

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 27th January, 2016

10.30 am

Darent Room, Sessions House, County Hall, Maidstone

There will be a training session for Members of the Committee at 10.00 am on the role of the Governance & Audit Committee and safeguarding





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 27th January, 2016, at 10.30 am
Darent Room, Sessions House, County Hall,
Maidstone

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

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

Membership (15)

Conservative (8)	Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mr D L Brazier, Mr E E C Hotson, Mr A J King, MBE, Mr S C Manion, Mr R A Marsh and Mr J E Scholes
UKIP (3)	Mr M Baldock, 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

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UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Membership

To note that Mr D L Brazier has been appointed to the Committee in place of Mr J A Davies.

3. Substitutes
4. Declarations of Interest in items on the agenda for this meeting
5. Minutes (Pages 5 - 14)
Committee: 2 October 2015
Trading Activities Sub-Committee: 23 November 2015 (For Information)
6. Committee Work and Member Development Programme (Pages 15 - 18)
7. Corporate Risk Register (Pages 19 - 56)
8. Review of KCC Risk Management Strategy, Policy and Programme (Pages 57 - 76)
9. Treasury Management 6 Month Review 2015/16 (Pages 77 - 88)
10. Debt Management (Pages 89 - 100)
11. Update on Savings Programme (Pages 101 - 102)
12. Annual Review of the Committee Terms of Reference (Pages 103 - 108)
13. Future appointment of External Auditors (Pages 109 - 112)
14. External Audit Update January 2016 (Pages 113 - 128)
15. Effectiveness of Internal and External Audit Liaison (Pages 129 - 134)
16. Internal Audit and Counter Fraud Progress Report (Pages 135 - 190)
17. Other items which the Chairman decides are urgent

EXEMPT ITEMS

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

Peter Sass
Head of Democratic Services
03000 416647

Tuesday, 19 January 2016

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

TERMS OF REFERENCE

Governance and Audit Committee

15 Members

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

The purpose of this Committee is to:

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

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

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

- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.
- (j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Friday, 2 October 2015.

PRESENT: Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman), Mrs A D Allen, MBE (Substitute for Mr J A Davies), Mr M J Angell (Substitute for Mr A J King, MBE), Mr D L Brazier (Substitute for Mr S C Manion), Mr M Baldock, Mrs T Dean, MBE (Substitute for Mr R H Bird), Dr M R Eddy (Substitute for Mr D Smyth), Mr C P D Hoare, Mr E E C Hotson, Mr R A Marsh, Mr B Neaves, Mr J E Scholes, Mr W Scobie and Mr M E Whybrow

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

OFFICERS: Mr A Wood (Corporate Director Finance and Procurement), Mr N Vickers (Head of Financial Services), Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr B Watts (Group Leader - Litigation and Social Welfare), Mr P Segurola (Interim Director of Specialist Children's Services), Ms P Blackburn-Clarke (Quality Assurance Manager) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

43. Minutes - 23 July 2015 (Item 4)

- (1) The Committee noted that Mr M J Vye had briefly chaired the meeting before the arrival of the Chairman.
- (2) RESOLVED that the Minutes of the meeting held on 23 July 2015 are correctly recorded and that they be signed by the Chairman.

44. Dates of meetings in 2016 (Item 5)

- (1) The Committee noted that the date of its next meeting was 27 January 2016 rather than the date which appeared on the agenda. The Democratic Services Officer agreed to write to all Members of the Committee to inform them of the revised date.
- (2) RESOLVED that the following dates be noted for meetings of the Committee in 2016:-

Wednesday, 27 January 2016;
Wednesday, 27 April 2016;
Thursday, 21 July 2016; and
Thursday, 6 October 2016.

45. Committee Work and Member Development Programme
(Item 6)

(1) The head of Internal Audit proposed an updated forward Committee Work Programme and Member Development programme following revised best practice guidance in relation to Audit Committees.

(2) RESOLVED that approval be given to the proposed forward Committee and Member Development programme to October 2016.

46. KCC Insurance Overview
(Item 7)

(1) The Head of Financial Services gave a summary of insurance activity since April 2015. He agreed to provide examples to those Members who wished of occasions when the payment of a Highways claim had been passed on to the contractor.

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

47. Treasury Management Update
(Item 8)

(1) The Head of Financial Services summarised Treasury Management activities for the three months to the end of June 2015. He agreed to provide clarification to those Members who wished it of the apparent discrepancy between the total given for the Money Market Fund in paragraph 2.2 of the report and that given in the table in paragraph 1.1 of Appendix 2.

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

48. External Audit Annual Audit Letter 2014/15
(Item 9)

(1) The Corporate Director of Finance and Procurement summarised the most important findings from the external audit work in respect of the 2014/15 audit year. The letter reaffirmed the unqualified opinion on the 2014/15 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

(2) RESOLVED that:-

(a) the Annual Audit letter be received for assurance, fulfilling the requirement for the External Auditors to prepare and issue an Annual Audit letter to the County Council; and

(b) the Committee's thanks and appreciation of the Finance and Procurement staff be recorded for their work in securing an unqualified opinion from the external auditors.

49. External Audit Update October 2015
(Item 10)

(1) The Corporate Director of Finance and Procurement summarised Grant Thornton UK LLP's progress on delivering their responsibilities for 2015/16 as well as the emerging issues set out in the report.

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

50. Internal Audit Progress Report
(Item 11)

(1) Mr P Oakford, the Cabinet Member for Specialist Children's Services was present for this item at the invitation of the Committee in order to respond to Members' questions (*Minute 15/41*).

(2) The Head of Internal Audit summarised the outcomes of Internal Audit and Counter Fraud activity for the 2015/16 financial year to date. He drew the Committee's attention to the improvements which had been made in respect of Foster Care, which had resulted in the service being accorded an adequate Assurance Level.

(3) RESOLVED that:-

- (a) progress and outcomes and outcomes against the 2015/16 Audit Plan be noted;
- (b) progress and outcomes in relation to Counter Fraud activity be noted;
- (c) 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 be noted; and
- (d) approval be given to the proposed revisions to the Anti-Fraud and Corruption Strategy set out in Appendix C of the report.

51. Internal Audit and Counter Fraud Benchmarking Report
(Item 12)

(1) The Head of Internal Audit summarised the 2014/15 Internal Audit and Counter Fraud benchmarking results.

(2) RESOLVED that:-

- (a) the benchmarking outcomes in relation to internal audit and counter fraud be noted; and
- (b) the results from the County Council Audit Networking (CCAN) benchmarking be reported to the next meeting of the Committee.

52. KCC Annual Customer Feedback Report 2014/15
(Item 13)

(1) The Quality and Assurance Manager gave a summary of the compliments, comments and complaints recorded by the Council, including Local Ombudsman Complaints and Members' Complaints. She also referred to recent and future improvements in the administration of customer feedback.

(2) The Committee discussed the implications of the refusal of the Local Government Ombudsman to investigate a complaint from school governors. The Principal Solicitor confirmed that he had developed a proposed set of changes to complaints procedures for governors, changes to decision-making processes and records and to processes around the exercise of statutory powers. He was also committed to writing to the Local Government Ombudsman in order to make her aware of the consequences to the complainant of her decision not to investigate.

(3) Mr J E Scholes moved, seconded by Dr M R Eddy that a letter be sent to the Local Government Ombudsman on behalf of the Committee setting out its concerns arising out of the decision not to investigate complaints in such circumstances.

Carried 7 votes to 0 with 5 abstentions

(4) RESOLVED that:-

- (a) the report be noted for assurance; and
- (b) a letter be sent to the Local Government Ombudsman on behalf of the Committee setting out its concerns arising out of the decision not to investigate complaints in such circumstances.

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 Council Chamber, Sessions House, County Hall, Maidstone on Monday, 23 November 2015.

PRESENT: Mr R L H Long, TD (Chairman), Mr D L Brazier (Substitute for Mr R J Parry) and Mr C P D Hoare

ALSO PRESENT: Mr R H Bird, Mr B Neaves and Mr D Smyth

IN ATTENDANCE: Mrs R Spore (Director of Infrastructure), Mr P Mawson (Property Programme Lead Officer), Mr G Singh (Barrister), Ms L MacKenzie-Ingle (Senior Solicitor), Mr R Patterson (Head of Internal Audit), Mr G Record (Finance and Procurement Officer), Ms J Hansen (Finance Business Partner (Strategic & Corporate Services) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

4. Membership *(Item 1)*

The Sub-Committee noted the appointment of Mr C P D Hoare in place of Mr H Birkby.

5. Minutes - 9 March 2015 *(Item 4)*

RESOLVED that subject to the correction of Minute 1 to read “2014”, the Minutes of the meeting held on 9 March 2015 are correctly recorded and that they be signed by the Chairman.

