

# **GOVERNANCE AND AUDIT COMMITTEE**

**Wednesday, 29th April, 2015**

**10.30 am**

**Darent Room, Sessions House, County Hall, Maidstone**



**There will be a presentation for Members of the Committee at 10.00 am on  
"Annual Governance Statement – What assurance does it give us?"**





## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Wednesday, 29th April, 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 J A Davies, Mr S C Manion, Mr R A Marsh and Mr J E Scholes	Mr R J Parry (Vice-Chairman), Mr E E C Hotson, Mr A J King, MBE,
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 - 14)  
Committee: 29 January 2015  
Trading Activities Sub-Committee: 9 March 2015
5. Committee Work and Member Development Programme (Pages 15 - 20)
6. Update on Savings Programme (Pages 21 - 22)
7. Review of KCC's Risk Management Policy and Strategy (Pages 23 - 44)
8. Internal Audit and Counter Fraud Plan 2015-16 (Pages 45 - 128)
9. Internal Audit and Counter Fraud Progress Report (Pages 129 - 190)
10. RIPA Report on Surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2014 and 31 March 2015 (Pages 191 - 214)
11. Treasury Management Quarterly Report (Pages 215 - 224)
12. Revised Accounting Policies (Pages 225 - 230)
13. Updated Financial Regulations (Pages 231 - 270)
14. External Audit Update - April 2015 (Pages 271 - 290)
15. External Audit Plans for Kent County Council and Kent Superannuation Fund 2014/15 (Pages 291 - 322)
16. Fraud, Law and Regulations and Going Concerns Considerations (Pages 323 - 342)
17. Write-off report - Invoice Number 2013724 (Pages 343 - 344)
18. Other items which the Chairman decides are urgent
19. Motion to exclude the public  
That under Section 100A of the Local Government Act 1972 the public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 2 and 5 of Part 1 of Schedule 12A of the Act.

### **EXEMPT ITEMS**

*(During these items the meeting is likely NOT to be open to the public)*

20. Write-off report - Invoice Number 2013724 (Pages 345 - 350)

Peter Sass  
Head of Democratic Services  
03000 416647

**Tuesday, 21 April 2015**

*Please note that any background documents referred to in the accompanying papers may be 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.
- (j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.



## KENT COUNTY COUNCIL

---

### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 29 January 2015.

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

ALSO PRESENT: Miss S J Carey, Mr J D Simmonds, MBE, Mr P Hughes and Ms E Olive

OFFICERS: Mr G Wild (Director of Governance and Law), Mr K Abbott (Director School Resources), Mr N Vickers (Head of Financial Services), Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr R Hallett (Head of Business Intelligence), Mr M Scrivener (Corporate Risk Manager), Mrs Kendal (Head of Customer Services) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr P Hughes and Ms E Olive from Grant Thornton plc.

#### UNRESTRICTED ITEMS

**1. Minutes**  
(Item 4)

RESOLVED that:-

- (a) subject to a minor amendment, the Minutes of the Committee meeting held on 3 October 2014 are correctly recorded and that they be signed by the Chairman; and
- (b) the Minutes of the Trading Activities Sub-Committee meeting of 20 November 2014 be noted.

**2. 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) RESOLVED that approval be given to the proposed forward work programme and Member Development programme to January 2016.

**3. Corporate Risk Register**  
(Item 6)

- (1) The Corporate Risk Manager presented the Corporate Risk Register together with an overview of the changes since it had last been presented six months earlier.

(2) The Committee agreed to make two recommendations to Cabinet which are recorded in (3) below.

(3) RESOLVED that:-

- (a) the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted; and
- (b) Cabinet be recommended to specifically incorporate the risk of Fraud and the risk of potential implications for staff health, wellbeing and morale in the Corporate Risk Register.

#### **4. Review of the KCC Risk Management Policy and Strategy**

*(Item 7)*

(1) The Head of Business Intelligence presented the revised Risk Management Policy and Strategy for approval.

(2) The Committee agreed that, whilst it considered the overall direction of the Risk Management Policy and Strategy to be very sound, it had concerns over the balance between risk appetite and accountability within the text of the document. It therefore agreed to request that the text should be re-written and reported to its next meeting.

(3) RESOLVED that a redrafted version of the Risk Management Policy and Strategy, taking account of the concerns expressed at the meeting, be presented to the next meeting of the Committee.

#### **5. Treasury Management 6 Monthly Review**

*(Item 8)*

(1) The Deputy Leader and Cabinet Member for Finance and Procurement introduced the Treasury management 6 Month Review.

(2) RESOLVED that:-

- (a) the report be endorsed for onward submission to the County Council; and
- (b) Mr Nick Vickers, the Head of Financial Services be thanked for his work in recovering monies from the Icelandic Banks.

#### **6. Debt Management**

*(Item 9)*

(1) The Head of Financial Services reported on the Council's debt position, including the achievement of the Debt Recovery Team's two performance indicators.

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

**7. KCC Annual Complaints, Comments and Compliments Report**

*(Item 10)*

(1) The Head of Service Customer Relations gave a summary of the compliments, comments and complaints recorded by the Council, including Local Government Ombudsman Complaints and Member Complaints. She drew attention to the Council's general compliance with corporate response timescales.

(2) The Director of Governance and Law responded to a question from Members by confirming that the County Council was lobbying for the remit of the Local Government Ombudsman to be extended to cover complaints made by School Governors about the Local Authority's dealing with issues at their schools.

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

**8. External Audit Update**

*(Item 11)*

(1) Ms Elizabeth Olive from Grant Thornton plc provided a report covering progress on the planned audits for 2014/15 and emerging issues and developments.

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

**9. Effectiveness of Internal and External Audit Liaison**

*(Item 12)*

(1) The Head of Internal Audit introduced a report, jointly prepared with Grant Thornton plc summarising the effectiveness of the liaison arrangements between Internal and External Audit.

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

**10. Review of the Committee Terms of Reference**

*(Item 13)*

(1) The Head of Internal Audit reported the outcome of his annual review of the Committee's Terms of Reference. He recommended a minor change to the Internal Audit responsibilities associated with the Terms of Reference to reflect that issues rather than recommendations were now raised with departments.

(2) RESOLVED that:-

(a) no changes be made to the Terms of Reference; and

(b) the recommended minor amendment to the associated responsibilities be approved as set out in the report.

**11. Internal Audit and Counter-Fraud Progress Report**

*(Item 14)*

(1) The Head of Internal Audit summarised the outcomes of Internal Audit and Counter Fraud activity for the 2014/15 financial year to date.

(2) RESOLVED that:-

- (a) approval be given to the Council's Anti Money Laundering Policy and to the completion of an external audit quality assessment of the internal audit and counter fraud unit during March 2015; and
- (b) the following matters be noted: -
  - (i) progress and outcomes against the 2014/15 Audit Plan and proposed amendments;
  - (ii) progress and outcomes in relation to Counter Fraud activity;
  - (iii) the assurance 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;
  - (iv) the setting up of a pan Kent intelligence network as a result of successful bidding for central Government funds;
  - (v) the move to have future "prospects for improvement" assessments in audit judgements; and
  - (vi) the introduction of "unannounced" audits of establishments.

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

MINUTES of a meeting of the Governance and Audit Committee Trading Activities Sub - Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Monday, 9 March 2015.

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

ALSO PRESENT: Mr D Smyth

IN ATTENDANCE: Mr A Wood (Corporate Director Finance and Procurement), Mr R Patterson (Head of Internal Audit), Miss E Feakins (Chief Accountant), Ms B Gibbs (Accountant) and Mr A Tait (Democratic Services Officer)

### **UNRESTRICTED ITEMS**

**1. Minutes - 20 November 2014**  
*(Item 3)*

RESOLVED that the Minutes of the meeting held on 20 November 2015 are correctly recorded and that they be signed by the Chairman.

**2. Statutory Accounts for the companies in which KCC has an interest**  
*(Item 4)*

(1) The Chief Accountant introduced the report by confirming that she had undertaken a liquidity review of the various accounts. Whilst two of them showed a slight deficit, none of them gave grounds for concern. She agreed that future reports on the accounts would identify the Directors' roles within KCC.

(2) The Sub-Committee considered each of the accounts in the order they appeared in the agenda papers.

(3) The Sub-Committee noted that no professional valuation had been obtained for the Aylesham and District Community Workshop Trust since 2005. It therefore agreed to ask the Corporate Director of Finance and Procurement to write to the Trust to advise that it should undertake a professional valuation of its most significant properties.

(4) The Sub-Committee asked the Corporate Director of Finance and Procurement to write to the Business Support Kent Community Interest Company to seek further details of the Administrative Expenses and the Bad Debt figures contained in its accounts.

(5) The Corporate Director of Finance and Procurement advised that, whilst the individual Commercial Services accounts gave no cause for concern, more effective scrutiny would be achieved through a consolidated analysis of the entire Commercial

Services operation. He undertook that such a report would be produced annually starting with the financial year 2014/15.

(6) The Sub-Committee noted all of the other individual accounts for assurance.

(7) RESOLVED that subject to paragraphs (3), (4) and (5) above, the latest available Statutory Accounts for those companies in which KCC has an interest be noted for assurance.

### **3. East Kent Opportunities LLP**

*(Item 5)*

(1) The Sub-Committee received an annual report on East Kent Opportunities LLP.

(2) RESOLVED that the contents of the report be noted for assurance, together with East Kent Opportunities LLP's Annual report and Financial Statements for 2013/14 as appended to the report.

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

To: Governance and Audit Committee – April 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 April 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 third of which was delivered prior to today's meeting.

<b>Description</b>	<b>Timing</b>
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 (delivered)

6. Having completed the 2014 – 2015 development programme, consideration needs to be made for training for the following year. The following programme is suggested:

<b>Description</b>	<b>Timing</b>
The role of the Governance & Audit committee and safeguarding.	October 2015
Embedding effective counter-fraud measures.	January 2016
T.B.C	April 2016

7. Specific member development for April 2016 will be determined later in the year, allowing a response to any specific emerging issues or concerns.
8. Members may also ask for additional training if they require.

### **Recommendations**

9. It is recommended that Members approve the forward Committee Work (**Appendix 1**) and the outline Member Development programme for 2015-2016.

### **Appendix 1**            Committee work programme

**Robert Patterson**  
**Head of Internal Audit (03000 416554)**



Committee Work Programme

Appendix 1

Category / Item	Owner	Apr-15	Jul - 15	Oct-15	Jan-16	Apr-16
<b>Secretariat</b>						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	RP	✓	✓	✓	✓	✓
Member Development Programme	RP	✓		✓	✓	✓
<b>Risk Management and Internal Control</b>						
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	✓				✓
<b>Corporate Governance</b>						
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				
Commercial Services Policies	AW	If informed of material changes to Policies				

Committee Work Programme

Appendix 1

Category / Item	Owner	Apr-15	Jul - 15	Oct-15	Jan-16	Apr-16
<b>Internal Audit and Counter Fraud</b>						
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					
<b>External Audit</b>						
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	✓				✓
<b>Financial Reporting</b>						
Statement of Accounts & Annual Governance Statement	AW		✓			
Revised Accounting Policies	CH	✓				✓
Review of Financial Regulations	EF	✓				✓



This page is intentionally left blank

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

To: Governance and Audit Committee – 29 Apr 2015

Subject: Update on savings Programme

Classification: Unrestricted

---

Summary: This report asks Members to note the position on the progress towards the 2014-15 and 2015-16 budget savings

## **FOR ASSURANCE**

---

### **1. 2014-15**

- 1.1 The savings target for the 2014-15 financial year was £81.4m. This was always going to be a difficult ask as less reliance could be placed on one-off savings and drawdown from reserves, so the impact on front-line budget managers was going to be more challenging than in previous years.
- 1.2 Despite this, the last monitoring report to Cabinet on 23 March reported an underspend of £5,730k, including legally committed roll forward requirements, £3,062k including all roll forwards. This is a remarkable achievement given that we have already made over £270m of savings since 2011-12.

### **2. 2015-16**

- 2.1 The budgeted savings as shown in the approved budget book are £83.1m. Outline savings plans have been received for the majority of identified savings for 2015-16 and were included in the plans submitted as part of the process in 2014-15. Plans have evolved during the year in discussion with Corporate Directors and Cabinet Members against indicative targets. New savings and areas where there have been significant changes will require a new plan and possibly a savings PID to support the savings.
- 2.2 Given the level of savings already achieved and the reduced opportunity to make one-off savings and drawdown reserves, this is a daunting proposition. We have an excellent track record of delivering under-budget, but we must never be complacent, as the challenge increases each year.
- 2.3 In the presentation to County Council on the 12 February, the traffic light ratings were as follows:

Green            £51m

Amber	£32m
Red	£ 0m

I consider these estimates to be robust.

- 2.4 Members can monitor progress against the savings plan, and the budget overall, through the regular monitoring reports to Cabinet.
- 2.5 Heads of Service within directorates will own these savings and must deliver them (or an alternative). The Finance Business Partners attend Directorate Management Teams and will continue to closely monitor the progress and delivery of these savings. Any concerns of non delivery will be raised with the Director and Cabinet Member.
- 2.6 At this stage, I am content with the RAG analysis shown at 2.3 above, and have no specific concern about delivery in 2015/16.

### **3. Recommendation**

- 3.1 Members are asked to NOTE for assurance the progress on the 2014-15 and 2015-16 revenue budget savings.

**Andy Wood**  
**Corporate Director of Finance and**  
**Procurement**  
**Ext: 416854**

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

To: Governance and Audit Committee – 29<sup>th</sup> April 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 The Risk Management Policy & Strategy for 2015/16 was originally presented to Governance & Audit Committee in January 2015. Several of the changes were commended, particularly those that referred to risk management arrangements in a commissioning environment. However, the Committee wished to see amendments made to several areas and therefore the Policy has been revised and brought back to the Committee for decision.
- 1.3 Comments from the Committee were fed back to Cabinet Members and the Corporate Management Team, who have consequently reviewed and endorsed the proposed revisions and now seek approval for implementation of the Policy.
- 1.4 The revised Policy is attached at appendix 1. All changes to the Policy since last approved in December 2013 are tracked. In particular, the Committee may wish to note the specific revisions made relating to risk taking and accountability, which are highlighted at appendix 2 for ease of reference.
- 1.5 An explicit objective to ensure fraud risks are routinely considered as part of the organisation's risk management arrangements has also been included.

## **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.

Report Author:

Mark Scrivener, Corporate Risk Manager

[Mark.scrivener@kent.gov.uk](mailto:Mark.scrivener@kent.gov.uk)

Tel: 03000 416660

Relevant Director:

David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance

[David.whittle@kent.gov.uk](mailto:David.whittle@kent.gov.uk)

Tel: 03000 416833



## Appendix 1

# Risk Management Policy & Strategy 2015/16

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

**29/04/15**

**POLICY OWNER:**

**David WhittleRichard Hallett**  
**Director Strategy, Policy, Relationships and Corporate AssuranceHead**  
**of Business Intelligence**  
**Sessions House, Maidstone**  
**David.whittle@kent.gov.uk richard.hallett@kent.gov.uk**  
**03000 416833**

Formatted: Space After: 0 pt

**POLICY AUTHOR:**

**Mark Scrivener**  
**Corporate Risk Manager**  
**Sessions House, Maidstone**  
**mark.scrivener@kent.gov.uk**  
**03000 416601622 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 all the 'softer' elements of the risk framework – our culture and behaviours and values rather than risk management as well as processes and procedures.

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;
- ensure fraud risks are routinely considered as part of the organisation's risk management arrangements
- ~~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.

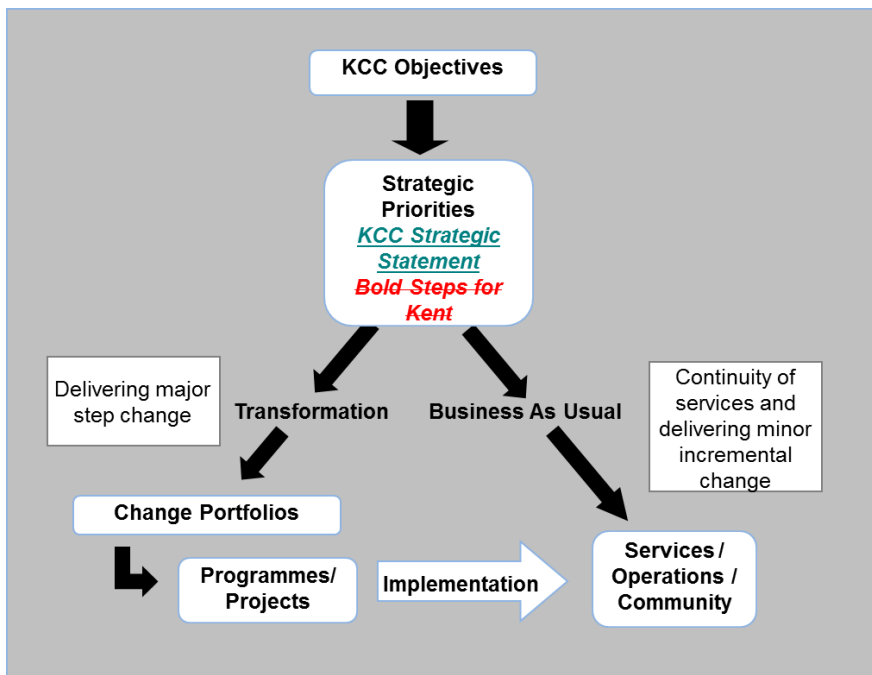
6.2 In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;

- '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

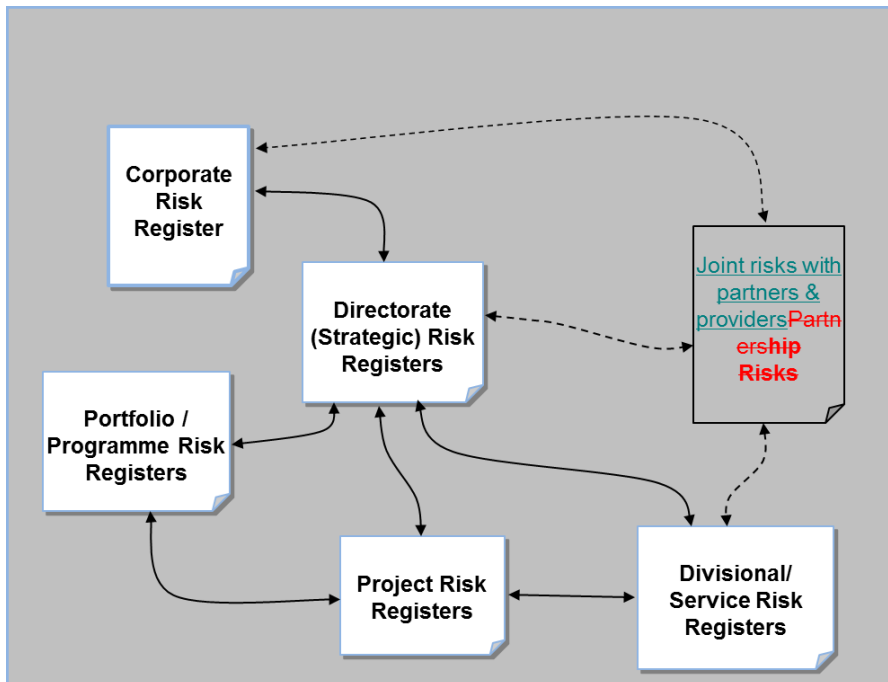


6.4 These five perspectives are inherent at different levels across the organisation. They have clear interdependencies for effective management of risk and provide a logical structure of risk registers that inform each other and allow risks to be communicated and if necessary



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

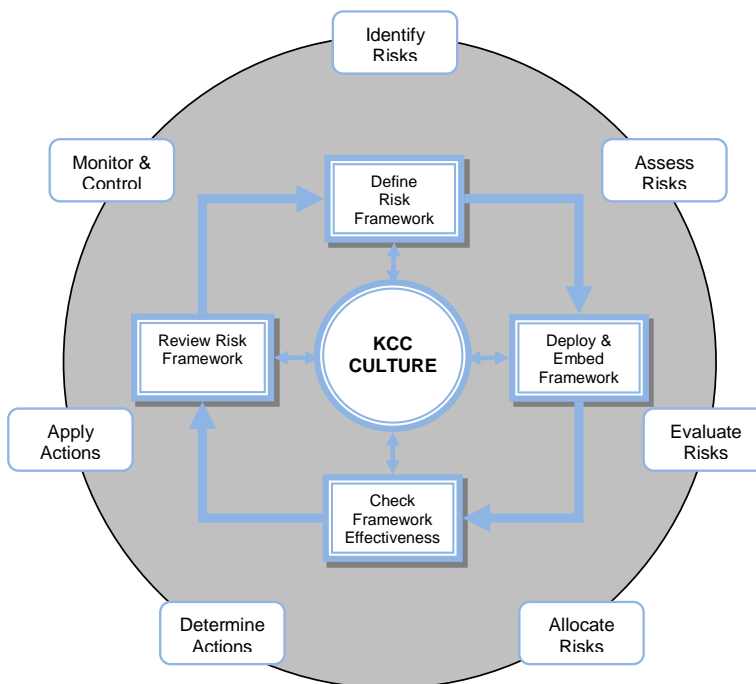
7.1 Responsibility for risk management runs throughout the Council; everyone has a role to play. Staff and managers that are accountable for achieving an objective are accountable for managing the risks to achieving it. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The main individuals and groups and reporting structure for risk management are set out in Annex A Appendix 4 and the roles and responsibilities are set out in Annex B Appendix.

7.2 Other officer groups deal with related risk specialisms such as Health and Safety; Treasury; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud and corruption 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 Director of Strategy, Policy, Relationships and Corporate Assurance~~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 centeredcentred 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. This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. 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				

~~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

## 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.

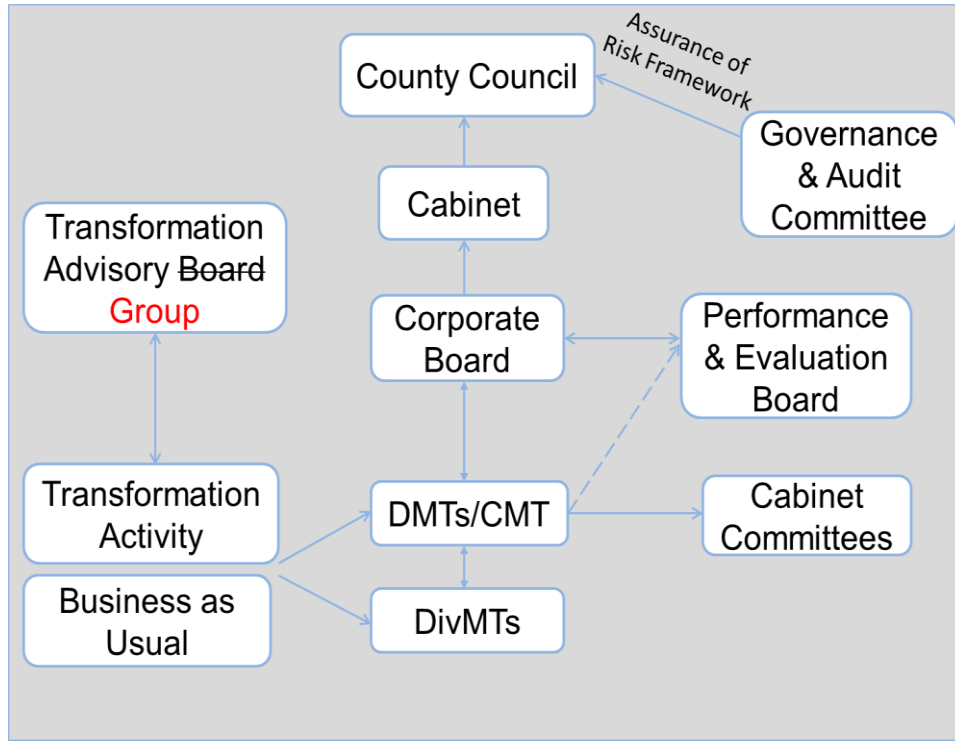
11.2 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh. It is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes. Strategic risks facing the County Council are to be reported to Cabinet Committees annually, 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**



## Annex B

### 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	<p>Responsibility for the operation of the risk management system, including the establishment of the Council's risk appetite.</p> <p><u>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</u></p> <p><u>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</u></p>
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)	<p>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.</p> <p>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme.</p> <p><del><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.</u></del></p> <p><u>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</u></p> <p><u>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</u></p>



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 <del>Strategic &amp; Corporate Services</del> <del>Business Strategy &amp; Support</del> (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.
<del>Head of Business Intelligence</del> Director, <del>Strategy, Policy, Relationships and Corporate Assurance</del>	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.

	<p><del>Promoting and modelling the behaviours and values that encourage open and frank conversations about risk and a no blame culture when well-informed risks.</del></p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
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.

## Proposed revisions to draft Risk Management Policy & Strategy

### Risk Strategy – Section 4.2

#### Previous wording

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.*

#### Revised wording:

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 greater focus on all elements of the risk framework – our culture and behaviours as well as processes and procedures.*

### Risk Appetite, Tolerance & Escalation – Section 9

#### Previous wording:

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.

#### Revised wording:

#### (Moved to section 9.3 for context – amended wording in bold italics):

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. ***This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability.*** While 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.

**Roles and Responsibilities section:**

**Cabinet / CMT / Directors and Kent Managers**

**Previous wording:**

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.

**Revised wording:**

Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.

Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.

By: Robert Patterson – Head of Internal Audit  
To: Governance and Audit Committee – 29<sup>th</sup> April 2015  
Subject: **Internal Audit and Counter Fraud Plan 2015-16**  
Classification: Unrestricted

---

**Summary:** This report details the proposed Internal Audit and Counter Fraud Plan for 2015-16

## **FOR DECISION**

---

### **Introduction**

1. This report sets out the outline Internal Audit and Counter Fraud Plan for 2015-16 detailing a breakdown of audits and counter fraud investigative work and an analysis of corresponding resources.
2. As a reminder, the Council is required under the Accounts and Audit Regulations 2015 to maintain an adequate and effective system of internal audit. This plan demonstrates the utilisation and coverage of such resources to discharge this responsibility and conforms to Public Service Internal Audit Standards
3. The outcomes from the 2015/16 plan will provide:
  - Overall opinion and assurance to support the Annual Governance Statement
  - Assurance against the mitigation of key corporate risks
  - Coverage of critical systems of the Council including finance, contract / commissioning and IT assurance
  - Integrated work around value for money opportunities
  - Underpinning counter fraud processes and activity as well as resources focused on reactive work such as special investigations
  - On-going advice and information on controls to management and following up on the progress on the implementation of issues and recommendations made

### **Development of the Internal Audit and Counter Fraud Plan**

4. The plan has been developed through a risk based planning process that has incorporated the following elements:
  - Discussions with Portfolio Holders, Corporate Directors (including CMT) and key Heads of Service on emerging risks and concerns. This has included induction meetings with the new Head of Internal Audit since September 2014
  - These discussions have been combined with audit cumulative knowledge and experience to provide assurance over areas identified as high priority or high risk. These have been mapped, where appropriate against the corporate risk register

- Work to evaluate Corporate Governance which contributes to the Head of Internal Audit's overall assurance on corporate governance arrangements which in turn informs the Annual Governance Statement
  - Work to provide assurance to the Corporate Director of Finance and Procurement that controls are in place and operating effectively for a selection of key financial and contracting systems
  - ICT audit projects and assurance based on a needs and risk assessment undertaken by our outsourced partner, Moore Stephens
  - Management requests for assurance on particular areas of concern.
  - Previous cyclical audit work and the need for formal follow up
  - Pro – active fraud work and project planning the implementation of the DCLG funded Kent Intelligence Network (KIN)
5. The combination of these elements has been the development of a plan that combines assurance over core systems and governance with key corporate risks including management of change, safeguarding, procurement / commissioning and the need to effectively control the demands made against services.
  6. The plan incorporates changes and enhancements to the service for 2015-16, more particularly:
    - The provision of a Group Audit function which will provide assurance against future arm's length organisations (LATCO's) or equivalent owned by the Council
    - The adaption to audit judgements to incorporate a direction of travel relating to 'prospects for improvement'.
  7. Outcomes will be reported quarterly to each meeting of the Governance and Audit Committee underpinned by a suite of key performance measures enshrined in the plan. This includes statutory 'transparency' reporting in relation to counter fraud activity.

### **Resources, Priorities and Timing**

8. The plan contains a resource of 3,430 productive audit and counter fraud days, inclusive of the ICT audit contract, KIN and Group Audit (Commercial Services) coverage. The approved net expenditure budget for the unit for 2015/16 is £936,800, excluding the related expenditure on the KIN which will be met by a £480,000 DCLG grant. On a like for like basis this represents a 6% reduction on the previous year's budget and is the section's contribution towards corporate savings.
9. The plan has been divided into 72 Priority 1 and 35 Priority 2 audits in addition to counter fraud and group audit work. . Under a suite of new performance measures the section will have a target to complete 100% of priority 1 and 50% of priority 2 audits. The latter will provide greater flexibility over lower priority audit coverage and in addition will be utilised if necessary for special investigations or unforeseen work.

## **Additional Resources – School Compliance**

10. In many Councils, school compliance services falls within the programme of internal audit. Members of the Committee should be aware that for 2015-16 this assurance will continue to be provided or commissioned by a compliance unit within Schools Financial Services Team. The internal audit role will be principally to independently assess the competence of this team and the reliance that can be placed on the outcomes from the average of 100 compliance school audits undertaken each year.

## **Recommendations**

11. Members are asked to agree the proposed Internal Audit and Counter Fraud Annual Plan for 2015-16 as attached to this report

## **Appendices**

### ***Appendix 1 Internal Audit and Counter Fraud Plan 2015/16***

**Robert Patterson**  
**Head of Internal Audit**

**(03000 416554)**



# Kent County Council

## Internal Audit and Counter Fraud Plan

April 2015 - March 2016



# Contents

<b>1</b>	<b>Introduction</b>	<b>6</b>
<b>2</b>	<b>Purpose and Charter</b>	<b>6</b>
<b>3</b>	<b>Overall Outcomes</b>	<b>6</b>
<b>4</b>	<b>Constructing the Plan</b>	<b>8</b>
<b>5</b>	<b>Plan Summary</b>	<b>9</b>
<b>6</b>	<b>Our Assurance and Judgements – Embracing Improvement</b>	<b>17</b>
<b>7</b>	<b>Resources, Priorities and Timing</b>	<b>17</b>
<b>8</b>	<b>Measuring Internal Audit and Counter Fraud Performance</b>	<b>18</b>
<b>9</b>	<b>In Conclusion</b>	<b>18</b>
	<b>Appendix A – Annual Audit Plan</b>	<b>19</b>
	<b>Appendix B – Revised KPI’s for Internal Audit &amp; Counter Fraud 2015/16</b>	<b>50</b>
	<b>Appendix C - Internal Audit Assurance Levels</b>	<b>51</b>

## **1 Introduction**

1.1. This report details the planned activities and outcomes of Kent County Council's (KCC) internal audit and counter fraud service for 2015-16. It also acts as an outline business plan.

1.2. In particular it covers:

- The planned internal audit and counter fraud assurance activities for the year ahead and how they have been determined
- The resources behind the plan
- The performance targets for the service

## **2 Purpose and Charter**

1.3. The Council is required to maintain an adequate and effective system of internal audit under the Accounts and Audit Regulations 2015 and work to Public Sector Internal Audit Standards (PSIAS). In March 2015 the service was independently inspected and judged to be fully compliant with these standards.

1.4. Our accompanying charter and mission statement is "to support service delivery by providing an independent and objective evaluation of our clients ability to accomplish their business objectives and manage their risks effectively"

1.5. This is particularly important during a period of significant change and sustained demands on Council services.

## **3 Overall Outcomes**

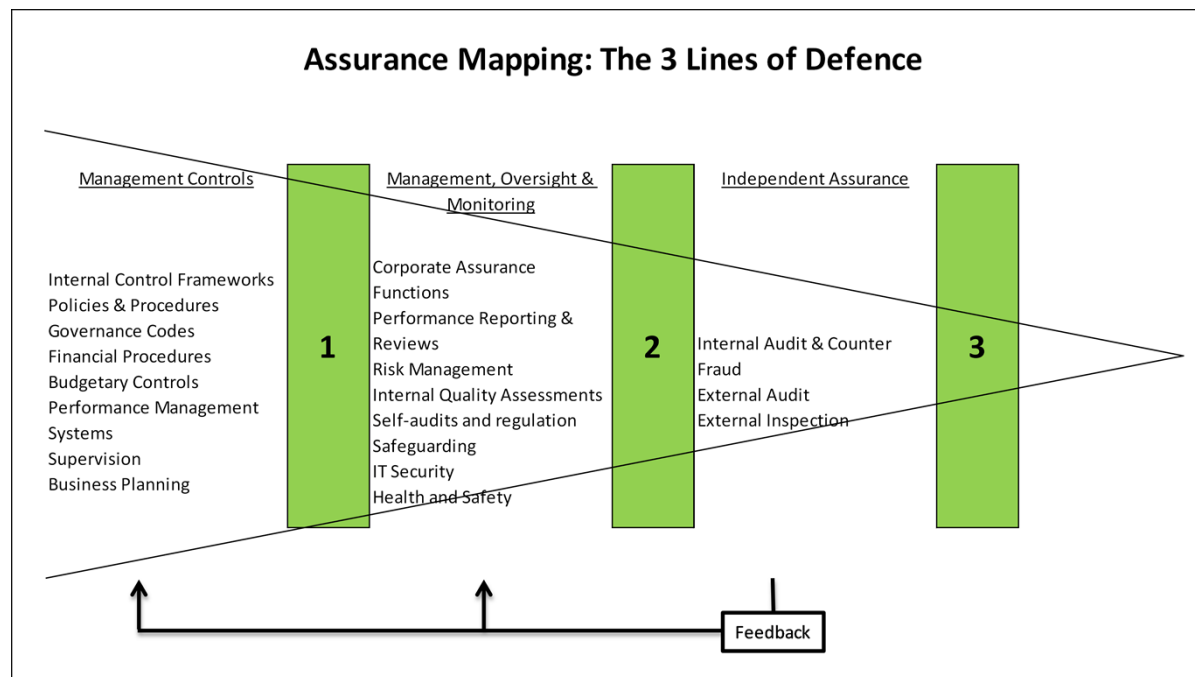
1.6. In planning overall internal audit and counter fraud coverage, there is a focus of assurance activities on:

- Work to support the Council's Annual Governance Statement including an overall year end opinion
- The ability to effectively manage critical risks. In particular audit activities have been mapped against top level corporate risks (see section 5)
- Reviews of critical systems within the Council including finance, HR, contract/ commissioning and IT
- Reviews of current operations examining the use of resources, value for money and supporting improvement

- Embedding counter fraud processes and activity across KCC
- The progress by management of implementing issues and improvements highlighted by internal audit and counter fraud work

1.7. The outcomes from this blend of work not only gives on- going independent evidence on the proper and secure operation of KCC but are also a fundamental foundation for good governance.

1.8. As per the diagram below internal audit and counter fraud is one of the key vehicles for providing such independent organisational assurance.



1.9.Changes and innovations that feature in the 2015/16 plan include:

- Clearer links between internal audit and counter fraud activity and assurance against corporate risks
- Stronger links to areas of non-financial assurance such as safeguarding
- Developing judgements around the ability of activities being audited to improve
- Piloting innovative governance and performance based audits
- Implementing the DCLG funded counter fraud data matching network across the County
- Offering opportunities to peers from across the Council to work with us as part of management development opportunities
- Developing more effective follow ups and tracking the implementation of management actions from previous audits
- Working to a new suite of harder and sharper key performance measures

1.10. The above being achieved against a 6% reduction in the section's base budget as our contribution towards corporate savings targets.

#### **4 Constructing the Plan**

1.11. In drawing up the plan of activities for 2015/16 we have utilised:

- An established risk assessed audit register and associated assurance mapping
- Wide consultation with key stakeholders including the Leader and Cabinet members and associated Corporate Management Team (CMT) Directors
- Review of current corporate risk registers and inherent risks within change programmes and nationally imposed initiatives
- Predetermined cyclical and risk based coverage of key financial and contracting systems
- Existing audit cumulative knowledge of systems, services and areas of control / fraud risk
- Knowledge and trends from counter fraud activity from 2014/15
- Required follow up work from previous audit and counter fraud work
- Consultation with external audit
- Management requests for audit reviews and consultancy work in areas of particular areas

1.12. In addition a separate risk based specialist ICT audit plan has been developed by our outsourced ICT audit provider, Moore Stephens.

1.13. Separate plans have also been developed for coverage of current or newly created arms length operations being operated by KCC through the Group Audit function. Initially this will be primarily based around assurance of key systems within Commercial Services and which has been approved by their audit committee. A project plan has also been developed for the implementation of the counter fraud Kent Intelligence Network (KIN) by autumn 2015.

## **5 Plan Summary**

1.14. The coverage of the internal audit and counter fraud plan is shown schematically below in Figure 1 and in the more traditional tabular form in Appendix A.

1.15. In particular Figure 1 maps more significant activities for 2015/16 against governance processes, key critical financial and non-financial systems as well as assurance towards corporate risks.

1.16. In total 107 audits and pro active counter fraud projects are planned of which 72 are high priority activities for mandatory coverage and the remainder being lower priority or discretionary coverage.

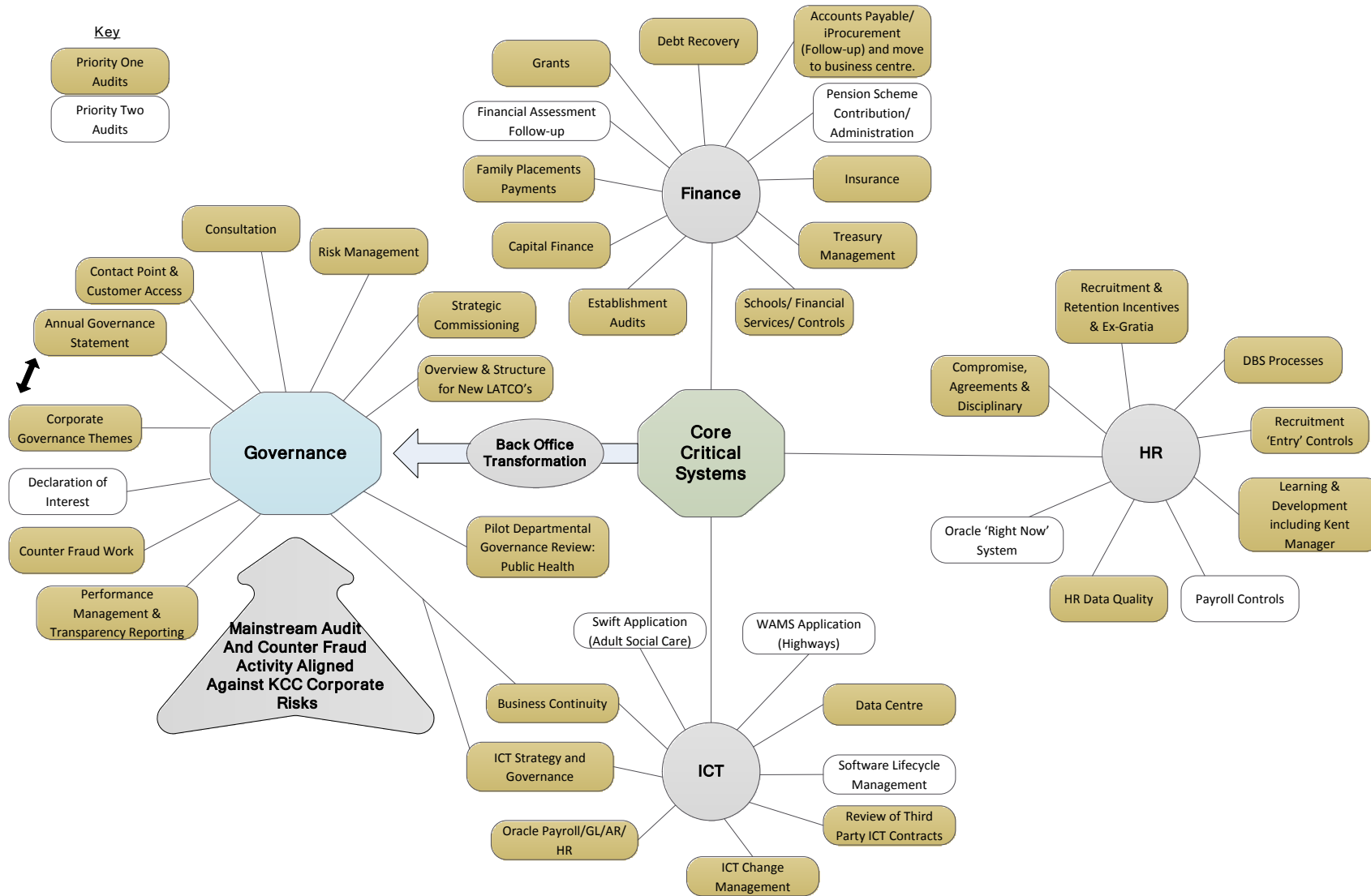
*See Figure 1 overleaf on page 10*

1.17. The plan has been shared with the Section 151 Officer and CMT. There are no areas or activities that we have been prevented from auditing

Governance Statement and Processes

1.18. The totality of internal audit and counter fraud work builds into the Head of Audit's annual opinion to the Governance and Audit Committee on the overall adequacy and effectiveness of governance and risk management processes and internal controls. This internal audit opinion is a fundamental element of the Council's Annual Governance Statement.

