not integrated with KCC's constitution and formal decision making process/structure with decisions being taken outside of constitutional processes and some expenditure not receiving appropriate approval. Services provided on behalf of NHS England had no written agreement and one service had been delivered since January 2013 without a signed contract. There was no defined clinical governance assurance framework in place. The budget allocated was in excess of the services being commissioned and contractual payments were not being made in accordance with the payment schedule. However there is a clear process for Payment by Results and payments had been made accurately. Contractual performance monitoring takes place and performance is scrutinised and challenged. Performance information reported to the KDAAT Board was accurate and Kent is performing well in some areas. Seven issues were raised, all of which were high priority. On 1st October 2014, the service moved into Public Health, who created an action plan to mitigate the identified issues with appropriate implementation dates and accountable officers. We followed up this action plan in January 2015 and identified that significant progress had been made. Retrospective key decisions have now been made where necessary and appropriate approval routes for expenditure are in place. A clinical governance framework has been drafted and agreed, including for the investigation of Serious Untoward Incidents. Public Health and Legal Services are in the process of negotiating a written agreement with NHS England. We will continue to follow up actions which are not yet fully complete.

Scope

The arrangements for s106 agreements were last audited in 2012/13 with the report (RB05-2013) being issued in May 2013. The audit report was Limited assurance and included nine recommendations, five of which were high priority.

This was a formal follow-up review of the s106 Developer Contributions recommendations in order to report on the progress made since the last audit report and the residual risks.

Overall Assessment – Limited

Section 106 of the Town and Country Planning Act 1990 allows a local planning authority to enter into a legally-binding agreement or planning obligation with a landowner or interested party in association with the granting of planning permission. These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms. They are used to support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing.

The 'Limited' assurance is based on the fact that although progress has been made since the previous audit was completed, it has been at a significantly slower pace than anticipated. Therefore the original risks identified still.

Four high priority recommendations and 2 medium priority recommendations have yet to be fully implemented. The original agreed implementation date for these recommendations was September 2013, therefore control weaknesses remain at the time of this follow up audit. It is expected that the planned introduction of a Single Monitoring System for developer contributions next year will enable all of the recommendations from the initial audit to be fully addressed by May 2015. Where appropriate, revised implementation dates have been agreed with service management for the outstanding recommendations.

No new issues have been identified from this follow up audit.

Scope

Supporting People is new to Strategic Commissioning and therefore the audit aimed to provide assurance on the handover of a "safe service", as well as the contract management and performance monitoring arrangements in place, to ensure that associated risks are being managed adequately and effectively.

Overall Assessment – Assurance to be determined. Draft assurance level is limited.

There are plans to cease the work of the commissioning body in its current guise and establish alternative governance arrangements. The replacement body will be internal to KCC. There is no date yet fixed for the new arrangements to be implemented nor is the composition of that body been decided.

There isn't a separate risk register for Supporting People but risks are considered for the Social Care divisional risk plans and risk registers are maintained for individual projects.

While the number of contracts managed has been reduced over the last few years, from over five hundred to two hundred, this remains a large number and impacts on monitoring. There are plans to reduce the number of contracts further by modernising and reshaping, changing the configuration, reducing duplication and erasing artificial boundaries between provision of services.

Scope

The overall objective of the audit was to provide assurance to the accuracy of the base data used for measuring carbon usage and reduction in relation to the Carbon Reduction Commitment Energy Efficiency Scheme (CRC Scheme) and to assess the management processes put in place to allow the Council to give assurance that the evidence pack required by Central Government (the Environment Agency) is accurate and updated periodically.

Overall Assessment – Compliant

We found that the base data for measuring carbon usage and reduction is accurate, with the data based on actual rather than estimated consumption where possible. Management processes are in place to ensure that the evidence pack is accurate and updated regularly. Responsibility for maintenance of the evidence pack is properly assigned and the requirements are adequately understood.

The CRC annual report is not, however, published on KNet and this should be considered to allow interested staff within KCC to view and compare annual energy usage for sites and raise any questions

Scope

The overall objective of the audit was to provide assurance that contract risks are being managed adequately and effectively in order to meet service and corporate objectives. Analyses of total supplier spend during 2013/14 and the first quarter of 2014/15 was completed and a sample of fourteen suppliers was then selected.