6. Facing the Challenge - Property Future Service Delivery Model *(Item 5)*

(1) The Sub-Committee considered whether to treat this item as Open or Exempt business in the light of the Exempt Appendix. Following advice from Legal Services that discussion of certain sections of the Exempt Appendix would place the Local Authority Trading Company (LATC) at a competitive disadvantage, the Sub-Committee voted to exclude the public.

EXEMPT ITEMS

(Open Access to Minutes)

(Members resolved under Section 100A of the Local government Act 1972 that the public be excluded from the meeting for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.)

(2) The draft Articles of Association were tabled.

(3) The Director of Infrastructure introduced the report by saying that the decision to externalise and establish a LATC to be fully owned by KCC had been taken as part of the *Facing the Challenge* process. The property and Infrastructure Group had commissioned *Cornerstone* as its external advisers to support the process and to offer external challenge. The Facing the Challenge Team had undertaken market engagement to provide an independent market review.

(4) The rationale for the establishment of the LATC had been considered by the Commissioning Advisory Board, the Policy and Resources Cabinet Committee and by Cabinet.

(5) The Director of Infrastructure set out the four key components to governance and commissioning for the LATC. These were Commissioning Governance for KCC, Corporate Governance for KCC, Corporate Governance for the LATC, and Corporate Governance for new clients. Assurance that the appropriate checks and balances were in place for each of these components would be provided by Legal Services, the Section 151 Officer and Internal Audit. She added that the lessons of the Council's other companies had been taken fully into account in the process of developing these governance arrangements.

(6) Mr Singh, on behalf of Legal Services confirmed that in his opinion the governance arrangements were appropriate.

(7) In response to questions from Mr Smyth, the Director of Infrastructure confirmed that there would be no formal KCC Board to monitor compliance with the 2015 regulations by the company. This function would be carried out by herself and the Cabinet Member for Corporate and Democratic Services, reporting to the Policy and Resources Cabinet Committee and the Governance and Audit Trading Activities Sub-Committee as appropriate. It was proposed that an Audit Committee would be established in the LATC and that KCC would provide audit services.

(8) The Board of the LATC itself would consist of 6 to 8 members. If a 6 member Board were set up, it was intended that it would consist of 2 Executive Directors from the LATCO management team, 2 independently appointed non-executive directors and 2 KCC non-executive directors who would be KCC employees with relevant experience. In the event that an 8 member Board were set up, the number of independent and KCC representatives would be increased to 3 each.

(9) Mr Singh agreed with Mr Bird that the Articles of Association did not specify the objectives of the LATC other than as they were set out in the draft to enter into contracts with KCC and third parties. This was because the company's activities

were restricted and also controlled by a wider governance framework, as had been described by the Director of Infrastructure.

(10) Mr Bird asked for assurance over client selection. He said that it might be appropriate to set out a process which ensured that the LATC did not select clients that it would be unwise for KCC to associate with.

(11) The Director of Infrastructure replied to Mr Bird by saying that KCC would be the main customer. Managing client selection would take a similar form to that in use by Legal Services. Also, professional conduct rules would prevent the LATC from undertaking any activities outside of its ethical code. She added that the LATC would have to put forward a professional business plan to the County Council on an annual basis. This would include the business partners that the LATC was seeking to attract. The Policy and Resources Cabinet Committee would provide formal oversight. The LATC would therefore be unable to undertake any activity without the approval of the County Council as the shareholder. Any change to this principle would only take place with the approval of the County Council.

(12) Mr C P D Hoare proposed and it was formally seconded that any contractual agreements should be scrutinised by a professional outside organisation.

Lost 1 vote to 2.

(13) The Director of Infrastructure replied to a question from Mr Hoare by saying that the business case assumed partnerships between the LATC and other third parties. These were expected to be other Local Authorities in Kent.

(14) RESOLVED that approval be given to the governance arrangements detailed in the report and the exempt annex.

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

To: Governance and Audit Committee – 27th January 2016

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

Classification: Unrestricted

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

FOR DECISION

Introduction and background

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

Current Work Programme

3. Appendix 1 shows the latest programme of work for the Committee, up to January 2017. 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 does not 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 2015-16, the following sessions were agreed for pre-meeting briefings, focusing on areas that are of specific relevance to this Committee. The second of these was delivered prior to today's meeting.

Description	Timing
Embedding effective counter-fraud measures.	October 2015
The role of the Governance & Audit Committee and safeguarding.	January 2016
Assurance on managing change	April 2016

6. Members may also ask for additional training if they require.

Recommendations

7. It is recommended that Members approve the forward Committee Work (*Appendix 1*).

Robert Patterson
Head of Internal Audit (03000 416554)

Committee Work Programme

Appendix 1

Category / Item	Owner	Jan - 16	Apr - 16	Jul - 16	Oct - 16	Jan 17
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	RP	✓	✓	✓	✓	✓
Member Development Programme	RP	✓	✓		✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme	RH	✓				✓
Report on Insurance and Risk Activity	NV			✓	✓	
Treasury Management quarterly report/six monthly review	NV	✓	✓		✓	✓
Treasury Management Annual Review	NV			✓		
Ombudsman Complaints	GW				✓	
Annual Complaints & Customer Feedback Report	DC				✓	
Update on Savings programme/transformation programme	AW/CJ	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	MR		✓			
Corporate Governance						
Update on development of management guides	DW	If significant changes to the approach or purpose of the management guides				
Annual review of Terms of Reference of G & A	RP	✓				✓
Debt Management	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				

Category / Item	Owner	Jan-16	Apr-16	Jul-16	Oct - 16	Jan 17
Internal Audit and Counter Fraud						
Internal Audit and Counter Fraud Progress Report	RP	✓	✓		✓	✓
Schools Audit Annual Report	RP			✓		
Internal Audit and Counter Fraud Annual Report	RP			✓		
Internal Audit Strategy and Annual Plan	RP		✓			
Internal Audit Benchmarking Report	RP	✓			✓	
Review of the anti-fraud and anti-corruption Strategy (part of progress report)	RP			✓		
Review of anti-money laundering Policy	RP	✓				✓
External Audit						
External Audit Update	RP	✓	✓	✓	✓	✓
External Audit Findings Report/Value for Money and Annual Audit Letter	RP			✓	✓	
Pension Fund Audit Findings Report	RP			✓		
External Audit Certification of Claims and Returns Report	RP		✓			
Effectiveness of Internal and External Audit Liaison	RP	✓				✓
External Audit Plan	RP		✓			
External Audit Pension Fund Plan	RP		✓			
External Audit Fee letter	RP		✓	✓		
External Audit Fraud, Law & Regulations & Going Concern Considerations	AW		✓			
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW			✓		
Revised Accounting Policies	CH		✓			
Review of Financial Regulations	EF		✓			✓

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

To: Governance and Audit Committee – 27th January 2016

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary:

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

FOR ASSURANCE

1. Introduction and background

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

2. Corporate Risk Register

- 2.1 The Corporate Risk Register contains thirteen risks. Changes since the register was last reported to Governance & Audit Committee in July 2015 are summarised as follows:
 - CRR 22 (New) – Implications of increased numbers of Unaccompanied Asylum Seeking Children (UASC). The significant increase in numbers of Unaccompanied Asylum Seeking Children arriving in Kent requiring KCC support presents risks including sufficiency of accommodation and pressures on social work assessment capacity. It is also important that the full costs of UASC are met by Government. Consequently this risk has been added to the corporate register. The Council is making representations to Government for reimbursement, and is pursuing the concept of a National Dispersal Scheme with the Home Office. This risk is currently rated as 'high'.
 - CRR 17 – Future Operating Environment for Local Government. Risk rated as 'high'. This risk has been revised to reflect the increasingly complex and challenging environment that presents both risks and opportunities for the Council. The context includes the prospect of further

medium-term reductions in Government funding, next steps for the Government's devolution agenda and business rate retention plans. This risk is being reviewed again in early 2016 in light of implications from the Local Government funding settlement announced in late December 2015.

- CRR 23 (New) – Managing and embedding sustainable change – it is important that as the Council implements change, it continues to build internal capacity and capability to ensure that change is effectively embedded and sustainable, enabling both financial and non-financial benefits to be realised. Furthermore, as we adopt a strategic commissioning approach, the right 'client-side' arrangements need to be developed to oversee commissioned services (external or internal). The risk is rated as 'medium'.
- CRR 2 – Safeguarding – split into adults and children. These risks have been split to reflect the potential different drivers of risk. The scope of these risks has been widened to reflect important considerations such as Child Sexual Exploitation and recent duties on Local Authorities to prevent vulnerable people from radicalisation (the 'Prevent' Duty). Both risks are rated as 'high'.
- CRR 9 – Health & Social Care Integration. This risk was previously focused on the Better Care Fund and has now broadened in scope to acknowledge the need to utilise opportunities for integration in a difficult climate for the health & social care system.