Figure 1  
 Integrated Internal Audit & Counter Fraud Plan 2015/16  
 Assurance of Core Critical & Governance Systems



# Integrated Internal Audit & Counter Fraud Plan 2015/16

## Assurance Against Corporate Risks

H

**Management of Adult Social Care Demand**

- Transformation – Market Management
- Transformation- Pathways to Independence
- Transformation – Supporting Independence Service (SIS) and Commissioning Support Review
- Transformation – Supported Living
- Autism Service
- Independent Living Fund
- KCC/ KMPT Partnership
- Supporting People & Home Care Follow-ups
- Transition and Integration of Disabled Services
- Boundary Re-Alignment
- Integrated Discharge
- Pooled Equipment
- Health Inequalities

H

**Management of Demand: Specialist Children’s Services**

- 0-25 Change Portfolio
- Adoption
- Transition and Integration of Disabled Services
- Recruitment, Retention and Training
- Section 17 Payments – Follow-up

H

**Failure to Change and Respond to Future Local Government Environment**

- Social Care Transformation Programme
- Strategic Transformation Partner Contract
- 0-25 Change Portfolio
- Audit of Change – Public Health
- Consultation Legislative Requirements (Corporate)
- G.E.T. Change Programme
  - Transport including SEN
  - Libraries & Archives
- Learning and Development
- Management of Change - IT
- New Ways of Working Follow-up
- Schools Improvement Team
- Recruitment and Retention
- Edu Kent (Follow-up)
- Independent Living Fund
- Programme MGT Function, “Corporate Assurance” & Check Point Reviews

M+

**Safeguarding**

- Safeguarding Process Adults
- Safeguarding Framework Specialist Children’s Services
- Children’s Finances (L.A.C.) – Controls Against Abuse
- Complaints (Children)
- DBS Processes
- Kinship/ Special Guardianship (In Family Placement Audit)
- Leaving Care
- Troubled Families
- Client Financial Affairs Follow-up
- Deprivation of Liberty Assessments
- Missing Children
- On-line Case File Audit (Re-Audit)



# Integrated Internal Audit & Counter Fraud Plan 2015/16

## Assurance Against Corporate Risks

**M**

Procurement and Strategic Commissioning

- Contract Extensions & Variations
- Contracts Management, Client Side Arrangements for Future Outsourced Contracts
- Over – Arching Commissioning Framework(s)
- Allington Waste Contract – Contract Management (GET)
- AMEY Consultancy
- Dynamic Purchasing Systems (Adult Social Care)
- Highways Contracts
- Household Waste & Recycling Centres
- Special Education Needs (SEN) Contracts
- Total Facilities Management – Contract Management and Service Desk Processes
- I-Supplier

**M**

Better Care Fund

- Integration and Better Care Fund

**M**

Resource to Aid Economic Growth and Infrastructure

- Developer Contributions / C.I.L. and S106 Follow-up and new systems
- Economic Development Contract Management
- Local Enterprise Partnerships (LEP)
- Regional Growth Fund
- Broadband (BDUK) – Watching Brief
- Local Growth Fund/ L.E.P.
- International Development Team

**M-**

Data and Information Management

- Adherence to Transparency Legislation
- Data Quality (Including HR)
- ICT Change Management
- Business Continuity Planning

**M**

Implications of the Care Act 2014

- Care Act Phase 1 – Follow-up and Post Implementation Review
- Care Act Phase 2 - Implementation
- Fraud Awareness/ Counter Fraud
- OP Residential & Nursing Contact Re-Lets

**M-**

Banking Reform Act (New)

- Treasury Management – follow up and reference to Banking Reform Act

**M**

Civil Contingencies and Resilience

- Kent Resilience Partnership

**L**

Delivery of Savings

- Delivery of Contractor/Consultant Initiated Savings
- Delivery of G.E.T. Savings
- (Financial) effect of development of LATCO's or equivalent , ergo:
  - Property Services
  - Libraries
  - Legal
  - Other
- Governance Review
- Budget Savings – Public Health

**Other**

**Public Health:**

- Clinical Governance/ Processes
- KDAAT Follow-up
- Sexual Helath
- Advice to CCG's

**Education:**

- Elective Home Education
- School Admissions – Fair Access

**GET:**

- Community Wardens
- Coroners

1.19. We will also examine specific governance processes during the year, in particular:

- The adequacy of risk management arrangements including an assessment of the embedding of risk through the Council with robust risk registers within Directorates and risk logs in change projects
- The progress in moving towards more structured strategic commissioning
- Annual review and scrutiny of Directorate governance statements
- Overview of the governance arrangements of newly formed LATCo's
- Adequacy of data quality and top level performance reporting including adherence to the new transparency reporting requirements
- Adequacy and responsiveness to customer access arrangements

1.20. We will also be piloting a comprehensive financial and non-financial governance and performance review of a selected department within the Council as a prerequisite to developing an assessment tool for future reviews of the standards of governance and management at more senior levels within the Council.

#### Critical Financial Systems

1.21. As with previous years we have agreed with the Section 151 officer a set of core financial systems that will be subject to cyclical audit review based on risk. We also aim to undertake smaller scale financial audits of 20 establishments during the year, being a mix ranging from children's and day centres to libraries. For 2015-16 at least 50% of such audits will be unannounced or short notice visits to act as a counter fraud measure. We will also capture themes and more wider learning from such audits during the year.

#### HR and ICT Systems

- HR

1.22. Our audits this year will include themes around the maintenance of important 'entry' controls such as DBS checks. We will also review learning development spend and impact. HR data quality, controls and outcomes from spend on recruitment and retention initiatives, TUPE arrangements, ex gratia and compromise agreements.

- ICT

1.23. Our outsourced ICT audit partner, Moore Stephens, have agreed a comprehensive suite of audits with themes around strategy and governance, specific ICT applications, contract and change management and business continuity.

#### Back Office Transformation

1.24. In terms of transformational change we will monitor the progression of back office re-structures, including the maintenance of 'business as usual' through to the management of future competitive tendering and resultant evaluation.

#### Corporate Risks

#### Management of Demand – Adults and Children's Services

1.25. Against this risk we will be reviewing or following up on the progression of relevant transformation programmes. We will also examine activities such as the independent living fund, autism, integration of disabled services, adoption and utilisation and control of agency staff.

#### Managing Change and Responding to the Future Local Government Environment

1.26. The coming year will see continuing widespread change for the Council and we will provide independent assurance against aspects of this change and progress relating to 'Facing the Challenge' . In addition to the transformation programmes we will also examine:

- Public consultation and change
- School improvement
- Management of the contract with KCC's transformation partner

1.27. We will also be providing assurance against further phases of the Care Act and Better Care Fund implementation.

1.28. The form this audit work will take will be a blend of:

- formal audits at key points during development programmes
- audit input towards scrutiny of relevant business cases and 'checkpoint reviews'

- 'watching briefs' by auditors present on change programmes, where they can provide timely advice on controls
- post implementation audits on the delivery and sustainability of outcomes

1.29. Wherever possible our aim will be to provide pre event challenge rather than post event criticism.

#### Safeguarding

1.30. It is evident that safeguarding is becoming a more critical concern for members and senior managers within the Council. It is therefore appropriate that relevant elements and aspects are periodically and independently reviewed by internal audit. We will be ensuring our audit of entry controls incorporates safeguarding elements , embedded safeguarding frameworks and processes are appropriate and robust , complaints are properly considered and that Leaving Care (that has been transferred back to the Council) contains appropriate safeguards and controls.

#### Procurement and Strategic Commissioning

1.31. As the Council moves towards its aspirations to be a commissioning authority it is important it receives independent feedback on its progress as well as the performance of underpinning procurement systems.

1.32. In addition to a review of over-arching commissioning frameworks, management of outsourced contracts and a thematic review of contract extensions and variations, we will also be examining a selection of more traditional GET contracts together with purchasing systems within Adult Social Care.

#### Aiding Economic Growth

1.33. Clearly aiding economic growth and infrastructure in the County is critical to KCC's plans. As such we will examine or follow up on a number of economic development and growth funding initiatives in addition to a follow up on the new systems for tracking developer contributions.

#### Data and Information Management

1.34. Clearly the Council relies on its effective operations on good quality and timely data and information. In addition to the work from our ICT audit contractor we will perform a number of audits to provide assurance on data quality, adherence to transparency reporting legislation and that ICT systems are accompanied by robust change management and business continuity processes.

#### Delivery of savings

1.35. We will provide independent assurance over the delivery and sustainability of a number of savings initiatives across Directorates. In particular there is a clear cross reference with our review of the delivery and outcomes from a number of change programmes. We will also examine the delivery of a number of specific expenditure reductions in areas such as G.E.T.

#### Other Audit and Counter Fraud Work

1.36. In addition to the above other planned work includes:

- Selective work within Public Health and a follow up on the previous KDAAT audit
- Education related work including an assessment of the schools compliance team
- Income generating work with Kent Fire, Parish Councils and audits of grants

#### Counter Fraud Work

1.37. In addition to our resources for reactive work and special investigations the plan embraces a programme of counter fraud work incorporating:

- Recruitment controls and TUPE - to complement our HR work around the maintenance of key staff 'entry' controls
- Looked After Children finances – an important safeguarding related control
- Locally administered grants
- Insurance
- Follow ups on officers and Members expenses

1.38. This is in addition to the implementation of the DCLG funded County wide KIN intelligence network which when operating at full capacity has the potential to generate through data matching savings of £ 3.891m across all the partner local authorities.

#### Following Up on Previous Audits, Issues and Recommendations

1.39. A number of audits in the plan are formal follow ups of functions previously given limited assurance, (or worse). Clearly the aim of such audits is to provide assurance that weaknesses and failings have been rectified.

1.40. In addition we will undertake desk based follow up work on the implementation of issues agreed with management from all audits. For 2015/16 we will be introducing a new monitoring tool that will move away from

a 'one size fits all' approach and instead focus on areas of greater risk or weakness. These reports will come to each Governance and Audit Committee as well as being reported to CMT and twice yearly to Corporate Board.

## **6 Our Assurance and Judgements – Embracing Improvement**

- 1.41. Internal audit and counter fraud work is planned with departments and services through comprehensive engagement plans which set out the scope of our work, the risks being reviewed, information that will be required and timing of fieldwork. We also agree a set of corresponding targets for the section particularly in relation to the delivery of draft reports.
- 1.42. Appendix C details the judgement criteria we use in relation to forming overall opinions on the outcomes from audits.
- 1.43. It is important that Internal Audit should be focused on helping management in driving through improvements and, as previously agreed, for 2015/16 we will also be developing a "Prospects for Improvement" assessment which will provide a more dynamic direction of travel to our judgements. As such Appendix C also details the judgement criteria for such prospects for improvement.

## **7 Resources, Priorities and Timing**

- 1.44. The plan contains a resource of 3,430 productive audit and counter fraud days, inclusive of the ICT audit contract, KIN and Group Audit (Commercial Services) coverage. The approved budget for 2015/16 is £936,800, excluding the related expenditure on the KIN which will be met by the £480,000 DCLG grant. On a like for like basis this represents a 6% reduction on the previous year's budget and is the section's contribution towards corporate savings.
- 1.45. The plan has been divided into 72 Priority 1 and 35 Priority 2 audits with the following targets

Audit Type	Completion Target
Priority 1	100%
Priority 2	50%

- 1.46. The priority 2 target will provide the section with greater flexibility to amend our coverage for changing risks and circumstances and special work and investigations. This is important as for 2015/16 there will be no audit contingency resource for such unforeseen work.

- 1.47. Appendix A details the outline timings for audit and pro-active counter fraud work. The timetable provides a balanced coverage across the financial year.
- 1.48. As a reminder the section is resourced on a 'hybrid' basis, being a mix of 20 FTE in-house staff, 2.7 FTE contractor staff and 200 outsourced days provided by Moore Stephens for ICT audit work. We also have the facility through a 'call off' contract with PWC to bolster resources due to any staff shortages or the need for special investigations.
- 1.49. For 2015/16 we plan to innovate by developing a pool of peer auditors to work with us on selected, more top level, audits. These peers will be drawn from middle management across the County Council who will volunteer to work with us for no more than 5 days per year as part of their management development and gain a broader understanding of the Council and the role of good governance, control and risk management.

## **8 Measuring Internal Audit and Counter Fraud Performance**

1.50. Appendix B details the series of performance targets we will perform against, based on the section being staffed at budgeted levels. These performance targets are a mix of input, output and outcome measures and incorporate national transparency indicators relating to counter fraud.

1.51. We will report our performance against these KPI's to each Governance and Audit Committee

## **9 In Conclusion**

1.52. Through the 2015/16 plan we aim to produce outcomes that provide timely and independent assurance work not only relating to internal controls but also against the key risks facing KCC and its related improvement and transformational plans. We aim to continue to be a high profile risk and business focused internal audit and counter fraud function continuing to add value in our work and assisting in improving operations across the Council.

## Appendix A – Annual Audit Plan



# Kent County Council

Internal Audit

Annual Audit Plan April 2015 – March 2016

Page 64



# 1.Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA01 2016	Annual Governance Statement 2014/15	15	1	1	A review of individual directorate governance returns to support the Annual Governance statement.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA02 2016	Business Continuity	15	1	1	To provide assurance that Business Continuity plans are adequate and effective to ensure the Council can continue to deliver priority services in the event of disruption.	<p><b>Authority Wide</b></p> <p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Paul Crick <i>Director of Environment, Planning &amp; Enforcement</i></p> <p>Ann Carruthers/ Tony Harwood <i>Head of Strategic Planning &amp; Policy/ Resilience and Emergencies Manager</i></p>
CA03 2016	Transparency Code Compliance	15	1	1	Audit of the Council's transparency reporting to provide assurance that current legislative requirements are adhered to.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA04 2016	Information Governance	15	1	3	To provide assurance on compliance with information governance standards on a cyclical basis.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA05 2016	Performance Management and KPI Reporting	25	1	4	A review of the Council's performance management arrangements to ensure they are fit for purpose. This will include a review of data quality for a sample of key performance indicators to ensure performance reporting is based on accurate information allowing robust decision making.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>TBA/ Richard Fitzgerald <i>Director of Strategic Business Development and Intelligence/ Performance Manager</i></p>
CA06 2016	Risk Management	30	1	3	A review of the Council's risk management arrangements to support the Annual Governance Statement. Focus will be on directorate risk management arrangements and how these feed up to Divisional and Corporate Risk Registers.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>David Whittle/ Mark Scrivener <i>Director of Strategy, Policy, Relationships and Corporate Assurance/ Risk Manager</i></p>
CA07 2016	Corporate Governance - KCC as a whole	25	1	4	A review of the Council's overall Corporate Governance Framework to support the Annual Governance Statement.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA08 2016	Departmental Governance Review – Public Health	25	1	3	A pilot comprehensive financial and non-financial governance and performance review to develop an assessment tool for future reviews of the standards of governance and management at more senior levels across the council.	<b>Social Care, Health and Wellbeing</b>  Andrew Scott-Clark <i>Director of Public Health</i>
CA09 2016	Corporate Governance – alternative service delivery models	15	1	Ongoing	To provide assurance over the governance arrangements put in place for new alternative service delivery models.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Geoff Wild <i>Director of Governance and Law</i>
CA10 2016	Implementation of Strategic Commissioning Framework	20	1	3	Review of the implementation of the Council's strategic commissioning framework, to provide assurance that the framework is complied with, supports achievement of strategic outcomes and aligns with KCC Policy and relevant legislation, including procurement processes.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Olivia Crill <i>Transformation Manager</i>  TBA <i>Director of Strategic Business Development and Intelligence</i>
CA11 2016	Declarations of Interest	20	2	2	An annual data matching exercise comparing Companies House data with payroll, accounts payable and declarations of interest made via Employee Self Service to provide assurance that potential conflicts of interest have been declared and are being appropriately managed.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA12 2016	Programme Management and Corporate Assurance Functions	25	1	2	To provide assurance that there are robust project and programme management processes in place with appropriate oversight and review of change programmes across the Council,	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i></p>
CA13 2016	Portfolio and Programme Check Point Reviews	40	2	Ongoing	A series of short, focussed reviews at key points in programme/ project lifecycle - these will be scoped and agreed for individual Portfolios as relevant.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i></p>
CA14 2016	Transformation and Change – Major Outsource arrangements	25	1	4	Audit of the management of outsourced functions once implemented. To include monitoring of performance and engagement with new providers, whether through outsource contracts, partnership working or other arrangements.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>TBA <i>Director of Strategic Business Development and Intelligence</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA15 2016	Consultation	20	1	1	To provide assurance that the legislative requirements for consultation with service users and other interested bodies are adhered to and that the feedback is appropriately considered.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Steve Charman <i>Head of Consultation and Engagement</i></p>
CA16 2016	Strategic Transformation Partnership Contracts	20	1	1	Audit of the management of all Strategic Transformation Partnership contracts. To include the arrangements in place to monitor deliverables/KPIs, resolve performance issues and calculate and approve payments under the contract.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p>
CA17 2016	Contact Point	20	1	4	To provide assurance that Contact Point operates effectively and in line with the Customer Service strategy, acting as the prime point of contact for the Council's service users, responding to enquiries where possible and handing off to other areas of the council where appropriate.	<p><b>Strategic and Corporate Services</b></p> <p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Jane Kendal <i>Customer Service Manager</i></p>
CA18 2016	Recruitment and retention incentives	20	1	3	An audit of the use of recruitment and retention incentives (including ex-gratia payments) for hard to fill posts, including Children's Social Workers, to provide assurance that such incentives are appropriately deployed, that payments made are in line with contractual arrangements. and that objectives are achieved.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Philip Segurola <i>Interim Director of Specialist Children's Services</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA19 2016	Recruitment controls	25	1	2	To provide assurance that the Council has adequate controls in place to ensure new employees, including those that TUPE to KCC, have the right to reside and work in the UK, are appropriately qualified, references have been received, DBS checks have been completed and training, i.e. induction, has been received on KCC culture and Policy.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
CA20 2016	KCC Payroll - key controls	20	2	1	A cyclical audit of key controls over KCC payroll, including controls over the set-up of new starters, processing leavers and recovery of overpayments. This audit will also consider impact of the increasing use of manager self-service via Oracle.	<p><b>Strategic and Corporate Services</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
CA21 2016	Pensions Payroll	20	1	1	To provide assurance that the Local Government Pensions payroll process is appropriately controlled. To cover the set-up of new pensions (including communication with the Pensions Team), terminations and any changes to pension amounts.	<p><b>Strategic and Corporate Services</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
CA22 2016	Pension scheme administration	20	2	2	Audit to provide assurance over the accuracy and timeliness of pension scheme processing for the Kent Local Government pension scheme. To include pension scheme joiners, leavers, transfers in/out and retirements (lump sum payment and initiation of pension payments via Payroll).	<p><b>Strategic and Corporate Services</b></p> <p>Andy Wood <i>Corporate Director of Finance &amp; Procurement</i></p> <p>Barbara Cheatle <i>Pensions Manager</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA23 2016	Member and Officer Expenses - follow up	15	1	4	To provide assurance that the issues identified in the 2014/15 audit of Member and Officer expenses have been appropriately addressed and that expenses are paid in line with policy.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p>
CA24 2016	DBS (Disclosure and Barring Service) Process	20	1	3	To provide assurance that all staff (both permanent and temporary) and contractors are subject to DBS checks as relevant and that any issues identified are dealt with appropriately.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
CA25 2016	Oracle Right Now	20	2	3	To provide assurance that the Oracle Right Now system is operating effectively following its implementation.	<p><b>Strategic and Corporate Services</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p>
CA26 2016	Learning and Development	20	1	1	To provide assurance that the Council's Learning and Development arrangements focus on the key skills required to support the strategic objectives. To include take-up of mandatory training for staff and managers such as: <ul style="list-style-type: none"> <li>- Induction training</li> <li>- Information Governance</li> <li>- Kent Manager</li> </ul>	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Julie Cudmore <i>Workforce Development Manager</i></p>
CA27 2016	Compromise agreements and disciplinary	25	1	3	Audit of the disciplinary process and the use of compromise agreements for staff leaving the Council, to ensure that their use is appropriate and authorised.	<p><b>Authority Wide</b></p> <p>Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p>Paul Royel <i>Head of Employment Strategy</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA28 2016	Contract extensions and variations	20	1	1	To provide assurance that contract extensions and variations are appropriately authorised when they are entered into.	<p><b>Authority Wide</b></p> <p>Andy Wood <i>Corporate Director, Finance and Procurement</i></p> <p>Henry Swan <i>Head of Procurement</i></p>
	<b>Total days</b>	<b>595</b>				



## 2. Core Financial Assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS01 2016	Schools Financial Services - system of audit	20	1	4	Annual review to ensure the work undertaken by the School Financial Compliance Team is adequate and effective to support the Section 151 officer's certification for the Schools Financial Value Standard.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Keith Abbott/ Yvonne King <i>Director Schools Resources/ Schools Financial Services Manager</i>
CS02 2016	Schools - Themed Reviews	50	2	3	Themed audits across a number of schools to provide assurance that key risk areas are appropriately controlled. For 2015/16 this will include - School payroll controls - Income controls	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Patrick Leeson <i>Corporate Director of Education and Young People's Services</i>  Keith Abbott <i>Director Schools Resources</i>
CS03 2016	Payments Processing	25	1	3	A key financial systems audit of the accounts payable system and iProcurement. The scope will include a follow up on the actions taken to address the findings of the 14/15 audit, plus changes to processes and controls following the move to Business Service Centre in April 2015.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Henry Swan/ Jackie Turner-Robinson <i>Head of Procurement/ Head of Business Service Centre</i>
CS04 2016	Family Placement Payments	20	1	4	To provide assurance over the accuracy and timeliness of family placement payments following the replacement of FPS with the Controcc module. This will include foster payments, adoption payments and special guardianship, etc.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS05 2016	Pension Contributions	10	1	4	Review of key financial controls over pension contributions to provide assurance on the accuracy of contribution deductions in line with defined percentages and completeness of receipt by the Treasury and Investments team.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Alison Mings <i>Treasury and Investments Manager</i>
CS06 2016	Treasury Management	15	1	3	Annual review of the key financial controls, including controls to ensure that investments and borrowing are in accordance with agreed policy and are appropriately authorised and monitored.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Alison Mings <i>Treasury and Investments Manager</i>
CS07 2016	Capital Finance	30	1	3	To provide assurance over the processes in place to accurately identify and account for capital spend, including updating the fixed asset register with additions/ disposals and account for the depreciation of capital assets.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Cath Head/ Julie Samson <i>Head of Financial Management/ Capital Finance Manager</i>
CS08 2016	Client Financial Affairs - Follow-up	15	2	2	To provide assurance on the adequacy of controls over management of finances for service users who are incapable of managing themselves e.g. payments for client care, personal property and benefits maximisation.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CS09 2016	Debt Recovery	20	1	1	A review of the controls over debt recovery and monitoring and reporting of aged debt. To ensure that amounts due to the Council are recovered efficiently and effectively.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CS10 2016	Financial Assessments - Follow up	15	2	3	A review of the control arrangements operating in the Financial Assessment Unit to provide assurance that procedures and processes in place ensure the accurate assessment of financial contributions.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS11 2016	Grants	30	1	3	A review of locally administered grant schemes across the Authority to provide assurance that grant applications are appropriately validated, awards are made for legitimate purposes and the funds awarded have been appropriately spent.	<b>Authority-wide</b>  Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>
CS12 2016	Insurance	15	1	3	A review of counter fraud measures to provide assurance that the risks of insurance fraud are minimised and opportunities for prevention and detection are maximised.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>
CS13 2016	iSupplier	15	2	4	To provide assurance over the adequacy of controls in place for the new iSupplier system.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Henry Swan <i>Head of Procurement</i>
	<b>Total Days</b>	<b>280</b>				

# 3. Risk / Priority Based

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

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
<b>3.1 Strategic and Corporate Services</b>						
RB01 2016	Total Facilities Management –Contract Management	30	1	1	To provide assurance over the management of the 3 regional TFM contracts. To include contract performance monitoring and payments made under the contract.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore/ Tom Micklewright <i>Director of Infrastructure/ PFI and FM Contracts Team Manager</i>
RB02 2016	Total Facilities Management – property service desk	20	2	3	A review of the Property Service Desk operation, provided for KCC under the TFM contract. To ensure that all property calls are accurately logged, appropriately responded to within the agreed service standards and that any costs incurred are in line with contract terms.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore / Tom Micklewright <i>Director of Infrastructure/ PFI and FM Contracts Team Manager</i>
RB03 2016	New Ways of Working programme – Follow up	15	1	3	To provide assurance that the issues raised in our 2014/15 audit of NWoW have been appropriately addressed to enable the project to deliver its anticipated benefits. This is a wide-reaching project covering rationalisation of the Council's estate and provision of appropriate facilities to staff.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB04 2016	Data Quality – Oracle HR	20	1	2	To provide assurance on the reliability of Oracle HR data quality and on-going arrangements to ensure data integrity.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
<b>3.2 Social Care, Health and Wellbeing</b>						
RB05 2016	Blue Badges	10	2	1	Plan and instigate a Kent wide initiative to address Blue Badge fraud by promoting appropriate use and increasing detection of unlawful use (specifically forgery, counterfeiting and use of deceased persons' badges).	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB06 2016	Safeguarding framework (Adults)	20	1	4	To provide assurance that an appropriate framework exists to quality assure all work in relation to vulnerable adults and therefore manage risks to their health, safety and wellbeing. In addition the review will provide assurance on compliance with the new statutory requirements brought in through the Care Act 2014.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Commissioning</i>
RB07 2016	Care Act pre & post implementation	25	1	Ongoing	To provide assurance on compliance with requirements from 1 <sup>st</sup> April 2015 and lessons learnt post-implementation of phase 1 of the Care Act 2104. The review will also provide assurance on progress towards implementation of phase 2, i.e. requirements due 1 <sup>st</sup> April 2016.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh/Penny Southern <i>Directors of OPPD and LDMH</i>
RB08 2016	Health and Social Care Integration – Better Care Fund	20	1	2	A review of arrangements in place to manage KCC's role as host of the Better Care Fund and the integration of health and social care services to provide assurance that key risks are managed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB09 2016	Integrated discharge scheme	20	2	4	A review of the arrangements to integrate hospital discharge processes and provide assurance that any risks, pooled budgets and statutory requirements have been appropriately addressed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB10 2016	Independent Living Fund	20	2	4	To provide assurance post-dissolution of the Independent Living Fund that KCC's new responsibilities and related risks in relation to funding and service user expectations are adequately managed	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh/Penny Southern <i>Directors of OPPD and LDMH</i>
RB11 2016	Pooled equipment budget	15	2	4	A review of the controls in relation to the pooling of funds for equipment provision and the procurement and contract management in place to provide assurance that an adequate level of service is delivered and equipment is provided timely and safely.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB12 2016	Boundary Re-alignment and Change Management Project	25	2	2	To provide assurance that the change management project in relation to re-alignment of boundaries had clear objectives that have been achieved while managing the risks to service users adequately.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB13 2016	Mental Capacity Act and Deprivation of Liberty Assessments	20	2	4	To provide assurance that judgements made are safe and evidence based and that changes in case law in relation to the definition of DOLs have been acted on appropriately.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB14 2016	Autism Service	25	1	3	A review of the Autism service to provide assurance that increased diagnosis and resultant increased demand have been addressed through adequate and appropriate assessment and case management.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB15 2016	KCC / KMPT partnership agreement and AMHP (Approved Mental Health Professional) service	30	1	1	A review of the Partnership arrangements in place to give assurance that agreements are robust and that partners comply with agreed service levels and specifications.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB16 2016	Transition and Integration of disabled services	25	1	2	To review the process for transition into the proposed service delivery model, feeding in at key stages including advice, challenge and assurance at planning and implementation stages and assurance on delivery via a post implementation review	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB17 2016	Transformation - 1 Market Management	15	1	Ongoing	To provide assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of any proposed delivery model and any identified issues and risks.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB18 2016	Transformation - Supported Living	15	2	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB19 2016	Transformation - Pathways to Independence	15	1	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB20 2016	Transformation - SIS and Community support review	15	2	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Penny Southern <i>Director of LDMH</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB21 2016	0-25 Change Portfolio	30	1	Ongoing	To provide assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress and any identified issues and risks but will include review of joint commissioning of services.	Andrew Ireland and Patrick Leeson <i>Corporate Director of Social Care, Health and Wellbeing/Corporate Director of Education and Young People's Services</i>  Philip Segurola and Florence Kroll <i>Director Specialist Children's Services/Director of Early Help and Preventative Services</i>
RB22 2016	Quality Assurance Framework – Safeguarding Children	20	1	1	To provide assurance that an appropriate framework exists to quality assure all work in relation to Children and therefore manage risks to their health, safety and wellbeing. In addition the review will provide assurance on compliance with statutory requirements.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB23 2016	Review of Online Case file audit process	20	2	4	A re-audit of the online case file audit process following a review undertaken in 2012/13 to provide assurance that areas for development have been addressed and appropriate action is taken in relation to inadequate cases. To be undertaken with RB23.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB24 2016	Missing Children	15	2	1	A review to provide assurance that KCC complies with its statutory requirements in relation to missing children to include consideration of risks in relation to Child Sex Exploitation and Radicalism. To be undertaken with RB22.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>



Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB25 2016	AdoptionServices (VAA)	25	1	2	A review of the provision of adoption services to provide assurance that placements are timely and appropriate, safeguarding risks are addressed and monitoring of delivery in accordance with the provider contract is robust. The review will include the proposed development of a Voluntary Adoption Agency and assurance on the appropriateness of governance arrangements and, management of related risk.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB26 2016	Children's Finances (LAC)	20	1	2	A review of the processes for administrating Looked After Children's (LAC) funds. To provide assurance that funds are held securely and are invested in the best interests of the children ensuring maximum returns for future use.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB27 2016	s17 payments – Follow up	10	1	3	To review the implementation of recommendations made as a result of the 2014/15 audit and provide assurance that appropriate action has been taken to address risks identified.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB28 2016	Leaving Care	25	1	2	A review of Leaving Care following the service being brought back in-house to provide assurance that the transition has taken into account all key risks and statutory requirements and that the current service is fit for purpose.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB29 2016	OP Residential and Nursing contract re-lets	20	1	2	A review of the letting of contracts for residential care both post award for the current contract and prior to re-letting the contract from April 2016 to meet Care Act 2014 requirements to provide assurance that lessons learnt have been applied and risks are adequately managed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>
RB30 2016	Supporting people - Follow up	15	1	4	To review the implementation of recommendations made as a result of the 2014/15 audit, and previous audits, and provide assurance that appropriate action has been taken to address risks identified and that re-commissioning of services is progressing in line with the Supporting People strategy.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>
RB31 2016	Home Care - Follow-up	15	1	4	To review the implementation of recommendations made as a result of the 2014/15 audit and provide assurance that appropriate action has been taken to address risks identified The review will also consider how far lessons learnt have been applied when re-letting contracts.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>
RB32 2016	Public Health advice to Clinical Commissioning Groups	15	2	4	To review arrangements in place to meet KCC's Public Health service requirements to provide information and advice to CCGs on Health Protection arrangements.	Andrew Scott-Clark <i>Director of Public Health</i>
RB33 2016	Sexual Health	25	2	2	To review the commissioning of Sexual Health services for Kent, including relevant procurement processes and contract performance management to provide assurance on delivery of a safe and effective service.	Andrew Scott-Clark <i>Director of Public Health</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB34 2016	Kent Drugs and Alcohol Action Team - Follow-up	15	1	4	To re-audit the KDAAT and provide assurance on complete implementation of recommendations made as a result of the 2014/15 audit and to provide assurance on service delivery and management of key risks post-transfer to Public Health	Andrew Scott-Clark <i>Director of Public Health</i>
RB35 2016	Clinical Governance Process	25	1	2	To provide assurance on the provision of safe, effective and high quality services and the appropriate management of clinical risk through review of a sample of clinical governance processes.	Andrew Scott-Clark <i>Director of Public Health</i>
RB36 2016	Health Inequalities	20	1	3	A review of arrangements to meet outcomes and statutory requirements in relation to Health Inequalities to provide assurance that plans are robust and actions taken are appropriate to support delivery.	Andrew Scott-Clark <i>Director of Public Health</i>
<b>3.3 Education and Young People Services</b>						
RB37 2016	SEN Assessment and Funding	30	1	3	A review to provide assurance that assessment processes are adequate, funding is allocated appropriately, including the new high needs funding, placements are allocated appropriately via the Dynamic Purchasing System and that requirements in relation to provision of Education, Care and Health Plans are met.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Kevin Shovelton <i>Director of Education Planning and Access</i>
RB38 2016	Elective Home Education Outcomes	20	2	2	A review of the monitoring and review of children receiving EHE and implementation of the EHE Policy agreed by Cabinet in January 2015 to provide assurance that children in receipt of EHE should achieve planned outcomes.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Kevin Shovelton <i>Director of Education Planning and Access</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB39 2016	School admissions - fair access	20	2	4	To provide assurance that the admissions process is fair and equitable, appropriate evidence based decisions are made and appeals processes operate in accordance with statutory requirements.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Kevin Shovelton <i>Director of Education Planning and Access</i></p>
RB40 2016	Community Learning and Skills	25	1	1	To provide assurance that the key risks in relation to both the current and future service delivery models are adequately managed. In particular the review will consider the recommendations made in relation to financial controls as a result of previous audits. In addition, dependent on timescales, the review will include assurance on governance arrangements and transition in relation to the proposed LATCO.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Gillian Cawley <i>Director Education Quality and Standards</i></p>
RB41 2016	Schools Improvement Team	25	1	2	A review to provide assurance that the Schools Improvement service operates appropriately to allow achievement of strategic outcomes. This will include review of the consistency of support and information provided, the adequacy and appropriateness of commissioning processes and monitoring and review against planned outcomes.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Gillian Cawley <i>Director Education Quality and Standards</i></p>
RB42 2016	Troubled Families	25	1	Ongoing	It is a statutory requirement for Internal Audit to verify claims for Payment by Results prior to submission to the DCLG. In addition Phase 2 has extended the TF Programme and increased the criteria therefore this review will also provide assurance that Outcomes plans are in place and are fit for purpose.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Florence Kroll <i>Director of Early Help and Preventative Services</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB43 2016	EduKent Follow-up	20	2	4	Following an audit of EduKent pre-transformation this review will provide assurance on whether the model put in place addresses recommendations previously made, including that governance structures are appropriate and key risks are managed.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Andy Wood <i>Corporate Director of Finance and Procurement</i></p> <p>Keith Abbott <i>Director of Schools Resources and Lead Finance Business Partner (EY)</i></p>
<b>3.4 Growth, Environment and Transport</b>						
RB44 2016	Contract Management – Household waste & recycling centres	30	1	2	A review of the contract management process and controls for the Household Waste & Recycling Centres contract with Biffa. To ensure that supplier performance is robustly monitored and payments are in line with contract terms.	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Roger Wilkin <i>Interim Director Highways, Transportation and Waste</i></p>
RB45 2016	Developer Contributions and CIL	20	1	4	A review of developer contributions (Section 106) and Community Infrastructure Levy (CIL) payments to ensure that the controls in place are transparent, effective and comply with the Council's policies and procedures.	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p>
RB46 2016	Local Growth Fund and Local Enterprise Partnership	25	2	4	To provide assurance that controls over LGF and LEP monies are robust and that the schemes are subject to appropriate governance arrangements.	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>David Smith <i>Director of Economic Development</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB47 2016	Regional Growth Fund	20	1	3	Assurance on the governance and controls over loans, grants and investments related to Regional Growth Funding, arrangements for monitoring performance against agreed targets and receipt of loan repayments.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB48 2016	Broadband Delivery UK - watching brief	15	2	Ongoing	To provide ongoing assurance on achievement of key stages in BDUK programme.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB49 2016	Coroners	20	2	3	To provide assurance that controls in place over the Coroners Service are appropriate to manage service delivery and costs.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Paul Crick/ Mike Overbeke <i>Director Environment, Planning and Enforcement/ Head of Public Protection</i>
RB50 2016	Allington Waste Incinerator contract	20	2	4	To provide assurance that there are appropriate controls over the proposed renegotiation of the Allington Waste Incinerator contract.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Roger Wilkin <i>Interim Director Highways, Transportation and Waste</i>
RB51 2016	Transformation and Change - Transport including SEN	20	1	3	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Penny Pemberton <i>Title TBC</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB52 2016	Transformation and Change - LRA (Group Audit)	20	1	2	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  James Pearson <i>Service Improvement Programme Manager</i>
RB53 2016	Transformation and Change - Property (Group Audit)	20	1	3	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>  John Burr <i>Director of Transformation</i>
RB54 2016	Economic Development Contract Management	15	2	3	A review of the adequacy and effectiveness of contract management for key Economic Development contracts – Locate in Kent and Visit Kent.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB55 2016	International Development Team	15	2	3	To provide assurance over the adequacy of controls in place to ensure the efficiency and effectiveness of the International Development Team in securing funding for the Council.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB56 2016	Kent Resilience Team	10	1	3	<p>To provide assurance post implementation of the Kent Resilience Team Partnership that objectives and planned efficiencies/effectiveness have been achieved through coordinating emergency planning across the county.</p> <p>NOTE - This is planned to be a joint audit with all of the IA teams covering the partnership organisations.</p>	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Mike Campbell <i>Project Manager</i></p> <p>Steve Demetriou <i>Project Sponsor (KMFRA)</i></p>
RB57 2016	Carbon Reduction Commitment annual return	10	1	2	<p>A review of the Carbon Reduction Commitment annual return to provide assurance on the accuracy of base data and the management processes in place to ensure the evidence pack submitted to Central Government is accurate and complete.</p>	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Paul Crick/ Carolyn McKenzie <i>Director of Environment, Planning &amp; Enforcement/ Sustainability and Climate Change Manager</i></p> <p>Andy Morgan <i>Head of Energy Management, Commercial Services</i></p>
RB58 2016	Community Wardens	15	2	4	<p>To provide assurance over adequacy of controls in place to manage and direct the Community Warden team, including the impact of the team and alignment with the Council's goals.</p>	<p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Paul Crick/ Mike Overbeke <i>Director Environment, Planning and Enforcement/ Head of Public Protection</i></p>
	<b>Total Days</b>	<b>1165</b>				