Overall Assessment – Limited

To deliver its services to the people of Kent, the Council spends in the region of £1 billion each year on externally sourced goods, works and services. Rules on procurement are in place to ensure value for money, consistency of approach, competition, transparency and fairness. The detail on how procurement is achieved at operational level is found in KCC's 'Spending the Council's Money'. Once suppliers have been contracted, it is the responsibility of managers in the relevant services to manage the contract in order to ensure the required goods and services are received and approved for payment.

The Limited assurance is due to contract management practices and processes being identified during the audit as varied, with little consistency across the Council. Some instances of good practice were found, but these were isolated and dependent on individual officers developing their own contract monitoring protocols. Contract files were maintained for nine out of the 14 contracts tested, and half the contracts were registered on the Council's contract register. We identified instances of contract extensions and the continued use of a contractor after the contract term had finished without appropriate authorisation. For one of the contracts tested the provider had been instructed to invoice the school directly instead of KCC, but there was no evidence to support the rationale or authorisation of this decision. We found that contracts are being monitored effectively at a local level, however in general there is no formal reporting on contractor performance and no annual review of contract performance with the provider. Payments and budget variances are being monitored and authorised appropriately.

One high priority issue has been raised regarding inconsistent or inadequate contract management processes being in place.

Public Health – Commissioning and Delivery

Scope

The aim of the audit was to provide assurance that risks are being managed adequately and effectively in order to meet KCC service and corporate objectives and relevant legislative requirements, through review of governance arrangements and processes

Overall Assessment – Substantial

There is a framework and plans in place to achieve aims and objectives. There is evidence that Public Health work effectively with partner agencies, working across KCC and through external partnerships to improve health and reduce health inequalities. Innovative and effective communications and campaigns have been developed helping the public to easily access services.

There is an effective assurance framework in place to inform the Health & Wellbeing Board, Health Overview and Scrutiny Committee, and Cabinet on a regular basis. Statutory functions are being carried out as stipulated and the corporate and professional accountabilities of the Director of Public Health are being undertaken. The following issues have been identified during the audit and discussed with the service.

One issue has been identified as high risk, and one as low risk

Healthwatch Kent

Scope

The aim of the audit was to provide assurance that:

- KCC meets its statutory requirements to ensure HWK operates effectively and provides value for money.
- Adequate contract monitoring processes are in place to ensure that Engaging Kent delivers HWK in accordance with requirements.

Overall Assessment – Adequate

The requirement to set up a local Healthwatch has been addressed appropriately. There is performance management by KCC and HWK are undertaking the role required, including having a seat on the Health and Wellbeing Board. There is a HWK website with relevant information and advice. Monthly meetings are held between KCC and HWK and there is a monthly accounting report and a monthly outcomes report produced although the reports have been submitted in recent months only. Previous reports were not outcomes based as it was accepted that outcomes would not be delivered early on.

The Healthwatch initiative was part of a shifting landscape. KCC made allowances for the development and set up for Healthwatch in Kent in this new landscape. It was necessary to allow time for the new organisation to be set up by a brand new Community Interest Company. The workload of the new Information & Signposting service was overestimated and funding has had to be re-negotiated. Business cases that are submitted do not involve any independent assessment and projects once approved are not always undertaken in a timely manner.

Three issues have been identified as medium risk.

Appendix B -Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
857	Internal	Internal audit were alerted to allegations that illogical payments had been made from a Kent school to its academy sponsor (another school in Kent).	The investigation established that significant payments (in excess of £280,000) were made to the sponsoring academy without the appropriate approval from the school's governors. As a result the Department for Education terminated the sponsorship agreement and KCC's legal services are pursuing financial recovery.
952	Internal	Management reported to Internal Audit that a member of staff was alleged to be abusing his position by undertaking household and garden maintenance work for payment for a social care client.	Management investigated and found the allegations proven on the balance of probabilities and the member of staff was dismissed for gross misconduct.
953	External	Internal audit were alerted to a member of the public who was routinely using a Blue Badge belonging to another badge holder that had died in 2011.	The offender was interviewed under caution and admitted she had been using the deceased users Blue Badge. Legal advice was sought and it was agreed to offer the offender a 'simple caution' which she accepted.
971	External	Internal Audit were alerted to several unusual transactions related to KCC's general account. Further investigation revealed an unknown person had successfully set up a standing order from KCC's general account. Approximately £6,000 was withdrawn, but later refunded by the bank, and around £1,000 was stopped before it was paid.	Due to the limitation of Internal Audit's legal authority we were unable to identify the perpetrator. The matter was referred to the police via Action Fraud. KCC did not suffer a loss and the general account continues to be reconciled every month.