2.2 A new corporate risk relating to delivery of budget savings for 2016/17 is being added to the corporate risk register. This will cover the annual financial risk situation, whereas the existing risk relating to the future operating environment for local government (CRR 17) reflects the medium term view.

2.3 In addition to the new / revised risks above, several risks have been closed at corporate level:

- CRR 18 – Implications of compliance with Code of Connection public sector network security standards. KCC accreditation against these standards was awarded for the second consecutive year in September and the Council is now accredited until September 2016. Positive discussions have taken place with the Cabinet Office regarding a sensible risk-based approach to achievement of ongoing compliance.
- CRR 19 – Implementation of the Care Act. The requirements for 'phase 1' of the Care Act have been implemented and are being embedded. Key aspects of change due for implementation in April 2016 have been delayed to 2020; therefore this risk has been removed for now.
- CRR 20 – Banking Reform Act. From July 2015, local authority depositors with unsecured deposits in a bank have been exposed to a

higher proportional loss should that bank fail. Consequently, the Council's Treasury Management Strategy has been revised to take into account and mitigate as far as practicable the potential risks posed by key changes to the Act.

- CRR 14 – Development of strategic commissioning authority governance arrangements. Although officially termed 'closed', the main elements of this risk have been fed into the new risk CRR 23 – managing and embedding sustainable change, of which the continued development of a strategic commissioning authority approach is a key part.

- 2.4 Out of the thirteen risks there are six areas of risk currently rated as 'high' and seven rated as 'medium'. The high risks relate to the management of demand in both adults and children's social care; safeguarding (both vulnerable adults and children; the future financial and operating environment / landscape for local government; and implications of the significant increase in Unaccompanied Asylum Seeking Children. All risks have mitigating actions in place that aim to achieve a target residual rating of 'medium' or 'low'.
- 2.5 Further details of these risks, including controls and mitigating actions, are contained in appendix 1.
- 2.6 The Corporate Risk Team supports directorates to ensure that the Corporate Risk Register is underpinned by directorate and divisional / service risk registers, from which risks will be escalated in accordance with KCC's Risk Management Policy.

3. Monitoring, Review and Reporting

- 3.1 There is a particular focus on ensuring that key mitigating actions are identified and progress monitored. The risks within the Corporate Risk Register, their current risk level and progress against mitigating actions are reported quarterly to Cabinet via the Quarterly Performance Report. Updates against actions due for review or completion in quarter 3 of 2015/16 have been requested from action owners and will be reported in the next Quarterly Performance Report presented to Cabinet on 21st March 2016.
- 3.2 In addition, the corporate risks relevant to each Cabinet Committee are reported in the spring round of Committees each year along with directorate risk registers, allowing for discussion of these risks with the relevant Risk Owners and responsible Cabinet Members.
- 3.3 The more formal annual review of the Corporate Risk Register took place in the autumn, involving meetings with individual members of the Cabinet and Corporate Management Team. The refreshed register reflects their input and was presented to Cabinet on 30th November 2015, where it was resolved that consideration be given to increasing Cabinet reporting to twice-yearly.

4. Recommendations

4.1 The Governance and Audit Committee is asked to:

- a) NOTE the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register.

Report Author:

Mark Scrivener
Corporate Risk Manager
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Relevant Director:

David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance
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KCC Corporate Risk Register

FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE 27TH JANUARY 2016

Corporate Risk Register - Summary Risk Profile

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

Risk No.*	Risk Title	Current Risk Rating	Target Risk Rating	Direction of Travel
CRR 1	Data and Information Management	9	9	↔
CRR 2(a)	Safeguarding – protecting vulnerable children	16	9	Risk split
CRR 2(b)	Safeguarding – protecting vulnerable adults	16	9	
CRR 3	Access to resources to aid economic growth and enabling infrastructure	12	8	↔
CRR 4	Civil Contingencies and Resilience	12	8	↔
CRR 9	Health & Social Care Integration (inc. Better Care Fund)	12	9	↔
CRR 10(a)	Management of Adult Social Care Demand	20	12	↔
CRR 10(b)	Management of Demand – Early Help and Specialist Children's Services	20	12	↔
CRR 12	Welfare Reform changes	12	9	↔
CRR 17	Future operating environment for local government	20	12	↔
CRR 21	Delivery of 2015/16 savings	12	2	
CRR 22	Implications of increased numbers of Unaccompanied Asylum Seeking Children (UASC)	20	12	New
CRR 23	Managing and embedding sustainable change	12	6	New

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

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

Risk ID	CRR1	Risk Title	Data and Information Management			
Source / Cause of risk The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services. It is also required by the Data Protection Act and Government’s Code of Connection (CoCo) to maintain confidentiality, integrity and proper use of the data. With the Government’s ‘Open’ agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information repositories, controls on data management and “cyber” security have become complex and important.		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
		Information security incidents resulting in loss of personal data or breach of privacy/confidentiality.	ICO sanction (e.g. undertaking, assessment, improvement, enforcement or monetary penalty notice) issued against the Authority.	On behalf of CMT: Geoff Wild, Director Governance & Law	Possible (3)	Significant (3)
		Data Subject complaint upheld by Information Commissioners Office (ICO).	Reputational damage.	Rebecca Spore, Director Infrastructure	Target Residual Likelihood	Target Residual Impact
		Failure to achieve either annual PSN or NHS Information Governance certification.	Damages claims.	Responsible Cabinet Member(s): Gary Cooke, Corporate & Democratic Services	Possible (3)	Significant (3)
			Cost of remediation.			
			Access to PSN and/or NHS connected services revoked or restricted resulting in significant interruption to services.			
Control Title					Control Owner	
Senior Information Risk Officer supported by Information Governance cross-directorate group.					David Cockburn, Corporate Director Strategic and Corporate Services	
SIRO IG Action Plan and Information Risk Register in place and regularly reviewed					Geoff Wild, Director Governance & Law	
Information Governance policies and procedures in place and monitored.					Geoff Wild, Director Governance & Law	
Information Governance Management Framework in place					Geoff Wild, Director Governance & Law	
Information Resilience and Transparency team providing business information governance support					Caroline Dodge, Team Leader- Information Resilience &	

	Transparency team
Information Assurance maturity monitoring procedure in place.	Geoff Wild, Director Governance & Law/Michael Lloyd, Head of Technology Commissioning & Strategy
Contractor information assurance procedure in place	Mark Lobban, Director Commissioning SCHW
Corporate Director Social Care Health & Wellbeing is KCC Caldicott Guardian, protecting confidentiality of service user information and enabling appropriate information sharing. Caldicott Guardian Support Officers nominated in relevant services	Andrew Ireland, Corporate Director SCHW
County wide protocols in place for information sharing between agencies and governed by Kent & Medway Information Governance Partnership Board. Information Sharing Designated Officers nominated in relevant services.	Charlie Beaumont, Education & Young People Services
ICT Security and Service Transition Team operational.	Michael Lloyd, Head of Technology Commissioning & Strategy
Electronic Communications User Policy, Virus reporting procedure and social media guidelines in place	Michael Lloyd, Head of Technology Commissioning & Strategy
Information Governance training completed by significant number of employees, contractors and temporary staff. Specialist training needs identified and training plan in place. Information Governance training plan in place and monitored.	Geoff Wild, Director Governance & Law
Discussions in place with Government regarding requirements of the Code of Connection	Michael Lloyd, Head of Technology Commissioning & Strategy
Corporate Information Asset Register established and risk assessments in progress.	Geoff Wild, Director Governance & Law
Information risk assessments completed for systems processing personal data and for new/change projects	Geoff Wild, Director Governance & Law
Information Security & Information Risk Management supporting procedures and processes are monitored to ensure realisation of benefits	Andrew Ireland, Corporate Director SCHW/Geoff Wild, Director Governance & Law/

	Michael Lloyd, Head of Technology Commissioning & Strategy	
Public Service Network (PSN) code of compliance information security standard achieved	Michael Lloyd, Head of Technology Commissioning & Strategy	
NHS Information Governance Toolkit 'satisfactory' rating achieved	Michael Lloyd, Head of Technology Commissioning & Strategy	
Information Governance Training re-launched. Training to be completed every 2 years	Geoff Wild, Director Governance & Law	
Action Title	Action Owner	Planned Completion Date
Ensure all staff complete mandatory e-learning Data Protection training	Geoff Wild, Director Governance & Law	December 2015
Ensure that risks associated with key information assets are regularly reviewed and followed by management action where required	Corporate Directors (Information Asset Owners)	January 2016 (review)
Implement recommendations arising from the Information Commissioner's Office (ICO) audit	Geoff Wild, Director Governance & Law	March 2016 (review)
Continuous development of cyber-security monitoring and response processes	Kathy Stevens, ICT Security and Service Manager	February 2016