# 4. ICT Audit

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

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT01 2016	Oracle application review	30	1	1	To provide assurance that the Council's core Oracle application is operating effectively, efficiently and securely – covering the General Ledger, Accounts Payable, Accounts Receivable, Payroll and HR modules.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT02 2016	ICT Strategy and Governance	20	1	1	Evaluation of the arrangements the Council has in place to ensure that the ICT governance and ICT strategy remain aligned.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT03 2016	ICT Change Management	20	1	2	Review of the Council's ICT change management process to ensure that it continues to provide management with assurance that the process is controlled, monitored and is compliance with good practices during the period of transformation	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT04 2016	Software lifecycle management	15	2	3	To provide assurance that the Council maintains current versions of software at any level of the infrastructure to reduce the likelihood of failure to recover systems in the event of failure and lack of 3rd party support as product is no longer supported. Also to mitigate increases in security vulnerabilities.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
ICT05 2016	Review of third party ICT contracts	15	1	2	To provide assurance that third party ICT systems and infrastructure used by KCC follow Council standards for security, integrity and availability.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
ICT06 2016	Data centres	20	1	2	To assess the adequacy of KCC data centre hosting provision for Council IT infrastructure, systems and data in terms of physical security and environmental provisioning. Including computer operations and job scheduling.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT07 2016	SWIFT application review	15	2	3	To provide assurance that processing and security controls within the SWIFT application are robust.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p> <p>Penny Southern/Anne Tidmarsh <i>Directors of LDMH and OPPD</i></p>
ICT08 2016	WAMS application review	15	2	3	To provide assurance that processing and security controls within the WAMS application are robust.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p> <p>Roger Wilkin <i>Acting Director of Highways, Transport and Waste</i></p>
	Further audits to be advised, including relationship management	50	2	Ongoing	Based on ongoing risk assessment and relationship management further assurance requirements will be confirmed.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
	<b>Total Days</b>	<b>200</b>				

# 5. Work to Prevent and Pursue Fraud and Corruption

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

Ref.	Audit	Days	Priority	Indicative Qtr	Rationale	Audit Details
						Corporate Director & Lead Officer
<b>Anti-fraud work – to raise awareness</b>						
CF01 2016	Fraud awareness	25		Ongoing	A programme of fraud awareness training based on an authority wide training needs analysis targeting groups in high risk areas first e.g., schools, procurement and social care. To raise the level of fraud awareness and create a zero tolerance culture towards fraud and corruption.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
<b>Fraud prevention work – to remove weaknesses that could be exploited</b>						
CF02 2016	Kent Intelligence Network	195		Ongoing	Using funding from DCLG to establish a Kent wide, cross local authority intelligence sharing and analytics partnership with a shared objective to detect, prevent and deter fraud and corruption. The partnership will use data from Kent LA partners and the private sector to focus counter fraud resources on high risk areas of fraud realising savings in council tax, business rates, social housing and procurement.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>

Page 92

Ref.	Audit	Days	Priority	Indicative Qtr	Rationale	Audit Details
						Corporate Director & Lead Officer
CF03 2016	National Fraud Initiative (NFI)	30		Ongoing	Investigate data matches released by the Cabinet Office's National Fraud Initiative. Where fraud and error is identified consider whether there were any weaknesses in control and recommend improvements where necessary.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
<b>Detection work – to detect fraud in high risk areas or systems that may be vulnerable</b>						
<b>Counter Fraud audits have been included in the audit plan as follows:</b>		n/a		See main plan	To detect fraud in high risk areas or systems that may be vulnerable and to make recommendations to secure arrangements.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
CA11 2016	Declarations of Interest					
CA19 2016	Recruitment controls					
CA23 2016	Member and Officer expenses follow up					
CS11 2016	Grants					
CS12 2016	Insurance					
RB05 2016	Blue Badges					
RB26 2016	Children's Finances (LAC)					
RB27 2016	s17 payments					
<b>Investigation, sanction and redress</b>						
CF04 2016	Authority wide Investigations	255	1	n/a	Investigate suspected fraud in a timely, professional, and cost effective manner ensuring that all appropriate sanctions are applied and any losses are recovered. This work will include a review of transactions shown as matches by National Fraud Initiative and investigate and report as appropriate.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
<b>Total Days</b>		<b>505</b>				

# 7. Summary

Audit	2015/2016
	Days
Core Assurance	595
Core Financial Assurance	280
Risk/Priority Based	1165
IT audit plan	200
Proactive and Reactive Counter fraud work	505
Follow up of audits with no/limited assurance and recommendations with high priority rating	80
Liaison, advice and information and support for system/service development	50
Establishments	150
Group Audit Function	160
Parishes	40
KMFRA	95
Grant claims other Certifications	120
<b>Total Days</b>	<b>3440</b>

Page 94

## Appendix B – Revised KPI's for Internal Audit & Counter Fraud 2015/16

<b>INPUTS</b>	<b>Fraud</b>	<b>Audit</b>
Total number of employees undertaking investigations	Annual declaration	Annual declaration
Total number of professionally accredited	Annual declaration	Annual declaration
Amount spent on investigation and prosecution of fraud	Annual declaration of actual and budget	Annual declaration of actual and budget
<b>OUTPUTS</b>		
100% of priority 1 audits completed 50% of priority 2 audits completed		Cumulative Monthly FPET and progress reporting to G&AC
100% of audit draft reports to be issued within date on the Engagement Plan		Monthly – IA management team
Time from start of fieldwork (SoF) to draft report to be no more than 40 days		Monthly – IA management team, FPET and cumulative G&AC
Draft report to final within 30 days		Monthly- IA management team
Advice to working parties , groups etc	Cumulative declaration through G&AC reporting	Cumulative declaration through G&AC reporting
No of fraud cases investigated	Cumulative declaration through G&AC reporting	
No of irregularity cases investigated	Cumulative declaration through G&AC reporting	
<b>OUTCOMES</b>		
% of high priority/risk issues a) Agreed b) Implemented by client		Monthly – FPET and Cumulative declaration through G&AC reporting
% of all other issues a) Agreed b) Implemented by client		Monthly FPET and Cumulative declaration through G&AC reporting
Client satisfaction to be 90% or more	Monthly - FPET and cumulative declaration through G&AC reporting	Monthly - FPET and cumulative declaration through G&AC reporting
Value for money / efficiency savings identified	Cumulative declaration through G&AC reporting	Cumulative declaration through G&AC reporting
Total No of occasions on which (a) fraud and (b) irregularity was identified	Cumulative declaration through G&AC reporting	
Total monetary value of (a) and (b) detected	Cumulative declaration through G&AC reporting	
Total monetary value of (a) and (b) recovered	Cumulative declaration through G&AC reporting	

# Appendix C - 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.



## 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.

This page is intentionally left blank



# Kent County Council

Internal Audit

Annual Audit Plan April 2015 – March 2016

# 1. Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA01 2016	Annual Governance Statement 2014/15	15	1	1	A review of individual directorate governance returns to support the Annual Governance statement.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA02 2016	Business Continuity	15	1	1	To provide assurance that Business Continuity plans are adequate and effective to ensure the Council can continue to deliver priority services in the event of disruption.	<p><b>Authority Wide</b></p> <p>Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i></p> <p>Paul Crick/ Tony Harwood <i>Director of Environment, Planning &amp; Enforcement/ Resilience and Emergencies Manager</i></p>
CA03 2016	Transparency Code Compliance	15	1	1	Audit of the Council's transparency reporting to provide assurance that current legislative requirements are adhered to.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA04 2016	Information Governance	15	1	3	To provide assurance on compliance with information governance standards on a cyclical basis.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA05 2016	Performance Management and KPI Reporting	25	1	2	A review of the Council's performance management arrangements to ensure they are fit for purpose. This will include a review of data quality for a sample of key performance indicators to ensure performance reporting is based on accurate information allowing robust decision making.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p><b>TBA/</b> Richard Fitzgerald <i>Director of Strategic Business Development and Intelligence/ Performance Manager</i></p>
CA06 2016	Risk Management	30	1	3	A review of the Council's risk management arrangements to support the Annual Governance Statement. Focus will be on directorate risk management arrangements and how these feed up to Divisional and Corporate Risk Registers.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director Strategic &amp; Corporate Services</i></p> <p>David Whittle/ Mark Scrivener <i>Director of Strategy, Policy, Relationships and Corporate Assurance/ Risk Manager</i></p>
CA07 2016	Corporate Governance - KCC as a whole	25	1	4	A review of the Council's overall Corporate Governance Framework to support the Annual Governance Statement.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA08 2016	Departmental Governance Review – Public Health	25	1	3	A pilot comprehensive financial and non-financial governance and performance review to develop an assessment tool for future reviews of the standards of governance and management at more senior levels across the council.	<p><b>Social Care, Health and Wellbeing</b></p> <p>Andrew Scott-Clark <i>Director of Public Health</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA09 2016	Corporate Governance – alternative service delivery models	15	1	Ongoing	To provide assurance over the governance arrangements put in place for new alternative service delivery models.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA10 2016	Implementation of Strategic Commissioning Framework	20	1	3	Review of the implementation of the Council's strategic commissioning framework, to provide assurance that the framework is complied with, supports achievement of strategic outcomes and aligns with KCC Policy and relevant legislation, including procurement processes.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Olivia Crill <i>Transformation Manager</i></p> <p><b>TBA</b> <i>Director of Strategic Business Development and Intelligence</i></p>
CA11 2016	Declarations of Interest	20	2	2	An annual data matching exercise comparing Companies House data with payroll, accounts payable and declarations of interest made via Employee Self Service to provide assurance that potential conflicts of interest have been declared and are being appropriately managed.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p>
CA12 2016	Programme Management and Corporate Assurance Functions	25	1	2	To provide assurance that there are robust project and programme management processes in place with appropriate oversight and review of change programmes across the Council,	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA13 2016	Portfolio and Programme Check Point Reviews	40	2	Ongoing	A series of short, focussed reviews at key points in programme/ project lifecycle - these will be scoped and agreed for individual Portfolios as relevant.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i></p>
CA14 2016	Transformation and Change – Major Outsource arrangements	25	1	4	Audit of the management of outsourced functions once implemented. To include monitoring of performance and engagement with new providers, whether through outsource contracts, partnership working or other arrangements.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p><b>TBA</b> <i>Director of Strategic Business Development and Intelligence</i></p>
CA15 2016	Consultation	20	1	1	To provide assurance that the legislative requirements for consultation with service users and other interested bodies are adhered to and that the feedback is appropriately considered.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Geoff Wild <i>Director of Governance and Law</i></p>
CA16 2016	Strategic Transformation Partnership Contracts	20	1	1	Audit of the management of all Strategic Transformation Partnership contracts. To include the arrangements in place to monitor deliverables/KPIs, resolve performance issues and calculate and approve payments under the contract.	<p><b>Authority Wide</b></p> <p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA17 2016	Contact Point	20	1	2	To provide assurance that Contact Point operates effectively and in line with the Customer Service strategy, acting as the prime point of contact for the Council's service users, responding to enquiries where possible and handing off to other areas of the council where appropriate.	<b>Strategic and Corporate Services</b>  Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Jane Kendal <i>Customer Service Manager</i>
CA18 2016	Recruitment and retention incentives	20	1	3	An audit of the use of recruitment and retention incentives (including ex-gratia payments) for hard to fill posts, including Children's Social Workers, to provide assurance that such incentives are appropriately deployed, that payments made are in line with contractual arrangements. and that objectives are achieved.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>  Philip Segurola <i>Interim Director of Specialist Children's Services</i>
CA19 2016	Recruitment controls	25	1	2	To provide assurance that the Council has adequate controls in place to ensure new employees, including those that TUPE to KCC, have the right to reside and work in the UK, are appropriately qualified, references have been received, DBS checks have been completed and training, i.e. induction, has been received on KCC culture and Policy.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CA20 2016	KCC Payroll - key controls	20	2	1	A cyclical audit of key controls over KCC payroll, including controls over the set-up of new starters, processing leavers and recovery of overpayments. This audit will also consider impact of the increasing use of manager self-service via Oracle.	<b>Strategic and Corporate Services</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>



Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA21 2016	Pensions Payroll	20	1	1	To provide assurance that the Local Government Pensions payroll process is appropriately controlled. To cover the set-up of new pensions (including communication with the Pensions Team), terminations and any changes to pension amounts.	<b>Strategic and Corporate Services</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CA22 2016	Pension scheme administration	20	2	2	Audit to provide assurance over the accuracy and timeliness of pension scheme processing for the Kent Local Government pension scheme. To include pension scheme joiners, leavers, transfers in/out and retirements (lump sum payment and initiation of pension payments via Payroll).	<b>Strategic and Corporate Services</b>  Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Barbara Cheatle <i>Pensions Manager</i>
CA23 2016	Member and Officer Expenses - follow up	15	1	4	To provide assurance that the issues identified in the 2014/15 audit of Member and Officer expenses have been appropriately addressed and that expenses are paid in line with policy.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>
CA24 2016	DBS (Disclosure and Barring Service) Process	20	1	3	To provide assurance that all staff (both permanent and temporary) and contractors are subject to DBS checks as relevant and that any issues identified are dealt with appropriately.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CA25 2016	Oracle Right Now	20	2	3	To provide assurance that the Oracle Right Now system is operating effectively following its implementation.	<b>Strategic and Corporate Services</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CA26 2016	Learning and Development	20	1	1	To provide assurance that the Council's Learning and Development arrangements focus on the key skills required to support the strategic objectives. To include take-up of mandatory training for staff and managers such as: <ul style="list-style-type: none"> <li>- Induction training</li> <li>- Information Governance</li> <li>- Kent Manager</li> </ul>	<p style="text-align: center;"><b>Authority Wide</b></p> <p style="text-align: center;">Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p style="text-align: center;">Paul Royel <i>Head of Employment Strategy</i></p>
CA27 2016	Compromise agreements and disciplinary	25	1	3	Audit of the disciplinary process and the use of compromise agreements for staff leaving the Council, to ensure that their use is appropriate and authorised.	<p style="text-align: center;"><b>Authority Wide</b></p> <p style="text-align: center;">Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i></p> <p style="text-align: center;">Paul Royel <i>Head of Employment Strategy</i></p>
CA28 2016	Contract extensions and variations	20	1	1	To provide assurance that contract extensions are variations are appropriately authorised when they are entered into.	<p style="text-align: center;"><b>Authority Wide</b></p> <p style="text-align: center;">Andy Wood <i>Corporate Director, Finance and Procurement</i></p> <p style="text-align: center;">Henry Swan <i>Head of Procurement</i></p>
	<b>Total days</b>	<b>595</b>				

## 2. Core Financial Assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS01 2016	Schools Financial Services - system of audit	20	1	4	Annual review to ensure the work undertaken by the School Financial Compliance Team is adequate and effective to support the Section 151 officer's certification for the Schools Financial Value Standard.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Keith Abbott/ Yvonne King <i>Director Schools Resources/ Schools Financial Services Manager</i>
CS02 2016	Schools - Themed Reviews	50	2	3	Themed audits across a number of schools to provide assurance that key risk areas are appropriately controlled. For 2015/16 this will include - School payroll controls - Income controls	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Patrick Leeson <i>Corporate Director of Education and Young People's Services</i>  Keith Abbott <i>Director Schools Resources</i>
CS03 2016	Payments Processing	25	1	3	A key financial systems audit of the accounts payable system and iProcurement. The scope will include a follow up on the actions taken to address the findings of the 14/15 audit, plus changes to processes and controls following the move to Business Service Centre in April 2015.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Henry Swan/ Jackie Turner-Robinson <i>Head of Procurement/ Head of Business Service Centre</i>
CS04 2016	Family Placement Payments	20	1	4	To provide assurance over the accuracy and timeliness of family placement payments following the replacement of FPS with the Controcc module. This will include foster payments, adoption payments and special guardianship, etc.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS05 2016	Pension Contributions	10	1	4	Review of key financial controls over pension contributions to provide assurance on the accuracy of contribution deductions in line with defined percentages and completeness of receipt by the Treasury and Investments team.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Alison Mings <i>Treasury and Investments Manager</i>
CS06 2016	Treasury Management	15	1	3	Annual review of the key financial controls, including controls to ensure that investments and borrowing are in accordance with agreed policy and are appropriately authorised and monitored.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Alison Mings <i>Treasury and Investments Manager</i>
CS07 2016	Capital Finance	30	1	3	To provide assurance over the processes in place to accurately identify and account for capital spend, including updating the fixed asset register with additions/ disposals and account for the depreciation of capital assets.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Cath Head/ Julie Samson <i>Head of Financial Management/ Capital Finance Manager</i>
CS08 2016	Client Financial Affairs - Follow-up	15	2	2	To provide assurance on the adequacy of controls over management of finances for service users who are incapable of managing themselves e.g. payments for client care, personal property and benefits maximisation.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CS09 2016	Debt Recovery	20	1	1	A review of the controls over debt recovery and monitoring and reporting of aged debt. To ensure that amounts due to the Council are recovered efficiently and effectively.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>
CS10 2016	Financial Assessments - Follow up	15	2	3	A review of the control arrangements operating in the Financial Assessment Unit to provide assurance that procedures and processes in place ensure the accurate assessment of financial contributions.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Jackie Turner-Robinson <i>Head of Business Service Centre</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
CS11 2016	Grants	30	1	3	A review of locally administered grant schemes across the Authority to provide assurance that grant applications are appropriately validated, awards are made for legitimate purposes and the funds awarded have been appropriately spent.	<b>Authority-wide</b>  Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>
CS12 2016	Insurance	15	1	3	A review of counter fraud measures to provide assurance that the risks of insurance fraud are minimised and opportunities for prevention and detection are maximised.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>
CS13 2016	iSupplier	15	2	4	To provide assurance over the adequacy of controls in place for the new iSupplier system.	Andy Wood <i>Corporate Director of Finance &amp; Procurement</i>  Henry Swan <i>Head of Procurement</i>
	<b>Total Days</b>	<b>280</b>				

# 3. Risk / Priority Based

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

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
<b>3.1 Strategic and Corporate Services</b>						
RB01 2016	Total Facilities Management –Contract Management	30	1	1	To provide assurance over the management of the 3 regional TFM contracts. To include contract performance monitoring and payments made under the contract.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore/ Tom Micklewright <i>Director of Infrastructure/ PFI and FM Contracts Team Manager</i>
RB02 2016	Total Facilities Management – property service desk	20	2	4	A review of the Property Service Desk operation, provided for KCC under the TFM contract. To ensure that all property calls are accurately logged, appropriately responded to within the agreed service standards and that any costs incurred are in line with contract terms.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore / Tom Micklewright <i>Director of Infrastructure/ PFI and FM Contracts Team Manager</i>
RB03 2016	New Ways of Working programme – Follow up	15	1	3	To provide assurance that the issues raised in our 2014/15 audit of NWoW have been appropriately addressed to enable the project to deliver its anticipated benefits. This is a wide-reaching project covering rationalisation of the Council's estate and provision of appropriate facilities to staff.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB04 2016	Data Quality – Oracle HR	20	1	2	To provide assurance on the reliability of Oracle HR data quality and on-going arrangements to ensure data integrity.	<b>Authority Wide</b>  Amanda Beer <i>Corporate Director Engagement, Organisation Design &amp; Development</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
<b>3.2 Social Care, Health and Wellbeing</b>						
RB05 2016	Blue Badges	10	2	1	Plan and instigate a Kent wide initiative to address Blue Badge fraud by promoting appropriate use and increasing detection of unlawful use (specifically forgery, counterfeiting and use of deceased persons' badges).	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB06 2016	Safeguarding framework (Adults)	20	1	4	To provide assurance that an appropriate framework exists to quality assure all work in relation to vulnerable adults and therefore manage risks to their health, safety and wellbeing. In addition the review will provide assurance on compliance with the new statutory requirements brought in through the Care Act 2014.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Commissioning</i>
RB07 2016	Care Act pre & post implementation	25	1	Ongoing	To provide assurance on compliance with requirements from 1 <sup>st</sup> April 2015 and lessons learnt post-implementation of phase 1 of the Care Act 2104. The review will also provide assurance on progress towards implementation of phase 2, i.e. requirements due 1 <sup>st</sup> April 2016.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh/Penny Southern <i>Directors of OPPD and LDMH</i>
RB08 2016	Health and Social Care Integration – Better Care Fund	20	1	2	A review of arrangements in place to manage KCC's role as host of the Better Care Fund and the integration of health and social care services to provide assurance that key risks are managed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB09 2016	Integrated discharge scheme	20	2	4	A review of the arrangements to integrate hospital discharge processes and provide assurance that any risks, pooled budgets and statutory requirements have been appropriately addressed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB10 2016	Independent Living Fund	20	2	4	To provide assurance post-dissolution of the Independent Living Fund that KCC's new responsibilities and related risks in relation to funding and service user expectations are adequately managed	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh/Penny Southern <i>Directors of OPPD and LDMH</i>
RB11 2016	Pooled equipment budget	15	2	4	A review of the controls in relation to the pooling of funds for equipment provision and the procurement and contract management in place to provide assurance that an adequate level of service is delivered and equipment is provided timely and safely.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB12 2016	Boundary Re-alignment and Change Management Project	25	2	2	To provide assurance that the change management project in relation to re-alignment of boundaries had clear objectives that have been achieved while managing the risks to service users adequately.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB13 2016	Mental Capacity Act and Deprivation of Liberty Assessments	20	2	4	To provide assurance that judgements made are safe and evidence based and that changes in case law in relation to the definition of DOLs have been acted on appropriately.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB14 2016	Autism Service	25	1	3	A review of the Autism service to provide assurance that increased diagnosis and resultant increased demand have been addressed through adequate and appropriate assessment and case management.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Anne Tidmarsh <i>Director of OPPD</i>
RB15 2016	KCC / KMPT partnership agreement and AMHP (Approved Mental Health Professional) service	30	1	1	A review of the Partnership arrangements in place to give assurance that agreements are robust and that partners comply with agreed service levels and specifications.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>



Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB16 2016	Transition and Integration of disabled services	25	1	2	To review the process for transition into the proposed service delivery model, feeding in at key stages including advice, challenge and assurance at planning and implementation stages and assurance on delivery via a post implementation review	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB17 2016	Transformation - 1 Market Management	15	1	Ongoing	To provide assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of any proposed delivery model and any identified issues and risks.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB18 2016	Transformation - Supported Living	15	2	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB19 2016	Transformation - Pathways to Independence	15	1	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Penny Southern <i>Director of LDMH</i>
RB20 2016	Transformation - SIS and Community support review	15	2	Ongoing	As RB17	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i> Penny Southern <i>Director of LDMH</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB21 2016	0-25 Change Portfolio	30	1	Ongoing	To provide assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress and any identified issues and risks but will include review of joint commissioning of services.	Andrew Ireland and Patrick Leeson <i>Corporate Director of Social Care, Health and Wellbeing/Corporate Director of Education and Young People's Services</i>  Philip Segurola and Florence Kroll <i>Director Specialist Children's Services/Director of Early Help and Preventative Services</i>
RB22 2016	Quality Assurance Framework – Safeguarding Children	20	1	1	To provide assurance that an appropriate framework exists to quality assure all work in relation to Children and therefore manage risks to their health, safety and wellbeing. In addition the review will provide assurance on compliance with statutory requirements.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB23 2016	Review of Online Case file audit process	20	2	4	A re-audit of the online case file audit process following a review undertaken in 2012/13 to provide assurance that areas for development have been addressed and appropriate action is taken in relation to inadequate cases. To be undertaken with RB23.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB24 2016	Missing Children	15	2	1	A review to provide assurance that KCC complies with its statutory requirements in relation to missing children to include consideration of risks in relation to Child Sex Exploitation and Radicalism. To be undertaken with RB22.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB25 2016	AdoptionServices (VAA)	25	1	2	A review of the provision of adoption services to provide assurance that placements are timely and appropriate, safeguarding risks are addressed and monitoring of delivery in accordance with the provider contract is robust. The review will include the proposed development of a Voluntary Adoption Agency and assurance on the appropriateness of governance arrangements and, management of related risk.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB26 2016	Children's Finances (LAC)	20	1	2	A review of the processes for administrating Looked After Children's (LAC) funds. To provide assurance that funds are held securely and are invested in the best interests of the children ensuring maximum returns for future use.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB27 2016	s17 payments – Follow up	10	1	3	To review the implementation of recommendations made as a result of the 2014/15 audit and provide assurance that appropriate action has been taken to address risks identified.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB28 2016	Leaving Care	25	1	2	A review of Leaving Care following the service being brought back in-house to provide assurance that the transition has taken into account all key risks and statutory requirements and that the current service is fit for purpose.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Philip Segurola <i>Director Specialist Children's Services</i>
RB29 2016	OP Residential and Nursing contract re-lets	20	1	2	A review of the letting of contracts for residential care both post award for the current contract and prior to re-letting the contract from April 2016 to meet Care Act 2014 requirements to provide assurance that lessons learnt have been applied and risks are adequately managed.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB30 2016	Supporting people - Follow up	15	1	4	To review the implementation of recommendations made as a result of the 2014/15 audit, and previous audits, and provide assurance that appropriate action has been taken to address risks identified and that re-commissioning of services is progressing in line with the Supporting People strategy.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>
RB31 2016	Home Care - Follow-up	15	1	4	To review the implementation of recommendations made as a result of the 2014/15 audit and provide assurance that appropriate action has been taken to address risks identified The review will also consider how far lessons learnt have been applied when re-letting contracts.	Andrew Ireland <i>Corporate Director of Social Care, Health and Wellbeing</i>  Mark Lobban <i>Director of Strategic Commissioning</i>
RB32 2016	Public Health advice to Clinical Commissioning Groups	15	2	4	To review arrangements in place to meet KCC's Public Health service requirements to provide information and advice to CCGs on Health Protection arrangements.	Andrew Scott-Clark <i>Director of Public Health</i>
RB33 2016	Sexual Health	25	2	2	To review the commissioning of Sexual Health services for Kent, including relevant procurement processes and contract performance management to provide assurance on delivery of a safe and effective service.	Andrew Scott-Clark <i>Director of Public Health</i>
RB34 2016	Kent Drugs and Alcohol Action Team - Follow-up	15	1	4	To re-audit the KDAAT and provide assurance on complete implementation of recommendations made as a result of the 2014/15 audit and to provide assurance on service delivery and management of key risks post-transfer to Public Health	Andrew Scott-Clark <i>Director of Public Health</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB35 2016	Clinical Governance Process	25	1	2	To provide assurance on the provision of safe, effective and high quality services and the appropriate management of clinical risk through review of a sample of clinical governance processes.	Andrew Scott-Clark <i>Director of Public Health</i>
RB36 2016	Health Inequalities	20	1	3	A review of arrangements to meet outcomes and statutory requirements in relation to Health Inequalities to provide assurance that plans are robust and actions taken are appropriate to support delivery.	Andrew Scott-Clark <i>Director of Public Health</i>
<b>3.3 Education and Young People Services</b>						
RB37 2016	SEN Assessment and Funding	30	1	3	A review to provide assurance that assessment processes are adequate, funding is allocated appropriately, including the new high needs funding, placements are allocated appropriately via the Dynamic Purchasing System and that requirements in relation to provision of Education, Care and Health Plans are met.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Kevin Shovelton <i>Director of Education Planning and Access</i>
RB38 2016	Elective Home Education Outcomes	20	2	2	A review of the monitoring and review of children receiving EHE and implementation of the EHE Policy agreed by Cabinet in January 2015 to provide assurance that children in receipt of EHE should achieve planned outcomes.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Kevin Shovelton <i>Director of Education Planning and Access</i>
RB39 2016	School admissions - fair access	20	2	4	To provide assurance that the admissions process is fair and equitable, appropriate evidence based decisions are made and appeals processes operate in accordance with statutory requirements.	Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  Kevin Shovelton <i>Director of Education Planning and Access</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB40 2016	Community Learning and Skills	25	1	1	To provide assurance that the key risks in relation to both the current and future service delivery models are adequately managed. In particular the review will consider the recommendations made in relation to financial controls as a result of previous audits. In addition, dependent on timescales, the review will include assurance on governance arrangements and transition in relation to the proposed LATCO.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Gillian Cawley <i>Director Education Quality and Standards</i></p>
RB41 2016	Schools Improvement Team	25	1	2	A review to provide assurance that the Schools Improvement service operates appropriately to allow achievement of strategic outcomes. This will include review of the consistency of support and information provided, the adequacy and appropriateness of commissioning processes and monitoring and review against planned outcomes.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Gillian Cawley <i>Director Education Quality and Standards</i></p>
RB42 2016	Troubled Families	25	1	Ongoing	It is a statutory requirement for Internal Audit to verify claims for Payment by Results prior to submission to the DCLG. In addition Phase 2 has extended the TF Programme and increased the criteria therefore this review will also provide assurance that Outcomes plans are in place and are fit for purpose.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Florence Kroll <i>Director of Early Help and Preventative Services</i></p>
RB43 2016	EduKent Follow-up	20	2	4	Following an audit of EduKent pre-transformation this review will provide assurance on whether the model put in place addresses recommendations previously made, including that governance structures are appropriate and key risks are managed.	<p>Patrick Leeson <i>Corporate Director of Education and Young People Services</i></p> <p>Andy Wood <i>Corporate Director of Finance and Procurement</i></p> <p>Keith Abbott <i>Director of Schools Resources and Lead Finance Business Partner (EY)</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
<b>3.4 Growth, Environment and Transport</b>						
RB44 2016	Contract Management – Household waste & recycling centres	30	1	2	A review of the contract management process and controls for the Household Waste & Recycling Centres contract with Biffa. To ensure that supplier performance is robustly monitored and payments are in line with contract terms.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Roger Wilkin <i>Interim Director Highways, Transportation and Waste</i>
RB45 2016	Developer Contributions and CIL	20	1	4	A review of developer contributions (Section 106) and Community Infrastructure Levy (CIL) payments to ensure that the controls in place are transparent, effective and comply with the Council's policies and procedures.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB46 2016	Local Growth Fund and Local Enterprise Partnership	25	2	4	To provide assurance that controls over LGF and LEP monies are robust and that the schemes are subject to appropriate governance arrangements.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB47 2016	Regional Growth Fund	20	1	3	Assurance on the governance and controls over loans, grants and investments related to Regional Growth Funding, arrangements for monitoring performance against agreed targets and receipt of loan repayments.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB48 2016	Broadband Delivery UK - watching brief	15	2	Ongoing	To provide ongoing assurance on achievement of key stages in BDUK programme.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB49 2016	Coroners	20	2	3	To provide assurance that controls in place over the Coroners Service are appropriate to manage service delivery and costs.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Paul Crick <i>Director Environment, Planning and Enforcement</i>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB50 2016	Allington Waste Incinerator contract	20	2	4	To provide assurance that there are appropriate controls over the proposed re0negotiation of the Allington Waste Incinerator contract.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Roger Wilkin <i>Interim Director Highways, Transportation and Waste</i>
RB51 2016	Transformation and Change - Transport including SEN	20	1	3	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Patrick Leeson <i>Corporate Director of Education and Young People Services</i>  John Burr <i>Director of Transformation</i>
RB52 2016	Transformation and Change - LRA (Group Audit)	20	1	2	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  John Burr <i>Director of Transformation</i>
RB53 2016	Transformation and Change - Property (Group Audit)	20	1	3	To review the process for transition into the proposed service delivery model, giving assurance at key stages in relation to governance processes and future/ongoing assurance needs. The detailed scope will be informed by timescales and progress, specifics of the proposed delivery model and any identified issues and risks.	David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>  Rebecca Spore <i>Director of Infrastructure</i>  John Burr <i>Director of Transformation</i>



Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
RB54 2016	Economic Development Contract Management	15	2	3	A review of the adequacy and effectiveness of contract management for key Economic Development contracts – Locate in Kent and Visit Kent.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB55 2016	International Development Team	15	2	3	To provide assurance over the adequacy of controls in place to ensure the efficiency and effectiveness of the International Development Team in securing funding for the Council.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director of Economic Development</i>
RB56 2016	Kent Resilience Team	10	1	3	To provide assurance post implementation of the Kent Resilience Team Partnership that objectives and planned efficiencies/effectiveness have been achieved through coordinating emergency planning across the county.  NOTE - This is planned to be a joint audit with all of the IA teams covering the partnership organisations.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Mike Campbell <i>Project Manager</i>  Steve Demetriou <i>Project Sponsor (KMFRA)</i>
RB57 2016	Carbon Reduction Commitment annual return	10	1	2	A review of the Carbon Reduction Commitment annual return to provide assurance on the accuracy of base data and the management processes in place to ensure the evidence pack submitted to Central Government is accurate and complete.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Paul Crick/Andy Morgan <i>Director of Environment, Planning &amp; Enforcement/ Head of Energy Management, Commercial Services</i>
RB58 2016	Community Wardens	15	2	4	To provide assurance over adequacy of controls in place to manage and direct the Community Warden team, including the impact of the team and alignment with the Council's goals.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Paul Crick <i>Director of Environment, Planning &amp; Enforcement</i>
	<b>Total Days</b>	<b>1165</b>				

# 4. ICT Audit

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

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT01 2016	Oracle application review	30	1	1	To provide assurance that the Council's core Oracle application is operating effectively, efficiently and securely – covering the General Ledger, Accounts Payable, Accounts Receivable, Payroll and HR modules.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT02 2016	ICT Strategy and Governance	20	1	1	Evaluation of the arrangements the Council has in place to ensure that the ICT governance and ICT strategy remain aligned.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT03 2016	ICT Change Management	20	1	2	Review of the Council's ICT change management process to ensure that it continues to provide management with assurance that the process is controlled, monitored and is compliance with good practices during the period of transformation	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT04 2016	Software lifecycle management	15	2	3	To provide assurance that the Council maintains current versions of software at any level of the infrastructure to reduce the likelihood of failure to recover systems in the event of failure and lack of 3rd party support as product is no longer supported. Also to mitigate increases in security vulnerabilities.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT05 2016	Review of third party ICT contracts	15	1	2	To provide assurance that third party ICT systems and infrastructure used by KCC follow Council standards for security, integrity and availability.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT06 2016	Data centres	20	1	2	To assess the adequacy of KCC data centre hosting provision for Council IT infrastructure, systems and data in terms of physical security and environmental provisioning. Including computer operations and job scheduling.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
ICT07 2016	SWIFT application review	15	2	3	To provide assurance that processing and security controls within the SWIFT application are robust.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p> <p>Penny Southern/Anne Tidmarsh <i>Directors of LDMH and OPPD</i></p>

Ref.	Audit Title	Days	Priority	Indicative Quarter	Audit Details	
					Rationale	Corporate Director & Lead Officer
ICT08 2016	WAMS application review	15	2	3	To provide assurance that processing and security controls within the WAMS application are robust.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p> <p>Roger Wilkin <i>Acting Director of Highways, Transport and Waste</i></p>
	Further audits to be advised, including relationship management	50	2	Ongoing	Based on ongoing risk assessment and relationship management further assurance requirements will be confirmed.	<p>David Cockburn <i>Corporate Director of Strategic and Corporate Services</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Jackie Turner-Robinson <i>Head of Business Service Centre</i></p>
	<b>Total Days</b>	<b>200</b>				

# 5. Work to Prevent and Pursue Fraud and Corruption

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

Ref.	Audit	Days	Priority	Indicative Qtr	Rationale	Audit Details
						Corporate Director & Lead officer
<b>Anti-fraud work – to raise awareness</b>						
CF01 2016	Fraud awareness	25		Ongoing	A programme of fraud awareness training based on an authority wide training needs analysis targeting groups in high risk areas first e.g., schools, procurement and social care. To raise the level of fraud awareness and create a zero tolerance culture towards fraud and corruption.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
<b>Fraud prevention work – to remove weaknesses that could be exploited</b>						
CF02 2016	Kent Intelligence Network	195		Ongoing	Using funding from DCLG to establish a Kent wide, cross local authority intelligence sharing and analytics partnership with a shared objective to detect, prevent and deter fraud and corruption. The partnership will use data from Kent LA partners and the private sector to focus counter fraud resources on high risk areas of fraud realising savings in council tax, business rates, social housing and procurement.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
CF03 2016	National Fraud Initiative (NFI)	30		Ongoing	Investigate data matches released by the Cabinet Office's National Fraud Initiative. Where fraud and error is identified consider whether there were any weaknesses in control and recommend improvements where necessary.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>

Ref.	Audit	Days	Priority	Indicative Qtr	Rationale	Audit Details
						Corporate Director & Lead officer
<b>Detection work – to detect fraud in high risk areas or systems that may be vulnerable</b>						
<b>Counter Fraud audits have been included in the audit plan as follows:</b>		n/a		See main plan	To detect fraud in high risk areas or systems that may be vulnerable and to make recommendations to secure arrangements.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
CA11 2016	Declarations of Interest					
CA19 2016	Recruitment controls					
CA23 2016	Member and Officer expenses follow up					
CS11 2016	Grants					
CS12 2016	Insurance					
RB05 2016	Blue Badges					
RB26 2016	Children's Finances (LAC)					
RB27 2016	s17 payments					
<b>Investigation, sanction and redress</b>						
CF04 2016	Authority wide Investigations	255	1	n/a	Investigate suspected fraud in a timely, professional, and cost effective manner ensuring that all appropriate sanctions are applied and any losses are recovered. This work will include a review of transactions shown as matches by National Fraud Initiative and investigate and report as appropriate.	<b>Authority Wide</b>  David Cockburn <i>Corporate Director of Strategic and Corporate Services</i>
	<b>Total Days</b>	<b>505</b>				

# 7. Summary

Audit	2015/2016
	Days
Core Assurance	595
Core Financial Assurance	280
Risk/Priority Based	1165
IT audit plan	200
Proactive and Reactive Counter fraud work	505
Follow up of audits with no/limited assurance and recommendations with high priority rating	80
Liaison, advice and information and support for system/service development	50
Establishments	150
Group Audit Function	160
Parishes	40
KMFRA	95
Grant claims other Certifications	120
<b>Total Days</b>	<b>3440</b>

This page is intentionally left blank



By: Robert Patterson – Head of Internal Audit  
To: Governance and Audit Committee – 29<sup>th</sup> April 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**

---

### **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

### **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 63 audit reviews have been completed, including 54 substantive reviews. A further 9 substantive audits are at final draft stage and significant fieldwork is in progress for a further 12 audits. In relation to counter fraud work there have been 82 irregularities reported and investigated since the start of 2014/15 of which 64 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £ 1.35 billion (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. Progress against the Audit Plan for 2014/15 is 90% complete at end March 2015; and has therefore achieved the set target. This performance has also incorporated unplanned work in relation to a number of additional work requests and special investigations throughout the year.
5. In relation to counter fraud. work is progressing to implement the pan Kent fraud intelligence network including initial market analysis of data matching software prior to the formal procurement. Recruitment to an additional fraud post has also taken place.

6. Satisfactory progress against targets for agreed Internal Audit and Counter Fraud Key Performance Indicators (KPIs) for the 2014/15 year are detailed within Appendix 1. Reporting of the counter fraud performance data is now a statutory requirement under Transparency Regulations. Of note in addition to the deterrent and control advantages, the counter fraud unit continues to (more than) cover its costs in fraud and irregularity recoveries.