Anti-Money Laundering Policy

Document Owner	Robert Patterson Head of Internal Audit Tel: 01622-694664 robert.patterson@kent.gov.uk
Version	Version 2

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	18 Sept 2014	Internal Audit	Governance & Audit Committee	

1. Introduction

- 1.1. Kent County Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.
- 1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on Kent County Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.
- 1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.
- 1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

2. Policy Statement

- 2.1. Kent County Council is committed to:
 - Preventing the Council's services and employees from becoming a victim of, or unintentional accomplice to, money laundering activities.
 - Identifying the potential areas where money laundering may occur and strengthening procedures to minimise the risks.
 - Complying with all legal and regulatory requirements, with particular regard to the reporting of actual or suspected cases of money laundering.
- 2.2. It is important that every member of staff is aware of their responsibilities and remains vigilant.

3. Scope of Policy

- 3.1. This policy applies to **all** employees and Members of the Council, whether permanent or temporary.
- 3.2. The aim of this policy is to support employees and Members in responding to concerns that have been highlighted in the course of their work for the council. If staff or Members are concerned about a matter unrelated to work, the Police should be contacted.

4. Definition of Money Laundering

- 4.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they

originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.

4.2. The following constitute money laundering offences:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002).
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).
- Acquiring, using or possessing criminal property (section 329).
- Doing something that might prejudice an investigation e.g. falsifying a document.
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

4.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.

4.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.

4.5. **The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 7.1). Failure to do so could lead to prosecution.**

5. Identifying Money Laundering

5.1. There is no clear definition of what constitutes a suspicion of money laundering – common sense will be needed. Although you do not need to have actual evidence that money laundering is taking place, mere speculation is unlikely to be sufficient to give rise to knowledge or suspicion. However, if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.

5.2. Examples of money laundering activity include:

- Large cash payments;
- Asking for cash refunds on credit card payments; or
- Overpaying bills and invoices and then asking for cash refunds.

- 5.3. Any transaction involving an unusually large amount of cash should cause concern and prompt questions to be asked about the source. This will particularly be the case where the value of cash paid exceeds the amount due to settle the transaction and the person(s) concerned ask for a non-cash refund of the excess.
- 5.4. If the person(s) concerned use trusts or offshore funds for handling the proceeds or settlement of a transaction, then the reasons for this should be questioned.
- 5.5. Care should be exercised and questions asked where:
 - A third party intermediary becomes involved in a transaction;
 - The identity of a party is difficult to establish, or is undisclosed;
 - A company is used where the ultimate ownership of the company is concealed or difficult to verify; and/or
 - A party is evasive about the source or destiny of funds.

6. The Council's Obligations

- 6.1. The Council is obligated to:
 - Appoint a money laundering reporting officer.
 - Maintain client identification procedures in certain circumstances.
 - Implement a procedure to enable the reporting of suspicions of money laundering.
 - Report any cash transactions over €15,000 (or the Sterling equivalent).
 - Maintain sufficient records.

7. The Money Laundering Reporting Officer (MLRO)

- 7.1. The Council has nominated the following officers to be responsible for anti-money laundering measures within the Council:

MLRO: **Andy Wood**, Corporate Director of Finance and Procurement.

Email: andy.wood@kent.gov.uk Tel: 03000 416854

Deputy MLRO: **Robert Patterson**, Head of Internal Audit

Email: robert.patterson@kent.gov.uk Tel: 03000 416554

- 7.2. In the absence of the MLRO or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with David Cockburn, the Head of Paid Service.

8. Reporting concerns

- 8.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 1.

- 8.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.
- 8.3. The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.
- 8.4. The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.
- 8.5. The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).
- 8.6. The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently referred to as a suspicious activity report (SAR)). This can be found on the NCA website: www.nationalcrimeagency.gov.uk

9. Identification of Clients

- 9.1. In general, management should ensure that appropriate checks are carried out on new partners, suppliers and contractors in accordance with the Council's existing policies and procedures.
- 9.2. However, where the Council is carrying out a '**relevant business**',¹ and as part of this:
 - forms an ongoing business relationship with a client; or
 - undertakes a one-off transaction involving payment by or to the client of €15,000 (or the equivalent in sterling) or more; or
 - undertakes a series of linked on-off transactions involving total payment by or to the client(s) of €15,000 (or the sterling equivalent) or more; or
 - it is known or suspected that a one-off transaction (or a series of them) involves money laundering.