Risk ID	CRR2(a)	Risk Title	Safeguarding – protecting vulnerable children			
	Source / Cause of risk The Council must fulfil its statutory obligations to effectively safeguard vulnerable children. In addition, the Government’s “Prevent Duty” requires the Local Authority to act to prevent people from being drawn into terrorism, with a focus on the need to safeguard children at risk of being drawn into terrorism.	Risk Event Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability. Failure to meet the requirements of the new “Prevent Duty” placed on Local Authorities.	Consequence Serious impact on vulnerable people.	Risk Owner On behalf of CMT:	Current Likelihood Likely (4)	Current Impact Serious (4)
			Serious impact on ability to recruit the quality of staff critical to service delivery.	Andrew Ireland, Corporate Director Social Care Health & Wellbeing (SCHW)	Target Residual Likelihood Possible (3)	Target Residual Impact Significant (3)
			Serious operational and financial consequences.	Responsible Cabinet Member(s): Peter Oakford Specialist Children’s Services		
			Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.			
			Incident of serious harm or death of a vulnerable child.			
			Control Title			
Consistent scrutiny and performance monitoring through Divisional Management Team, District ‘Deep Dives’ and audit activity					Andrew Ireland, Corporate Director SCHW / Philip Segurola, Director Specialist Children’s Services	
Independent scrutiny by Kent Safeguarding Children Board					Independent Chair Kent Safeguarding Children Board	
Manageable caseloads per social worker and robust caseload monitoring					Philip Segurola, Director Specialist Children’s Services	

SCHWB management team monitors social work vacancies and agrees strategies for urgent situations	Andrew Ireland, Corporate Director SCHW
Active strategy in place to attract, recruit <i>and retain</i> social workers through a variety of routes with particular emphasis on experienced social workers. Detailed programme of training	Philip Segurola, Director Specialist Children's Services / Amanda Beer, Corporate Director Engagement, Organisational Design & Development
Multi-agency public protection arrangements in place	Andrew Ireland, Corporate Director, SCHW
Extensive staff training – Specialist Children's Services and Early Help and Preventative services are adopting the 'Signs of Safety' model of intervention, a standardised child-focused model of risk analysis, risk management and safety planning.	Philip Segurola, Director of Specialist Children's Services
Regular reporting on safeguarding takes place quarterly for Directors and Cabinet Members, with an annual report for elected Members, to allow for scrutiny of progress.	Andrew Ireland, Corporate Director, SCHW
KCC has led a multi-agency review of existing arrangements in light of the new Prevent Duty	Nick Wilkinson, Head of Youth Justice and Safer Kent
Prevent Duty Delivery Board established to oversee the activity of the Kent Channel Panel, co-ordinate Prevent activity across the County and report to other relevant strategic bodies in the county (including reporting route to the Kent Safeguarding Children Board)	Andrew Ireland, Corporate Director, SCHW
Kent Channel panel (early intervention mechanism providing tailored support to people who have been identified as at risk of being drawn into terrorism) established.	Nick Wilkinson, Head of Youth Justice and Safer Young Kent
Awareness of the responsibility for schools to be alert to signs of radicalisation has been raised (e.g. via education e-bulletin with links to online training materials and specific contacts for information and advice	Patrick Leeson, Corporate Director EYPS
Safeguarding and Quality Assurance Unit has been restructured to include additional child protection and Independent Reviewing Officer capacity	Philip Segurola, Director of Specialist Children's Services
Education Safeguarding Team in place	Gillian Cawley, Director Education Quality & Standards
Children's Development Plan, jointly owned by Specialist Children's Services, Early Help and Preventative Services and Children's Commissioning team, in place and updated to address recommendations arising from Child Sexual Exploitation (CSE) themed inspection and actions	Philip Segurola, Director Specialist Children's Services

identified during a recent external review.		
Multi-agency Crime and Sexual Exploitation Panel (MACSE) established to provide a strategic, county-wide, cross-agency response to CSE.		Andrew Ireland, Corporate Director, SCHW (KCC lead)
Action Title	Action Owner	Planned Completion Date
Ongoing development of further strategies and campaigns to support recruitment so that we attract and retain high calibre social workers and managers. Use of competent agency social workers and managers on temporary basis to fill vacancies	Andrew Ireland, Corporate Director SCHW / Amanda Beer, Corporate Director Engagement, Organisational Design & Development	January 2016 (review)
Implementation of transformation programme for children's services, including Social Work Contract Programme	Philip Segurola, Director Specialist Children's Services	February 2016 (review)
Delivery of key actions to tackle Children's Sexual Exploitation (CSE) and Trafficking as part of the Children's Development Plan	Philip Segurola, Director Specialist Children's Services	January 2016 (review)
Specialist Children's Services Audit procedures being reviewed to strengthen the existing online audit to include a qualitative element	Philip Segurola, Director Specialist Children's Services	December 2015
Ensure any necessary training and procedures to support professionals working with children where there are concerns regarding their vulnerability to radicalisation are embedded as part of existing safeguarding arrangements	Patricia Denney, Assistant Director Children's Safeguarding and Quality Assurance	January 2016
Awareness-raising 'Prevent' training for identified key staff and specific training for those working with people directly at risk	Nick Wilkinson, Head of Youth Justice and Safer Kent	February 2016

Risk ID	CRR2(b)	Risk Title	Safeguarding – protecting vulnerable adults					
	Source / Cause of risk The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults. In addition, the Government’s “Prevent Duty” requires the Local Authority to act to prevent people from being drawn into terrorism.	Risk Event Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability. Failure to meet the requirements of the new “Prevent Duty” placed on Local Authorities.	Consequence Serious impact on vulnerable people.	Risk Owner On behalf of CMT:	Current Likelihood Likely (4)	Current Impact Serious (4)		
			Serious impact on ability to recruit the quality of staff critical to service delivery.	Andrew Ireland, Corporate Director SCHW	Target Residual Likelihood Possible (3)	Target Residual Impact Significant (3)		
			Serious operational and financial consequences.	Responsible Cabinet Member: Graham Gibbens, Adult Social Care & Public Health				
			Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.					
			Incident of serious harm or death of a vulnerable adult.				Mike Hill (Lead Member for PREVENT)	
			Control Title					Control Owner
			Multi agency public protection arrangements in place					Andrew Ireland, Corporate Director SCHW
Safeguarding Vulnerable Adults Board in place with key agencies. The Board is now on a statutory footing following implementation of the Care Act.					Andrew Ireland, Corporate Director SCHW			
Consistent scrutiny and performance monitoring through divisional management teams, ‘deep dives’ and audit activity.					Divisional Directors / Head of Adult Safeguarding			
Regular reporting on safeguarding takes place quarterly for Directors and Cabinet Members, with an annual report for elected Members, to allow for scrutiny of progress.					Andrew Ireland, Corporate Director SCHW			
In Kent a joint Winterbourne Steering Group has been established to learn lessons from Winterbourne and is working to an action plan					Penny Southern, Director DCALDMH			

Safeguarding improvement plan in place for Older People and Physical Disability service	Anne Tidmarsh, Director OPPD	
Prevent Duty Delivery Board established to oversee the activity of the Kent Channel Panel, co-ordinate Prevent activity across the County and report to other relevant strategic bodies in the county	Andrew Ireland, Corporate Director SCHW	
KCC has led a multi-agency review of existing arrangements in light of the new Prevent Duty	Nick Wilkinson, Head of Youth Justice and Safer Kent	
Kent Channel panel (early intervention mechanism providing tailored support to people who have been identified as at risk of being drawn into terrorism) established at district and borough level.	Nick Wilkinson, Head of Youth Justice and Safer Kent	
Capability framework for safeguarding and the mental capacity act introduced	Mark Lobban, Director of Commissioning SCHW / Nick Sherlock, Head of Adult Safeguarding	
Action Title	Action Owner	Planned Completion Date
Develop and roll-out a new package of multi-agency training ensuring it reflects Care Act changes	Nick Sherlock, Head of Adult Safeguarding	December 2015
Implement actions arising from recent internal audit – actions included in Safeguarding Action Plans	Nick Sherlock, Head of Adult Safeguarding	January 2016
Ensure capacity to deliver safeguarding responsibilities is maintained through OPPD optimisation and transformation work.	Anne Tidmarsh, Director OPPD	December 2015 (review)
Ensure any necessary training and procedures to support professionals working with vulnerable adults where there are concerns regarding their vulnerability to radicalisation are embedded within existing safeguarding arrangements	Nick Sherlock Head of Adult Safeguarding	January 2016
Awareness-raising ‘Prevent’ training for identified key staff and specific training for those working with people directly at risk	Nick Wilkinson, Head of Youth Justice and Safer Kent	February 2016 (review)