### **Implications for Governance**

7. Summaries of findings from completed work since January 2015 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.

### **Follow Ups**

8. Included in Appendix 1 is a new format for tracking implementation of issues and recommendations from previous audits and counter fraud work. This provides a more focused assessment of management's progress in implementing improvements and enhancing controls.

### **External Quality Assessment.**

9. 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. Such an assessment provides independent assurance to an organisation that the outcomes and judgements from internal audit can be relied upon.
10. In March we commissioned the Institute of Internal Auditors (IIA) to carry out an assessment. As such we are one of the first County Councils to be subject to such review. The outcomes were extremely positive. The overall assessment was that the section “generally conforms to the IIA’s professional standards”. This is the highest possible grading from the IIA methodology. In general the assessors found that the quality of reporting and adherence to Internal Audit standards was good and that there are very good prospects for further improvements.
11. A number of recommendations were made to make further improvements and we have asked the IIA to undertake a light touch follow up next year. The full copy of the IIA report has been given to the Chair and Vice Chair and we are happy to share with other Members on request.

### **Recommendations**

12. Members are asked to note :

- progress and outcomes against the 2014/15 Audit Plan
- progress and outcomes in relation to Counter Fraud activity
- the positive outcomes and assurances provided against international and public sector internal audit standards from the external quality assessment.

### **Appendices**

#### ***Appendix 1 Internal Audit Progress Report April 2015***

**Robert Patterson**  
**Head of Internal Audit**  
**(03000 416554)**



# Kent County Council

## Internal Audit and Counter Fraud Progress Report

April 2015

# Contents

<b>1</b>	<b>Introduction and Purpose</b> .....	<b>5</b>
<b>2</b>	<b>Overview</b> .....	<b>6</b>
<b>3</b>	<b>Mapping Audit (and Counter Fraud) outcomes against corporate risks</b> .....	<b>10</b>
<b>4</b>	<b>Other Audit Work</b> .....	<b>20</b>
<b>5</b>	<b>Group Audit Work - Commercial Services and other LATCo's</b> .....	<b>23</b>
<b>6</b>	<b>Counter Fraud and Corruption</b> .....	<b>24</b>
<b>7</b>	<b>Follow Ups</b> .....	<b>29</b>
<b>8</b>	<b>Internal Audit and Counter Fraud Performance</b> .....	<b>30</b>
<b>9</b>	<b>Internal Audit and Counter Fraud Resources</b> .....	<b>32</b>
<b>10</b>	<b>Work in progress and future planned coverage</b> .....	<b>32</b>
<b>11</b>	<b>External Quality Assessment</b> .....	<b>33</b>
<b>12</b>	<b>In conclusion</b> .....	<b>34</b>
	<b>Appendix A - Summary of individual 2014/15 Internal Audits issued Jan - Mar 2015</b> .....	<b>35</b>
	<b>Appendix B -Summary of Significant Concluded Financial Irregularities</b> .....	<b>50</b>
	<b>Appendix C – Audit Plan 2014/15 Progress</b> .....	<b>51</b>
	<b>Appendix D – Internal Audit &amp; Counter Fraud Follow-up on Implementation of Agreed Actions</b> .....	<b>55</b>
	<b>Appendix E - Internal Audit Assurance Levels</b> .....	<b>61</b>

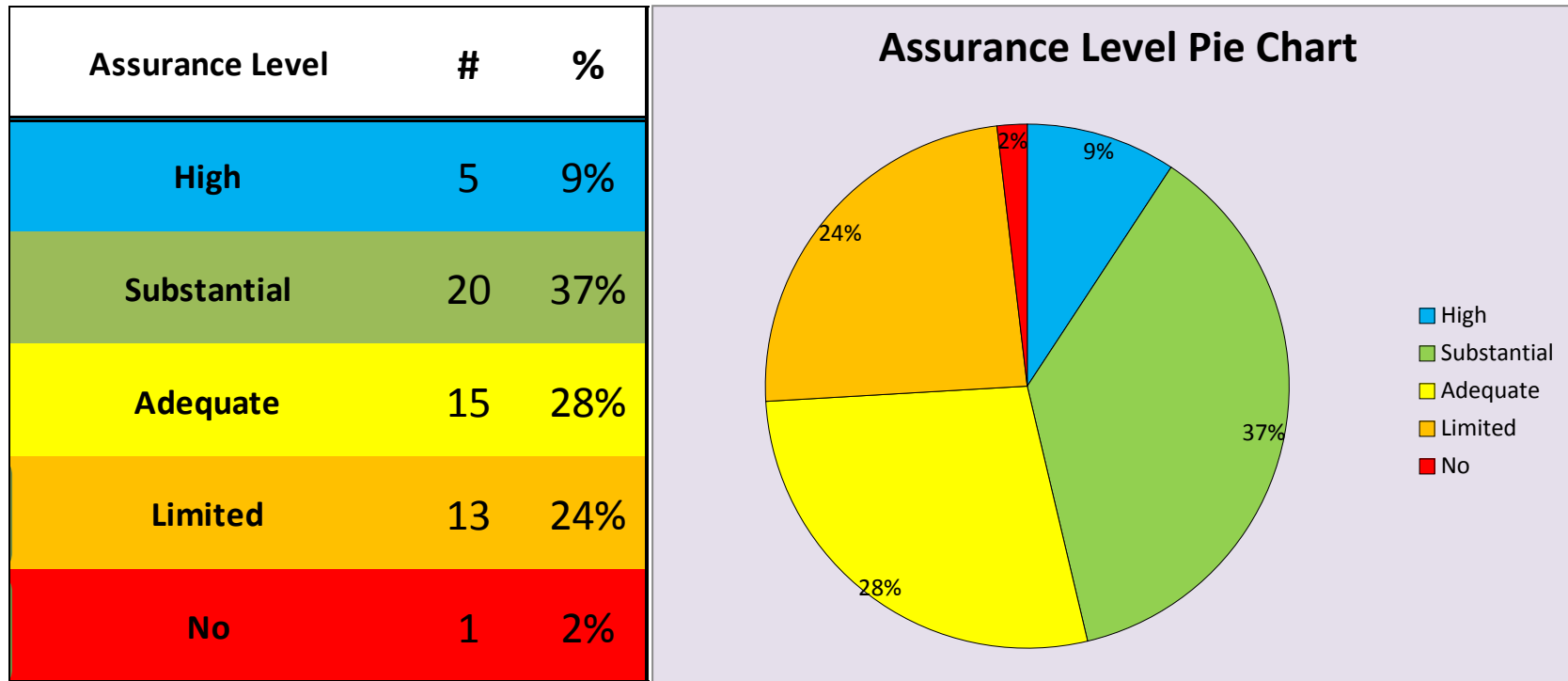
## 1 Introduction and Purpose

- 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 January 2015 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. To date we have completed 63 internal audits (including establishment visits) and 82 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 £ 1.35 billion of KCC turnover to date (excluding Treasury Management).
- 1.3. A further 19 audits and counter fraud proactive projects are currently in progress, and a further 18 counter fraud investigations remain ongoing.
- 1.4. 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.
- 1.5. 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

1.6. Table 1 (see page 9) maps the assurance levels from the 54 substantive internal audits (i.e., excluding establishment visits) undertaken to date. This results in an overall distribution of:



Page 134

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

1.7. Particular strengths include:

- 74% 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 procurement
- A number of exemplar areas identified ranging from employment contracts to controls over pupil premium additional funding.

1.8. Areas for further improvement relate to :

- The 26% or systems or functions that have been judged with limited assurance or worse
- Ensuring transformational change and managing demand in areas within Social Care are sustainable
- Financial and non-financial controls within in-house foster care.
- Enhancing local financial controls within establishments; where 50% of those audited this year have exhibited weaknesses

### **Counter Fraud**

- Page 135
- 1.9. The counter fraud function has provided particularly positive outcomes as detailed on pages 24 to 30. This includes publication of statutory transparency data on counter fraud.
- 1.10. The business as usual activity (82 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.
- 1.11. The section is progressing with its project management on the implementation of the pan Kent intelligence sharing network (KIN) for which we were awarded £480,000 in funding from the DCLG 'Counter Fraud Fund'. As a reminder, 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
- 1.12. Initial procurement and recruitment activity has commenced and we remain confident in having initial data matching activity in progress by the autumn of 2015

## **Overview Assurance**

- 1.13. 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
- 1.14. Management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.



### Audit Assurance Levels of 2014/15 Audits

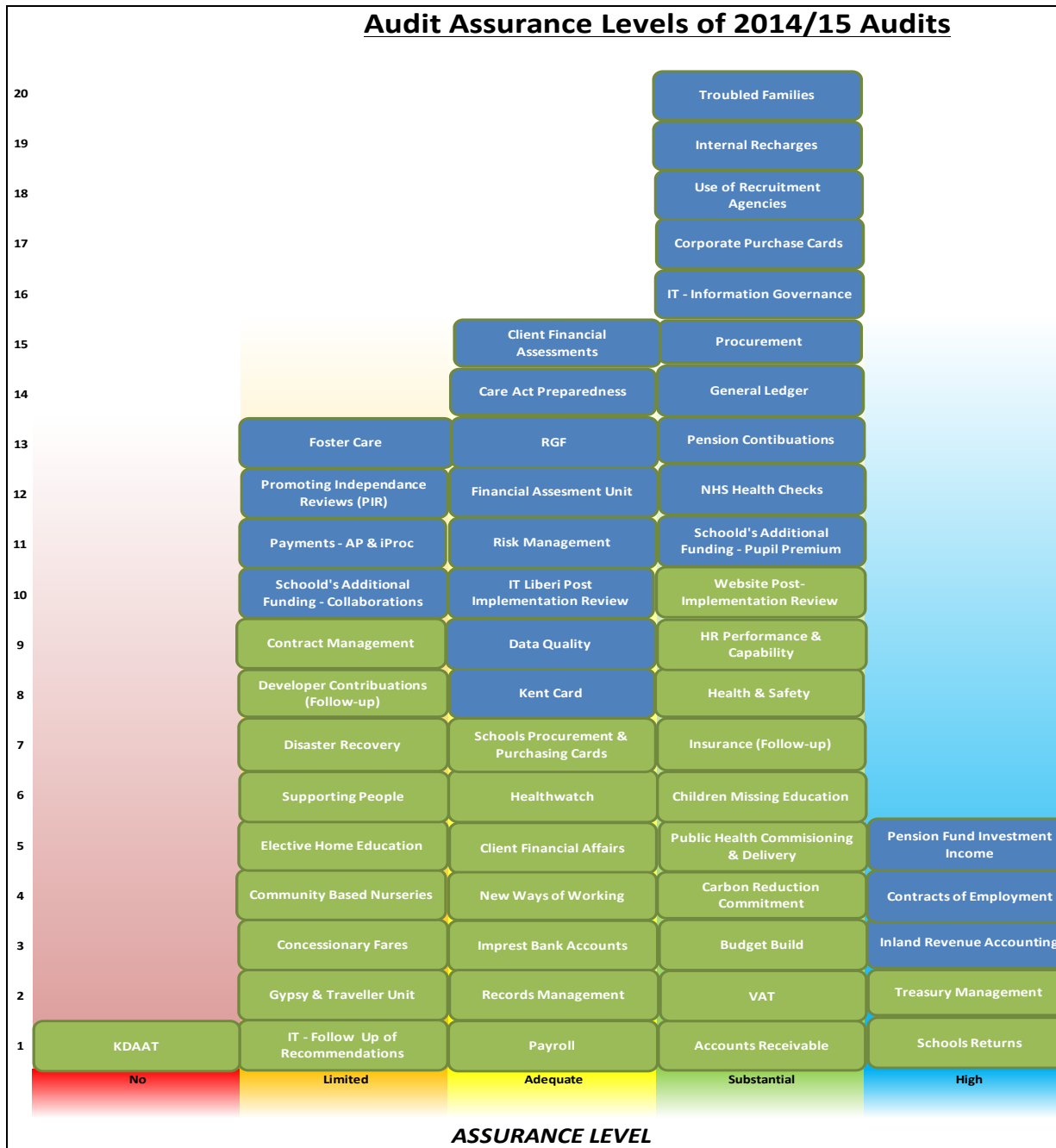


Table 1

### 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 January 2015 report to this Committee.
- 3.2. 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. The tables below show these patterns on a cumulative basis with audits previously reported to the Committee in the shaded areas.

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

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

Page 138

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Promoting Independence Reviews (PIR)</b>	Limited	High: 2 Medium: 0	All Accepted
<b>Care Act Preparedness</b>	Adequate	N/A	N/A
<b>KDAAT</b>	None	High: 7 Medium: 0	All accepted
<b>Supporting People</b>	Limited	High: 1 Medium: 1	Draft
<b>Healthwatch</b>	Adequate	High: 0 Medium: 3	All Accepted

<b>New Ways of Working</b>	Adequate	High: 1 Medium: 4	All Accepted
----------------------------	----------	----------------------	--------------

- 3.4. The above outcomes continue to echo the findings from previous audits in that there is a need to improve how the Council sometimes responds to and plans for change. In particular the Promoting Independence audit focused on the delivery of planned outcomes from third party initiated fundamental re-designs of systems and working practices. This audit found that the sustainability of such improvements could be put at risk due to the new practices and routines not being comprehensively embedded into teams together with shortfalls in accompanying IT systems. Overall the management response has been positive and in relation to PIR a wholesale review of care package recording has been enacted. Clearly the successful implementation of such systems is also fundamental to addressing the corporate risk around managing the demand for Council services.
- 3.5. In relation to the Care Act we have undertaken two interim reviews to provide assurance over the implementation of one of the biggest changes to Local Government social care. Our first review found that project management disciplines had not been fully embedded, there was a lack of clarity over project reporting and risk logs were not up to date. Our subsequent follow-up provided assurance that management were progressing in rectifying these issues, although the late delivery of IT solutions remains an on-going risk.
- 3.6. 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 transformation programmes
  - Accommodation Commissioning Group
  - The Care Act Steering Board
  - The Financial Monitoring Group for Children’s Social Care and Early Help services
  - Continuing liaison with the Corporate Portfolio office
- 3.7. 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

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

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Data Quality</b> Education and Yoiung People	(Overall) Adequate	High: 5 Medium: 3	All Accepted
<b>IT Liberi Post Implementation Review</b>	Adequate	High: 1 Medium: 1	All Accepted
<b>IT – Information Governance</b>	Substantial	Medium: 2	All Accepted
<b>Disaster Recovery</b>	Limited	High: 3 Medium: 2	All Accepted
<b>IT Follow Ups</b>	Limited	No new issues raised	N/A
<b>Records Management</b>	Adequate	High: 0 Medium: 1	1 Medium Risk issue accepted by management and no action proposed
<b>Website Post Implementation Review of Controls</b>	Substantial	High: 0 Medium: 1	Partially Accepted

- 3.9. The outcomes from these audits also point to some important areas for further improvement. Data quality is clearly critical for the Council in that decisions need to be based on sound and accurate management information. For 2014/15 we examined data quality across 4 key systems in use within Education and Young Peoples Services. Although the overall judgement was 'adequate', the results for each individual system were:

Impulse (Pupil Management System)	Limited
Capita ONE (Integrated case management system with schools)	Substantial
IYSS (Tracking system and statutory forms for caseload information)	Adequate
Careworks (Youth offending and prevention system)	Adequate

- 3.10. In essence areas of good practice in some systems were offset by inconsistent controls in others. In particular there were a number of instances where there was a lack of clarity over responsibilities for data quality. The Impulse system also had particular weaknesses over training and weak data validation routines with poor action taken on exception reporting.
- 3.11. The Liberi system is the case management system for Specialist Children's Services. Overall the system has been well received and meeting current user requirements. However the original project documentation and business case were missing such that it was not possible to provide assurance that the project had been delivered to the original specified time, budget or requirements.

### Safeguarding related

3.12. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have completed one work area associated to this risk:

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Foster Care</b>	Limited	High: 7 Medium:2	Partially accepted. No action proposed on one high risk issue
<b>Children Missing Education and Education Programme</b>	Substantial	High: 1 Medium: 3	All Accepted
<b>Elective Home Education</b>	Limited	High: 3 Medium:3	All Accepted
<b>Client Financial Affairs</b>	Adequate	High: 2 Medium: 2	All Accepted

Page 142

3.13. The more substantive Foster Care audit found there were efficient and timely processes in place for the assessment and approval of carers that meet statutory requirements. However core training was weak, complaints, allegation and DBS reporting was incomplete and data quality and associated record keeping needed improvement. There was no risk register in place for the service. Management action and response has been generally positive.

**Access to resources to aid economic growth and enabling infrastructure**

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

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Regional Growth Funding</b>	Adequate	High: 1 Medium: 3	All Accepted
<b>Developer Contributions follow up audit (S106 Agreements)</b>	Limited	No new issues raised	N/A

3.15. The various Regional Growth Fund initiatives are important to Kent’s economic growth and stimulating small and medium sized businesses. Such funding is supplied by central Government but KCC is the Accountable Body. Overall we found the process for dealing with applications for funding was robust such that over 76% are rejected and in relation to the successful bids and the £33 million advanced to date, only 2.6% had resulted in liquidation. With the exception of the companies in liquidation, all repayments due had been received. Nevertheless we have raised issues around strengthening due diligence and declarations of interest over members appointed to Advisory Panels and that the recording of criteria and reasons for acceptance of bids should be strengthened to mirror that for when bids are rejected. Management have accepted all the issues raised.

### Governance and Internal Control - critical systems and services

3.16. 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:

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Risk Management</b>	Adequate	High: 1 Medium: 3	All Accepted
<b>General Ledger</b>	Substantial	No high or medium risk issues	N/A
<b>Client Financial Assessments</b>	Adequate	High: 0 Medium: 3	All Accepted
<b>Internal Recharges</b>	Substantial	High: 0 Medium: 1	All Accepted
<b>Inland Revenue Accounting</b>	High	High: 0 Medium: 1	All Accepted
<b>Payments – AP and iProc</b>	Limited	High: 3 Medium: 3	All Accepted
<b>Pension Contributions</b>	Substantial	High: 0 Medium: 2	All Accepted
<b>Pension Fund Investment Income</b>	High	No high or medium risk issues	N/A
<b>Contracts of Employment</b>	High	No high or medium risk issues	N/A



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

- 3.17. In general these assurance levels continue to point to the robustness of underlying financial and corporate systems, the only exception being the AP and iProc payments processes which have received 'limited' assurance for the third successive year. Nevertheless the gaining of high or substantive assurance for a number of critical systems is evidence of sound and embedded controls.
- 3.18. Our audit of corporate risk management is important element of the assessment of underpinning governance systems. Overall we found corporate and top level risk management to be robust and risk registers were present for most of the major transformation projects, although they were not always consistently assembled and presented. However we found there was an inconsistent understanding the Council's risk appetite and audit work highlighted material services and areas where risk management and resultant registers were not present.

### **Better Care Fund**

- 3.19. We have continued to undertake a watching brief on this significant change programme as well as keeping up to date with national developments and assessments.

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

- 3.20. As per paragraphs 3.3 – 3.5 our work on the risk of management of change has embraced those projects similarly tackling the management of demand, particularly adult social care which featured in Phase 1 of the transformation programme.

### **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:

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>Procurement</b>	Substantial	High: 0 Medium: 3	Draft
<b>Corporate Purchase Cards</b>	Substantial	High: 0 Medium: 1	All Accepted
<b>Highways - Term Maintenance Contract Payments</b>	Substantial	High: 0 Medium: 2	All Accepted
<b>Schools Procurement and Purchase Cards</b>	Adequate	High: 2 Medium: 2	All Accepted
<b>Contract Management</b>	Limited	High: 1 Medium: 0	All Accepted
<b>Concessionary Fares</b>	Limited	High: 2 Medium: 1	All accepted

The procurement audit provided substantive assurance over controls and overall compliance to the Council's policies and practice. Corporate purchase card systems also demonstrated adequate and effective controls with appropriate receipting and approvals being sanctioned on a timely basis.

#### 4 Other Audit Work Other

3.22. A further 5 pieces of work have been undertaken with the following outcomes:

	<b>Assurance level</b>	<b>Issues Raised</b>	
<b>NHS Health Checks</b>	Substantial	High: 0 Medium: 6	All Accepted
<b>Use of recruitment agencies – Sen Staff</b>	Substantial	No high or medium risk issues	N/A
<b>Kent Card</b>	Adequate	High: 2 Medium: 4	Draft
<b>Schools Additional Funding - Collaborations</b>	Limited	High: 1 Medium: 2	Draft
<b>Schools Additional Funding – Pupil Premium</b>	Substantial	High: 1 Medium: 2	Draft
<b>Schools Returns</b>	High	High: 0 Medium: 0	N/A
<b>Gypsy and Traveller Site Allocations</b>	Limited	High: 1 Medium: 1	All Accepted
<b>Community Based Nurseries</b>	Limited	High: 6 Medium: 2	All Accepted

<b>Public Health Commissioning and Delivery</b>	Substantial	High: 1 Medium: 0	All Accepted
<b>Carbon Reduction Commitment</b>	Compliant	High: 0 Medium: 0	N/A
<b>Kent Resource Partnership</b>	Advisory	High: 0 Medium: 2	All Accepted

- 3.23. The Kent Card is used in Specialist Children’s Services as a means of paying the Essential Living Allowance and in Adults as a method of service users receiving direct payments. A number of areas of good practice were identified with good integrated systems to the Client Commissioning Groups. Some improvements were required, more particularly the formal agreement for the health budget pilot has expired, KPI’s are not fit for purpose and the previous Kent Card operator is still accepting erroneous contributions.
- 3.24. The two school additional funding systems audited demonstrated markedly different standards of control. The Pupil Premium systems were operating effectively with schools being able to demonstrate the raising of attainment. Conversely funding to stimulate school collaborations was not well documented with an inability to effectively demonstrate clear outcomes.
- 3.25. Under DCLG requirements we have also audited KCC’s self-declaration on its payments by results claim for Troubled Families. We found issues with attendance data such that the department could have claimed an additional £239,000. Action is being taken by management to address these errors.

### 3.26. Establishment Visits

During the year we have concluded audits of 10 establishments with the following outcomes:

	<b>Assurance level</b>	<b>Directorate</b>
<b>Osborne Court</b>	Limited	Social Care, Health and Wellbeing
<b>Hardelot Centre</b>	Limited	Growth, Environment & Transport
<b>Kent Mountain Centre</b>	Limited	Education & Young Peoples Services
<b>Guru Nanak Day Centre</b>	Substantial	Social Care, Health & Wellbeing
<b>Cranbrook Childrens Centre</b>	Adequate	
<b>Southfields Respite Centre</b>	Substantial	
<b>Whitstable Road Respite Centre</b>	Adequate	
<b>Meadowside Respite Centre</b>	Substantial	
<b>Dorothy Lucy Centre</b>	Limited	
<b>Westview Integrated Care Centre</b>	Limited	

3.27. The final establishment visit for 2015/16 (Osbourne Court) continued to highlight the variability of controls across establishments with particular weaknesses in this case around purchasing controls coupled with out of date adult protection training and incomplete DBS checks.

### **Other Audit Activity**

3.28. 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. At the time of compiling this report we were also holding preliminary discussions with a nearby District Council over the future management of their internal audit service commencing May 2015.

3.29. 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 and has been delivered.

3.30. 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 £2.5m

Page 10 of 11

## **5 Group Audit Work - Commercial Services and other LATCo's**

3.31. The Group Audit function, established in January, has developed its role over this period. In relation to Commercial Services an audit plan for 2015/16 has been approved by the relevant audit committee and a formal service level agreement has been ratified. Progress reports have been presented to both the audit committee and the Shareholder Board.

3.32. In relation to emerging and future LATCo's initial work has been undertaken around Property Services and Infrastructure where we are providing advice on future governance structures with particular reference to 'lessons learnt' from Commercial Services. We will make similar input to other emerging LATCo's and associated delivery vehicles in future.

## 6 Counter Fraud and Corruption

### Fraud and Irregularities

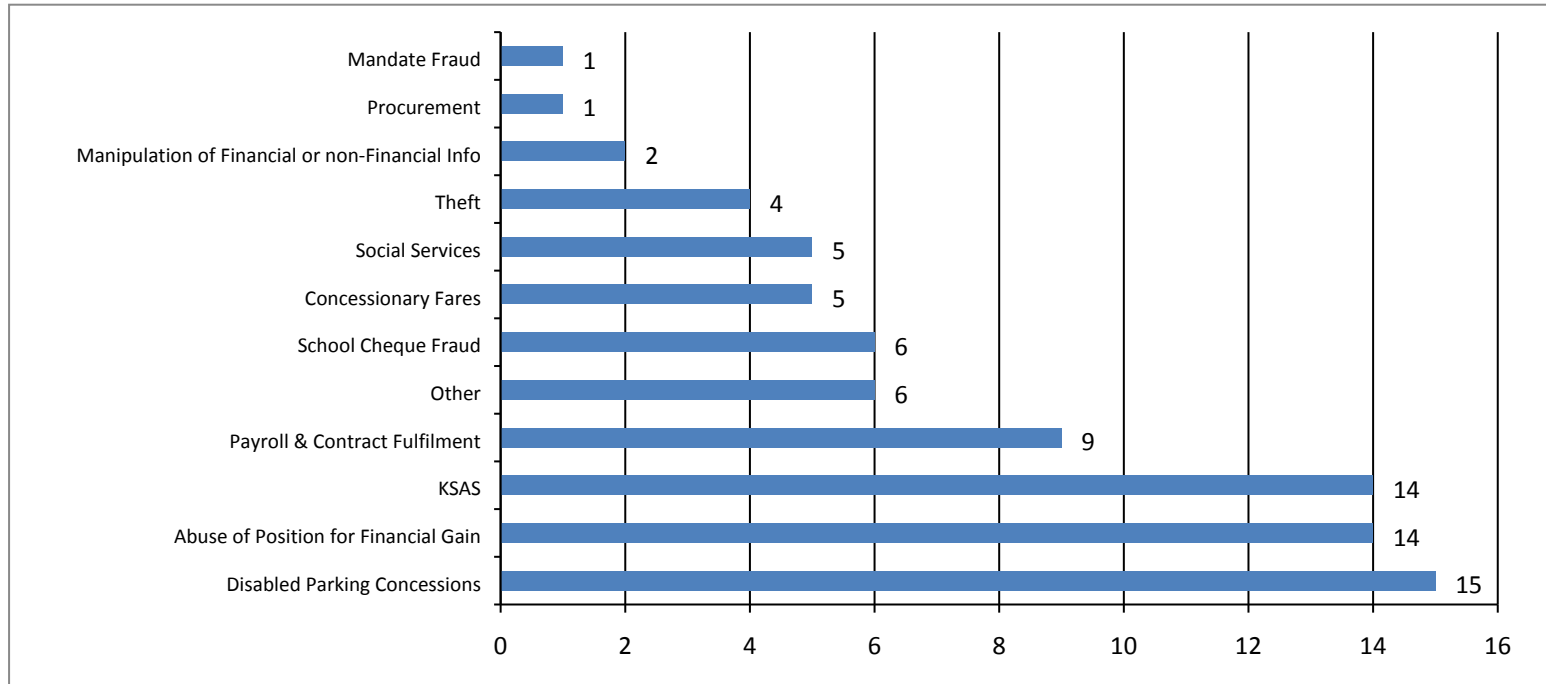
- 6.1. Tables CF1 to CF5 summarises current works in progress and the outcomes of concluded irregularities.
- 6.2. Appendix B details the more notable fraud and irregularity cases we have investigated and brought to a conclusion.
- 6.3. The most common types of fraud in 2014/15 were 'Disabled parking concessions (Blue Badges), 'abuse of position for financial gain' and incidents related to the Kent Support and Assistance Service (KSAS). The most common source of referral continues to be from staff which is indicative of good levels of fraud awareness across KCC, and which have been enhanced as a result of the 'Spot It, Stop It' fraud awareness campaign.
- 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 (2014/15)

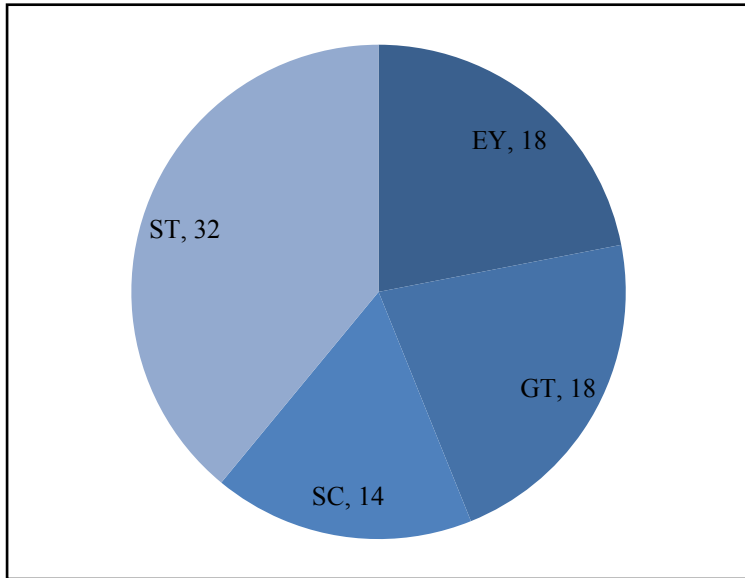
	No. of Irregularities
New irregularities recorded	82
Concluded in period	64
Carried forward at 1 April 2015	18



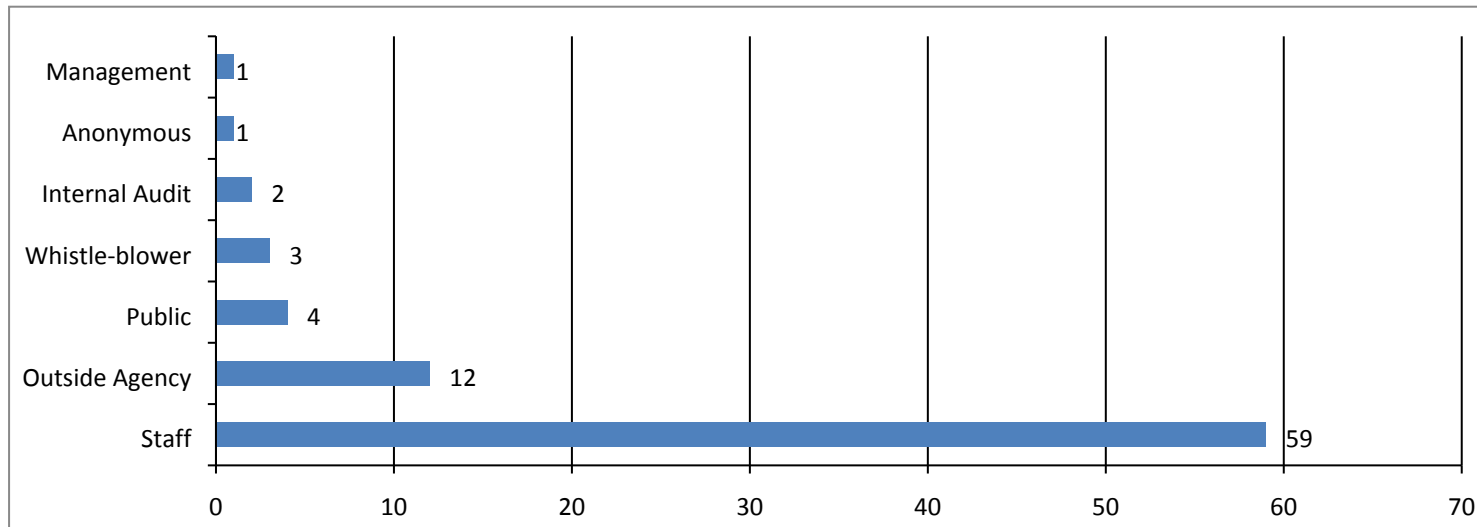
## CF2 – Irregularities by Type

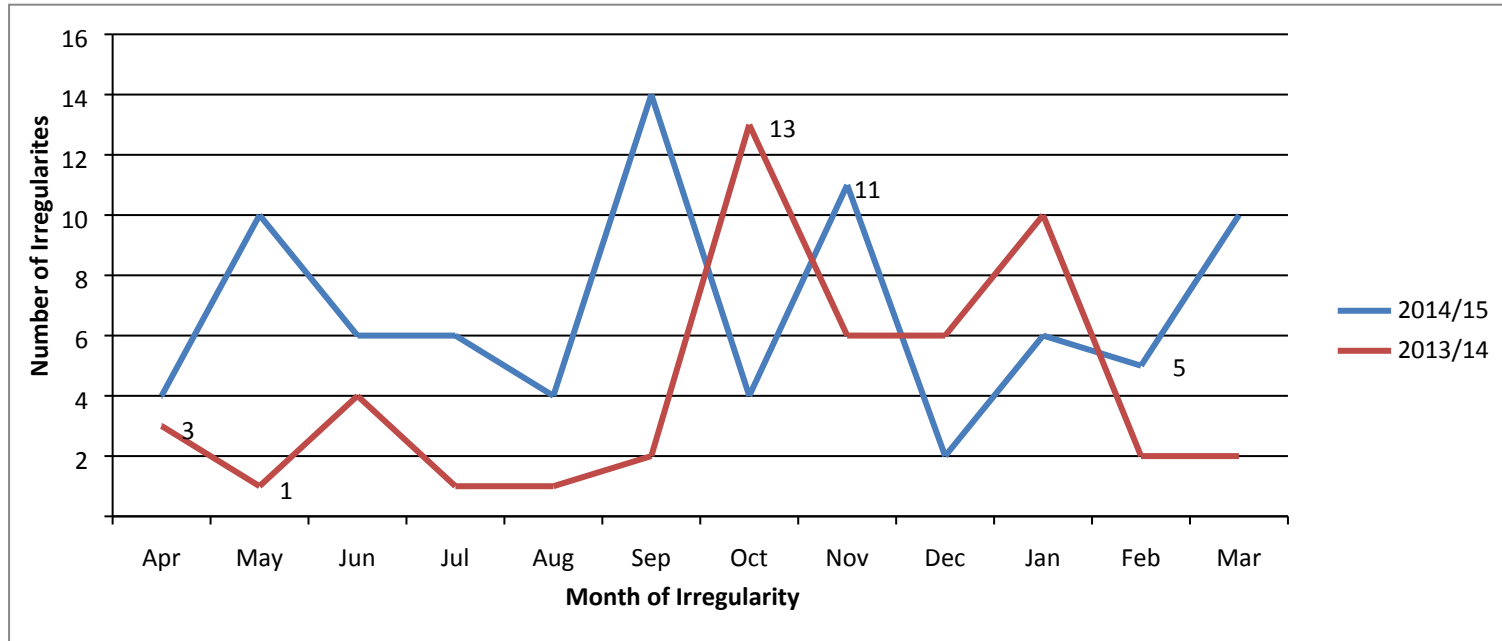


**CF3 - Irregularities by Directorate (2014/15)**



### CF4 – Irregularities by Source (2014/15)



**CF5 – Irregularities by Month (2013/14 & 2014/15)****Kent Intelligence Network**

- 6.5. We previously reported our success in a bid to the DCLG 'Counter Fraud Fund' to facilitate the creation of a county wide counter fraud intelligence network working in partnership with all the Kent districts and Medway. We are the lead authority and anticipated host.

- 6.6. We have been working with KCC's Business Analyst and Procurement teams to identify the IT requirements for the project and have now finalised this work. We anticipate issuing the invitation to tender in May 2015 and launching the network in autumn 2015. In order to resource this project, and minimise impact on the Counter Fraud Team's day-to-day counter fraud work, we have successfully recruited a Fraud Data Analyst who will join internal audit in May 2015.
- 6.7. In addition to pursuing an in-house IT solution we are exploring a data matching pilot with the Cabinet Office's National Fraud Initiative

### **Declarations of Interest**

- 6.8. In 2013 Internal Audit undertook a review of the controls, policies and procedures in relation to declarations of interest for both officers and Members. A number of recommendations were made and accepted. Internal Audit agreed to perform a further data matching exercise in 2014/15 to assess the progress made in capturing declarations of interest.
- 6.9. We completed the data matching exercise which involved a comparison of Companies House data against payroll data, and subsequently against accounts payable information. The comparison identified a number of cases where a declaration of interest may be appropriate. These matches were then compared to interests declared and recorded to establish if declarations had been made and ensure that potential conflicts of interest were being managed.
- 6.10. The results of the data match were provided to Corporate Directors and the Director of Governance and Law for review and action. While accepting that the interests identified may not fall clearly within the definition of a 'Disclosable Pecuniary Interest', to maintain public confidence in the Council and demonstrate a commitment to the Seven Principles of Public Life, we recommended that Officers and Members were asked to consider declaring the interests identified.
- 6.11. The results were received favourably and action has been taken to address the interests identified. We are pleased to report that we found no evidence of fraud.

## 7 Follow Ups

- 6.12. We have developed in Appendix D a more focused follow up reporting regime which focuses on those areas judged in the past as adequate or worse and provides an assessment on managements progress in rectifying issues raised. This provides Members with more powerful reporting in this area and moves away from a 'one size fits all' approach previously adopted.
- 6.13. In general the progress being made in these areas highlighted is satisfactory, although the high number of 'in progress' issues will be noted.

## 8 Internal Audit and Counter Fraud Performance

### Internal Audit

14. Internal audit performance against our targets to the end of March 2015 are shown below:

<b>Performance Indicator</b>	<b>Target</b>	<b>Actual</b>
<b><i>Effectiveness</i></b>		
% of recommendations / issues accepted	98%	98%
<b><i>Efficiency</i></b>		
% of plan delivered	90% by year end	90%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork	90%	83%
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

<b>Quality of Service</b>		
Average Client satisfaction score	90%	93%

6.15. 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 Transparency Measures**

6.16. 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 on an annual basis. These indicators are detailed below together with the results achieved in 2013/14 and 2014/15. The figures for 2014/15 currently record 18 ongoing investigations. We will publish updated results each quarter.

<b>New counter fraud transparency measures</b>	<b>2013/14</b>	<b>2014/15</b>
Total number of employees undertaking fraud investigations	3	3
Total number of professionally accredited counter fraud specialists	2	2
Amount spent on investigation and prosecution of fraud	£127,597	£128,781
No of fraud cases investigated	35	53

No of irregularity cases investigated		51		82
Total No of occasions on which (a) fraud and (b) irregularity was identified	(a)	35	(a)	53
	(b)	15 <sup>1</sup>	(b)	20 <sup>2</sup>
Total monetary value of (a) and (b) detected	(a)	£409,072	(a)	£84,908
	(b)	£43,739	(b)	£90,735
Total monetary value of (a) and (b) recovered	(a)	£113,625	(a)	£73,946
	(b)	£31,680	(b)	£84,433

<sup>1</sup> One incident remains under investigation.

<sup>2</sup> Nine incidents remain under investigation.

This illustrates that the performance of the Counter Fraud Team is good and the level of detected irregularities is increasing (most likely as a result of the 'Spot it, Stop it' campaign) the value of individual frauds can vary significantly.