Then the client identification procedures (listed below) must be followed before any business is undertaken for that client. In the event the business relationship with the client existed before 1st March 2004 this requirement does not apply.

¹ Relevant business is defined as the provision 'by way of business' of advice about tax affairs; accounting services; audit services; legal services; services involving the formation, operation or arrangement of a company or trust; or dealing in goods wherever a transaction involves a cash payment of €15000 or more

- 9.3. Where the 'relevant business' is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.
- 9.4. If the 'relevant business' is being provided externally then the following additional checks must be completed:
- Check the organisation's website and other publically available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details.
 - Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation.
- 9.5. Remember, these additional client identification procedures are **only** required when conducting a 'relevant business.'

10. Training

- 10.1. Officers considered to be most at risk of being exposed to suspicious situations will be made aware by their senior officer and provided with appropriate training.
- 10.2. Additionally, all officers and Members will be familiarised with the legislation and regulations relation to money laundering and how they affect the employees (themselves) and the Council.
- 10.3. It is not necessary for all staff to be aware of the specific criminal offences, staff that are likely to encounter money laundering should be aware of the procedures that are in place. This policy and procedures provides sufficient information to raise awareness for most staff.
- 10.4. It is recommended that staff in areas that are highly vulnerable to money laundering, should be provided with targeted training that is specific to the Council activity at hand. This could be achieved by in house resources, or through training courses and seminars run by external providers

11. Further information

- 11.1. Further information can be obtained from the MLRO and the following websites:
- www.nationalcrimeagency.gov.uk
 - Proceeds of Crime (Anti- Money Laundering) - Practical Guidance for Public Service Organisations'- CIPFA
 - Money Laundering Guidance at www.lawsociety.org.uk
 - HM Revenue & Customs <http://www.hmrc.gov.uk/mlr/>

12. Conclusion

12.1. The likelihood of Kent County Council service being exposed to money laundering is extremely low. However, the legislation and requirements that have been implemented must be followed. Failure to comply with such legislation and requirements by individuals could lead to prosecution.

Anti Money Laundering Reporting Form

Your Contact Details

Please provide your contacts details in the box below so we can confirm that we have received the report and get into contact with you if required.

Name :	
Role:	
Email:	
Contact Telephone:	

Main Subject

Please provide the details of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Address	Type: (Home, work etc)		

Transaction(s)

Please enter the details of the transactions you think are suspicious

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction:			

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction			

Account(s)

Please enter details of the account(s) used.

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	
Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Associated Subjects:

If there are any other people you suspect are involved in money laundering, please enter their details below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Linked addresses:

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:

Please enter details of your suspicions. Please provide as much information as possible.

Appendix D - Audit Plan 2014/15 Progress

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Assurance							
Strategic Partnership Governance	Planning			Individual Contracts	Fieldwork		
Corporate Governance	Planning			Company Governance/ADSM Advice	Planning		
Annual Governance Statement	Complete	October 2014	Substantial	Remote Site Compliance Visits	Fieldwork	Update in each paper	Various
Schemes of Delegation				Transformation Programme and CPO Support	Fieldwork		
Risk Management	Draft Report			Contracts of employment - new contracts and changes	Planning		
Business Continuity & Resilience Planning	Cancelled	N/A	N/A	Equality and Fairness at Work - Performance and Capability	Complete	January 2015	Substantial
Information Governance				Health & Safety Follow-up	Complete	January 2015	Substantial
Records Management	Complete	January 2015	Adequate	Use of Recruitment Agencies – Senior Appointments	Draft Report		
Customer Feedback	Planning			Use of Recruitment Agencies – Temp and Hard to Fill	Planning		
Core Financial Assurance							
Payroll	Complete	January 2015	Adequate	General Ledger	Draft Report		
Revenue Budget Monitoring	Planning			Budget Build	Complete	October 2014	Substantial
VAT	Complete	October 2014	Substantial	Inland Revenue Accounting (PIID, PAYE, NIC)	Draft Report		