Risk ID	CRR3	Risk Title	Access to resources to aid economic growth and enabling infrastructure			
Source / Cause of Risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Council seeks access to resources to develop the enabling infrastructure for economic growth and regeneration.		Inability to secure sufficient contributions from development to support growth.	Key opportunities for growth missed.	Barbara Cooper, Corporate Director Growth, Environment and Transport	Possible (3)	Serious (4)
However, in parts of Kent, there is a significant gap between the costs of the infrastructure required to support growth and the Council's ability to secure sufficient funds through s106 contributions, Community Infrastructure Levy and other growth levers to pay for it. This is especially the case in the east of the county.		Failure to attract sufficient funding via the Local Growth Fund and other public funds to both support the cost of infrastructure and aid economic growth and regeneration.	The Council finds it increasingly difficult to fund KCC services across Kent (e.g. schools) and deal with the impact of growth on communities.	Responsible Cabinet Member(s): Mark Dance, Economic Development Matthew Balfour, Environment & Transport	Target Residual Likelihood	Target Residual Impact
At the same time, Government funding for infrastructure (for example via the Local Growth Fund) is limited and competitive and increasingly linked with the delivery of housing and employment outputs. Several local transport schemes proposed will require preparatory work without knowledge of funding allocation in order to deliver on time.		Insufficient return on investment from Regional Growth Fund schemes or significant level of default on loans.	Kent becomes a less attractive location for inward investment and business.		Unlikely (2)	Serious (4)
			Our ability to deliver an enabling infrastructure becomes constrained. Reputational risk.			
Control Title					Control Owner	
Growth and Infrastructure Framework for Kent and Medway published, setting out the infrastructure needed to deliver planned growth					Katie Stewart, Director Environment Planning & Enforcement	
Environment Planning & Enforcement and Economic Development teams working with each individual District on composition of infrastructure plans including priorities for the CIL and Section 106 contributions, from					David Smith, Director Economic Development / Katie	

which gaps can be identified	Stewart, Director Environment Planning & Enforcement	
Coordinated approach in place between Development Investment Team and service directorates	David Smith, Director Economic Development	
Dedicated team in Economic Development in place, working with other KCC directorates, to lead on major sites across Kent.	David Smith, Director Economic Development	
Economic Development SMT review of “critical” programmes/projects and review of KPIs to ensure continued appropriateness and relevance	David Smith, Director Economic Development	
Infrastructure Funding Group established and receives regular performance reports, potential issues for resolution and highlights funding gaps etc.	Barbara Cooper, Corporate Director, Growth, Environment and Transport	
Strong engagement of private sector through Kent and Medway Economic Partnership (KMEP), Business Advisory Board and Kent Developer’ Group	David Smith, Director Economic Development	
Strong engagement with South East LEP and with central Government to ensure that KCC is in a strong position to secure resources from future funding rounds	Ross Gill, Economic Strategy & Policy Manager	
Monitoring framework in place for Regional Growth Fund (RGF) programmes covering the issuing and management of contract agreements with regular reports reviewed by Growth, Economic Development & Communities Cabinet Committee.	Jacqui Ward, Regional Growth Fund Programme Manager	
KCC Internal Audit and external Auditor commissioned on an annual basis to conduct audits on the compliance of the RGF process and administration of the schemes, including governance, decision making and outcomes	Jacqui Ward, Regional Growth Fund Programme Manager	
Continued coordinated dialogue with developers, Districts and KCC service directorates	Nigel Smith, Head of Development	
Action Title	Action Owner	Planned Completion Date
Produce Kent’s Local Transport Plan 4 – the next iteration of ‘Growth without Gridlock’	Tom Marchant, Head of Strategic Planning & Policy	June 2016
Growth & Infrastructure Framework – progress the key actions arising from the framework	Tom Marchant, Head of Strategic Planning & Policy	July 2016 (review)
Influencing local plans and major applications – coordinating KCC’s response to and providing expert advice around developments e.g.	Tom Marchant, Head of Strategic Planning & Policy	June 2016 (review)

Ebbsfleet Development Corporation and Paramount Park		
Progress proposals for a more consistent and comprehensive approach to early engagement and provision of advice for developers on major development proposals, involving a single point of contact at senior County Council officer level.	Nigel Smith, Head of Development	February 2016

Risk ID	CRR4	Risk Title	Civil Contingencies and Resilience			
	<p>Source / Cause of Risk</p> <p>The Council, along with other Category 1 Responders in the County, has a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood, and impact, of high impact incidents and emergencies.</p> <p>The Director of Public Health has a legal duty to gain assurance from the National Health Service and Public Health England that plans are in place to mitigate risks to the health of the public including outbreaks of communicable diseases e.g. Pandemic Influenza.</p> <p>Ensuring that the Council works effectively with partners to respond to, and recover from, emergencies and service interruption is becoming increasingly important in light of recent national and international security threats and severe weather incidents.</p>	<p>Risk Event</p> <p>Failure to deliver suitable planning measures, respond to and manage these events when they occur.</p> <p>Critical services are unprepared or have ineffective emergency and business continuity plans and associated activities.</p>	<p>Consequence</p> <p>Potential increased harm or loss of life if response is not effective.</p> <p>Serious threat to delivery of critical services.</p> <p>Increased financial cost in terms of damage control and insurance costs.</p> <p>Adverse effect on local businesses and the Kent economy.</p> <p>Possible public unrest and significant reputational damage.</p> <p>Legal actions and intervention for failure to fulfill KCC's obligations under the Civil Contingencies Act or other associated legislation.</p>	<p>Risk Owner</p> <p>On behalf of CMT</p> <p>Barbara Cooper, Corporate Director Growth, Environment & Transport</p> <p>Responsible Cabinet Member(s):</p> <p>Mike Hill, Community Services</p>	<p>Current Likelihood</p> <p>Possible (3)</p> <p>Target Residual Likelihood</p> <p>Unlikely (2)</p>	<p>Current Impact</p> <p>Serious (4)</p> <p>Target Residual Impact</p> <p>Serious (4)</p>
Control Title			Control Owner			
<p>Legally required multi-agency Kent Resilience Forum in place, with work driven by risk and impact based on Kent's Community Risk Register. Key roles of group include:</p> <ul style="list-style-type: none"> Intelligence gathering and forecasting; 			<p>Mike Overbeke, Head of Public Protection (for Kent Resilience Team Activity)</p>			

<ul style="list-style-type: none"> • Regular training exercises and tests; • Task & Finish groups addressing key issues. • Plan writing • Capability building 	
Kent Resilience Forum has a Health sub-group to ensure coordinated health services and Public Health England planning and response is in place	Andrew Scott-Clark, Director of Public Health
Kent Resilience Forum Severe Weather Advisory Group established to convene in the event of a severe weather incident.	Mike Overbeke, Head of Public Protection
Critical functions identified across KCC as a basis for effective Business Continuity Management (BCM).	Tony Harwood, Resilience and Emergencies Manager
The Director of Public Health works through local resilience fora to ensure effective and tested plans are in place for the wider health sector to protect the local population from risks to public health.	Andy Scott-Clark, Director of Public Health
Management of financial impact to include Bellwin scheme	Dave Shipton, Head of Financial Strategy
Maintenance & delivery of emergency procedures, plans and capabilities in place to respond to a broad range of challenges.	Tony Harwood, Resilience and Emergencies Manager
System in place for ongoing monitoring of severe weather events (SWIMS)	Carolyn McKenzie, Head of Sustainable Business and Communities
Implementation of Kent's Climate Adaptation Action Plan	Carolyn McKenzie, Head of Sustainable Business and Communities
Local multi-agency flood response plans in place for each district / borough in Kent, in addition to overarching flood response plan for Kent	Mike Overbeke, Head of Public Protection
Winter Resilience Planning Group & action plan in place.	Mike Overbeke, Head of Public Protection
ICT resilience improvements made to underlying data storage, data centre capability and network resilience.	Michael Lloyd, Head of Technology Commissioning & Strategy
On-going programme of review relating to ICT Disaster Recovery and Business Continuity	Michael Lloyd, Head of Technology Commissioning &