## 9 Internal Audit and Counter Fraud Resources

- 9.1 The high levels of staff turnover previously experienced by the section have diminished although in the past months two Senior Auditors have resigned to take on promotions to more senior roles in other organisations. Recruitment for replacements is already underway

## 10 Work in progress and future planned coverage

- 9.2 Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planned coverage.
- 9.3 We have a number of substantive 2014/15 audits still being completed as at mid-April:
- Direct Payments



- Supervision systems – Social Care
- Enablement
- Unaccompanied Asylum Seekers Children (UASC) – follow up
- Home Care contract
- Youth Justice
- Waste Contract Management
- Customer Feedback
- Data Protection Act Compliance
- Capital Projects – school build

## **11 External Quality Assessment**

- 11.1 Under Public Sector Internal Audit Standards (PSIAS) it is now a requirement for internal audit to be subject to an independent external quality assessment (EQA) against best practice standards once every 5 years. Such an assessment provides an overall opinion 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 In March we commissioned the Institute of Internal Auditors (IIA) to carry out such an assessment. The outcomes were extremely positive with the section judged to be fully compliant with 52 of the 56 audit principles and partially compliant with the remainder. As such we were awarded the highest possible grading from the IIA being "generally conforms to the IIA's professional standards".
- 11.3 In general the assessors found that the quality of reporting and adherence to internal audit standards was good and that there were very good prospects for further improvements. A number of limited improvements were recommended including enhanced risk based planning, and a consequential move away from more traditional rotational audits, together with better co-ordination with other (internal) assurance providers
- 11.4 The full copy of the report has been given to the Chair and Vice Chair and we are happy to share with other Members on request.

## **12 In conclusion**

- 11.5 We are satisfied that over the past 12 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.
- 11.6 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 11.7 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 Jan - Mar 2015

## Promoting Independence Reviews

### Scope

The aim of the audit was to provide assurance that reviews are being undertaken as prescribed by the project, choice and lifestyle improvement are provided, and savings identified are realisable and sustainable.

### Overall Assessment – Limited

The PIR process has the potential to provide improved outcomes for vulnerable people by enabling them to live a longer independent lifestyle as well as delivering savings of at least £3 million per annum to the Council.

Initial work has been successfully completed and administration is satisfactory with nearly a third of PIRs recording revised solutions with savings on existing care packages. However there isn't a single, comprehensive guidance document and this may be contributing to inconsistencies in application and completion as well as data to help target reviews.

There is no interface between SWIFT and the Tracker which records outcomes of reviews. Testing established discrepancies between the two with a potential shortfall at the time of the audit, of over £1.25 million. The reason for such discrepancies is not completely clear although some evidence was provided care partially or wholly re-instated as a result of subsequent case reviews and PIR outcomes not being logged on Swift. There may also be timing differences between systems.

Two issues have been identified as high risk

## Care Act Implementation (Phase One)

### Scope

The overall aim of the audit was to review progress relating to programme arrangements and associated risk and governance measures. Advice provided was aimed to assist in ensuring that significant risks were properly identified during the lifecycle of the programme and being managed adequately and effectively in order to deliver the Care Act to the delivered outcomes.

### Overall assessment – Adequate (Draft)

We issued an interim report in December 2014 where we identified weaknesses in programme management and governance arrangements, including incomplete risk registers and no overall programme plan to show overall progress. A programme group met weekly to manage the process however there were no terms of reference or minutes for this group. Interim recommendations were made and, in the main, these have been actioned including implementation of a full programme plan meaning greater clarity regarding progress and delivery of overall objectives. This also addresses phase two, i.e. the further elements of the Act required to be in place for April 2016. Workstream project updates were also developed. Separate reports submitted to the Adults Transformation Board (ATB) and the Corporate Portfolio Board (CPB) were provided to the Steering Group from January. Some elements of implementation have interim solutions and these will need to be further addressed.

The Senior Responsible Officer has commissioned a review of governance in order to consider the approach taken in phase one and identify any lessons to be learnt for phase two.

**Scope**

The aim of the audit was to provide assurance that data quality is being effectively controlled within these systems, so that the Council is not exposed to making decisions based on inaccurate information, or providing inaccurate statutory reports.

**Overall assessment – Capita ONE – Substantial**  
**IYSS – Adequate**  
**Careworks – Adequate**  
**Impulse – Limited**

The systems reviewed generally had appropriate owners defined, but there were also inconsistencies in the business plans and job descriptions across the EY directorate. This coupled with the number of separate modules has led to a lack of clarity with regard to data quality responsibilities for individual teams and roles.

There was training in place for all systems. For Capita ONE, Careworks and IYSS, where input access was requested there was 1:1 training. For Careworks this was formal and accompanied with documentation. Impulse only required the completion of an overview e-learning course which did not provide staff with the knowledge and expertise to input the required data. In addition there were adhoc user guides. Where there were no formal training records we were unable to test whether training was appropriate.

All systems reviewed in the audit had data validation built in that helped to prevent the entry of erroneous data. Although the validation in the majority of the systems was sufficiently robust, the controls in Impulse were found to have weaknesses, with key information able to be overlooked or only partially completed.

Data quality and validation reports were produced regularly for all systems reviewed during the audit. Although errors were identified through exception reports it was apparent from testing these reports

**Scope**

The objective of the audit was to provide assurance that controls are in place to ensure that the Liberi system meets both Service and Corporate Objectives and that any issues identified can be considered in the future implementation phases.

**Overall assessment - Adequate**

Liberi is a workflow based case management system which records details of Specialist Children's Service involvement with, and any concerns relating to, the children of Kent. It holds sensitive personal data that should only be accessed by authorised personnel. The requirement to replace the old ICS system was identified following an Ofsted report in 2010 and Liberi Phase 1 was implemented in late 2013. Plans are underway to implement further modules to add additional functionality.

Our audit opinion of Adequate is based on the conclusion that overall the system has been well received and is meeting user expectations and requirements. However, we noted that some expected project documentation could not be found or had not been produced, such as the original Business Requirements document, Project Closure Report and a record of 'lessons learned' from the project.

During the course of our audit we were made aware of a data breach that had been reported to the Information Commissioner's Office. Although the source of the data disclosed was Liberi, we are satisfied that the breach was a result of a procedural failure, rather than a failure of in-built controls within the Liberi system.

We have raised two issues, one of which is rated as high risk:

- It was not possible to confirm that the project was delivered on time, to budget and that key user requirements were satisfied because expected key initiation documentation was not

that for Careworks and Impulse there was no, or limited action taken on such reports.

available for review or had not been produced. This included requirements specification and a project closure report.

There were 8 issues raised, 5 of which were high

## Information Governance Toolkit Compliance Review

## Foster Care

### Scope

The overall objective of the audit was to provide assurance as to the adequacy and effectiveness of the key controls being applied regarding Information Governance (IG). As the NHS IG Toolkit and Public Service Network (PSN) certification offer externally assured assessments of the council's technical and organisational measures, these provide a useful benchmark for assessing maturity.

### Overall assessment - Substantial

The new Local Authority version of the NHS IG Toolkit (v12) required a single submission for all relevant services by 31 March 2015. At the time of the audit, completion of the IG Toolkit was in progress in preparation for submission by the 31st March 2015 deadline. The Council was aiming to achieve a level 2 'satisfactory' assessment score against each requirement.

The 'Substantial' assurance is based on a review of the evidence submitted to support the self-assessed scores for a sample of the IG Toolkit requirements. For the sample of requirements reviewed during our audit, the evidence to support the self-assessed scores on the Council's Information Governance Toolkit was found to be appropriate where it had been provided. At the time of the audit (10 February 2015) the evidence uploaded in the IG Toolkit was incomplete, although the missing evidence was subsequently received in time for the Toolkit submission.

We have raised two low priority issues, being that some evidence necessary to substantiate the self-assessment scores had not yet been obtained and that Information Sharing Agreements are not in

### Scope

The overall objective of the audit was to provide assurance on the adequacy and effectiveness of processes around in-house foster care that minimise associated safeguarding, reputational and financial risks.

### Overall assessment – Limited

There is an efficient and timely process in place for the assessment and approval of carers which meets statutory requirements. Signed agreements were available on file for all carers in our sample. Since the introduction of weekly performance reports, there was evidence of an overall positive direction of travel against the key activity indicators contained in the report. Actions identified in supervisions had been completed and information was shared with the child's social worker in most instances where relevant. There are local processes in place to review the registration of carers who are not active.

However the Limited assurance is based on the nine issues raised, seven of which are high priority. In particular only 13 of 45 carers reviewed had completed all core training. Information regarding complaints and allegations was incomplete in four out of twelve cases reviewed and there was no evidence to support that three relevant cases had been appropriately reported. There is no robust process in place to identify where DBS checks for members of the foster carers household are outstanding. The scheme of expenses has not recently been reviewed and there is limited guidance available to staff and foster carers regarding expenses; testing identified inconsistencies in application. There is no risk register for the Fostering Service. There is

place with all third parties with whom KCC shares data

an inherent issue around the adequacy of data quality and record keeping.

Management have agreed to action the majority of issues raised but dispute the need for a dedicated risk register, preferring to place reliance on a more generic Directorate version.

## Scope

The overall objective was to provide assurance that the governance arrangements in place for all the Regional Growth Fund Schemes, for which KCC as the Accountable Body is responsible, are appropriate and operating as required. In addition, an assessment was carried out of the adequacy of controls over loans, grants and investments made.

### Overall assessment – Adequate

The governance arrangements put in place by KCC are required to meet a range of criteria specified by the Department for Business, Innovation and Skills (BIS). These are comprehensive and independent due diligence of the arrangements was carried out as part of the BIS approval process.

The application process is well documented with clear, concise and appropriate guidance for applicants. The process follows a staged approach of pre-application, full application with evidence, an independent appraisal of the project and consideration by an Investment Advisory Panel (IAP). The decisions of the IAP are recommendations to the Accountable Body (KCC) with agreed limits on delegated approvals and key decisions. The audit sample tested confirmed this process, with 76% of applications being rejected.

There were 4 approved projects where the companies have since gone into liquidation. Overall the amounts involved in liquidations (before any recovery) totals £0.864m, representing 2.61% of the total advanced over all schemes. This current level of failure is considered exceptionally low given that applicants are unable to obtain full financial funding from main stream financial institutions. In these circumstances Regional Growth Funds are provided as a 'lender of last resort'

At the time of the audit 98.6% of repayments due had been received other than for the companies in liquidation. In some cases flexible arrangements were made to help companies and payments on these cases are being received as agreed. The controls in place for monitoring repayments are robust.

The assurance level is based on the 5 issues raised of which 1 was

## Scope

The aim of the audit was to provide assurance that the Council has adequate, robust risk management arrangements in place to support delivery of objectives and the Annual Governance Statement.

### Overall assessment - Adequate

There is a risk framework in place which includes a clear process for assessing and reviewing risk and adequate guidance available to all staff. There was evidence that this process is followed for the Corporate Risk Register. Risks are regularly reviewed and the Corporate Risk Register is monitored by relevant bodies. Risk had been appropriately considered in the key decisions reviewed and there were risk registers in place for the Transformation projects that members of Corporate Management Team perceived as being highest risk.

However, there is currently no detailed risk appetite statement (although we were advised that this was being worked on at the time of the audit) and our audit identified some inconsistency in understanding. Not all key risks identified during our interviews with Corporate Management Team were on relevant risk registers. The risk registers for significant Transformation projects were not consistent in their approach to assessing risk.

Internal Audit work throughout the year has identified significant operational areas where risk was not being managed adequately or effectively.

Five issues were raised, one of which is high priority. This was risk management not fully embedded throughout the Council.

high priority. Action plans have been agreed with management for all issues. The issues were around:

- improvements to the governance arrangements covering appointments to Investment Advisory Boards/ Panels,
- documentation of positive application decisions,
- enhancements to declarations of interest for panel members

**General Ledger**

**Income & Assessment Unit – Financial Assessment**

**Scope**

The overall objective of the audit was to provide assurance that the

**Scope**

The aim of the audit was to provide assurance that processes and



risks associated with the General Ledger are being managed adequately and effectively in order to meet system, service and corporate objectives.

### **Overall assessment – Substantial**

The Oracle General Ledger holds data on the financial position, assets, liabilities, income and expenditure of the Council including data from subsidiary feeder systems. This financial information is used as the basis for the production of the budget monitoring reports throughout the year and the financial statements at year end.

The “Substantial” assurance originated from findings that audit testing showed that controls are working effectively in respect of journals, feeder systems and suspense accounts. A small number of areas for improvement were identified although none were high risk. These included the timeliness of bank account authorisations, the time taken to clear suspense and that some of the evidence provided in support of pre-authorised journals was insufficient.

A total of 4 issues have been raised, all of which are all low priority.

controls are in place to ensure accurate financial assessment and communication of client financial contributions.

### **Overall Assessment - Adequate**

Clients are financially assessed to determine the contribution they need to make towards to costs of their residential or non-residential care. KCC has the power to charge an individual for non-residential services based on a means test which ensures they are left with a protected income level which cannot be taken into account. Clients’ financial circumstances are assessed by an Officer within the Financial Assessment Unit and their main role is to accurately calculate the clients’ contribution towards the cost of their care.

The adequate assurance is based on the controls in place in a number of areas. Financial assessments are being carried out promptly for each newly referred client and relevant training is provided to all staff. For the assessments sampled, client contributions were seen to be accurately calculated based on the figures provided and the results were effectively communicated to the client / representative. Benefit maximisation is provided during the assessment process and DWP referrals are made where necessary. Access to client files is restricted and records are held securely. The team’s performance is measured and appropriately reported.

Our audit testing did, however, identify some areas for further improvement. We noted that the newly created financial assessment form (FAF) and checklist were not being fully completed in all cases and the recording of DWP verification was inconsistent. For face to face visits, the Assessors review relevant documents and verify the figures whilst on site; however it was not always clearly shown on the FAF exactly what documents they have verified during the visit. Prominent age reports have recently been re-introduced which would trigger a full re-verification. However these are not run at set points in the year and the process for identifying cases for desk-top full re-verification has not yet been developed.

Three medium priority issues have been raised.

## Internal Recharges

### Scope

The overall objective of the audit was to identify internal recharges and provide assurance that adequate and effective controls are in place and operating effectively regarding the administration and accurate recharging of internal costs.

### Overall assessment – Substantial

The “Substantial” assurance is based on sample testing of internal recharges with Legal Services and ICT. Audit testing found that overall the controls are working well regarding calculating recharge rates, retaining supporting documents and processing recharge journals. Within ICT there were occasions where supporting documents could not be located. Processes are already being introduced to deal with this issue.

One issue was raised of Medium priority.

## Inland Revenue Accounting

### Scope

The overall objective of the audit was to provide assurance that the risks associated with Inland Revenue Accounting processes and payments are being managed effectively in order to ensure that all appropriate income tax and NIC payments are made to HMRC and that P11D requirements are met.

### Overall assessment – Substantial

Payroll plays a key role in employment tax compliance and is the method by which employers withhold Pay As You Earn income tax (PAYE) and Class 1 National Insurance Contributions (NICs). Payment of these deductions and of Employers NICs must be made to HMRC on a monthly basis within specified deadlines.

Certain expenses and benefits are reportable by employers to HMRC on forms P11D, which state the expenses and benefits provided to each employee in the course of a UK tax year. Class 1A NICs are payable in respect of benefits-in-kind. There are penalties to employees for inaccuracies in P11D forms.

The Substantial assurance is based on sample testing and interviews with key officers, which identified that controls are operating effectively. Formal, up to date procedures are in place for staff to follow and the PAYE and NI deductions from Employees gross pay are accurately calculated. Employer NICs are also correctly calculated and the total payments made to HMRC for tax and NI are appropriately reconciled to Oracle and made in a timely manner. One issue was identified where in 2 instances (from a sample of 60) the employee’s tax code had not been updated in Oracle, indicating that the procedure for processing updates from HMRC should be strengthened.

The arrangements in place for the production of P11D forms for the 2013/14 tax year were found to be appropriately controlled with the required information being collated and accurately input to the P11D

Interface in line with HMRC deadlines.  
One medium priority issue has been raised regarding processing tax code notifications.

## Payments Process (Accounts Payable and iProcurement)

### Scope

Accounts payable (AP) is an integrated module of the Oracle Financial Information System. The iProc Oracle module is an online automated purchase requisition management facility. The overall objective of the audit was to provide assurance that there is an adequate system of controls in place regarding the payments process and that risks are being managed adequately and effectively. Within the previous audit carried out in 2013/14 a Limited opinion was given with a total of 9 recommendations, 4 of which were high priority.

### Overall Assessment – Limited

There have been some improvements since the last audit in 2013/14, however 4 of the previous recommendations made have yet to be implemented, 2 of which were high priority. In addition it was identified that there were iProc users with inappropriate self-approval limits.

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 remain.

7 issues have been raised, 3 High, 3 Medium and 1 Low Risk. The arrangements in place for the production of P11D forms for the 2013/14 tax year were found to be appropriately controlled with the required information being collated and accurately input to the P11D Interface in line with HMRC deadlines.

One medium priority issue has been raised regarding processing tax

## Pension Contributions

### Scope

The overall objective of the audit was to provide assurance that controls are in place to ensure that contributions for pensions are being correctly deducted and paid over to the Kent Pension Fund.

### Overall Assessment – Substantial

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

The 'Substantial' assurance is based on sample testing. A new Excel spreadsheet based system was developed internally for the 2014/15 year recognising the need for a more robust system which could cope with the increasing number of employers and the need for additional controls. Sharepoint is now used as a library for Pension Fund documents.

We have made four recommendations none of which are high priority, which relate to the bedding in of the new system and the adequacy of the review process.

code notifications.

## Pension Fund Investment Income

### Scope

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

### Overall Assessment – High

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

The 'High' assurance is based on sample testing and interviews with key officers, which identified that controls are operating adequately and effectively. In particular, there are regular reconciliations between the investment monitoring system Shareholder and fund manager statements; journals to post pension fund income to Oracle are accurately recorded and coded; a 6 monthly Oracle to Shareholder reconciliation is performed; quarterly performance reports are used to identify variances from the benchmark asset allocation and performance; and the challenging timetable for the 2013-14 accounts production was met.

No recommendations were made.

## Contracts of Employment

### Scope

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

### Overall assessment – High

KCC is required to provide all employees with a formal contract of employment which sets out key employment particulars for a member of staff including their specific employment arrangements along with their terms and conditions of employment.

The High assurance is based on sample testing and interviews with key officers, which identified that controls are operating effectively. Formal, up to date procedure notes are in place for HR staff to follow and there is appropriate guidance and a comprehensive e-learning package for recruiting managers. New contracts of employment are being issued with appropriate arrangements to secure the sensitive data contained. Monthly KPI packs are produced from Oracle HR data, including monitoring the timeliness of issuing contracts in line with the statutory eight week limit for new staff.

Although we found that there were some delays in the receipt of information from managers and a small number of instances where HR Buddy Checks were delayed, all the new contracts of employment tested within the audit sample, were issued in line with statutory requirements. Similarly, new contracts for staff that had changes to their pay or hours of working were generally issued promptly by HR. The root cause of the delays in receiving full information or completing Buddy Checks is already being addressed by HR Business Centre

management as a result of the recent Payroll audit (ref CS08 2015).

No new issues have been identified during this audit for management action.

## Procurement – SS&P Team

### Scope

The aim of the audit was to provide assurance that the four medium priority recommendations from the 2013/14 audit of Strategic Sourcing and Procurement (SS&P) have been fully implemented and that new developments are appropriately controlled.

### Overall Assessment – Substantial (DRAFT)

The central Strategic Sourcing and Procurement (SS&P) team are responsible for ensuring that spend is effective and that best value is achieved through effective category management, reviewing expenditure across the whole Council, standardising systems and processes, and improving governance.

The last audit of the SS&P team was carried out in 2013/14 and was given Substantial assurance. Five recommendations were made, four of which were medium priority and one was low priority. This audit followed up on the four medium priority recommendations.

The substantial assurance is based on the controls in place in a number of areas and that there was evidence to support a clear positive direction of travel in regards to compliance with the Council's procurement policy and consistency of good practice throughout the SS&P team. A clear, readily accessible and up to date procurement policy is in place incorporating process flow charts. An exception report is generated periodically and checked to ensure that all orders over £50K are validated and released appropriately. Electronic

## Corporate Purchase Cards

### Scope

The overall objective of the audit was to provide assurance that the risks associated with Corporate Purchase Cards are being managed adequately and effectively in order to meet system, service and corporate objectives.

### Overall assessment – Substantial

There are approximately 470 Corporate Purchase Cards in use across the Council's directorates. The average monthly expenditure incurred in 2014/15 using corporate purchase cards has been about £187,000 with over 1,700 transactions each month. The eSolutions application is used to view transactions made on all Corporate Purchase Cards and allocate them to the correct budget code. The system is also used by managers to approve card transactions.

The "Substantial" assurance is based on audit testing that showed a number of areas where controls are working effectively in respect of receipts and evidence being approved in a timely manner, cards being held securely and Pin numbers not being divulged. All the transactions sample tested were confirmed as being for valid expenditure, cards were set up for the categories required to meet cardholder's needs and expenditure was within cardholder limits.

A small number of areas for improvement were identified although none were high risk. VAT was not being recorded for some transactions, so the VAT paid cannot be reclaimed and valid VAT

systems to support procurement (such as iProc and iSupplier) continue to be rolled out throughout the authority and ways to improve further have been reviewed, assessed and implemented where feasible.

However, some areas were identified where there is still scope for further improvement. From our review of five recent projects, procurement plans were not authorised in two cases, a financial assessment was not carried out in full for all suppliers for three projects and an authorised award report was not available for one project. There was also one instance where the contract had not been signed appropriately in line with the delegated authority matrix.

As noted in the previous audit in 2013/14, there is no formal process to record declarations of interest for members of the SS&P team and the source data used as the basis for KPI monitoring against targets is not being retained in all cases.

Three medium priority issues have been raised.

receipts were not available for all transactions tested during the audit, notably for on-line purchases. In addition it was not clear whether approvers were validating the expenditure by checking receipts and descriptions, which should be done on at least a sample basis.

A total of 3 issues have been raised, one medium and two low priority.

### Highways – Term Maintenance Contract Payments

#### Scope

The overall objective was to provide assurance that payments made under the contract are accurate and legitimate. This audit covered work ordering, approval and ensuring that payments are accurate,

### NHS Health Checks

#### Scope

The overall objective of the audit was to provide assurance that KCC has adequate and effective arrangements in place over the commissioned NHS health check service provided by Kent Community Health NHS Trust (KCHT).

timely, in line with the contract schedules and properly recorded in the Council's financial systems.

**Overall assessment - Substantial**

Full use is made of the Works Asset Management System (WAMS) for ordering and approving highway works. Orders are based on the contractually agreed Schedule of rates. Variations, disputed claims and completions are all registered in WAMS.

The audit included reviewing the submission from AMEY, interfaces with WAMS, Oracle Payments, Oracle Project Accounting, management approvals of payments and the final payment via CHAPS to the Contractor. This payment is adjusted for all unresolved previous and current disputes. The process followed was accurate with appropriate reconciliations at all stages and payments were made within the contractual timescale.

Inspections of completed works are carried out on a sample basis and the results of these inspections are collected and monitored centrally. Larger projects are all monitored on a regular basis and are not subject to a sample approach.

Procedure notes are in place for the full payments process and for the related inspection procedures. These have been regularly updated, but the audit identified scope for improvement in the documentation of the range of bespoke spreadsheets used to manage and reconcile payments. In addition the links, data requirements and interfaces between the main systems (WAMS, Oracle Payments, Oracle Project Accounting, and Oracle General Ledger) are not fully described. Two medium priority issues were raised both of which were accepted by highways management.

**Overall assessment - Substantial**

There is a contract in place for KCHT to provide the NHS health checks service on behalf of KCC and KCHT has a standard contract in place with providers which specifies the need to comply with statutory requirements and best practice guidance.

We confirmed that payments made by KCC for invoices submitted by KCHT for invitations and health checks carried out are timely and are verified to supporting information and source data records prior to payment being made. We also confirmed that financial monitoring arrangements are in place. Data on health checks which is used for internal and external reporting has been subject to rigorous verification and senior management approval. We confirmed that there were valid explanations where practices had a low uptake of invitations and checks.

Nine issues were raised, none of which were high priority. These include the use of management information from the iCAP data repository to identify and investigate any significant variances from the monthly spreadsheet of health check totals submitted to KCC by KCHT has also been raised as an issue.

Outreach locations where health check clinics are run by KCHT are identified from knowledge and experience but results show there is variable uptake. The use of available data to identify individuals of high risk and in areas of deprivation should be considered. The identification and reporting of outcomes from health checks requires improvement. Patient satisfaction survey arrangements are not comprehensive.

**Appointment of Senior Staff – Use of Recruitment Agencies**

**Kent Card**

**Scope**

The overall objective of the audit was to provide assurance on

**Scope**

The aim of the audit was to ensure adequate controls are in place for



compliance with the Council's procurement policies and procedures on the use of recruitment agencies for the appointment of senior staff and the contract management processes in place.

### **Overall assessment - Substantial**

The audit reviewed three senior appointments during 2014/2015 where recruitment agencies were used as part of the full appointment process, including a Members' panel to decide on the final appointment.

The audit found that the use of recruitment agencies for the appointment of senior staff is well co-ordinated within HR and all agency selections reviewed complied with the Council's procurement policies and procedures.

In all cases the work required from the recruitment agencies was defined with appropriate timescales. Contract management processes are in place to ensure that information is provided within these timescales. All payments reviewed during the audit were in line with the rates and timetable agreed.

The audit raised one low priority issue for the use of recruitment agencies for senior appointments could be included as part of a wider based framework currently being considered for other areas where recruitment agencies are used within KCC.

the use of Kent Card and they were operating effectively to ensure associated risks are mitigated, and to seek assurance the NHS are recharged for clients on the integrated health budget pilot.

### **Overall Assessment –Adequate**

Areas of good practice were identified in relation to controls for creating and cancelling Kent Cards. Client accounts on the integrated health budget pilot are reconciled monthly with invoices to the Clinical Commissioning Groups CCG'S raised timely. There is no long term outstanding debt from CCG's.

However, some issues were identified where improvements are required. The current written agreement for the integrated health budget pilot is out of date. Merchant category code restrictions have not been applied to cards that require blocks. There is an outstanding balance of £132k on the previous providers (RBS) cards. Key performance indicators in the contract with PFS are not sufficient and are not being monitored.

Ten issues have been identified and two of these are high risk.

## **Schools Additional Funding – Pupil Premium and Collaborations**

### **Scope**

The overall objective of the audit was to provide assurance that additional funding provided to schools for pupil premium and collaborations is being utilised appropriately and effectively.



**Overall assessment - Additional Funding – Substantial Collaborations - Limited**

Pupil Premium

- a) The process in place to distribute pupil premium funding to schools via the monthly school advance is operating effectively. We visited twenty-five schools to assess how pupil premium funding was being managed and accounted for and whether the practices in place were reasonable. Our overall observation is that the level of detail schools maintain over how pupil premium funding is spent and how this relates to individual pupils varies between schools; however the majority were able to demonstrate how attainment had been raised in line with national indicators. Those schools that had been visited by Ofsted documented more detailed information on pupil premium spend.

Collaborations

- b) From the sample of collaborations reviewed, we found that evidence of the decision making process and amount of funding which had been approved is not documented, making it difficult to reconcile effectively. Additionally, progress reports submitted by collaborations did not always demonstrate how funding had been spend or whether the outcomes had been achieved. However, on reviewing the outcomes they appear reasonable and would lead to the assumption that attainment would be raised.

We have raised three issues to improve on existing controls, one of which is high priority.

# Appendix B -Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
955	External	Internal audit were alerted to a concessionary fare user who had been issued with 33 bus passes in two years. Some of the passes had been used after the date they had been reported as lost or damaged.	The investigation revealed that the service user, a learning disability client, had not intended to act dishonestly. Recommendations were made and agreed with management to produce additional guidance for staff to assist them in identifying misuse and fraudulent activity.
977	Internal	Internal audit investigated an allegation that a member of staff had fail to bank letting income after KCC premises were let out for a number of private functions.	The investigation confirmed that the letting income was not banked in a timely manner and the event was not an appropriate use of KCC premises. The member of staff resigned prior to the completion of the disciplinary action.
1000	External	Internal audit were alerted to a social care client who had allegedly failed to declare an occupation pension payment and associated capital.	The subsequent investigation confirmed the client had failed declare his pension and capital however the client died before any further action could be taken. The overpayment (around £30,000) will be recovered from the client's estate.

# Appendix C – Audit Plan 2014/15 Progress

Project	Progress at April 2015	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
<b>Core Assurance</b>							
Strategic Partnership Governance	Cancelled	N/A	N/A	Contract Management/ Individual Contracts	Complete	January 2015	Limited
Corporate Governance	Fieldwork	July 2015	TBC	Company Governance/ADSM Advice	Cancelled	N/A	N/A
Annual Governance Statement	Complete	October 2014	Substantial	Remote Site Compliance Visits	Complete	April 2015	Various
Schemes of Delegation	Fieldwork	July 2015	TBC	Transformation Programme and CPO Support	Complete	July 2015	TBC
Risk Management	Complete	April 2015	Adequate	Contracts of employment - new contracts and changes	Complete	April 2015	High
Business Continuity & Resilience Planning	C/F to 2015/16	N/A	N/A	Equality and Fairness at Work - Performance and Capability	Complete	January 2015	Substantial
Information Governance	Complete	April 2015	Substantial	Health & Safety Follow-up	Complete	January 2015	Substantial
Records Management	Complete	January 2015	Adequate	Use of Recruitment Agencies – Senior Appointments	Complete	April 2015	Substantial
Customer Feedback	Fieldwork	July 2015	TBC	Use of Recruitment Agencies – Temp and Hard to Fill	Planning	July 2015	TBC

## Core Financial Assurance

Payroll	Complete	January 2015	Adequate	General Ledger	Complete	April 2015	Substantial
Revenue Budget Monitoring	Draft	July 2015	TBC	Budget Build	Complete	October 2014	Substantial
VAT	Complete	October 2014	Substantial	Inland Revenue Accounting (PIID, PAYE, NIC)	Complete	April 2015	Substantial
Payments Processing	Complete	April 2015	Limited	Accounts Receivable (manual invoices and AR wizard, billing from SWIFT)	Complete	October 2014	Substantial
Bank Accounts	Complete	January 2015	Adequate	Financial Assessment Unit	Complete	April 2015	Adequate
Client Financial Affairs	Complete	January 2015	Adequate	Corporate Purchase Cards	Complete	April 2015	Substantial
Insurance - managing insurances and claims handling	Complete	January 2015	Substantial	Treasury Management	Complete	January 2015	High
Pension Fund Investment Income	Complete	April 2015	High	Pension Contributions	Complete	April 2015	Substantial
Schools Financial Services	Fieldwork	July 2015	TBC	Schools Financial Services (Returns)	Complete	January 2015	High
Procurement	Draft Report	April 2015	Substantial	Recharges	Complete	April 2015	Substantial
<b>Risk/Priority Based Audit</b>							
Capital Project Delivery	Fieldwork	July 2015	TBC	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	July 2015	TBC	Enablement	Fieldwork		
Supervisions	Fieldwork	July 2015	TBC	H&SC Integration – Kent Card	Final Draft	April 2015	Adequate
H&SC Integration – Better Care Fund	Complete	April 2015	N/A	H&SC Integration – Health Monies spend/audit	Cancelled	N/A	N/A
Optimisation	Final Draft	July 2015	TBC	Care Act Preparedness	Complete	April 2015	Adequate
Promoting Independence Reviews	Complete	April 2015	Limited	Safeguarding – Financial Abuse	Draft	July 2015	N/A

Foster Care	Complete	April 2015	Limited	Adoption	C/F to 2015/16	N/A	N/A
0-25 Transformation Portfolio – Watching Brief	Ongoing therefore c/f to 2015/16	Planned for July 2015	N/A	Children’s Services Transformation Programme – Baseline Assurance	Cancelled	N/A	N/A
Children’s Payments – s17	Final Draft	July 2015	TBC	Commissioning & Quality in Care Frameworks	Draft	July 2015	N/A
Supporting People	Complete	January 2015	Limited	Kent Drug and Alcohol Action Team (KDAAT)	Complete	January 2015	No
Adult Social Care Transformation Programme – Watching Brief	Ongoing therefore c/f to 2015/16	Planned for July 2015	N/A	Domiciliary Care – Post Contract Review	Planning	July 2015	TBC
Sexual Health (replaced by Health Checks)	Cancelled	N/A	N/A	Health Checks	Complete	April 2015	Substantial
Prescribing	C/F to 2015/16	N/A	N/A	NICE Guidance	C/F to 2015/16	N/A	N/A
Serious Untoward Incidents	Fieldwork	July 2015	N/A	Home-to-School Transport, including Special Educational Needs	C/F to 2015/16	N/A	N/A
Elective Home Education/ Home Teaching & Children Missing Education	Complete	October 2014	Split Substantial/ Limited	Data Quality – Education & Social Care	Complete	April 2015	Various
Apprenticeships	Planning	July 2015	TBC	Workplace Nurseries	Complete	January 2015	Limited
Additional Funding, including Premiums & Collaborations	Final Draft	April 2015	Split – Substantial/ Limited	SEN Assessment & Funding	C/F to 2015/16	N/A	N/A
Schools Themed Reviews, including purchase cards and procurement	Complete	January 2015	Adequate	Troubled Families	Complete	April 2015	Compliant
KIASS, including Checkpoint Review	Cancelled	N/A	N/A	Broadband Development UK	Draft	July 2015	TBC
Regional Growth Fund	Final Draft	April 2015	Adequate	Developer Contributions	Complete	January 2015	Limited


AMEY Contract Payments	Complete	April 2015	Substantial	Gypsy & Traveller Unit (allocation of Sites)	Complete	October 2014	Limited
Concessionary Fares	Complete	January 2015	Limited	Expenses – Members & Officers	Fieldwork	July 2015	TBC
Household Waste & Recycling Contract	C/F to 2015/16	N/A	N/A	Waste Contract Management	Fieldwork	July 2015	TBC
West Kent Waste Partnership	Planning	N/A	N/A	Kent Resource Partnership	Complete	January 2015	Advisory
Libraries Programme – Checkpoint Review	Complete	N/A	N/A	Carbon Reduction Commitment	Complete	January 2015	Compliant
Commercial Services - Watching Brief	No Longer Applicable	N/A	N/A	Sports Grants	C/F to 2015/16	N/A	N/A
Healthwatch Kent (carried forward from 13/14)	Complete	January 2015	Adequate	Public Health Governance – Deliver and Commissioning	Complete	January 2015	Substantial
<b>IT Audit</b>							
Website (carried forward from 13/14)	Complete	January 2015	Substantial	Liberi Post-Implementation	Complete	April 2015	Adequate
Follow-up Post Implementation Review (Carried Forward from 13/14)	Complete	January 2015	Limited	PCI DSS Compliance	Fieldwork	July 2015	TBC
ICT Governance and Strategy	C/F 2015/16	N/A	N/A	Network Security	Draft	July 2015	TBC
IT Disaster Recovery	Complete	January 2015	Limited	DPA Compliance	Draft	July 2015	TBC

Page 10 of 10

# Appendix D – Internal Audit & Counter Fraud Follow-up on Implementation of Agreed Actions

 No Assurance

Page 183



Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
KDAAT	07/2014	7	0	5 2*	0	Interim follow-ups in Jan and March 2015 indicate good progress on rectifying issues through robust improvement plans under new management. The two outstanding recommendations are in progress and nearing completion.	 GREEN
<b>Total All No Assurance Audits</b>		<b>7</b>	<b>0</b>	<b>5 2*</b>	<b>0</b>		
















# Limited Assurance

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Foster Care Payments	01/2014	4	7	3 1*	6 1*	The two actions in progress are dependent on the implementation of Controcc and therefore the date has been extended to September	AMBER
IT Disaster Recovery	02/2015	2	2	1 1*	1 1*	The two actions in progress are due for implementation at end of April	AMBER
UASC	01/2014	9	9	9*	9*	The follow-up is in progress with additional evidence awaited prior to sign-off on implementation however indications are that progress is being made	AMBER
Children Missing Education and Elective Home Education	09/2014	5	7	5	6 1*	Good progress has been made in all areas. The one action in progress is close to completion and due to be implemented by end of June	GREEN
Community Based Nurseries	12/2014	6	2	1 5*	2*	An options appraisal has been undertaken with decisions on delivery going forward and a change of management, as such we have agreed to revise implementation to end of June	AMBER



Gypsy and Traveller Unit	09/2014	1	1	1*	1*	Good progress has been made at this stage in relation to both actions, full implementation due at end of June	
Schools Themed Reviews - Procurement	06/2014	1	2	1	2	Implemented	
<b>Total All Limited Audits</b>		<b>28</b>	<b>30</b>	<b>11</b> <b>17*</b>	<b>15</b> <b>15*</b>		

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Records Management	11/2014	1	0	1*	0	Follow-up of the outstanding action is in progress	
Payroll	11/2014	3	3	3*	1 2*	It has been reported to us that all actions have been implemented however we await evidence for review prior to full sign-off	
Imprest Bank Accounts	01/2015	1	5	1*	1 4*	The one high priority action and one of the medium are not due for implementation until end of June. Of the remaining three medium actions in progress two require the publication of guidance and training which has been drafted, one has not been implemented	
Schools Financial Services - Compliance	09/2014	3	4	1 2*	4	Although good progress has been made overall, two high priority actions remain outstanding	
Property Statutory Compliance	12/2013	2	5	2	3 2*	For the two actions in progress one requires production of guidance which has been approved and will be published in May. The second has been delayed due to the letting of	

						the new facilities management contract and should be implemented by end of May.	
New Ways of Working	01/2015	1	4	1*	3 1*	While progress has been made further action is required before full implementation can be signed off	
Children Services Improvement	10/2013	0	5	0	4 1*	All actions reported as implemented, the one in progress requires confirmation only	
Contract Letting and Compliance – Adult Social Care	10/2013	1	5	1	5	Implemented	
Contract Letting and Compliance – Children's Services	06/2014	0	5	0	4 1*	Good progress has been made however full implementation of the final medium action requires verification before sign-off	
Community Learning Services	11/2013	1	12	1*	12*	Due to potential changes to delivery model follow-up has been delayed to Q1 of 2015/16 when implementation will be confirmed	
Schools Themed Review – Procurement and Purchase Cards	02/2015	2	2	2	2	Implemented	
Information Governance	05/2014	2	3	2	3	Implemented	
Good Day Programme	07/2014	0	5	0	5	Implemented	
EY Capital Projects – Cost	06/2014	0	5	0	5	Implemented	

Overruns							
<b>Total All Adequate Audits</b>	<b>17</b>	<b>63</b>	<b>8 9*</b>	<b>40 23*</b>			

No reports of follow-up on substantial or high assurance audits with judged good prospects of improvement.

Total All Follow-ups	Management Actions		Implemented/ In Progress*	
	High	Medium	High	Medium
	52	93	24 28*	55 38*

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

This page is intentionally left blank

**To:** Governance & Audit Committee

**From:** Mike Hill, Cabinet Member, Community Services  
Barbara Cooper, Corporate Director, Growth, Environment & Transport

**Date:** 29 April 2015

**Subject:** RIPA report on surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2014 – 31 March 2015

**Classification:** Unrestricted

## **FOR ASSURANCE**

---

**Summary** This report outlines work undertaken by KCC Officers on surveillance, the use of covert human intelligence sources (CHIS) and access to telecommunications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2014/15 business year.

---

### **1. Background**

- 1.1. The document sets out the extent of Kent County Council's use of covert surveillance, covert human intelligence sources and access to telecommunications data. The County Council wishes to be as open and transparent as possible, to keep Members and senior officers informed and to assure the public these powers are used only in a 'lawful, necessary and proportionate' manner.
- 1.2. To achieve transparency and in accordance with the Codes of Practice, an annual report outlining the work carried out is submitted by the Senior Responsible Officer (SRO) to an appropriate Committee. The last report was submitted and approved by Governance and Audit Committee on 30<sup>th</sup> April 2014.