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Payments Processing	Fieldwork			Accounts Receivable (manual invoices and AR wizard, billing from SWIFT)	Complete	October 2014	Substantial
Bank Accounts	Complete	January 2015	Adequate	Financial Assessment Unit	Draft Report		
Client Financial Affairs	Complete	January 2015	Adequate	Corporate Purchase Cards	Fieldwork		
Insurance - managing insurances and claims handling	Draft Report	January 2015	Substantial	Treasury Management	Complete	January 2015	High
Pension Fund Investment Income	Review			Pension Contributions			
Schools Financial Services				Schools Financial Services (Returns)	Complete	January 2015	High
Procurement	Planning			Recharges	Planning		
Risk/Priority Based Audit							
Capital Project Delivery				Property Service Desk	Merged with Total Facilities Management	N/A	N/A
New Ways of Working	Complete	January 2015	Adequate	Total Facilities Management	C/F 2015/16	N/A	N/A
Direct Payments	Fieldwork			Enablement	Planning		
Supervisions	Planning			H&SC Integration – Kent Card	Planning		
H&SC Integration – Better Care Fund	Fieldwork			H&SC Integration – Health Monies spend/audit	Cancelled	N/A	N/A
Optimisation	Planning			Care Act Preparedness	Draft Report		
Promoting Independence Reviews	Draft Report			Safeguarding – Financial Abuse	Fieldwork		
Foster Care	Fieldwork			Adoption	C/F to 2015/16	N/A	N/A

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Children's Services Transformation Programme - Watching Brief	Fieldwork			Children's Services Transformation Programme - Baseline Assurance	Cancelled	N/A	N/A
Children's Payments – s17	Review			Commissioning & Quality in Care Frameworks	Fieldwork		
Supporting People	Draft Report			Kent Drug and Alcohol Action Team (KDAAT)	Complete	January 2015	No
Adult Social Care Transformation Programme – Watching Brief	Fieldwork			Domiciliary Care – Post Contract Review	Planning		
Sexual Health (replaced by Health Checks)	Cancelled	N/A	N/A	Health Checks	Review		
Prescribing	C/F to 2015/16	N/A	N/A	NICE Guidance	C/F to 2015/16	N/A	N/A
Serious Untoward Incidents	Planning			Home-to-School Transport, including Special Educational Needs	Planning		
Elective Home Education/ Home Teaching & Children Missing Education	Complete	October 2014	Split Substantial/ Limited	Data Quality – Education & Social Care	Draft Report		
Apprenticeships				Workplace Nurseries	Complete	January 2015	Limited
Additional Funding, including Premiums & Collaborations	Draft Report			SEN Assessment & Funding	Planning		
Schools Themed Reviews, including purchase cards and procurement	Complete	January 2015	Adequate	Troubled Families	Ongoing		
KIASS, including Checkpoint Review	Cancelled	N/A	N/A	Broadband Development UK	Fieldwork		
Regional Growth Fund	Planning			Developer Contributions	Planning		
AMEY Contract Payments	Planning			Gypsy & Traveller Unit (allocation of Sites)	Complete	October 2014	Limited

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Concessionary Fares	Complete	January 2015		Expenses – Members & Officers	Planning		
Household Waste & Recycling Contract	Fieldwork			Waste Contract Management	Planning		
West Kent Waste Partnership				Kent Resource Partnership	Fieldwork		
Libraries Programme – Checkpoint Review	Fieldwork			Carbon Reduction Commitment	Fieldwork		
Commercial Services - Watching Brief	No Longer Applicable	N/A	N/A	Sports Grants			
Healthwatch Kent (carried forward from 13/14)	Complete	January 2015	Adequate	Public Health Governance – Deliver and Commissioning	Complete	January 2015	Substantial
IT Audit							
Website (carried forward from 13/14)	Complete	January 2015	Substantial	Liberi Post-Implementation	Fieldwork		
Follow-up Post Implementation Review (Carried Forward from 13/14)	Complete	January 2015	Limited	PCI DSS Compliance			
ICT Governance and Strategy				Network Security			
IT Disaster Recovery	Review			DPA Compliance	Planning		

Appendix E - Internal Audit Assurance Levels

Key	
High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level 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.

Page 228

Proposed Prospects for Improvement

Very Good

The operation displays strong building blocks for future improvement with exceptional leadership, direction and capacity

Good

The operation has satisfactory building blocks present for future improvement, there are minor improvements required in leadership, direction and capacity

Adequate

The operation has limited building blocks present for future improvement and there are weaknesses in leadership, direction and capacity

Uncertain

There are no building blocks evident for future improvement, leadership and direction is absent and there is no capacity.