		Strategy
Kent Resilience Team in place bringing together personnel from KCC, Kent Police and Kent Fire and Rescue Service in an integrated and co-located team to deliver enhanced emergency planning and business continuity in Kent		Mike Overbeke, Head of Public Protection
Multi-Agency recovery structures are in place at the Strategic and Tactical levels & working effectively.		Katie Stewart, Director Environment Planning & Enforcement
KCC Community Wardens trained as Incident Liaison Officers		Mike Overbeke, Head of Public Protection
KCC and local Kent Resilience Forum partners have tested preparedness for chemical, biological, radiological, nuclear and explosives (CBRNE) incidents and communicable disease outbreaks in line with national requirements. The Director of Public Health has additionally sought and gained assurance from the local Public Health England office and the NHS on preparedness and maintaining business continuity.		Andrew Scott-Clark, Director Public Health
KCC jointly with Medway Council Public Health dept maintain an on-call rota on behalf and with Public Health England to ensure preparedness for implementing the Scientific, Technical Advisory Cell (STAC) in the event of a major incident with implications for the health of the public		Andrew Scott-Clark, Director of Public Health
'Introduction to Emergency Planning' e-learning package available to all staff		Tony Harwood, Resilience and Emergencies Manager
Emergency planning training rolled out at strategic, tactical and operational levels		Katie Stewart, Director Environment Planning & Enforcement
Exercises regularly conducted to test different elements of KCC emergency and business continuity arrangements with partners (e.g. 'Fort Invicta' November 2015 and Exercise 'Thor' December 2015).		Tony Harwood, Resilience & Emergencies Manager
Senior Management on-call rota devised and agreed		Katie Stewart, Director Environment Planning & Enforcement
Emergency Reservists have been recruited to aid emergency responses		Katie Stewart, Director Environment Planning & Enforcement
Action Title	Action Owner	Planned Completion Date
Ensure staff complete mandatory eLearning Emergency Planning Training	Corporate Management Team	December 2015

Reporting arrangements being reviewed to include appropriate elected Member oversight of KCC Business Continuity arrangements.	Katie Stewart, Director of Environment, Planning & Enforcement	January 2016
Review the role of elected Members in the event of emergency situations	Katie Stewart, Director of Environment, Planning & Enforcement	April 2016
Review sufficiency of KCC emergency and resilience resource	Katie Stewart, Director of Environment, Planning & Enforcement	April 2016
Investigate further training and development opportunities for emergency reservists	Tony Harwood, Resilience & Emergencies Manager	May 2016

Risk ID	CRR9	Risk Title	Health & Social Care Integration (inc. Better Care Fund)				
Source / Cause of Risk	The health & social care ‘system’ is under extreme pressure to cope with increasing levels of demand and financial constraints. Consequently, there is an urgent need to develop integrated health & social care services to meet these challenges. The integration agenda presents local authorities with both opportunities and risks.	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
		Pressures within the health sector have repercussions for social care.	Additional budget pressures.	Andrew Ireland, Corporate Director SCHW	Likely (4)	Significant (3)	
		Insufficient Better Care Fund monies to support preventative services, which means plans to reduce hospital admissions are destabilised.	Gaps between services or in some instances duplication of services or inefficient use of the available joint resources.	Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
				Roger Gough, Education & Health Reform	Possible (3)	Significant (3)	
				Graham Gibbens, Adult Social Care & Public Health			
		Control Title					Control Owner
		KCC has designated Cabinet Portfolio Holders for Public Health and Health Reform, who have assumed central roles at strategic level				Paul Carter, Leader of the Council	
		Health & Wellbeing Board and CCG-level Health & Wellbeing Board sub-committees established				Roger Gough, Cabinet Member Education & Health Reform	
		Joint Commissioning Board Strategy & Commissioning plans established with Clinical Commissioning Groups				Mark Lobban, Director Commissioning SCHW	
Joint Strategic Needs Assessment helps to support joint health & social care commissioning activity				Andrew Ireland, Corporate Director SCHW			
Kent chosen as one of 25 pioneers of health & social care integration in the UK, which is giving renewed impetus to the integration programme in Kent. An Integration Pioneer Steering Group is in place with other 20 stakeholder members to provide strategic direction and oversee successful delivery of health & social care in Kent.				Anne Tidmarsh, Director OPPD(KCC lead)			
Detailed delivery plans being developed with CCG areas				Andrew Ireland, Corporate Director SCHW			

Joint Area Team, CCG and KCC group established	Andrew Ireland, Corporate Director SCHW	
Reporting arrangements are in place to support integrated working, including reports to Health & Wellbeing Boards, Clinical Commissioning Groups and Vanguard Groups.	Anne Tidmarsh, Director OPPD	
KCC has developed an understanding of, and is well placed to implement, the NHS ‘Five Year Forward View’	Andrew Ireland, Corporate Director SCHW	
The Better Care Fund will help the integration programme and the development of joined up working and commissioning	Anne Tidmarsh, Director OPPD	
BCF Finance and Performance Group established, consisting of CCG/KCC Chief Finance Officers as well as a BCF Internal Assurance Group	Andy Wood, Corporate Director Finance & Procurement/ Andrew Ireland, Corporate Director SCHW	
Programme management arrangements in place for integration, with a programme plan and associated local action plans. Activity coordinated by a programme manager.	Anne Tidmarsh, Director OPPD	
Action Title	Action Owner	Planned Completion Date
Implementation of local Better Care Fund (BCF) action plans by BCF delivery groups	Anne Tidmarsh, Director OPPD	January 2016 (review)
Conduct further work to develop and take forward the integration programme and wider Pioneer work	Anne Tidmarsh, Director OPPD	April 2016
Work towards greater connectivity of information systems via a shared integration plan	Anne Tidmarsh, Director OPPD	January 2016 (review)
Ensure adherence to the Continuing Healthcare (CHC) framework and monitor joint working arrangements to prevent cost shunting	Mark Lobban, Director Commissioning SCHW / Penny Southern, Director CDLDMH / Anne Tidmarsh, Director OPPD	March 2016 (review)

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

Legal Services are engaged where required to support KCC when challenging other Authorities to accept Ordinary Residence re: responsibilities	Penny Southern, Director DCALDMH	
Joint commissioning of services with health, in particular for people with dementia, long term conditions and for carers (links to <i>Health & Social Care Integration agenda</i> – see Risk CRR9).	Mark Lobban, Director Commissioning SCHW/ Anne Tidmarsh, Director OPPD	
Continued drive to maximise the use of Telecare as part of the mainstream community care services	Anne Tidmarsh, Director OPPD and Penny Southern, Director DCALDMH	
Maintain the use of appropriate tools to obtain value for money in relation to the commissioning of expensive specialist residential accommodation	Mark Lobban, Director Commissioning SCHW	
Health & Social Care Integration Programme in place with a strategic objective of proactively tackling demand for health & social care services	Anne Tidmarsh, Director OPPD	
Risk stratification tools devised. Now being used by GP’s	Anne Tidmarsh, Director OPPD	
Continued support for investment in preventative services through voluntary sector partners	Mark Lobban, Director Commissioning SCHW	
Public Health & Social Care ensures effective provision of information, advice and guidance to all potential and existing service users, promoting self-management to reduce dependency	Andrew Scott-Clark, Director Public Health/ Anne Tidmarsh, Director OPPD	
Best Interest Assessments (BIA) training package in place to be delivered as part of a rolling programme twice yearly	Mark Lobban, Director Commissioning, SCHW	
Continual review and monitoring of demand in relation to Deprivation of Liberty assessments (DoLs)	Nick Sherlock, Head of Adult Safeguarding	
Action Title	Action Owner	Planned Completion Date
Implementation of Adults Transformation Phase 2 Design	Mark Lobban, Director Commissioning SCHW	
<ul style="list-style-type: none">Implementation activities complete in all areas for Phase 2 projects in OPPD –		February 2016
<ul style="list-style-type: none">Your Life Your Home trial completed		January 2016
<ul style="list-style-type: none">Implementation activities complete in all areas for Kent Pathway Service project		March 2016

Development of a project to explore a systemic approach to Demand Management.