### **2. What this report covers**

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

an 'informant' working on behalf of an officer of the Council. In such cases, due to the potential increased risks, KCC has agreed a memorandum of understanding with Kent Police.

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

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

For surveillance and CHIS the approval document is then held on a central file. There is one central file for KCC, held on behalf of the Corporate Director, Growth, Environment and Transport, which is available for inspection by the Office of the Surveillance Commissioners. For telecommunications authorisations KCC uses the services of the National Anti-Fraud Network (NAFN) to manage applications and keep our records. This was on the advice of the Interception of Communications Commissioner's Office (IoCCO). Any inspection of this type of approval carried out by IoCCO is conducted at the offices of NAFN.

### **3. RIPA work carried out between 1 April 2014 – 31 March 2015**

Total number of authorisations granted (figure for 2013/14):

Surveillance – 2 (5)

Covert human intelligence source (CHIS) – 4 (8)

Access to telecommunications data – 26 (13)

### **4. Purposes for which RIPA powers used**

#### Fly tipping

1 telecommunications data request and 1 covert surveillance authorisation relate to fly tipping enforcement.

The telecommunications data request results are part of a prosecution file currently with KCC Legal Services. The covert surveillance operation did not yield any information of value due to technical equipment failures.



### Internal Audit

There have been two telecommunications data requests which both relate to the same case currently being investigated by KCC's Internal Audit team. The case concerns fraud relating to Blue Badges. This matter is still under investigation

### Sale of counterfeit goods

3 CHIS and 4 telecommunications data authorisations were for the purpose of detecting the criminal activity in selling counterfeit goods. This is serious criminal activity which impacts on the local and national economy. All of the cases which these authorisations relate to are either still being investigated or are with KCC legal services pending a decision on whether or not to prosecute. It is not possible, at this stage, to provide further details.

### Doorstep frauds

10 telecommunications data requests were authorised to investigate doorstep fraud. The frauds included roofing work, driveway work and tree surgery.

Of these cases, 2 are in the legal process, 3 are under active investigation and the remaining 5 did not produce sufficient evidence to proceed as a result of the telephone numbers being pre-paid mobiles.

### Miscellaneous

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

- An investigation relating to the repeated targeting of a vulnerable home owner for advance fee type fraud. Trading Standards had supplied and fitted a call blocking device to this resident which had prevented the fraudsters contacting him whilst allowing his friends and family normal access. One afternoon a taxi driver knocked on his door holding a mobile 'phone. This is how the scammers were attempting to get past our protection. They failed. The number given to the taxi company when the booking was taken led to an overseas address.
- Trading Standards are currently investigating organised criminality behind the supply of illicit tobacco products across the County. 4 telecommunications requests and 1 CHIS relate to this area of work.
- 3 telecommunication requests relate to one investigation of fraudulent activity in horses.
- 1 surveillance was authorised for an underage sales test purchasing operation. No sales were made to the child volunteer.
- 1 telecommunications request relates to an investigation into fraud by a letting agent. This case is currently before the courts.

## **5. Results from previous authorisations**

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

- Convictions were secured in relation to two cases of the illegal storage and sale of fireworks. In one case one of the offenders was sentenced to 6 months in prison suspended for 2 years and the other to an 18 month community order. In the other the offender was sentenced to a 2 year conditional discharge with £500 costs. In both cases the fireworks were forfeited.
- Two men have been convicted of fraud and money laundering offences relating to landscape gardening doorstep activity targeting vulnerable home owners in East Kent. The pair had previously featured on BBC television's "Watchdog rogue traders" programme. They are due to be sentenced on 17<sup>th</sup> April.
- In one case of the organised sale of counterfeit goods on a wholesale scale, 4 defendants have been convicted and have received sentences of suspended prison sentences, unpaid work orders and curfew orders. Trading Standards are currently pursuing them to recover their criminal gains using the Proceeds of Crime Act.
- In another case of the wholesale supply of counterfeit goods, one man was sentenced to 16 months in prison and another to 6 months. Again, we are pursuing their criminal gains.
- A doorstep fraudster carrying out driveway work who targeted the Herne Bay and Whitstable areas has been convicted and awaits sentencing. He is currently in prison for an unrelated matter.

## **6. Error reporting**

In relation to telecommunications data authorisations, it is a requirement that we notify the Commissioner if an error is made at any stage of the process.

This year we were notified by NAFN that a communication service provider had made an error in relation to one of our requests and had provided information outside of the dates which it was requested for. The Commissioner was notified by NAFN on our behalf. The error was entirely due to the provider and not to any action by KCC staff or the staff at NAFN.

## **7. Senior Responsible Officer**

Barbara Cooper, as part of her role as Corporate Director for Growth, Environment and Transport, has assumed the responsibilities of the Senior Responsible Officer for KCC in relation to RIPA matters.

## **8. KCC RIPA Policy**

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

Appendix 1 to this report is KCC's RIPA policy which has been approved by the Cabinet Member for Community Services, within whose portfolio the Trading Standards Service rests. No changes have been made to this policy since it came before this committee last year.

## **8. Recommendations**

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

### Contact Officer

Mark Rolfe

Trading Standards Manager (East)

Kent County Council Trading Standards

Highways Depot, 4 Javelin Way

Henwood Industrial Estate

Ashford. TN24 8DH

Tel : 03000 410336

Email : [mark.rolfe@kent.gov.uk](mailto:mark.rolfe@kent.gov.uk)

This page is intentionally left blank

# Kent County Council

## Policy in relation to the Regulation of Investigatory Powers Act 2000

### Contents

Introduction to Regulation of Investigatory Powers .....	2
Policy Statement .....	3
Obtaining Authorisation .....	4
Duration of authorisations .....	4
Reviews .....	5
Renewals.....	5
Cancellations.....	5
Central Register and Monitoring.....	6
Training .....	6
Planned and Directed Use of Council CCTV Systems.....	6
Special Arrangements .....	6
Oversight .....	7
Glossary .....	8
Annex 1 – Surveillance forms.....	9
Annex 2 – Covert Human Intelligence forms.....	10
Annex 3 – Access to data forms.....	11
Annex 4 – Guidance on completing surveillance forms .....	12
Annex 5 – Guidance on completing Covert Human Intelligence forms.....	14
Annex 6 – Guidance on completing access to data forms .....	16

## 1. Introduction to Regulation of Investigatory Powers

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

Links to the above documents can be found at:

<http://www.legislation.gov.uk/ukpga/2000/23/contents>

<http://www.legislation.gov.uk/ukpga/2012/9/contents>

<https://www.gov.uk/government/collections/ripa-codes>

- 1.1 Surveillance plays a necessary part in modern life and law enforcement. It is used not just in the targeting of criminals, but also as a means of preventing crime and disorder. The Regulation of Investigatory Powers Act 2000 (RIPA) introduced a system of authorisation and monitoring of activities, to ensure that the rights of the individual were not unnecessarily compromised, in the pursuance of regulatory compliance.
- 1.2 Within the County Council, Trading Standards Officers may need to covertly observe and then visit a shop, business premises or to follow a vehicle as part of their enforcement functions. During a visit or a test purchase situation it may be necessary to covertly video record a transaction, as it takes place. Environmental crime enforcement staff may also need to observe or record at places where illegal tipping or other similar crimes take place. Similarly, KCC's Internal Audit fraud investigators may need to carry out covert surveillance or acquire communications data when they are investigating a crime which they intend to prosecute using the criminal law. They need to use covert surveillance techniques as part of their official duties.
- 1.3 Only those officers designated as "authorising officers" from the specified units or services are permitted to authorise the use of techniques referred to in RIPA. Trading Standards may use Covert Directed Surveillance, Covert Human Intelligence Sources and acquisition of communications data. Environmental Crime enforcement team may use Covert Directed Surveillance and acquisition of communications data. Internal Audit fraud investigators may use Covert Directed Surveillance and acquisition of communications data. The Director of Governance and Law may also be designated as an "authorising officer".
- 1.4 Covert Directed Surveillance is undertaken in relation to a specific investigation or operation, where the person or persons subject to the surveillance are unaware that it is, or may be, taking place. The activity is also likely to result in obtaining private information about a person, whether or not it is specifically for the purpose of the investigation.
- 1.5 Our investigations may also require the use of Covert Human Intelligence Sources (CHIS). These may be under-cover officers, agents or informants. Such sources may be used by the County Council to obtain and pass on information about another person, without their knowledge, as a result of establishing or making use of an existing relationship. This clearly has implications as regards the invasion of

a person's privacy and is an activity which the legislation regulates. A CHIS (other than our own staff) would be used only rarely and in exceptional circumstances.

- 1.6 The RIPA also requires a similar control and authorisation procedure to be in place in respect to the acquisition of telecommunications data. The County Council needs to comply with these requirements when obtaining telephone subscriber, billing and account information.
- 1.7 In addition, the Act put in place an Office of Surveillance Commissioners, and the Interception of Communications Commissioner's Office, whose duties are, respectively, to inspect those public bodies undertaking covert surveillance and the acquisition of communications data, and introduced an Investigatory Powers tribunal to examine complaints that human rights may have been infringed.

## **2. Policy Statement**

- 2.1 Kent County Council will not undertake any activity defined within the Regulation of Investigatory Powers Act 2000 without prior, or emergency, authorisation, from a trained, senior officer who is empowered to grant such consents.
- 2.2 The Corporate Director of Growth, Environment and Transportation has been appointed as the Senior Responsible Officer (SRO) and, as such, has been given authority to appoint Authorising Officers (for surveillance activities) and Designated Persons and Single Points of Contact (for the purposes of access to communications data) under the Act. The SRO is a member of the corporate leadership team currently called Corporate Management Team.
- 2.3 The Authorising Officer or Designated Person will not authorise the use of surveillance techniques, human intelligence sources or access to communications data unless the authorisation can be shown to be necessary for the purpose of preventing or detecting crime or of preventing disorder.
- 2.4 In addition, the Authorising Officer or Designated Person must believe that the surveillance or obtaining of communications data is necessary and proportionate to what it seeks to achieve. In making this judgment, the officer will consider whether the information can be obtained using other methods and whether efforts have been made to reduce the impact of the surveillance or intrusion on other people, who are not the subject of the operation.
- 2.5 Applications for authorisation of surveillance, the use of a CHIS or the obtaining of communications data will, except in an emergency where legislation permits, be made in writing on the appropriate form (see Annexes 1, 2 or 3 for example forms).
- 2.6 Intrusive surveillance operations are defined as activities using covert surveillance techniques, on residential premises, or in any private vehicle, which involves the use of a surveillance device, or an individual, in such a vehicle or on such premises. Kent County Council officers are NOT legally entitled to authorise or undertake these types of operations. Operations must not be carried out where legal consultations take place, at the places of business of legal advisors or similar places such as courts, Police stations, prisons or other places of detention.
- 2.7 However, public bodies are permitted to record telephone conversations, where one party consents to the recording being made and a Directed Surveillance

authorisation has been granted. On occasions, officers of the Trading Standards Service do need to record telephone conversations, to secure evidence.

- 2.8 It is the policy of this authority to be open and transparent in the way that it works and delivers its services. To that end, a well-publicised KCC Complaints procedure is in place and information on how to make a complaint to the Investigatory Powers Tribunal will be provided on request being made to the SRO or Authorising Officer.

### **3. Obtaining Authorisation**

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



the requirements of the Protection of Freedoms Act 2012. This requires the applicant, or their nominee, to attend a Magistrates' Court and seek an approval order.

#### **4. Duration of authorisations**

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

#### **5. Reviews**

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

#### **6. Renewals**

- 6.1 If, at any time, an authorisation or notice ceases to have effect and the Authorising Officer considers it necessary for the authorisation or notice to continue for the purposes for which it was given, s/he may renew it, in writing, for a further period of:
- three months – directed surveillance
  - twelve months – use of a CHIS
  - one month – access to communications data
  - (see annexes 1,2 or 3 for examples of renewal forms)
- 6.2 Renewals for directed surveillance or the use of CHIS may also be granted orally, in urgent cases, and last for a period of up to 72 hours.
- 6.3 A renewal takes effect at the time at which the authorisation would have ceased to have effect but for the renewal. An application for renewal should not be made until shortly before the authorisation period is drawing to an end. Any person who would be entitled to grant a new authorisation can renew an authorisation. Authorisation

may be renewed more than once provided they continue to meet the criteria for authorisation.

## **7. Cancellations**

- 7.1 The Authorising Officer who granted or last renewed the authorisation or notice must cancel it if s/he is satisfied that the Directed Surveillance or the use or conduct of the Covert Human Intelligence Source no longer meets the criteria for which it was authorised (see annexes 1,2 or 3 for examples of cancellation forms). When the Authorising Officer is no longer available, this duty will fall on the person who has taken over the role of Authorising Officer or the person who is acting as Authorising Officer.
- 7.2 As soon as the decision is taken that Directed Surveillance should be discontinued or the use or conduct of the CHIS no longer meets the criteria for which it was authorised, the instruction must be given to those involved to stop all surveillance of the subject or use of the CHIS. The authorisation does not 'expire' when the activity has been carried out or is deemed no longer necessary. It must be either cancelled or renewed. The date and time when such an instruction was given should be recorded in the central register of authorisations and the notification of cancellation where relevant.

## **8. Central Register and Oversight by Senior Responsible Officer**

- 8.1 A copy of any authorisation (including statements in respect of oral authorisations), any renewal or cancellation (together with any supporting information relevant to such authorisation or cancellation) and any application, notice or authorisation in respect of communications data shall be forwarded to the SRO within 5 working days of the date of the application, authorisation, notice, renewal or cancellation.
- 8.2 The SRO shall:
- (a) keep a register of the documents referred to in paragraph 8.1 above;
  - (b) monitor the quality of the documents and information forwarded;
  - (c) monitor the integrity of the process in place within the Council for the management of CHIS;
  - (d) monitor compliance with Part II of the RIPA and with the Codes;
  - (e) oversee the reporting of errors to the relevant Oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
  - (f) engage with the OSC inspectors when they conduct their inspections, where applicable; and
  - (g) where necessary, oversee the implementation of post-inspection action plans approved by the relevant Oversight Commissioner.

## **9. Training**

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

## **10. Planned and Directed Use of Council CCTV Systems**

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

## **11. Special Arrangements**

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

## **12. Oversight**

- 12.1 The SRO shall ensure that this policy is reviewed on an annual basis by presenting a report of activity to the Governance and Audit Committee (or similar Committee). There shall also be brief details of all activity under this policy provided to members on a quarterly basis.
- 12.2 Every two years the Director of Law and Governance will review the policy, and also contact a senior manager in all other units and services within Kent County Council to inform of any changes or alterations. The communication will also seek to highlight the details of the restrictions imposed by RIPA and Human Rights legislation. Should any unit or service (other than those permitted by this policy) consider that any actions it may have taken (or are considering taking) might infringe this policy, they must be raised with the Director of Governance and Law as soon as practicable.

## Glossary

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

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

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

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

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

(See section 26 (8) of RIPA)

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

## **Annex 1 – Surveillance forms**

Application for Authorisation to Carry Out Directed Surveillance

Review of Directed Surveillance Authorisation

Cancellation of a Directed Surveillance Authorisation

Application of Renewal of a Directed Surveillance Authorisation

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

## **Annex 2 – Covert Human Intelligence forms**

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

Review of a Covert Human Intelligence Source Authorisation

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

Application for renewal of a Covert Human Intelligence Source Authorisation

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

## **Annex 3 – Access to data forms**

Application for access to Communications Data

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

## **Annex 4 - Guidance on completing surveillance forms**

### **Details of Applicant**

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

### **Details of Application**

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

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

**2. Purpose of the specific operation or investigation**

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**10. Confidential information (Code chapter 4)**

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

**12. Authorising Officer's Statement**

**13. Authorising Officer's comments**

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

## **Annex 5 - Guidance on completing Covert Human Intelligence forms**

### **Details of Application**

#### **1. Authority Required**

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

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

#### **2. Describe the purpose of the specific operation or investigation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**13. Authorising Officer's comments**

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

## **Annex 6 – Guidance on completing access to Communications data forms**

### **1 - 7. Details of Applicant etc**

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

### **8. Statutory Purpose**

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

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

### **9. Communications Data**

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

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

### **10. Necessity**

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

### **11. Proportionality**

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

### **12. Collateral Intrusion**

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

### **13. Timescale**

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

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

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

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

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 April 2015

Subject: **TREASURY MANAGEMENT QUARTERLY REPORT**

Clarification: Unrestricted

Summary: To report an update on treasury management issues.

**FOR ASSURANCE**

**Introduction**

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

**Statement of deposits and investments**

2. A statement of deposits and investments as at 31 March 2015 is attached in Appendix 1. This report is circulated to members of the Treasury Management Advisory Group every Friday.

**Monthly performance report**

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

**Summary of developments**

4. The Treasury Management Advisory Group met on 21 November where the focus was the new Treasury Strategy. The 2015-16 Strategy was approved by Council on 12 February 2015 and implemented shortly thereafter.
5. The Council has not undertaken any new borrowing since 2011. With regard to borrowing decisions the Council looks to strike an appropriate balance between securing funds at low interest costs and achieving cost certainty over the period for which funds are required, with the flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
6. Affordability and the "cost of carry" ie the difference between the cost of borrowing and investment return achieved, remain important influences on the Council's borrowing strategy and as short-term investment returns remain lower than long-term borrowing rates, it is likely to be more cost effective in the short-term to use internal resources instead.

7. With the assistance of Arlingclose the benefits of internal borrowing continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.
8. The Council holds significant invested funds, averaging £407m over the 9 months to 31 December 2014 representing income received in advance plus balances and reserves held. The Council's aim continues to be to achieve a yield commensurate with the principles of security and liquidity. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy.
9. The maximum duration limits for deposits with approved counterparties were reduced in October 2014 and again in February 2015 following advice from Arlingclose. In February limits with UK banks other than HSBC were reduced from 6 months to 100 days. The latest Arlingclose advice reflects the move by S&P to place the credit ratings of systemically important UK banks on CreditWatch with negative implications, following the early adoption of the bail-in regime in the EU Bank Recovery and Resolution Directive (BRRD).
10. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council continues to seek to diversify into more secure and/or higher yielding asset classes. This has primarily been achieved through buying Covered Bonds - highly regulated asset backed securities which add substantial additional security over and above that offered by the issuing financial institution. At 31 March 2015 the Council had £89.7m invested in Covered Bonds. In March in line with its 2015-16 investment strategy the Council invested in money market funds and increased its investment in the CCLA LAMIT property fund to £15m.

### **Recommendation**

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

**Alison Mings**  
**Treasury and Investments Manager**  
**Ext: 03000 416488**



## KCC Deposits and Investments

## Internally Managed Investments as at 31 March 2015

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 Business Premium Account	£5,000,000	n/a	0.35%
Same Day Call Deposit	Barclays FIBCA	£30,000,000	n/a	0.50%
	<b>Total Barclays</b>	<b>£40,000,000</b>		
Fixed Deposit	Bank of Scotland	£5,000,000	07/05/2015	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	22/04/2015	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	06/05/2015	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	19/05/2015	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	19/05/2015	0.57%
Fixed Deposit	Lloyds Bank	£5,000,000	26/05/2015	0.57%
Fixed Deposit	Lloyds Bank	£5,000,000	30/06/2015	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	22/07/2015	0.70%
	<b>Total Lloyds Group</b>	<b>£40,000,000</b>		
Same Day Call Deposit	<b>Santander UK plc</b>	£22,110,000	n/a	0.40%
	<b>Total Santander UK plc</b>	<b>£22,110,000</b>		
<b>Total UK Bank Deposits</b>		<b>£102,110,000</b>		
Fixed Deposit	Nationwide Building Society	£5,000,000	02/04/2015	0.66%
Fixed Deposit	Nationwide Building Society	£3,700,000	11/05/2015	0.58%
Fixed Deposit	Nationwide Building Society	£5,700,000	21/07/2015	0.66%
Fixed Deposit	Nationwide Building Society	£1,000,000	05/06/2015	0.50%
	<b>Total Nationwide Building Society</b>	<b>£15,400,000</b>		
<b>Total UK Building Society Deposits</b>		<b>£15,400,000</b>		
Fixed Deposit	Australia and New Zealand Banking Group	£10,000,000	07/04/2015	0.50%
Fixed Deposit	Australia and New Zealand Banking Group	£10,000,000	11/05/2015	0.51%
	<b>Total Australia and New Zealand Banking Group</b>	<b>£20,000,000</b>		
<b>Total Australian Bank Deposits</b>		<b>£20,000,000</b>		
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%
	<b>Total Bank of Montreal</b>	<b>£20,000,000</b>		
Certificate of Deposit	Toronto-Dominion Bank	£5,000,000	14/07/2015	0.56%

	<b>Total Toronto-Dominion Bank</b>	<b>£5,000,000</b>		
<b>Total Canadian Bank Deposits</b>		<b>£25,000,000</b>		
Same Day Call Deposit	Svenska Handelsbanken	£40,000,000	n/a	0.50%
	<b>Total Svenska Handelsbanken</b>	<b>£40,000,000</b>		
<b>Total Swedish Bank Deposits</b>		<b>£40,000,000</b>		
Money Market Fund	Deutsche Managed Sterling Advisory	£3,950,000	n/a	0.38%
<b>Total Money Market Funds</b>		<b>£3,950,000</b>		
<b>Total cash deposits</b>		<b>£206,460,000</b>		
Floating Rate Covered Bond	Abbey National Treasury	£5,767,161	20/01/2017	0.82%
Floating Rate Covered Bond	Abbey National Treasury	£3,008,794	20/01/2017	0.71%
Floating Rate Covered Bond	Abbey National Treasury	£2,477,434	05/04/2017	0.78%
Floating Rate Covered Bond	Abbey National Treasury	£1,400,584	05/04/2017	0.72%
Fixed Rate Covered Bond	Bank of Scotland	£2,140,610	08/11/2016	1.29%
Fixed Rate Covered Bond	Bank of Scotland	£3,079,599	08/11/2016	1.31%
Floating Rate Covered Bond	Barclays Bank	£5,007,659	15/09/2017	0.69%
Floating Rate Covered Bond	Barclays Bank	£3,004,933	15/09/2017	0.69%
Fixed Rate Covered Bond	Barclays Bank	£5,004,575	12/02/2018	0.69%
Fixed Rate Covered Bond	Coventry Building Society	£3,308,211	19/04/2018	1.93%
Fixed Rate Covered Bond	Coventry Building Society	£5,495,025	19/04/2018	1.70%
Fixed Rate Covered Bond	Coventry Building Society	£2,208,806	19/04/2018	1.52%
Floating Rate Covered Bond	Leeds Building Society	£2,503,711	09/02/2018	0.78%
Floating Rate Covered Bond	Leeds Building Society	£2,503,731	19/04/2018	0.78%
Fixed Rate Covered Bond	Leeds Building Society	£2,168,991	17/12/2018	2.02%
Fixed Rate Covered Bond	Leeds Building Society	£1,640,010	17/12/2018	1.19%
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	01/10/2019	0.97%
Floating Rate Covered Bond	Lloyds	£3,008,342	14/01/2017	0.81%
Floating Rate Covered Bond	Lloyds	£3,903,139	19/01/2018	0.72%
Floating Rate Covered Bond	Lloyds	£1,406,187	01/07/2019	0.76%
Floating Rate Covered Bond	National Australia Bank	£5,013,464	12/08/2016	0.65%
Floating Rate Covered Bond	Nationwide Building Society	£1,899,993	17/07/2017	0.76%
Floating Rate Covered Bond	Nationwide Building Society	£1,001,229	17/07/2017	0.75%
Floating Rate Covered Bond	Nationwide Building Society	£2,103,100	17/07/2017	0.70%
Floating Rate Covered Bond	Yorkshire Building Society	£3,039,615	23/03/2016	0.91%
Floating Rate Covered Bond	Yorkshire Building Society	£5,072,307	23/03/2016	0.91%
Floating Rate Covered Bond	Yorkshire Building Society	£2,029,963	23/03/2016	0.91%
Floating Rate Covered Bond	Yorkshire Building Society	£2,192,863	12/04/2018	1.98%
Floating Rate Covered Bond	Yorkshire Building Society	£3,320,841	12/04/2018	1.55%
<b>Total Bonds</b>		<b>£89,710,877</b>		
Icelandic deposits	Recoveries outstanding	£7,352,988		

Icelandic deposits	ISK held in Escrow at Islandsbanki	£3,146,603		
<b>Total Icelandic Deposits</b>		<b>£10,499,591</b>		
<b>Total Internally Managed Investments</b>		<b>£306,670,468</b>		

### Externally Managed Investments

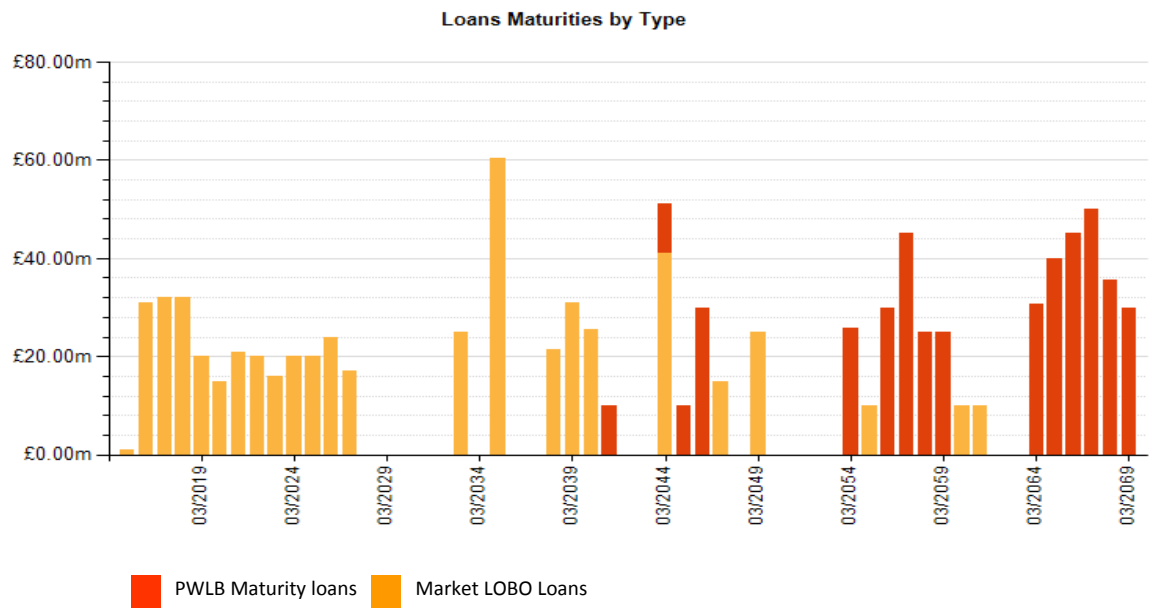
<b>Investment Fund</b>	<b>Book Cost</b>	<b>Market Value as at 28 February 2015</b>	<b>Total annualised return to 28 February 2015</b>
CCLA LAMIT Property Fund (note 1)	£10,000,000	£10,630,444	12.05%
Pyrford Global Total Return (Sterling) Fund	£5,000,000	£5,045,582	5.67%
<b>Total Investment Funds</b>		<b>£15,676,026</b>	

Note 1 Additional £5million invested 31 March

Treasury Management Report for the month of February 2015

1. Long Term Borrowing

The Council’s strategy continues to be to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles. The total amount of debt outstanding at the end of February fell to £985m following the repayment of a £22m loan. The maturity profile is as follows with a further £1m due for repayment in March.

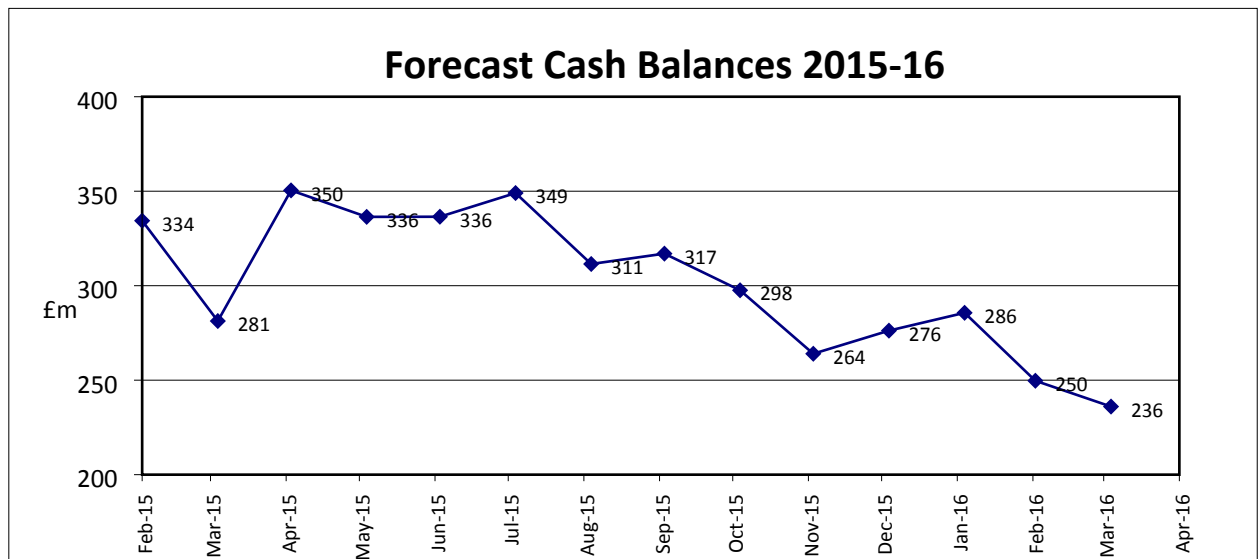


Total external debt managed by KCC includes £40.15m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding Council (£1.76m) and Magistrates Courts (£0.556m).

2. Investments

2.1 Cash Balances

During February the total value of cash under management fell slightly to £334.09m. Future cash balances are forecast as follows:



## 2.2 Type of investment at month end

Type of Investment	Total	
Call Account	£105,750,000	31.99%
Certificate of Deposit	£30,000,000	9.07%
Fixed Deposit	£74,400,000	22.50%
T-Bill	£4,989,656	1.51%
Covered Bond	£89,746,935	27.15%
ISK held in Escrow	£3,278,427	0.99%
Icelandic Recoveries outstanding	£4,074,564	1.23%
<b>Internally managed cash</b>	<b>£312,239,582</b>	<b>94.45%</b>
External Investments	£15,676,026	4.74%
Equity	£2,681,260	0.81%
<b>Total</b>	<b>£330,596,867</b>	<b>100.00%</b>

## 2.3 Internally managed cash

### 2.3.1 Average return on new investments

The average rate of interest on new investments made during the month was 0.67% vs 7 day LIBID of 0.3569%. The rate of return on outstanding investments is 0.66%.

### 2.3.2 Investment maturity profile and counterparty exposure.

On 4 February taking account of advice from Arlingclose the maximum duration for deposits with UK banks other than HSBC was reduced from 6 months to 100 days. The Arlingclose advice reflected the move by S&P to place the credit ratings of systemically important UK banks on CreditWatch with negative implications, following the early adoption of the bail-in regime in the EU Bank Recovery and Resolution Directive (BRRD). At the month end the maturity profile was as follows:



#### **4. Financing Items**

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 £0.400m.

**Alison Mings, 13 March 2015**

This page is intentionally left blank



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

To: Governance and Audit Committee – 29 April 2015

Subject: Revised Accounting Policies

Classification: Unrestricted

Summary: This report asks Members to approve the revised accounting policies.

## FOR DECISION

1. The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - *Accounting Policies, Changes in Accounting Estimates and Errors*. Accounting policies are defined as "... the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements".
2. This year, amendments and revisions are needed in respect of accounting for Property, Plant and Equipment and Schools.

i) Property, Plant and Equipment

The accounting policy is amended from revaluing all of our assets on a 20% basis which means that all assets are revalued at least every five years to a rolling programme basis where all assets are revalued at least every four years.

Revaluation gains are written to the Revaluation Reserve after reversing any revaluation loss on the asset previously posted to the Comprehensive Income and Expenditure Statement.

For the full accounting policy see Appendix 1.

ii) Accounting for Schools

Since the introduction of IFRS in 2010-11, KCC has recognised non-current assets of Community and Voluntary Controlled assets on its balance sheet with Voluntary Aided, Foundation and Academy schools being off balance sheet.

During 2014-15 new guidance relating to accounting for non-current assets used by Local Authority maintained schools has been issued. Accounting treatment of schools requires significant judgements to be made and each school has to be considered on an individual basis. The key is establishing whether the school should recognise

the asset and if so, as the school is considered an entity controlled by the Authority under IFRS10, the assets should be consolidated within the Authority's balance sheet.

A review of the ownership of all schools has taken place and the impact of the review is that £87m of schools will be written out and £203m will be recognised on the Balance Sheet.

The full accounting policy and a detailed explanation of the accounting for schools changes is shown in Appendix 2.

These are new requirements for the 2014-15 statement of accounts and therefore new accounting policies have been drafted, derived from the Code of Practice Guidance Notes prepared by the Chartered Institute of Public Finance Accountants.

4. For 2014-15 there are the following new/amended accounting standards

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

The above standards relate to the accounting treatment for entities the Council has an interest in. The decision in the appropriate accounting treatment is based on the measurement of control. These standards will impact on us should Group Accounts be required in the future.

- IAS 32 – Financial Instruments: Presentation (offsetting Financial Assets and Liabilities)

Extra disclosure will be required if we offset financial assets and liabilities.

- IAS 1 – Presentation of Financial Statements

3. **Recommendation**

Members are asked to approve the additions and amendments to the accounting policies as presented.

**Cath Head**  
**Head of Financial Management**  
**Ext: 416934**

**Emma Feakins**  
**Chief Accountant**  
**Ext: 416082**

## **Property, Plant & Equipment (p.36 of SOA 13/14)**

### **Accounting Policy**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our de minimus of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
- Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The Council has a policy in place to revalue ~~20% of~~ its assets on a rolling programme basis. each year. All assets will ~~therefore~~ be revalued at least every four five years. Assets will also be revalued following significant works occurring on that asset or some event that may impact on the value of that asset, such as a significant downturn in economic conditions. Revaluation gains are written to the Revaluation Reserve, after reversing any revaluation losses on that asset previously posted to the Comprehensive Income and Expenditure Statement. ~~and~~ Revaluation losses will be written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement where no revaluation gain exists in the reserve for that asset. These amounts are then written out through the Movement in Reserves Statement so that there is no impact on Council Tax.

This page is intentionally left blank

## **Accounting Policy (update shown in red)**

### **Accounting for schools**

The accounting policies for Schools are in line with the Council's and therefore are compiled on an accruals basis. Schools balances are consolidated into the Council's accounts, with income and expenditure being attributed to the appropriate service line in the Comprehensive Income and Expenditure Statement and assets and liabilities included on the Balance Sheet. The Schools Reserve is held in a separate reserve and are located within Usable Reserves.

Non-current assets for maintained schools are included on the balance sheet where they are owned or controlled by the Authority or the school governing body. Each school is considered on an individual basis taking into account ownership rights and, where relevant, the circumstances under which the school is using the asset.

### **Accounting for schools changes**

Since the introduction of IFRS in 2010/11, KCC has recognised non-current assets of Community and Voluntary Controlled assets on its balance sheet with Voluntary Aided, Foundation and Academy schools being off balance sheet.

During 2014/15 new guidance relating to accounting for non-current assets used by Local Authority maintained schools has been issued. It was hoped that this guidance would provide consistency on schools accounting nationally but this has not proved to be the case. Accounting treatment of schools still requires significant judgements to be made and now each schools has to be considered on an individual basis, we can no longer make broad judgements based on the class of the school (VA, VC, Foundation). The key is establishing whether the school should recognise the asset and if so, as the school is considered an entity controlled by the Authority under IFRS10, the assets should be consolidated within the Authority's balance sheet.

We have reviewed the ownership of all schools according to the Land Registry and where necessary have followed up with the owners the circumstances under which schools occupy their buildings. We have assessed the arrangements against the relevant accounting standard (IAS16 or IAS17 for leased properties) and where relevant have considered whether the rights of owners are substantive or protective under IFRS10.

Our review confirmed that:

- for those schools owned by religious bodies or individual trustees linked to a religious body, control of the school remains with the religious body and therefore we do not recognise them on our balance sheet.

- for those schools owned by charities or trusts, if the charity/trust is a separate entity with a remit wider than just the school itself control has generally not passed to the governing body and therefore the school is not recognised on our balance sheet unless the owners have confirmed otherwise. If the charity/trust is purely operating for the purpose of the school then the school is recognised on our balance sheet.

- any schools owned by the Authority or the school Governing Body are on balance sheet.

In practice this has led to:

- most VA schools remaining off balance sheet as they are predominantly owned by religious bodies. A handful of VA schools are owned by the Authority / Governing Body and are therefore being recognised for the first time in our accounts.
- most VC schools being written out of our balance sheet as they are predominantly, but not exclusively, owned and controlled by religious bodies. 74 VC schools will remain on our balance sheet as they are owned by the Authority or school governing body.
- most Foundation schools being recognised on our balance sheet as they are owned either by the Authority, school governing body or a foundation trust that exists purely to govern the school.

We are writing out approximately £87m of schools and recognising approximately £203m. As this is a material change in accounting policy we will have to restate 2013/14 comparatives and produce a 3<sup>rd</sup> balance sheet as at 1.4.2013 within the 2014/15 statement of accounts.

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

To: Governance and Audit Committee – 29 April 2015

Subject: Updated Financial Regulations

Classification: Unrestricted

---

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

## **FOR ASSURANCE**

---

### **1. Introduction**

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

### **2. Main Amendments**

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

- The regulation relating to the Corporate Director of Finance and Procurement being responsible for supporting the Superannuation Fund Committee in the management of the Kent Pension Fund has been removed and replaced with supporting the Superannuation Fund in relation to the control and investment of the Kent Pension Fund (Ref. Section 2.11)
- Regulation relating to Revenue Budgeting – Budget Format has been revised. (Ref. Section A.8)
- Regulation relating to Revenue Budgeting – Budget Preparation has been revised. (Ref. Section A.10)
- Regulation relating to the Capital Programme & Capital Budgeting – Corporate Directors responsibilities has been revised. (Ref. Section A.22)
- Regulations relating to the Maintenance of Reserves & Provisions have been revised. (Ref. Sections A.23 and A.24)
- Contingent liabilities have been added into the regulations. (Ref. Section A.25)
- The regulation relating to external audit requirements have been updated to reflect the effect of the Local Audit and Accountability Act 2014. (Ref. Section C.8)
- The regulation relating to the value for which invoices where additional certification from the Budget Manager os not required has been increased from £100 to £250. (Ref. Section D.9)
- Regulation on Internal Recharges has been expanded to include overheads. (Ref. Section D.26)
- The delegated authority matrix setting out approval limits have been amended to reflect the rules of delegation as set out in the Constitution. (Ref. Appendix 1)

### 3. Recommendation

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

**Emma Feakins**  
**Chief Accountant**  
**Ext: 416082**





# **KENT COUNTY COUNCIL**

# **FINANCIAL REGULATIONS**

Amended by the Council: 22 July 2010  
23 May 2013

Updated July 2014

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

**A. Financial Planning**

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

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

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

**B. Financial Management**

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

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

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

**C. Risk Management and Control of Resources**

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

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

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

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

**D. Systems and Procedures**

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

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

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

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

**E. External Arrangements**

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

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

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

## OVERALL FINANCIAL RESPONSIBILITIES

### Introduction

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

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

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

2.3 **The Leader** is responsible for:

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

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

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

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

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

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

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

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

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

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

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

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

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

- i. Section 151 of the Local Government Act 1972
- ii. Local Government Finance Act 1988
- iii. The Local Government and Housing Act 1989
- iv. The Local Government Acts 2000 and 2003
- v. The Accounts and Audit Regulations 2011
- vi. The Local Government Pension Scheme (Administration) Regulations 2008
- vii. [The Local Government Pension Scheme Regulations \(Management and Investment of Funds\) 2009](#)
- viii-viii. [The Local Government Pension Scheme Regulations 2013](#)
- viii-ix. [The Local Authorities Goods and Services Acts 1970 and 1988.](#)

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

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

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

2.11 And in particular is responsible for:

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

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

2.13 **The Corporate Directors** are responsible for:

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



- 2.14 Any person concerned with the use or care of the County Council's resources or assets should ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Concerns may also be raised via the Whistleblowing Procedure. **LINK**
- 2.15 The Financial Regulations are a KCC policy and failure or refusal to follow the regulations along with the procedures/protocols identified in this document can be seen as misconduct as set out in the Blue Book.