David Whittle, Director
Strategy, Policy & Assurance

February 2016 (review)

Risk ID	CRR10(b)	Risk Title	Management of Demand – Early Help and Specialist Children’s Services			
	Source / Cause of risk Local Authorities continue to face increasing demand for specialist children’s services due to a variety of factors, including consequences of highly publicised child protection incidents and serious case reviews, and policy/legislative changes. At a local level KCC is faced with additional demand challenges such as those associated with significant numbers of Unaccompanied Asylum Seeking Children (UASC). There are also particular ‘pressure points’ in several districts. These challenges need to be met as early help and specialist children’s services face increasingly difficult financial circumstances and operational challenges such as recruitment and retention of permanent qualified social workers.	Risk Event High volumes of work flow into early help and specialist children’s services leading to unsustainable pressure being exerted on them.	Consequence Children’s services performance declines as demands become unmanageable. Failure to deliver statutory obligations and duties or achieve social value. Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources. Ultimately an impact on outcomes for children, young people and their families.	Risk Owner Andrew Ireland, Corporate Director SCHW Patrick Leeson, Corporate Director EYPS Responsible Cabinet Member(s): Peter Oakford, Specialist Children’s Services	Current Likelihood Likely (4) Target Residual Likelihood Possible (3)	Current Impact Major (5) Target Residual Impact Serious (4)
Control Title					Control Owner	
Analysis and refreshing of forecasts to maintain the level of understanding which feeds into the relevant areas of the MTFP and the business planning process					Andrew Ireland, Corporate Director SCHW / Philip Segurola, Director Specialist Children’s Services	
The Early Help and Preventative Services Programme is working to ensure that vulnerable families can access the right support through open access services or through targeted casework.					Florence Kroll, Director of Early Help and Preventative Services	

Plans developed to appropriately manage the number of children in care (subject to continual monitoring)	Philip Segurola, Director Specialist Children's Services	
Intensive focus on ensuring early help to reduce the need for specialist children's support services.	Patrick Leeson, Corporate Director EYPS / Andrew Ireland, Corporate Director SCHW	
Continued support for investment in preventative services through voluntary sector partners	Mark Lobban, Director Commissioning SCHW	
Maintain the use of appropriate tools to obtain value for money in relation to the commissioning of expensive specialist residential and independent fostering accommodation	Mark Lobban, Director Commissioning SCHW	
Scoping of diagnostic work for children's services with aid of efficiency partner has been completed	Philip Segurola, Director Specialist Children's Services	
Early Help & Preventative Services have outlined priorities for service development and change, including ambitious targets to improve outcomes for children, young people and families	Florence Kroll, Director of Early Help & Preventative Services	
New and innovative service design concepts tested in 'sandbox' to inform the business case and associated projections	Patrick Leeson, Corporate Director, Education & Young People's Services/Andrew Ireland, Corporate Director SCHW	
Weekly Management Information reports track key children in care milestones	Philip Segurola, Director Specialist Children's Services	
Action Title	Action Owner	Planned Completion Date
In-house fostering capacity to be developed and assertive monitoring of all children in care performance milestones	Philip Segurola, Director Specialist Children's Services	March 2016 (review)
Implementation of Unified 0-25 programme with projects targeted within Specialist Children's Services, Early Help and Prevention and External Spend	Patrick Leeson, Corporate Director, Education & Young People's Services/Andrew Ireland, Corporate Director SCHW	December 2015

Risk ID	CRR 12	Risk Title	Welfare Reform changes			
Source / Cause of Risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The Welfare Reform Act 2012 put into law many of the proposals set out in the 2010 white paper <i>Universal Credit: Welfare that Works</i> . It aims to bring about a major overhaul of the benefits system and the transference of significant centralised responsibilities to local authorities.		The impact of the reforms in regions outside of Kent could trigger the influx of significant numbers of 'Welfare' dependent peoples to Kent.	An increase in households falling below poverty thresholds with vulnerable people becoming exposed to greater risk.	Andrew Ireland, Corporate Director SCHW	Possible (3)	Serious (4)
KCC needs to be prepared to manage the uncertain affects and outcomes that the changes may have on the people of Kent. This now includes assessment of potential impacts of the Welfare Reform & Work Bill.		Failure to plan appropriately to deal with potential consequences.	Additional pressure on KCC services e.g. demand for adults and children's social care.	Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care & Public Health	Target Residual Likelihood Possible (3)	Target Residual Impact Significant (3)
Control Title					Control Owner	
Ongoing analysis and tracking of impacts conducted by Strategy, Policy & Assurance and Strategic Business Development & Intelligence teams plus external partners to give an indication of scale of implications of reforms. Mechanism developed to track benefit migration into Kent.					Emma Mitchell, Director Strategic Business Development & Intelligence /David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	
Policy & research updates produced periodically to aid monitoring of potential impacts					David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance/Emma Mitchell, Director Strategic Business Development & Intelligence	
Kent Support and Assistance Service operating as the County's local welfare assistance scheme					Graham Gibbens, Cabinet Member Adult Social Care & Public Health	

Action Title	Action Owner	Planned Completion Date
Review of local welfare assistance scheme	Mark Lobban, Director Commissioning SCHW	September 2016
Policy and research update to review potential impacts of welfare reform changes, including potential implications of Welfare Reform and Work Bill	David Whittle, Director Strategy, Policy, Relationships and Assurance/Emma Mitchell, Director Strategic Business Development & Intelligence	January 2016

Risk ID	CRR 17	Risk Title	Future operating environment for Local Government			
Source / Cause of risk		Risk Event	Consequence	Risk Owner (s)	Current Likelihood	Current Impact
The operating environment for local government will continue to change during the coming years, presenting both opportunities and risks for the Council and its partners / service providers. For example, the Comprehensive Spending Review and associated Local Government settlement is expected to require a further 30% of savings in real terms during the next 4 years, which could threaten delivery of local services across the county, while the current provisions of the Govt's Cities and Devolution Bill could have wide-ranging implications,, including the potential for significant Local Government reorganisation. Business rate retention may present opportunities for the Council. A National Living Wage is due to be introduced from April 2016 and Govt has developed proposals to combine Local Authority pension funds.		Additional spending demands and continued public sector austerity measures threaten financial sustainability of KCC, its partners and service providers.	Unsustainable financial situation. Potential for partner or provider failure – including sufficiency gaps in provision.	All Corporate Directors	Likely (4)	Major (5)
		Increase in the National Living Wage could severely impact on local markets.	Reduction in resident satisfaction and reputational damage.	Responsible Cabinet Member (s): All Cabinet Members	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)
		Quality of KCC commissioned / delivered services suffers as financial situation continues to worsen.				
		Failure to capitalise on opportunities presented by the Government's devolution agenda.				
Control Title					Control Owner	
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process, including stakeholder consultation.					Andy Wood, Corporate Director Finance & Procurement	

Processes in place for monitoring delivery of savings and budget as a whole.		Andy Wood, Corporate Director Finance & Procurement
KCC Strategic Statement 2015-2020 and annual report outline key strategic outcomes that the Authority aims to achieve during this period.		Leader of the Council
KCC Commissioning Framework promotes commissioner understanding of markets and potential signs of provider stress.		Emma Mitchell, Director Strategic Business Development and Intelligence
KCC Quarterly Performance Report monitors key performance and activity information for KCC commissioned or delivered services. Regularly reported to Cabinet.		Richard Fitzgerald, Business Intelligence Manager – Performance
Ongoing oversight of implications relating to proposed Local Authority pension fund changes		Nick Vickers, Head of Financial Services
Action Title	Action Owner	Planned Completion Date
Financial analysis of medium term Kent public sector / provider landscape post - Comprehensive Spending Review	Dave Shipton, Head of Financial Strategy	January 2016
Support the Leader of the County Council in his role as Chair of the County Councils Network in order to help shape the future of the local government operating environment.	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	March 2016 (review)
Work proactively with Government regarding how the new business rate retention scheme can be most effectively implemented	Dave Shipton, Head of Financial Strategy	June 2016 (review)
Use all avenues to lobby Government to meet costs associated with introduction of National Living Wage	Andy Wood, Corporate Director Finance & Procurement	March 2016
Develop initial prospectus and ongoing engagement regarding devolution between KCC, District Councils, other partners and Government	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	March 2016 (review)

Risk ID	CRR21	Risk Title	Delivery of 2015/16 savings			
Source / Cause of Risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
The ongoing difficult economic climate has led to significant reductions in funding to the public sector and Local Government in particular. KCC has already made significant cost savings and still needs to make ongoing year-on-year savings in order to "balance its books."		The required savings from key programmes or efficiency initiatives are not achieved.	Urgent alternative savings need to be found which could have an adverse impact on service users and/or residents of Kent. Potential adverse impact on whole-council transformation plans. Reputational damage to the council.	On behalf of CMT: Andy Wood, Corporate Director Finance & Procurement Responsible Cabinet Member(s): John Simmonds, Finance & Procurement	Possible (3)	Serious (4)
					Target Residual Likelihood	Target Residual Impact
					Very unlikely (1)	Moderate (2)
Control Title					Control Owner	
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process					Andy Wood, Corporate Director Finance & Procurement	
Process for monitoring delivery of savings is in place, including a Budget Programme Board to scrutinise progress.					Andy Wood, Corporate Director Finance & Procurement	
Robust monitoring and forecasting of arrangements in place relating to the KCC budget as a whole					Andy Wood, Corporate Director Finance & Procurement	
Procedures for appropriate consultation in place when decisions relating to changes in services are being considered					Diane Trollope, Head of Engagement & Consultation/	
Arrangements for localisation of council tax agreed with District Councils (cross reference to Risk 12 Welfare Reform)					Dave Shipton, Head of Financial Strategy	
Controls and mechanisms remain robust					Andy Wood, Corporate Director Finance & Procurement	
Outline savings plans received for all significant budget savings					Corporate Directors and Director Group	