## FINANCIAL REGULATION A – FINANCIAL PLANNING

### Introduction

A.1 The full Council is responsible for agreeing the Budget, which will be proposed by the Leader. In terms of financial planning, the key elements are:

- i. the Medium Term Financial Plan
- ii. A commissioning framework for Kent County Council: Delivering better outcomes for Kent residents through improved commissioning
- ~~iii. Supporting Independence & Opportunity: Corporate Outcomes Framework 2015-2019~~
- ~~ii. Bold Steps for Kent~~
- ~~iii. Vision for Kent~~
- iv. Public Service Agreement
- v. Annual Performance Plans
- vi. the Revenue Strategy and Budget
- vii. the Capital Strategy and Programme
- viii. the Treasury Management Strategy
- ix. the Risk Management Strategy

### Medium term budget and financial strategy

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

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

### Performance Planning

A.4 The Corporate Director of Finance and Procurement is responsible for:

- i. advising and assisting Directorates in producing the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables;
- ii. the production of corporate guidance on the development of unit cost indicators and cost effectiveness measures;
- iii. contributing, in collaboration with the Corporate Directors, to the development of corporate and service targets and objectives and performance information;
- iv. assisting in building priorities identified within performance plans into corporate and Directorate budgets to enable delivery.

A.5 The Corporate Directors are responsible for:

- i. contributing to the development of performance plans in line with the Council's requirements;
- ii. contributing to the development of corporate and service targets and objectives and performance information;
- iii. ensuring that Directorate service plans are clearly aligned with budgets, to enable the delivery of service priorities;

- iv. ensuring that targets identified within performance plans are built into local work programmes and targets for management and service delivery staff.

## The Kent Pension Fund

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

## Revenue budgeting

### *Budget format*

- A.7 The general format of the Budget will be proposed to the Leader by Corporate Director of Finance and Procurement. The draft Budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.
- A.8 Guidelines on budget preparation are issued to Cabinet Members, Corporate Directors by the Leader on the recommendation of the Corporate Director of Finance and Procurement. The guidelines will take account of:
- i. legal requirements
  - ii. the Medium Term Financial Plan
  - iii. A commissioning framework for Kent County Council: Delivering better outcomes for Kent residents through improved commissioning
  - ~~ii-iv.~~ Supporting Independence & Opportunity: Corporate Outcomes Framework 2015-2019
  - iii. ~~Bold Steps for Kent~~
  - iv. ~~Vision for Kent~~
  - v. Public Service Agreement
  - vi. available resources
  - vii. spending pressures
  - viii. relevant Government guidelines
  - ix. other internal policy documents
  - x. cross cutting issues (where relevant).

### *Budget preparation*

- A.9 The Leader is responsible for developing and proposing to the County Council the general content of the revenue budget in consultation with the Corporate Director of Finance and Procurement.

A.10 Budgets will be ~~produced in a format compatible with the portfolios allocated by the Leader to individual Cabinet Members presented in both a Service Analysis and Directorate format. The Directorate format will align with the structure of the Council.~~

A.11 The Head of Paid Services and the Corporate Director of Finance and Procurement are responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Leader and Cabinet before submission to the Full Council, in accordance with the Budget Procedure Rules, as set out in the Constitution.

A.12 The Corporate Director of Finance and Procurement is responsible for:

- i. ensuring that a process is in place to identify potential pressures on the budget;
- ii. reporting to the Full Council, when the Budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for.

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

#### *Resource allocation*

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

#### *Budget Amendment*

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

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

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

#### **Capital Programme and capital budgeting**

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

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

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

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

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

A.22 The Corporate Directors are responsible for:

- i. ensuring that capital proposals reflect agreed service plans, are prepared in line with guidance issued, are realistic, that necessary business case development and option appraisals have been carried out and any risks identified. Any impact of capital expenditure proposals on service running costs must be identified and included in revenue budget estimates or forecasts; ~~Capital Procedures~~
- ii. consulting with the Corporate Director of Finance and Procurement the relevant Cabinet Member and the Deputy Leader and Cabinet Member for Finance and Procurement where it is proposed to bid for funding from external sources to support capital expenditure;

ensuring that the Capital Process and Procedures are followed. **[LINK to Management guide to capital expenditure.](#)** This includes ensuring that projects only proceed when they have received the necessary Project Advisory Group (PAG) approval and confirmation that any external funding is secured. ~~Capital Procedures PAG~~ For schemes and headings where the total cost is estimated to be £1m or more, or the scheme is reliant on level of borrowing or capital receipt funding this consent must be obtained from the Leader following procedures issued by the Corporate Director of Finance and Procurement. The Leader may take the decision himself/herself or specifically delegate the decision to Cabinet or the relevant Cabinet Member. For schemes where the total cost is estimated to be less than £1m, and require no capital receipt or borrowing, consent must be obtained from the relevant Cabinet Member. ~~However, if a project requires an earmarked capital receipt for funding, the earmarking of such receipt should also be requested via the PAG route, to be endorsed by the Leader. This applies to all earmarked receipts, regardless of the value;~~

- iii. ensuring that any new capital expenditure proposals which would require an increment to the total three year capital programme in order to proceed, regardless of funding, are agreed with the Corporate Director of Finance and Procurement and are submitted to the Leader for consideration via the PAG process;
- iv. ensuring that, in addition to the PAG process, appropriate approval is sought where relevant from the Leader, the Cabinet or an authorised Cabinet Member in accordance with the Constitution.

By way of clarification, PAG is an advisory group that oversees the capital programme and a process for keeping keeps track of current spending and cash flows. PAG does not replace the process for obtaining formal authority for a project and this is still needed.

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

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

## Maintenance of reserves & provisions

A.23 The Corporate Director of Finance and Procurement is responsible for:

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

A.24 The Corporate Director of Finance and Procurement is responsible for ensuring that provisions are set up for any liabilities of uncertain timing or amount that have been incurred and are required to be recognised when:

- i. the Council has a present obligation (legal or constructive) as a result of a past event
- ii. it is probable that a transfer of economic benefits will be required to settle the obligation, and
- iii. a reliable estimate can be made of the amount of the obligation.
- iv. If the Council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then either a reserve should be set up and the regulations in A.23 above apply or a contingent liability should be set up and the regulations in A.25 below apply.

A.25 The Corporate Director of Finance and Procurement is responsible for ensuring that contingent liabilities are noted in the accounts for probable liabilities where a reliable estimate cannot be made and are recognised when:

- i. the Council has a present obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- ii. the Council has a present obligation that arises from past events but is not recognised because:
  - a. it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - b. the amount of obligation cannot be measured with sufficient reliability.
- iii. If it becomes probable that a transfer of economic benefits will be required to settle the obligation then the regulations set out in A.24 will apply.

### **Key decisions**

- A.2526 Cabinet Members are responsible, within their allocated responsibility area and approved budget, for taking decisions as agreed by the Leader of the County Council.
- A.2627 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions Cabinet Members must comply with the County Council's Financial Regulations.

## **FINANCIAL REGULATION B - FINANCIAL MANAGEMENT**

### **Introduction**

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

### **Revenue Budget Monitoring and Control**

- B.2 The Corporate Director of Finance and Procurement is responsible for:
- i. providing appropriate financial information to enable budgets to be monitored effectively;
  - ii. monitoring and controlling overall expenditure against budget allocations and publishing a report to the Cabinet on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.
- B.3 It is the responsibility of the Corporate Directors to:
- i. control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide;
  - ii. have a robust system in place for monitoring activity levels which drive major budget headings (over £10m);
  - iii. report to the Corporate Director of Finance and Procurement and to the relevant Cabinet Member on variances within their own areas;
  - iv. ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast, alerting the Corporate Director of Finance and Procurement and Cabinet Member to any problems;
  - v. ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Corporate Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure;
  - vi. ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively;
  - vii. ensure prior approval by the Leader and the relevant Cabinet Member and notification to the Scrutiny Committee of new proposals, which fulfil one or more of the following criteria:



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

### **Financial Implications of Reports**

B.4 The Corporate Director of Finance and Procurement is responsible for:

- i. monitoring the quality of the financial implications information included in reports by the Corporate Directors;
- ii. providing financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.

B.5 The Corporate Directors are responsible for:

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

### **Virement**

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

a. Virement within a Portfolio:

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

b. Virement between portfolios:

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

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

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

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

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

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

**Treatment of year-end balances**

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

## Capital Budget Monitoring

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

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

B.15 The Corporate Directors are responsible for:

- i. preparing regular reports reviewing the capital programme provisions for their services;
- ii. preparing regular returns of estimated final costs of schemes in the approved capital programme for submission to the Corporate Director of Finance and Procurement for inclusion in the report to Cabinet on the overall Capital programme position;
- iii. reporting to the Corporate Director of Finance and Procurement circumstances when it is considered that additional County Council capital resources will be required to implement a project that has previously been given approval to spend, where such additional resources cannot be identified from within the Portfolio programme concerned;
- iv. reporting to the Corporate Director of Finance and Procurement on any proposed variations to the Capital Programme during a financial year;
- v. reporting to the Corporate Director of Finance and Procurement on any proposed additions to the Capital Programme resulting from the receipt of additional grant or other external funding. If this relates to an entirely new scheme then it must be considered by PAG and approved by the relevant Cabinet Member.
- vi. Reporting the completion dates on major projects, over £1m.

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

Less than £50,000	the Head of Paid Service or relevant Corporate Director(s)
From £50,000 up to (but not including) £200,000	the relevant Corporate Director(s) in agreement with the relevant Cabinet Member(s) and the Corporate Director of Finance and Procurement
£200,000 up to (but not including) £1m	the relevant Cabinet Member(s) in agreement with the Deputy Leader and Cabinet Member for Finance and Procurement, Corporate Director(s) and Corporate Director of Finance and Procurement
£1m and above	the Leader or Cabinet

*Virement limits are cumulative, please refer to B9 for explanation*

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

## Accounting policies

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

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

## Accounting records and returns

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

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

B.20 The Corporate Directors are responsible for:

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

## The annual statement of accounts

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

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

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

B.23 The Corporate Directors are responsible for:

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

### **Contingent Liabilities**

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

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

B.25 The Corporate Directors are responsible for:

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

## FINANCIAL REGULATION C – RISK MANAGEMENT AND CONTROL OF RESOURCES

### Introduction

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

### Risk management and insurance

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

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

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

C.4 The Corporate Directors are responsible for:

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

### Internal control

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

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

C.6 The Corporate Directors are responsible for:

- i. establishing sound arrangements for planning, appraising, authorising, monitoring and controlling their operations in order to achieve continuous

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

## Audit requirements

C.7 The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit of its accounting records and its system of internal control.

C.8 ~~The Audit Commission is responsible for appointing external auditors to each local authority, though this is due to change once the Local Audit Bill becomes statute. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998. The Local Audit and Accountability Act 2014 (the Act) abolished the Audit Commission and requires relevant authorities to appoint their own local (external) auditors on the advice of an auditor panel. As an interim measure national 5-year contracts were awarded that expire in 2016, the requirement to appoint will apply once those contracts end and to meet the Act's deadline local auditors will need to be appointed by 31<sup>st</sup> December 2016. The code of audit practice and guidance for local audit are governed by section 5 of the Act.~~

C.9 The Council may, from time to time, be subject to inspection or investigation by external bodies such as H.M. Revenue and Customs who have statutory rights of access.

C.10 The Corporate Director of Finance and Procurement is responsible for:

- i. ensuring an effective internal audit function, through adequate resourcing and coverage properly planned and determined through assessment of risk and consultation with management;
- ii. ensuring that effective procedures are in place to investigate promptly any fraud or irregularity;
- iii. ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work;
- iv. ensuring there is effective liaison between external and internal audit;
- v. ensuring that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable and in any event within fourteen days of the request being made.

C.11 The Corporate Directors are responsible for:

- i. notifying the Head of Internal Audit immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources. Pending investigation and reporting, all necessary steps should be taken to prevent further loss and to secure records and documentation against removal or alteration;
- ii. ensuring that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
- iii. ensuring that all records and systems are up to date and available for inspection;
- iv. ensuring that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable and in any event within fourteen days of the request being made.

## **Preventing fraud and corruption**

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

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

## **Assets**

### *Security of Assets*

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

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

### *Inventories*

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

### *Asset Disposal*

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



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

### *Stocks of goods and materials*

C.19 Corporate Directors are responsible for:

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

### *Intellectual Property*

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

C.21 The Corporate Directors are responsible for:

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

### **Treasury Management**

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

- i. reporting to the Deputy Leader and Cabinet Member for Finance and Procurement, in accordance with the CIPFA Code of Practice on Treasury Management in the Public Services ~~Code of Practice~~ and accordingly will create and maintain, as the cornerstones for effective treasury management:
  - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
  - b. suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;

The content of the policy statement and TMPs will follow the recommendations contained in sections 6 and 7 of the Code, subject only to amendment where

necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the Council materially deviating from the Code's key principles.

- ii. reporting to the Council on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs;
- iii. establishing procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
- iv. ensuring that all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

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

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

### **Loans to third parties and acquisition of third party interests**

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

### **Trust Funds and funds held for third parties**

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

### **Banking**

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

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

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

## **Imprest Accounts**

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

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

## **Credit Cards and Purchase Cards**

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

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

C.32 The Corporate Directors are responsible for:

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

## **Staffing Costs**

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

C.34 The Corporate Directors are responsible for:

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

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

## FINANCIAL REGULATION D – SYSTEMS AND PROCEDURES

### Introduction

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

### General

D.2 The Corporate Director of Finance and Procurement is responsible for:

- i. determining the Council's accounting control systems, the form of accounts and the supporting financial records and for ensuring that systems determined by him/her are observed;
- ii. approving any changes proposed by the Corporate Directors to the existing financial systems or procedures or the establishment of new systems or procedures;
- iii. compiling, in consultation with the Corporate Directors, a Business Continuity Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting systems used to deliver those services.

D.3 The Corporate Directors are responsible for:

- i. the proper operation of financial procedures and financial processes in their own Directorates in accordance with the systems and procedures set out by the Corporate Director of Finance and Procurement;
- ii. obtaining the approval of the Corporate Director of Finance and Procurement for any developments of new systems and changes to existing systems, by Corporate Directors that involve a financial operation or produce output that may influence the allocation of resources;
- iii. ensuring that their staff receive relevant financial training;
- iv. ensuring that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. The Corporate Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation;
- v. ensuring, jointly with the Corporate Director of Finance and Procurement that there is a documented and tested Business Continuity Plan to allow information system processing to resume quickly in the event of an interruption;
- vi. ensuring that Oracle Financials is utilised except where otherwise agreed by the Corporate Director of Finance and Procurement;
- vii. ensuring that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the Corporate Director of Finance and Procurement. **LINK**

### Income

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

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

- i. setting the debt management policy for the County Council in order to maximise the income due to the Council and its collection;
- ii. approving the procedures, systems and documentation for the collection of income;

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

D.6 The Corporate Director of Finance and Procurement is authorised to write-off the following types of debt where:

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

D.7 Other than covered in D6, all debt write offs over £10,000 should be put forward by the relevant Corporate Director to the Corporate Director of Finance and Procurement in his role of Section 151 Officer for his decision in consultation with the Deputy Leader and Cabinet Member for Finance and Procurement. The relevant Corporate Director will also submit a report for information, comment and assurance to the Governance and Audit Committee, setting out the operational reasons for the write-off.

D.8 The Corporate Directors are responsible for:

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

### **Ordering and Paying for Works, Goods and Services**

D.9 The Corporate Director of Finance and Procurement is responsible for:

- i. ensuring that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered;
- ii. agreeing, in consultation with the Corporate Directors where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced;
- iii. agreeing the form of official orders and associated terms and conditions;

- iv. making payments from the Authority's funds on the Corporate Director's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations;
- v. defining the requirements for the electronic approval of order or checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and is certified for payment by the nominated budget manager. The Corporate Director of Finance and Procurement will set and review a value for invoices, currently ~~£100~~ £250, below which payment will be made on certification that goods or services have been received and that the invoice is in order but will not require the additional certification of the budget manager;
- vi. making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order;
- vii. making payments to contractors on the certificate of a Corporate Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

D.10 The Corporate Directors are responsible for:

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

~~xi-x.~~ Compliance with spend mandates, which are published in the how to buy guides accessible via the Knet Procurement page. [LINK](#)

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

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

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

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

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

### **Contract Management**

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

### **Ex Gratia Payments**

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

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

### **Payments to employees and Members**

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

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



- ii.iii. ensuring that there are adequate arrangements for administering pension matters on a day-to-day basis;
- ~~iii. ensuring the accurate and timely production of statutory returns to the H.M. Revenue and Customs, particularly in respect of the financial year end and the declaration of employee taxable benefits.~~

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

D.20 The Corporate Directors are responsible for:

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

## **Taxation**

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

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

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

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

## **Trading accounts**

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

D.25 The Corporate Directors are responsible for:

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



## Overheads and Internal Recharges

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

- i. maintaining a system of delegating budgets to Directorates for support services;
- ii. establishing a framework for the carrying out of overheads and internal recharges in accordance with laid down timetables;
- iii. ensuring that the recipients are clear what each charge covers and provide sufficient information to enable them to challenge the approach being taken;
- iv. arbitrating on disputed recharges where these cannot be satisfactorily resolved between Directorates;
- v. ensuring that overheads and internal recharges for support services are in accordance with the CIPFA Service Reporting Code of Practice for both budget and final accounts purposes.

D.27 The Corporate Directors are responsible for:

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

## FINANCIAL REGULATION E – EXTERNAL ARRANGEMENTS

### Partnerships

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

More detailed guidance can be found in 'Risk Management of Key Partnerships – A guide to good practice', [the management guide to alternative service delivery models LINK](#) and the Companies' Protocol. **LINK**

### External funding

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

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

### **Work for third parties**

- E.5 The Corporate Director of Finance and Procurement is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.
- E.6 The Corporate Directors are responsible for:
- i. ensuring that work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
  - ii. ensuring that guidance issued by the Corporate Director of Finance and Procurement is complied with and that all agreements and arrangements are properly documented.
- E.7 The Leader or relevant Cabinet Member is responsible for approving the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £200,000.

### **Companies**

- E.8 In relation to companies that the Council has an interest, it is imperative that they are set up, managed and run according to rules of good governance so that risks are mitigated. The 'Protocol relating to companies in which KCC has an interest' establishes processes and provides additional controls to ensure such rules are in place.
- E.9 Anyone within the Council intending to set up a company must first read both the 'Protocol relating to companies in which KCC has an interest' and the more detailed Local Authority Companies guidance document. Sanctions are in place for non compliance which can include disciplinary action. **LINK**

- E.10 The Corporate Director of Finance and Procurement is responsible for advising on the financial implications resulting from the creation of a company including tax treatment and accounting arrangements.
- E.11 The Director of Governance and Law is responsible for advising on the legal requirements and implications with respect to the creation and ongoing running of a company.
- E.12 The Corporate Directors are responsible for:
- i. ensuring that the 'Protocol relating to companies which KCC has an interest' and the more detailed Local Authority Companies guidance document is complied with;
  - ii. ensuring that legal and financial advice provided by the Director of Governance and Law and the Corporate Director of Finance and Procurement respectively are complied with. **LINK**

Scheme of Delegation - Approval Limits

Finance Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic Sourcing & Procurement Team (SSP)				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Procurement	Category Manager	Procurement Manager	Procurement Officer	PS2P Buyer
<b>Revenue Virement Limits</b>												
Within Portfolio	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Within Portfolio	2		Less than £200k	Less than £200k								
Between Portfolios	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Between Portfolios	2		Less than £200k	Less than £200k								
<b>Capital Virement Limits</b>												
Within or across Portfolios	1	Above £1m *	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **								
Within or across Portfolios	3		From £50k up to (but not including) £200k	From £50k up to (but not including) £200k								
Within or across Portfolios				Less than £50k								
<b>Writing off of obsolete stock</b>	4			Up to £10k								
<b>Ex Gratia Payments</b>	5		More than £6k	Up to £6k								
<b>Writing off irrecoverable debts</b>	6			Up to £10k								

Procurement & Invoice Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic Sourcing & Procurement Team (SSP)				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Procurement	Category Manager	Procurement Manager	Procurement Officer	PS2P Buyer
Contract Award Recommendation acceptance	7/16/17	Unlimited*	Unlimited*	Up to £1m*	Up to £500k except where Property Management Protocol expressly differs	Up to £250k	Up to £50k					
Contract/Framework Signature	8			Unlimited Up to £1m and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Unlimited Up to £500k and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*			Unlimited Up to £1m and over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £250k	Up to £100k	Up to £50k	
Requisition (Budget expenditure) Approval i- Procurement	9/10/17			Unlimited where previously approved as designated signatory and where relevant authority is in place	Up to £1m*	Up to £500k	Up to £50k					
Purchase Order Approval	11							Unlimited when correct political or previously delegated authority is in place and contract is required*	Up to £250k	Up to £100k	Up to £50k	Up to £8k
Variation Approval	14	Unlimited*	Unlimited*	Up to £1m*	Up to £500k	Up to £250k	Up to £50k					
Variation Signature				Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*							
Receipt Confirmation	12			Unlimited	Unlimited	Unlimited	Unlimited					

Invoice Payment	13/17			Unlimited	Up to £1m or over £1m where previous delegation from Cabinet or Cabinet Member is in place*	Up to £500k	Up to £50k					
Contract Extension Approval		Unlimited	Unlimited	Up to £1m or over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*								
Contract Extension Signature	11		Nil. Unlimited where previously approved as designated signatory and where relevant authority is in place*	Nil. Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	Nil. Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*			Unlimited Up to £1m or over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £250k	Up to £100k	Up to £50k	Up to £8k
Procurement Plan Approval								Unlimited (Plans of >£1m or of significant or with political implications eill be advised on by Procurement Board)	Up to £250k	Up to £100k	Up to £50k	

\* These decisions/actions are subject to statutory recording and publication requirements. Seek advice from Democratic Services.

\*\* These decisions/actions are subject to statutory recording and publication requirements when over £500k. Seek advice from Democratic Services.

**Notes:**

- Virement of £1m to £200k has to be signed off by Portfolio Cabinet Member, relevant Corporate Director, Deputy Leader and Cabinet Member for Finance and Procurement and Corporate Director of Finance and Procurement  
*Advice should be sought as to whether the Virement requires a formal Decision to be taken.*
- Virement less than £200k has to be signed off by the Corporate Director of Finance and Procurement along with the relevant Cabinet Member and Corporate Director.
- Virement of £200k to 50k has to be signed off by the Corporate Director of Finance and Procurement along with the relevant Cabinet Member and Corporate Director.
- Write off of obsolete stock up to £10k is in consultation with the Corporate Director of Finance and Procurement. Above £10k to be reported to Corporate Director of Finance and Procurement and Deputy Leader and Cabinet Member for Finance and Procurement and then taken to Scrutiny Committee for write off.
- Ex gratia payments above £6k Corporate Directors are responsible for obtaining approval from relevant Cabinet Member, Deputy Leader and Cabinet Member for Finance and Procurement and Corporate Director of Finance and Procurement.
- Write off of irrecoverable debts up to £10k is in consultation with the Corporate Director of Finance and Procurement. Above £10k *should be put forward by the relevant Corporate Director to be reported to the Corporate Director of Finance and Procurement in his/her role of Section 151 Officer for his decision in consultation with the and Deputy Leader and Cabinet Member for Finance and Procurement. and then taken to Scrutiny Committee for write off. A report by the relevant Corporate Director will also be submitted to Governance and Audit Committee.*
- Award recommendation prepared by Procurement lead
- Authorities only valid if Contract Award Recommendation acceptance has been approved; will also require a review schedule e.g. with Legal Services for non-standard contract use; decisions on signing under seal or under hand
- Only valid for approved budgets/expenditure within plan – values will be used within i-Procurement
- Procurement authorities relate to own budget only
- For simple contracts only, those that are required to be sealed as required in "Contracts and Tenders Standing Orders" must be dealt with by Legal Services.
- May be exercised by any member of staff who can directly confirm correct receipt of goods, services or works
- Relates to signature on invoices; post i-Procurement implementation this authority is no longer required (3-way system match provides authorisation)
- Approval of a variation against an existing contract
- Approval of an extension to an existing contract, only valid if budget expenditure has been approved by relevant Service Officer
- Cabinet Member Approval where authority has been delegated, in some instances this may require Cabinet Approval in line with the Constitution
- For areas with high expenditure e.g. Highways, Property, ICT approval level can be increased to £5m for Service Directors at Corporate Directors discretion

By: 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<sup>th</sup> April 2015

Subject: **External Audit Update – April 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**  
**03000 416554**

This page is intentionally left blank



# Governance and Audit Committee Update for Kent County Council

---

**Year ended 31 March 2015**

April 2015

Page 273

**Paul Hughes**

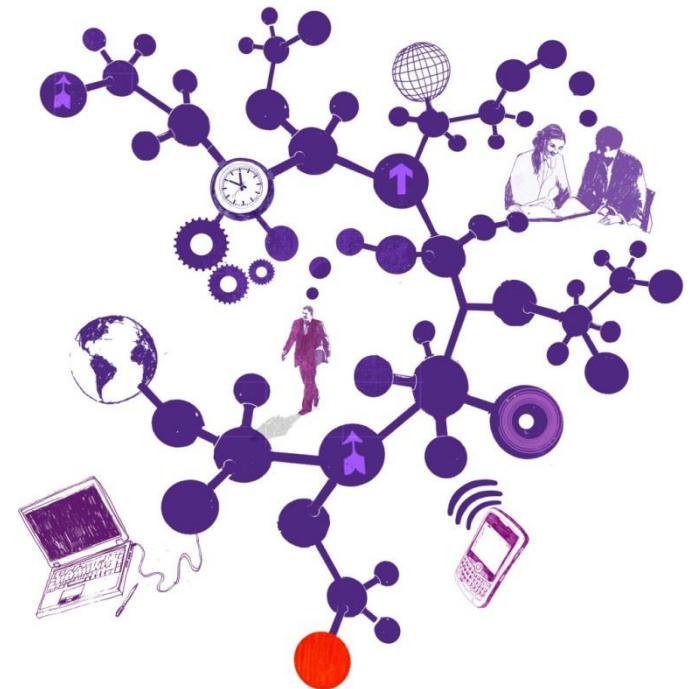
Director  
T 0207 728 2256  
E [paul.hughes@uk.gt.com](mailto:paul.hughes@uk.gt.com)

**Elizabeth Olive**

Senior Manager  
T 0207 728 3329  
E [elizabeth.l.olive@uk.gt.com](mailto:elizabeth.l.olive@uk.gt.com)

**Nicholas White**

Senior Manager  
T 0207 383 5100  
E [nicholas.j.white@uk.gt.com](mailto:nicholas.j.white@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

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 14 April 2015	5
Emerging issues and developments	
Grant Thornton	7
Local government issues	9
Accounting and audit issues	14

Page 275

# Introduction

This paper provides the 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 Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- 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 [paul.hughes@uk.gt.com](mailto:paul.hughes@uk.gt.com)  
Elizabeth Olive Engagement Manager T 0207 728 3329 M 07880 456191 [elizabeth.l.olive@uk.gt.com](mailto:elizabeth.l.olive@uk.gt.com)

# Progress at 14 April 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> 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	Yes	We are presenting separate accounts audit plans for the Council's financial statements and the Pension Fund accounts to this committee meeting.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing.</li> </ul>	<p>Phase 1: 26 January – 6 February 2015</p> <p>Phase 2: 13 – 17 April 2015</p>	<p>Yes</p> <p>In progress</p>	<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><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	15 June – 10 July 2015	Not yet due	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 14 April 2015

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014-15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness in its use of resources.</li> </ul> <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><b>Whole of Government Accounts (WGA)</b></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><b>Other activity undertaken</b></p> <p>We have appointed a new senior manager, Nick White, to manage the financial statements audit during the 2014/15 audit year. Liz Olive remains as part of the audit team to oversee the management of the audit during the transition process and deliver the Value for Money Conclusion work. A handover process with senior officers and members will be completed over the coming months. Nick will take over as Engagement Manager from 2015/16 audit year.</p> <p>We certified two Regional Growth Fund (RGF) 2014 claims for the Expansion East Kent and Infrastructure schemes. We plan to carry out the audit of the RGF TIGER scheme in early June 2015.</p>			

# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are as transparent as possible for stakeholders.

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



# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

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



Stronger futures:  
development of the LGPS

Improving governance in local government pension schemes  
February 2015





# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

# Inspection into the governance of Rotherham Council

## Local government issues

On 4 February 2015 the Secretary of State for Communities and Local Government, Eric Pickles announced the publication of [Louise Casey's report](#). Her inspection of the exercise of functions on governance, children and young people and taxi and private hire licensing states:

"Rotherham Metropolitan Borough Council is not fit for purpose. It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. In particular, it is failing in its duties to protect vulnerable children and young people from harm."

It summarises the following serious failings:

- a council in denial about serious and on-going safeguarding failures
- an archaic culture of sexism, bullying and discomfort around race
- failure to address past weaknesses, in particular in Children's Social Care
- weak and ineffective arrangements for taxi licensing which leave the public at risk
- ineffective leadership and management, including political leadership
- no shared vision, a partial management team and ineffective liaisons with partners
- culture of covering up uncomfortable truths, silencing whistle-blowers and
- paying off staff rather than dealing with difficult issues

The report has had widespread press coverage and in a statement in the House of Commons the Secretary of State confirmed that he is considering exercising his powers of intervention in relation to Rotherham.

## Challenge question

Have members been briefed on:

- the headline messages from the inspection of aspects of Rotherham MBC's governance arrangements?
- whether there are any lessons to be learned by the authority and actions that need to be taken to strengthen its overall governance arrangements in response to the risk of child sexual abuse, including the robustness of member oversight, challenge and scrutiny?

# Cities launch 'Magna Carta' for devolution

## Local government issues

The Modern Charter for Local Freedom was launched at the Core Cities UK Devolution Summit on 9 February 2015. Ten of the UK's largest cities set out demands for devolution that they say will drive national prosperity and boost local economies. Calling for city areas to be given much greater freedom to reform and join up all public services locally, with job and skills scheme and housing support among the key areas for change they cite three key 'freedoms':

- Freedom to decide: independence, but not one size fits all
- Freedom to invest: prosperous places, not stagnant states
- Freedom to deliver: better services, improved lives

The Core Cities Group has also published its joint report with ResPublica "[Restoring Britain's City States: Devolution, Public Service Reform and Local Economic Growth](#)". This report argues for a rebalancing of the relationship between central government and cities, as the only real solution for addressing the interconnected challenges of local economic growth, public service reform and better governance.

### Challenge question

Have members been briefed on the headline messages from the City Growth Commission report, the current status of developments and the potential implications of the proposed devolution of powers to the City Council?

# Councils fear school place tipping point

## Local government issues

Just ahead of the 15 January 2015 deadline for parents to apply for primary school places for their child for September 2015 the LGA warned that the £12 billion cost of creating places for the 900,000 extra pupils expected at England's schools over the next decade could push schools to breaking point. Whilst the government has committed £7.35 billion to create extra school places the LGA claims that this still creates a backlog.

The LGA is calling on the Government to fully-fund the cost of all school places, now and in the future, and to give councils the powers to open new schools without bureaucratic burdens so they can be delivered according to local need. The LGA's 'Investing in our nation's future' campaign outlines measures which it claims would save the public purse £11 billion, tackle the country's housing crisis, ensure every child had a place at a good school, reduce long-term unemployment, address the pothole backlog and improve the nation's health.

### Challenge question

Have members:

- been briefed on the headline messages from the LGA's 'Investing in our nation's future' campaign?
- received adequate assurances that locally the authority has a robust and adequately funded schools programme in place to ensure that school places are created on time and in the right places?

# Care services for people with learning disabilities and challenging behaviour

## Local government issues

The National Audit Office (NAO) published its report, [Care services for people with learning disabilities and challenging behaviour](#) on 4 February 2015. It concludes that the Government has not met its central goal of moving people with learning disabilities and challenging behaviour out of hospital by 1 June 2014, because it underestimated the complexity and level of challenge in meeting the commitments in its action plan.

Following the exposure in May 2011 of abuse of patients at the Winterbourne View Hospital, the Department of Health set out its action plan in the 'Winterbourne View Concordat' for moving people with learning disabilities and challenging behaviour out of hospital and into community care. At September 2014 however there were still 2,600 inpatients with learning disabilities in mental health hospitals, although NHS England's stated ambition is to discharge 50% of these into "more appropriate care settings" by 31 March 2015.

As the NAO also report that there is no financial incentive for local commissioners to bring such patients home. They have to bear the additional costs of expanding local community services to meet the patients' needs, following discharge from hospital, when NHS England had centrally funded patients' care in mental health hospitals

## Challenge question

Have members been briefed on the arrangements that the authority is putting in place with its health care commissioner and provider partners to locally implement the 'Winterbourne View Concordat'?

# Accounting for schools – Code update and LAAP Bulletin 101

## Accounting and audit issues

### Non-current assets

In December 2014, CIPFA issued an Update to Appendix E of the 2014/15 Code which states "The recognition of non-current assets used by schools shall be determined in accordance with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets. These assets shall be recognised in a local authority's balance sheet if they meet either the appropriate recognition criteria (see Chapter Four) for the local authority or for a school within the local authority area".

CIPFA also issued in December LAAP Bulletin 101 Accounting for Non-Current Assets Used by Local Authority Maintained Schools. The Bulletin provides application, clarification and interpretation but is secondary to the Code and accounting standards.

Due to the varied and sometimes complex arrangements for use of school land and buildings, the accounting treatment for these non-current assets will require the chief finance officer to make significant judgements in the preparation of the statement of accounts. These judgements should be based on the circumstances for individual schools and will involve consideration of the rights of the school as an entity and any rights held by the local authority. Judgements should be robust and well documented as auditors will be required to consider whether these are reasonable and supported by appropriate evidence. Local authorities should discuss and agree these judgements with Those Charged With Governance.

### Other matters

The work required to identify and consider the arrangements over the use of schools may be significant and progress to date has been variable. Local authorities need to consider the resources required to identify and review arrangements and to undertake any necessary valuations. Good project management arrangements also need to be in place to ensure the requirements of the Code are met.

Treating a school as an entity means that local authorities are satisfied that, for each school, they have captured all the financial information relating to the school as an entity. This means all income and expenditure (including voluntary donations and related expenditure), cash flows and all assets and liabilities.

---

# Accounting for schools – Code update and LAAP Bulletin 101

## Accounting and audit issues

As part of their accounts preparations local authorities should ensure transactions between the local authority and schools are eliminated, all required disclosures are made and any appropriate governance matters are disclosed in the Annual Governance Statement.

A more detailed summary of the issues arising from the Code Update and LAAP Bulletin 101 is included with this report for information.

### Challenge questions

- What progress has your capital finance manager made in making judgements on the accounting treatment of schools non-current assets on a case by case basis?
- Has your Head of Finance Management got arrangements in place to ensure the accounting requirements for schools are met?

# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

### Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.



# Earlier closure and audit of accounts

## Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

You currently produce their financial statements ahead of the current deadline with the audit completed before 31 July. Officers are reviewing how to bring forward the accounts production to 31 May.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



© 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](http://grant-thornton.co.uk)

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<sup>th</sup> April 2015

Subject: **External Audit – Audit Plans for Kent County Council and Kent Superannuation Fund 2014/15**

Classification: Unrestricted

---

**Summary:** The attached plans set out the proposed work of Grant Thornton to enable them to give an audit opinion on the Council's 2014/15 financial statements including the Kent Superannuation Fund.

## **FOR DECISION**

---

### **Introduction and background**

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

### **Process**

2. The Kent County Council and Kent Superannuation Fund Audit Plan reports emphasise the respective responsibilities of the Auditors and Audited Body and set out the results of a risk assessment in relation to their opinion on the financial statements and the Council's arrangements for value for money.
3. Both reports set out the proposed timetable for the opinion audit, including reporting to Committee.

### **Recommendations**

4. Members of the Governance and Audit Committee are asked to:
  - Review the outcomes of Grant Thornton's updated risk assessment; and
  - Approve the audit plans for Kent County Council and Kent Superannuation Fund for 2014/15.

**Robert Patterson**  
**Head of Internal Audit**  
**03000 416554**

This page is intentionally left blank

# The Audit Plan for Kent County Council

**Year ended 31 March 2015**

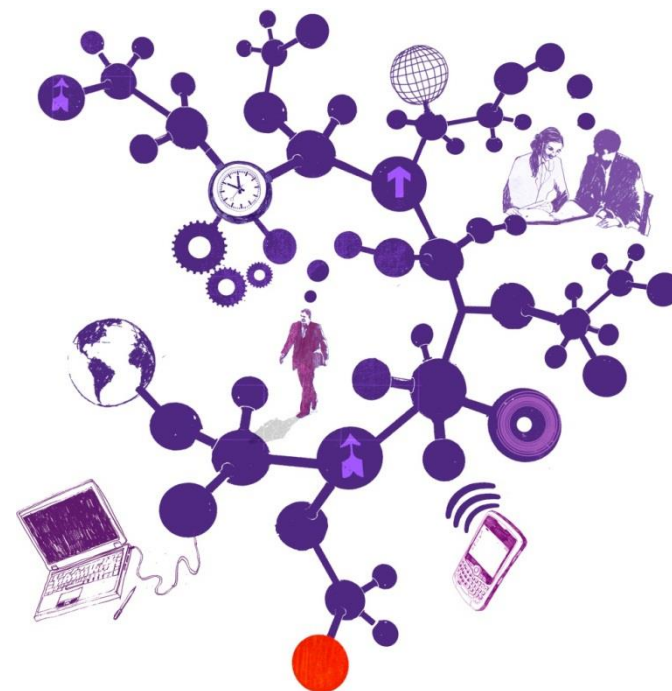
29 April 2015

**Paul Hughes**  
Engagement Lead  
T 0207 728 2256  
E paul.hughes@uk.gt.com

**Elizabeth Olive**  
Engagement Manager (until July 2015)  
T 07880 456191  
E elizabeth.l.olive@uk.gt.com

**Nicholas White**  
Engagement Manager (from August 2015)  
T 0207 383 5100  
E nicholas.j.white@uk.gt.com

**Stephen J Richards**  
In-charge auditor  
T 0207 728 3340  
E stephen.j.richards@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 the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

---

# Contents

## Section

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

# Understanding your business

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

## Challenges/opportunities

### 1. Council transformation

- The Council's Facing the Challenge programme is transforming the way the Council delivers its services whilst continuing to cut its budget
- Development of local authority trading companies to deliver services differently
- Partnership working with other bodies and the voluntary sector.

Page 296

### 2. Procurement and Commissioning

- Delivering efficiency savings through improved procurement
- Moving from the provision to the commissioning of services.

### 3. LG Finance Settlement

- You have a good track record of meeting your financial targets and of implementing efficiency savings
- The local government spending settlement showed local authorities are facing a cash reduction in their spending power of 6% in 2015-16
- At the same time local authorities are facing increasing demands for school places and adult social care services.

### 4. Collaborative working with the NHS

- Development of new working arrangements to deliver the Better Care Fund
- NHS emergency care overload and the re-emergence of bed-blocking linked to adult social care capacity.

## Our response

- We will carry out a review of the accounting entries in your financial statements of your Local Authority Trading Companies (LATCs)
- We will review progress in delivering the Facing the Challenge transformation programme as part of our financial resilience work.

- We will review the progress you have made in delivering your efficiency savings in the adults and children's transformation projects as part of our work on your arrangements for financial resilience.

- We will review the Council's financial planning, monitoring and governance arrangements, focusing on the robustness of assumptions in the medium term resources strategy as part of our financial resilience work.

- We will discuss your plans in these areas through our regular meetings with senior management and those charged with governance, providing a view where appropriate.



# Developments relevant to your business and the audit

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

## Developments and other requirements

### 1. Financial reporting

- Changes to the CIPFA Code of Practice
- Changes to the recognition of school land and buildings on local authority balance sheets
- Adoption of new group accounting standards (IFRS 10,11 and 12)

### 2. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword.

### 3. Better Care Fund

- Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015.

### 4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans.

### 5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion.

## Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- schools are accounted for correctly and in line with the latest guidance
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly.

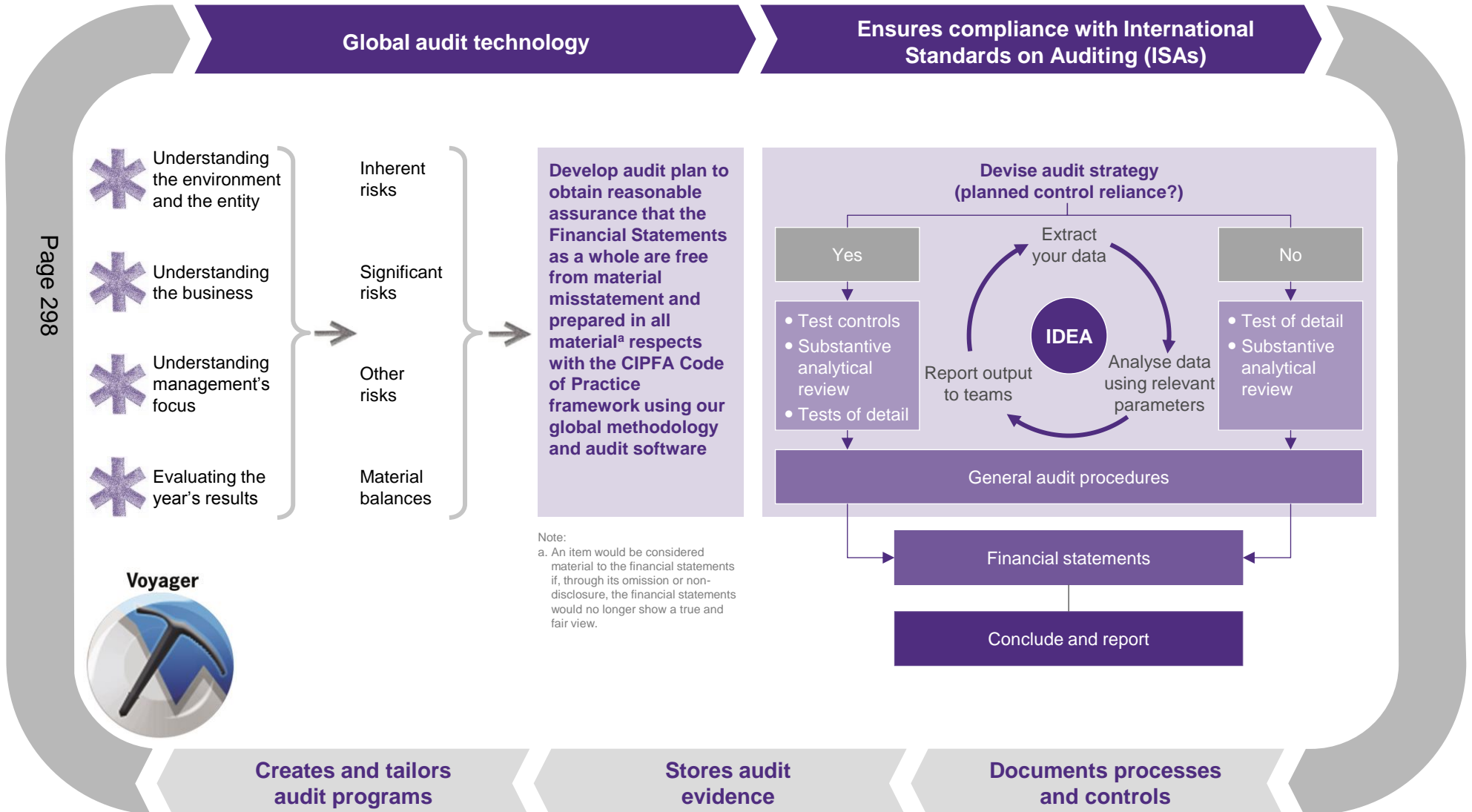
- We will review the arrangements the Council has in place for the production of the AGS and compare to good practice identified in our annual LG governance review
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.

- We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required.

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion.

- We will carry out work on the WGA pack in accordance with requirements.

# Our audit approach



# Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Kent County Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition as the Council is predicting a year end surplus</li> <li>• opportunities to manipulate revenue recognition are very limited due to the nature of majority of income being from central government grants</li> <li>• the culture and ethical frameworks of local authorities, including Kent County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
<p>Management over-ride of controls</p>	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Discussions about the proposed accounting estimates, judgments and decisions to be made by management</li> <li>• Testing of journal entries up to month 9 of the 2014/15 financial year</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for months 10-12 and closedown period</li> <li>• Review of unusual significant transactions</li> </ul>

# Other risks identified

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

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

Other risks	Description	Audit Approach
Operating expenses  Page 300	Creditors related to core activities understated or not recorded in the correct period (Completeness)	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• Identification and walkthrough of controls</li> <li>• Testing of payments made during months 1 to 9 of the financial year</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• Testing of payments made during months 10 to 12 of the financial year</li> <li>• Testing of year end creditors</li> <li>• Testing for unrecorded liabilities</li> </ul>
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Completeness)	<b>Work completed to date:</b> <ul style="list-style-type: none"> <li>• Identification and walkthrough of controls</li> <li>• Testing of payroll records for months 1 to 9 of the financial year</li> </ul> <b>Further work planned:</b> <ul style="list-style-type: none"> <li>• Testing of payroll records for months 10 to 12 of the financial year</li> <li>• Reconciling the total pay per the payroll system to the general ledger</li> <li>• Perform a trend analysis of the payroll expenditure in the 2014/15 accounts</li> </ul>

# Other risks identified cont'd

Other risks	Description	Audit Approach
Property, Plant and Equipment (PPE)	PPE activity not valid (valuation)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Identification and walkthrough of controls</li> <li>• Discussion with officers about the accounting changes for schools in 2014/15</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of entries in the PPE notes</li> <li>• Verify the capital programme to the additions recorded in the asset register in the financial year</li> </ul>
Property, Plant and Equipment (PPE)	Revaluation measurements not correct (valuation)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Identification and walkthrough of controls</li> <li>• Discussion with officers about the valuation approach in 2014/15</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review the reconciliation of the valuation report to the asset register and accounts</li> <li>• Perform assurance procedures over the work of the external valuer as an expert</li> <li>• Consider any changes in the valuation of property, plant and equipment and investment properties and ensure these changes are appropriate and correctly accounted for in the disclosure notes</li> </ul>

# Value for money

## Value for money

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

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

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

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

- review and update our risk assessment agreed during our 2013/14 financial resilience review to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control
- review the budget setting process for 2015/16 and the achievement of savings in 2014/15, including the savings from adults and children's transformation projects
- review the governance arrangements put in place to successfully deliver the Facing the Challenge transformation plans
- review the progress made against any recommendations made as a result of the 2013/14 financial resilience review.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will issue a separate report in respect of VfM.

# Results of interim audit work

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

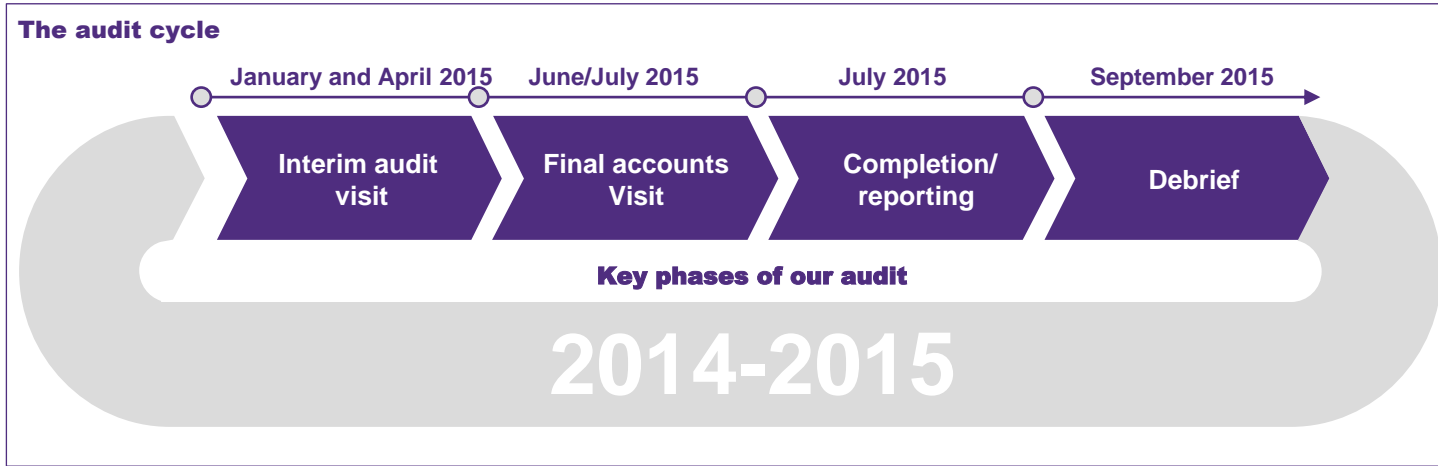
	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have reviewed internal audit's overall arrangements against the Public Sector Internal Audit Standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>The Institute of Internal Audit has undertaken a compliance review against the PSIAS's during March 2015. The draft report has been received and confirmed that the Council is compliant with the requirements.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

# Results of interim audit work cont'd

	Work performed	Conclusion
<b>Review of information technology controls</b>	Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	Our work is in progress and we will report any significant issues arising in the Audit Findings Report.
<b>Journal entry controls</b>  Page 304	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>We will complete journals testing for months 10 to 12 and closedown journals at the accounts audit visit.</p>
<b>Early substantive testing</b>	<p>We have undertaken early substantive testing in the following areas:</p> <ul style="list-style-type: none"> <li>• sample testing of payments for months 1 to 9</li> <li>• sample testing of payroll records for months 1 to 9</li> <li>• sample testing of income for months 1 to 9</li> </ul>	<p>Our work to date has not identified any significant issues which we wish to bring to your attention.</p> <p>We will complete the remaining testing at the accounts audit visit.</p>



# Key dates



Page 305

Date	Activity
January 2015	Planning
April 2015	Interim site visit
29 April 2015	Presentation of audit plan to Audit Committee
w/c 15 June to 6 July 2015	Year end fieldwork
w/c 10 July 2015	Audit findings clearance meeting with Corporate Director of Finance and Procurement
23 July 2015	Report audit findings to those charged with governance
23 July 2015	Sign financial statements opinion

# Fees and independence

## Fees

	Fees £
Council audit	207,900
<b>Total fees (excluding VAT)</b>	<b>207,900</b>

### Our fee assumptions include:

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

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

## Fees for other services

Service	Fees £
Audit of Initial teacher training claim	3,500
Compliance review of TIGER funding scheme in Dec 2014	12,000
Audit of Expansion East Kent RGF claim	3,250
Audit of Infrastructure RGF claim	950

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

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

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

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

# Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

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

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

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

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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



© 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](http://grant-thornton.co.uk)**

# The Audit Plan for the Kent Superannuation Fund

**Year ended 31 March 2015**

April 2015

Page 309

**Emily Hill**

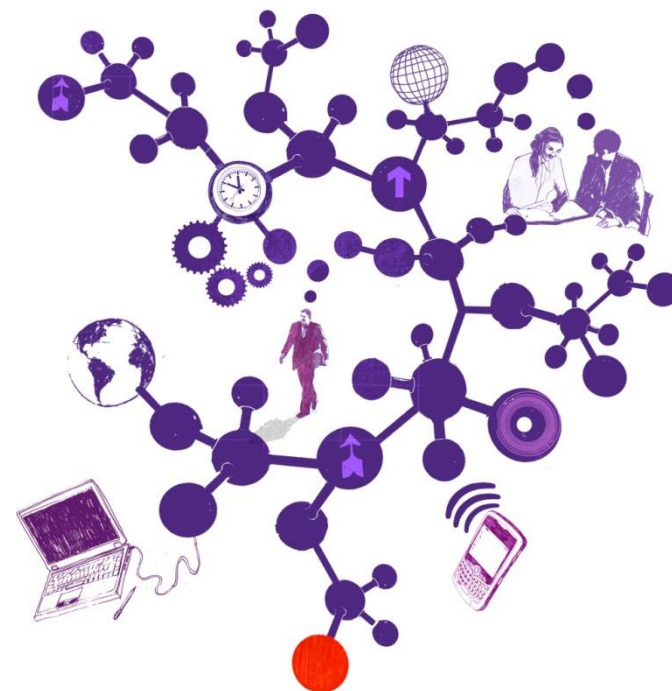
Engagement Lead  
T 020 7728 3259  
E [emily.hill@uk.gt.com](mailto:emily.hill@uk.gt.com)

**Tom Ball**

Engagement Manager  
T 020 7728 3009  
E [thomas.ball@uk.gt.com](mailto:thomas.ball@uk.gt.com)

**Keith Mungadzi**

In-Charge Auditor  
T 01293 554129  
E [keith.mungadzi@uk.gt.com](mailto:keith.mungadzi@uk.gt.com)



---

# Contents

## Section

1. Developments relevant to your business and the audit
2. Our audit approach
3. Significant risks identified
4. Other risks
5. Results of interim work
6. Key dates
7. Fees and independence
8. Communication of audit matters with those charged with governance

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

# 1. Developments relevant to your business and the audit

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

## Developments and other requirements

### 1. LGPS 2014

- During 2013/14 funds have put in place procedures in readiness for implementation of the LGPS 2014 scheme from 1 April 2014. This has moved LGPS from a final salary scheme to a career average scheme one year ahead of other public sector schemes.
- Under this new scheme, the calculations of benefits are likely to be more complex, as are the arrangements for ensuring the correct payment of contributions.
- LGPS 2014 has put a greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

### 2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2015, however the Superannuation Fund needs to ensure on-going compliance with the Code.

### 3. New governance arrangements

- The new governance regulations have introduced further changes for LGPS which take effect from April 2015. These introduce a Local Pension Board for each fund. These boards will work with the administering authority to help ensure compliance and effective governance and administration of the scheme. In addition the regulations also establish a National Scheme Advisory Board and a funding cap.
- There is a potential for overlap for many schemes between existing Pension Committees and the new Local Pension Boards, with a real challenge for administering authorities to meet the statutory requirements, but in a way which enhances the governance of the funds.

### 4. Accounting for Fund management costs

- The Code's only requirement for the disclosure of the costs of managing the pension fund is that management costs in relation to a retirement benefit plan are disclosed on the face of the fund account.
- CIPFA have recently produced guidance aimed at improving the transparency of management cost data and have suggested that funds should include in the notes to the accounts a breakdown of those management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.

## Our response

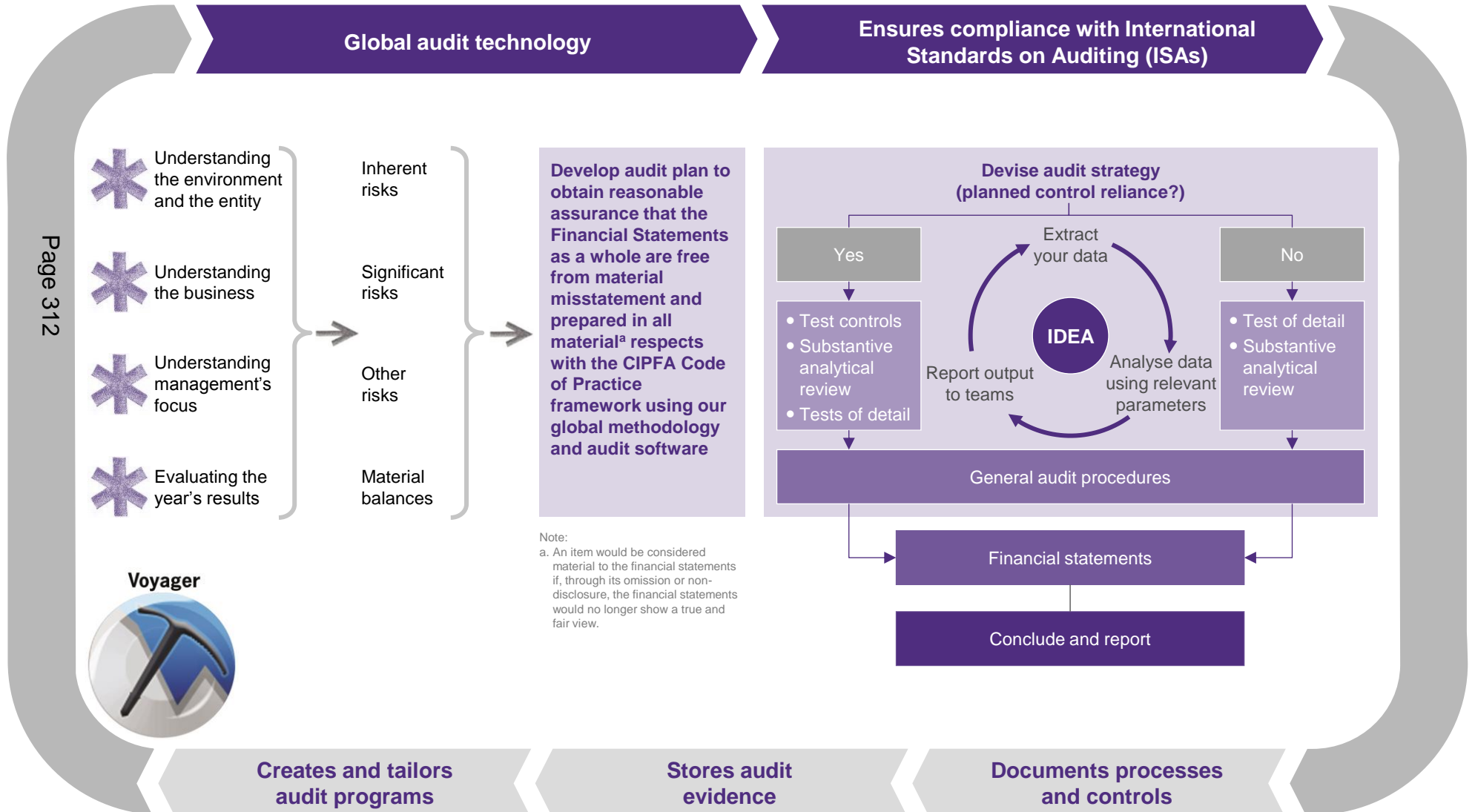
- We will consider changes made to the pensions administration control environment in response to LGPS data requirements.

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

- We will continue our on-going dialogue with officers around their governance arrangements.
- We will share good practice that is emerging with officers.

- We will discuss with officers any planned changes to the financial statements in response to this guidance.

## 2. Our audit approach





### 3. Significant risks identified

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

In this section we outline the significant risks of material misstatement which we have identified. There first two risks below are the two presumed significant risks which are applicable to all audits under International Standards on Auditing:

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Kent Superannuation Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the use of independent custodians and fund managers minimises the risk of fraudulent financial reporting</li> <li>• the culture and ethical frameworks of local authorities, including Kent County Council, who act as the administrators of the Superannuation Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul>
<p>Management over-ride of controls</p>	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>
<p>Level 3 investments (with prices where inputs are not based on observable market data) – valuation is incorrect</p>	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement and estimation uncertainty to reach an appropriate valuation at year end.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• We will gain an understanding of management controls over the valuation of hard to value investments. We will also assess whether these controls have been implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• For a sample of investments, testing valuations by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31<sup>st</sup> March with reference to known movements in the intervening period</li> <li>• A review of the nature and basis of estimated values</li> </ul>

Page 33

## 4. Other risks identified

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

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

Risk Area	Risk Description	Audit Approach
Investment purchases and sales	Investment activity not valid (Valuation gross)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have undertaken a walkthrough of the controls in place over investments</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Superannuation Fund's own records and seek explanations for variances</li> </ul>
Investment values – Level 2 investments (with prices based on observable inputs other than quoted prices)	Valuation is incorrect (Valuation net)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have undertaken a walkthrough of the controls in place over investments</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Superannuation Fund's own records and seek explanations for variances</li> </ul>
Contributions	Recorded contributions not correct (Occurrence)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have undertaken a walkthrough of the controls in place over contributions</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Controls testing over occurrence, completeness and accuracy of contributions</li> <li>Testing of a sample of contributions to source data to gain assurance over their accuracy and occurrence</li> <li>We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained</li> </ul>

## 4. Other risks identified (continued)

Risk Area	Risk Description	Audit Approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have undertaken a walkthrough of the controls in place over benefits payable</li> <li>Controls testing over completeness, accuracy and occurrence of new new benefit payments to month 10</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Controls testing to cover the period to year end</li> <li>Testing of a sample of individual pensions in payment by reference to member files</li> <li>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained</li> </ul>
Member Data	Member data not correct. (Rights and Obligations)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have undertaken a walkthrough of the controls in place over member data</li> <li>Controls testing over annual/monthly reconciliations and verifications with individual members to month 10</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Controls testing to cover the period to year end</li> <li>Sample testing of changes to member data made during the year to source documentation</li> </ul>

## 5. Results of interim audit work

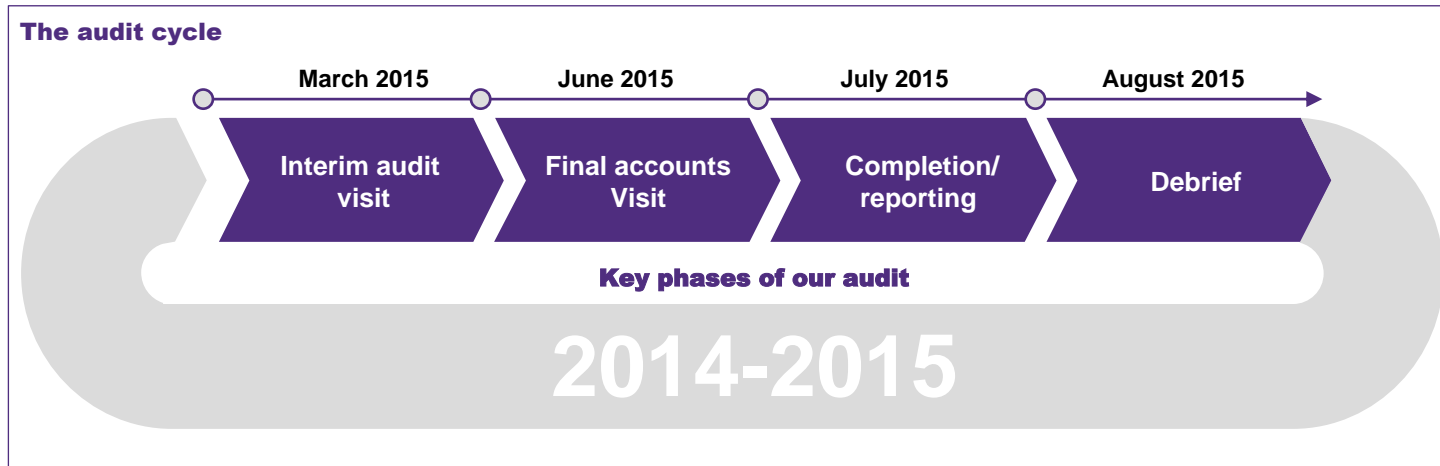
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Internal audit</b>  Page 31 of 35	<p>We have yet to complete our high level review of internal audit's overall arrangements. Our work to date has not identified any issues which we wish to bring to your attention.</p> <p>We are also yet to finalise our consideration of IA's review of the Superannuation Fund's key financial systems. As yet we have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Our work in this area remains in progress.</p> <p>If we do identify any weaknesses we will discuss them with management and report on the outcome in our Audit Findings Report.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Superannuation Fund's financial statements.</p>

## 5. Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Review of information technology controls</b>	We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system, undertaken as part of the main Council audit.	Work is in progress and any findings will be included in our Audit Findings Report.
<b>Journal entry controls</b>	We have reviewed the Superannuation Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Superannuation Fund's control environment or financial statements. We will test any journals raised during 2014/15 that we determine to be large and/or unusual.	This testing will be undertaken as part of our substantive procedures. The results of this work will be included in our Audit Findings Report.

## 6. Key dates



Page 318

<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>March 2015</b>	Interim site visit
<b>29 April 2015</b>	Presentation of audit plan to Governance & Audit Committee
<b>8 – 26 June 2015</b>	Year end fieldwork
<b>24 June 2015</b>	Audit findings clearance meeting
<b>23 July 2015</b>	Report audit findings to Governance & Audit Committee
<b>23 July 2015</b>	Sign financial statements opinion

## 7. Fees and independence

### Fees

	£
Pension Fund scale fee	30,568
<b>Total fees (excluding VAT)</b>	<b>30,568</b>

#### Our fee assumptions include:

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

### Fees for other services

Service	Fees £
None	Nil

#### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

#### Independence and ethics

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

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

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

## 8. Communication of audit matters with those charged with governance

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

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

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

### Respective responsibilities

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

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

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

It is the responsibility of those charged with governance to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Superannuation Fund is fulfilling these responsibilities.

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



© 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](http://grant-thornton.co.uk)**

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<sup>th</sup> April 2015

Subject: **Fraud, Law and Regulations and Going Concern Considerations**

Classification: Unrestricted

---

**Summary:** The attached questionnaire from Grant Thornton summarises management's responses to questions on the Council's processes in relation to fraud, law and regulations and going concern risks.

## **FOR DECISION**

---

### **Introduction**

1. Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee (G&AC). ISA (UK&I) emphasise the importance of two-way communication between the auditor and the G&AC and also specify matters that should be communicated.
2. This two way communication enables the auditor to obtain information relevant to the audit from the G&AC and supports the G&AC in fulfilling its responsibilities in relation to the financial reporting process.

### **Purpose of Report**

3. As part of Grant Thornton's risk assessment procedures they are required to obtain an understanding of management processes and the G&AC oversight of the following areas:
  - Fraud
  - Laws and regulations
  - Going concern
4. The attached report includes a series of questions on each of these areas and the response we have provided to Grant Thornton. Although incorporated into a Grant Thornton report and layout, these are responses from KCC management.
5. The G&AC should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## **Recommendation**

6. Members are asked to comment on the responses to Grant Thornton's questions and approve the management responses provided.

**Andy Wood**

**Corporate Director of Finance and Procurement**

03000 416854



# Informing the audit risk assessment for Kent County Council and Kent Pension Fund

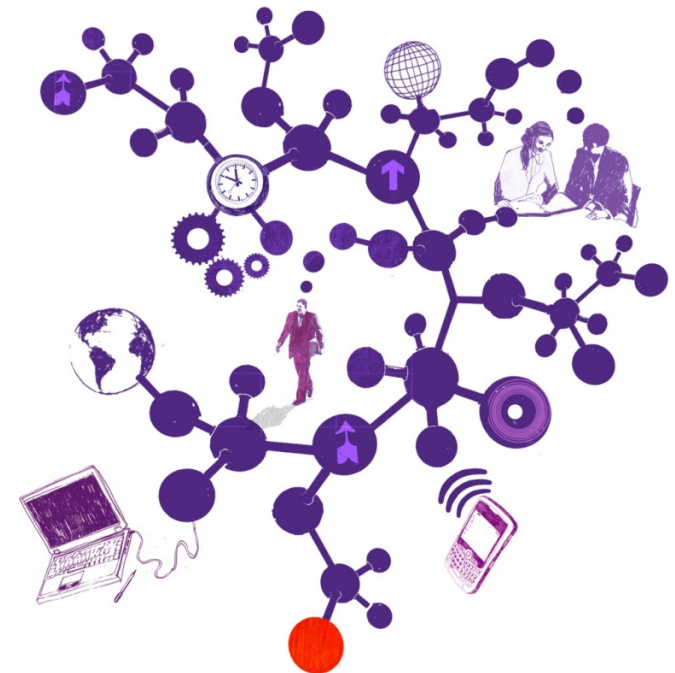
**Year ended 31 March 2015**

Page 325

**Paul Hughes**  
Director  
T 0207 728  
E paul.hughes@uk.gt.com

**Elizabeth Olive**  
Senior Manager  
T 07880 456191  
E elizabeth.l.olive@uk.gt.com

**Steve Richards**  
In-Charge Accountant  
T 0  
E stephen.j.richards@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

<b>Section</b>	<b>Page</b>
Purpose	4
Fraud	5
Fraud Risk Assessment	6 - 7
Laws and Regulations	8
Impact of Laws and Regulations	9
Going Concern	10
Going Concern Considerations	11 - 12

Page 327

# Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Governance and Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Governance and Audit Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.



# Fraud

## Issue

### Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

# Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The risk is minimal. Controls are in place through the budget setting, budget monitoring and year-end analytical review. Changes implemented last year to identify owners of cost centres mean we can target and challenge any budget manager where we perceive there may be anomalies. We also have a regular balance sheet management review. Any variance from budget of £0.1m or more must be explained and validated. Significant changes from previous year's spend must also be explained.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>The council has key policies and procedures in place which includes a code of conduct, whistleblowing, anti-fraud and corruption and anti-bribery.</p> <p>The council has a dedicated fraud team within internal audit who promote an anti-fraud culture. In 14/15 the fraud team ran an anti-fraud campaign called 'Spot it, Stop it' which provide advice to staff on what to do if they suspect fraud including how to report it.</p> <p>In addition, the team undertakes proactive reviews of areas that might be susceptible to fraud and recommends improvements in controls if weaknesses are identified.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>The council's whistleblowing arrangements continue to be effective and in 14/15 have been strengthened through a fraud awareness campaign. This has resulted in an increase of detected fraud. Where control weaknesses have been identified these have been addressed and the results reported to management and the Governance and Audit Committee.</p>

Page 330

# Fraud risk assessment

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Generally internal controls are operating effectively. Where weaknesses have been identified these have been addressed by management. In addition, Corporate Directors will be required to submit their supporting statements for the Annual Governance Statement.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Yes, this is a risk applicable to any budget manager, as their performance against budget is a factor in their annual performance assessment. However, this is a relatively minor risk and is mitigated by the monthly budget monitoring and year end processes, as well as setting realistic budgets to start with. The creation of KCC Companies does increase risk and appropriate controls / governance are being put in place.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?</p>	<p>For all significant areas of activity, we have the internal management controls of supervision, exception reporting, Performance Evaluation Board, etc as well as the independence of the Internal Audit team, along with the absolute independence of the Head of Audit.</p>

Page 331

# Fraud risk assessment

Question	Management response
<p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p> <p>What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How has the Council ensured that the Governance and Audit Committee are made aware of whistleblower tips or complaints?</p>	<p>The Committee has agreed and monitors the annual internal audit plan that provides assurance in relation to the management of the significant risks faced by the Council (including fraud risk), and also provides assurance on the risk management and governance frameworks put in place by management. This is reported via quarterly reports and an annual report that provides key themes of areas where internal control may need improving. The Committee has received quarterly progress reports from Internal Audit which includes details of frauds and irregularities and lapses or breaches of internal control. Grant Thornton has access to the same information through the published papers of the Committee.</p> <p>There remain cases that are still subject to investigation which have yet to be reported. The Head of Internal Audit has provided assurance that the circumstances of these cases would not be considered significant, although until the investigations are complete this cannot be guaranteed. The Committee receives, requests and assesses ad-hoc and routine assurance reports on:</p> <ul style="list-style-type: none"> <li>Complaints (including those referred to the Ombudsman)</li> <li>Surveillance activities</li> <li>Debt recovery and management</li> <li>Treasury management</li> <li>Insurance activities</li> </ul> <p>In July 2015, the Committee will be asked to review the Annual Governance Statement of the Council. This process will include consideration of the Council's ability to identify and manage risks and a consideration of the overall internal control environment. The Internal Audit team have a systematic process that captures all tip-offs, records action taken, and concludes with a report to management and if significant the Governance and Audit Committee.</p>

# Fraud risk assessment

Page 333

Question	Management response
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>The council has a suite of policies and processes in place to communicate and encourage ethical behaviour from its staff and contractors including (but not limited to) the:</p> <ul style="list-style-type: none"> <li>Kent Code</li> <li>Bribery Act Policy</li> <li>Anti-Fraud and Corruption Policy</li> <li>Whistleblowing Policy</li> </ul> <p>These policies are available for all staff to view on Knet. They are signposted to new staff during their induction. There are also regular reminders issued via Kmail.</p> <p>In addition, the fraud team delivered a fraud awareness campaign called 'Spot it, Stop it' which promoted ethical behaviour.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>Staff are encouraged to report concerns of fraud through the council's policies and its management. The fraud team also encourage staff to report concerns through a programme of fraud awareness activity. The team also promotes and manages the whistleblowing helpline.</p> <p>In 2014/15 the fraud team delivered a fraud awareness campaign called 'Spot it, Stop it' which encouraged staff to report any concerns of fraud and wrongdoing.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No. Employees and Members are required to declare any conflicts of interests as well as any gifts and hospitalities.</p> <p>The annual proactive data match between Companies House and KCC records revealed some undeclared interests but no fraud or related party transactions were identified.</p>

# Fraud risk assessment

Question	Management response
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2014?	Yes. Management and the Governance and Audit Committee have been informed of a number of allegations. Any requiring investigation following preliminary enquiries, have been investigated. Some incidents have been referred to the Police or Trading Standards. A number of staff have been subject to disciplinary sanctions and members of the public have received cautions or warning letters.

# Laws and regulations

## Issue

### Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.



# Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Internal Audit, Democratic Services, Legal Services and the Procurement team work closely with Directorates to ensure compliance with EU procurement laws.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above, plus 1:1 supervision between managers and their direct reports, plus the Corporate Directors AGS, as well as external reviews e.g. OFSTED.
How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The Governance and Law division is responsible for ensuring that the Council correctly applies the law and regulations governing its business. The department is led by the Director of Governance and Law, who is also the Council's Monitoring Officer and, as part of the process to support the Annual Governance Statement, has submitted a statement of assurance with regard to his statutory duties.</p> <p>The Director of Governance and Law attended all meetings of the Governance and Audit Committee, and would make the Committee aware of any significant possible instances of non-compliance with laws and regulations. In addition, the Head of Internal Audit would also report any known significant instances of non-compliance with laws and regulations. Internal Audit has reported on instances of non-compliance with relevant laws and regulations within their quarterly reports.</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2014, or earlier with an on-going impact on the 2014/15 financial statements?	None that we are aware of.

Page 336



# Impact of law and regulations

Question	Management response
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Chief Accountant liaises with Legal Services team to capture all potential claims. Legal estimate the potential 'loss' as best they can. This is then reported to this Committee through the Statement of Accounts in July.
Is there any actual or potential litigation or claims that would affect the financial statements?	Not at this stage, but this will be kept under review throughout the Closedown process.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

# Going concern

## Issue

### Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

The consideration of the going concern assumption is becoming of greater relevance to local authority financial statements. All councils are facing significant pressures to balance future budgets as the funding from central government continues to reduce. There is a risk, particularly in smaller local authorities, that services will no longer be provided in the way they have historically been delivered. There is an increasing vulnerability of these bodies as a going concern.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

# Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	This assessment is carried out by the S151 officer on an ongoing basis but especially at the time of setting the budget and producing Final Accounts.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	None in the short-medium term.
Has management reported on going concern to the Governance and Audit Committee? (if not, what arrangements are in place to report the going concern assessment to the Governance and Audit Committee?)	This is reported through the S151 officer certification within the Statement of Accounts, and through his Section 25 Assurance on County Council Budget day.
Are the financial assumptions in that report (eg future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	N/A

Page 339

# Going concern considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes, including in the Medium Term Financial Plan.
Have there been any significant issues raised with the Governance and Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No.
Does a review of available financial information identify any adverse financial indicators including negative cash flow?  If so, what action is being taken to improve financial performance?	No.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives?  If not, what action is being taken to obtain those skills?	The Council is continually changing in line with its transformation agenda. This will undoubtedly result in a reducing number of senior managers. However, this is recognised and the risks are mitigated through effective training and succession planning.

Page 340



© 2013 Grant Thornton UKLLP. All rights reserved.

'Grant Thornton' means Grant Thornton UKLLP, 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](http://grant-thornton.co.uk)

This page is intentionally left blank

From Andrew Ireland, Corporate Director for Social Care, Health & Wellbeing

To: Governance & Audit Committee – 29 April 2015

Subject: Write Off Report – Invoice Number: 2013724  
Invoice Date: 10<sup>th</sup> May 2012  
Outstanding Invoice Amount: £28,332.37.  
Original Invoice Amount: £29,165.37

Classification: Unrestricted

**Summary:** The exempt appendix contains the background to and actions taken concerning an unsecured social care debt which is over six months old.

**Recommendation:** Governance & Audit Committee is asked to:

- i) NOTE the contents of the report and the exempt appendix
- ii) AGREE that a write off amounting to £28,332.37 was the most economical way forward

- 1.1 In accordance with the council's Financial Regulations, section D7, all debt write offs over £10,000 should be put forward by the relevant Corporate Director to the Corporate Director of Finance and Procurement and Deputy Leader and Cabinet Member for Finance and Procurement for their agreement.
- 1.2 The Financial Regulations further state that the relevant Corporate Director should also submit a report for information, comment and assurance to the Governance and Audit Committee, setting out the operational reasons for the write-off. This report fulfils this second function.
- 1.3 Details of the background leading up to the creation of Invoice Number 2013724 and the council's subsequent actions to recover this social care related debt are contained in the appendix. The appendix is exempt from publication by virtue of s12A of the Local Government Act 1972, as it contains:
  - Information relating to an individual, (Part 1.1)
  - Information subject to legal professional privilege, (Part 1.5)

## **2. Recommendation:**

Governance & Audit Committee is asked to:

- i) NOTE the contents of the report and the exempt appendix
- ii) AGREE that a write off amounting to £28,332.37 was the most economical way forward

### **Background documents:**

Exempt Appendix – Invoice number 2013724 – Debt Write Off Report

### **Lead Officer Contact details:**

Report Authors:

Phillip Segurola  
Interim Director for Specialist Children's Services  
03000 413120  
[philip.segurola@kent.gov.uk](mailto:philip.segurola@kent.gov.uk)

Michelle Goldsmith  
Finance Manager  
03000 416159  
[michelle.goldsmith@kent.gov.uk](mailto:michelle.goldsmith@kent.gov.uk)



By virtue of paragraph(s) 2, 5 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Agenda Item 20

Document is Restricted

This page is intentionally left blank