Six monthly update reports on progress against budgeted savings presented to Governance & Audit Committee		Corporate Directors and Director Group
Action Title	Action Owner	Planned Completion Date
Discussions with the Home Office to ensure their Asylum grant regime reflects the unique position of Kent in responding to the numbers of Unaccompanied Asylum Seeking Children	Philip Segurola, Director Specialist Children's Services	December 2015
Ensure that contingency plans are adequate to cover any forecast overspending in-year, to avoid a significant overspend at year-end	Andy Wood, Corporate Director Finance & Procurement	January 2016

Risk ID	CRR22	Risk Title	Implications of increased numbers of Unaccompanied Asylum seeking children (UASC)			
Source / Cause of risk		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
Since May 2015 there has been an unprecedented increase in the numbers of UASC arriving in Kent, which places increased pressure on all aspects of specialist children's services delivery. This issue is the source of a number of risks.		There is a risk that there will be insufficient accommodation, social work assessment capacity and support for UASC.	The Council would be unable to fulfil its statutory duties effectively.	Andrew Ireland, Corporate Director, SCHW	Very Likely (5)	Serious (4)
		Shortfall in funding the full cost associated with fulfilling the Council's statutory duties.	Additional budget pressures on the Authority if UASC costs are not fully funded by Govt.	Responsible Cabinet Member(s): Peter Oakford, Specialist Children's Services	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)
Control Title					Control Owner	
Two additional temporary reception centres have opened to help cope with demand					Philip Segurola. Director of Specialist Children's Services	
Staffing capacity has been increased, particularly the asylum duty team, Independent Reviewing Officer (IRO) service and District teams					Philip Segurola, Director of Specialist Children's Services	
Daily updates – senior management are reviewing arrival rates, capacity and accommodation and support requirements with management action taken as required.					Philip Segurola, Director of Specialist Children's Services	
Action Title			Action Owner		Planned Completion Date	
Continue to make representations to Government for reimbursement of the full costs of fulfilling our statutory duties for UASC.			Andrew Ireland, Corporate Director SCHW		December 2015	
Pursue the option of a National Dispersal Scheme with the Home Office			Andrew Ireland, Corporate Director SCHW (with full elected Member support)		December 2015	
Explore any necessary alternative options to meet the full cost of UASC provision e.g. how this money is refunded at a national level or potentially raised at local level			Andrew Ireland, Corporate Director SCHW		January 2016	

Risk ID	CRR23	Risk Title	Managing and embedding sustainable change			
Source / Cause of risk To respond to continuing public sector austerity and an increasingly complex future operating environment for local government, the Authority will continue to evolve and change to meet the challenges ahead.		Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact
		Insufficient programme control on key change activity.	Potential to fall short of achieving financial and non-financial benefits if changes introduced are not fully embedded.	All Corporate Directors	Likely (4)	Significant (3)
		Insufficient management capacity and / or capability in key skill areas to support sustained change.	Disproportionate effort could be spent on areas of change that do not provide the greatest return on investment.	Responsible Cabinet Member: Paul Carter, Leader of the Council	Target Residual Likelihood Unlikely (2)	Target Residual Impact Significant (3)
		‘Client-side’ commissioner arrangements not developed in time to drive effective relationships with, and performance management of, suppliers.	Potential implications for staff wellbeing, morale and engagement.			
Control Title					Control Owner	
Corporate Directors are providing managerial leadership for the change agenda and ensuring resources for delivering change are adequate and appropriate to ensure successful delivery and meeting regularly to ensure effective oversight and co-ordination of officer level programme management.					Corporate Directors	
Corporate Assurance function and devolved Portfolio Delivery Manager / Portfolio Management Office arrangements in place charged with managing dependencies and improving support for key programmes and projects					Elizabeth Sanderson, Corporate Assurance Manager / Change Portfolio Delivery Managers	
Project and Programme Managers network established to support development of key project and programme management skills and knowledge and sharing of good practice. Programme and project toolkit re-launched.					Jan Hawkes, Senior Organisation Development Advisor / Diane Trollope, Head of Engagement & Consultation	
Workforce planning strategy 2015-2020 and annual report outlines how the Council is planning for the future in terms of skills development, role definitions and employee mindset. Includes action plan.					Amanda Beer, Corporate Director Engagement, Organisation Development and Design	

Staff development and Leadership & Management Frameworks established to further develop key skills, including commercial acumen, project management and contract management, across the organisation as an essential enabler of change.	Amanda Beer, Corporate Director Engagement, Organisation Design & Development	
A suite of performance information is regularly reviewed and monitored to identify potential issues regarding staff recruitment, retention, health and engagement	Amanda Beer, Corporate Director Engagement, Organisation Design and Development	
Strategic Business Development & Intelligence function brings together activities which support effective commissioning and leads on the management of KCC’s large contracts.	Emma Mitchell, Director Strategic Business Development & Intelligence	
Commissioning network and toolkit in place to support development of key commissioning knowledge and skills and sharing of good practice	Olivia Crill, Transformation Manager	
Procedures for appropriate consultation in place when decisions relating to changes in services are being considered	Diane Trollope, Head of Engagement & Consultation	
Workforce and succession planning tools available to aid managers	Julie Cudmore, Head of Organisation Development	
Skills transfer stipulations built into contracts of external efficiency partners / consultants to ensure internal staff develop relevant skills and build capability	Emma Mitchell, Director Strategic Business Development & Intelligence	
Governance arrangements reviewed to clarify Member roles and responsibilities around becoming a strategic commissioning authority e.g. Transformation Advisory Group, Commissioning Advisory Board, Cabinet Committees etc.	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	
Action Title	Action Owner	Planned Completion Date
Embed nationally recognised standards for development of effective business cases in KCC programme / project management practice.	Elizabeth Sanderson, Corporate Assurance Manager / Portfolio Delivery Managers	January 2016
Introduce programme and project management training for key stakeholders (other than programme / project managers) to promote awareness of their respective roles & responsibilities e.g. Senior Responsible Officers and those responsible for benefits realisation).	Jan Hawkes, Senior Organisation Development Advisor	February 2016

Improve mapping of dependencies and impacts across major change programmes and projects, including impacts on 'business as usual' activity.	Elizabeth Sanderson, Corporate Assurance Manager / Change Portfolio Delivery Managers	March 2016 (review)
Clarify roles and responsibilities for officers charged with the strategic commissioning of services and those responsible for operational delivery of services	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	December 2015

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

To: Governance and Audit Committee – 27th January 2016

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 and Strategy was subject to a number of amendments in early 2015 to reflect the changing risk landscape and 'riskier' environment that KCC is operating in, as well as its move towards a strategic commissioning authority. It was approved by Governance & Audit Committee on 29th April 2015.
- 1.3 The fact that the policy was only approved 9 months ago and the medium term nature of the strategy means that the significant majority of the document is still pertinent heading into this review. Therefore, only a small number of amendments to the document have been made, which are mainly cosmetic. Changes proposed are:
 - Amending the Policy and Strategy to cover a rolling 3 year period instead of 1 year, to reflect the medium term nature of the strategy, aligning with the medium term financial planning period. This would not affect the requirement for the Policy & Strategy to be reviewed and approved annually.
 - Replacing references to the 'Facing the Challenge' transformation agenda with references to change activity and portfolios of change, as the Authority looks to embed change into 'business as usual' activity.
 - Updating the roles and responsibilities section and risk governance diagram to reflect the changes in governance arrangements approved by County Council on 10th December 2015.

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

2. Recommendation

- 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.

Relevant Director:

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

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Mark Scrivener

Corporate Risk Manager

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Appendix 1

Risk Management Policy & Strategy 2016-~~195~~/~~16~~

**DRAFT for presentation to Governance
and Audit Committee
27/01/16**

POLICY OWNER:

David Whittle
Director Strategy, Policy, Relationships and Corporate Assurance
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POLICY AUTHOR:

Mark Scrivener
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Review Process:

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

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, 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 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

4.1 Additional spending demands and 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 service 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 greater focus on all elements of the risk framework – our culture, behaviours and values 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, the Council aims to:

- 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;
- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;
- ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities;
- ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant changetransformational 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 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 Council's four change portfolios~~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 inform both the substance for the decision or plans and achievability of desired outcomes objectively. In 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 ~~are developing have stated our intent to become a~~our strategic commissioning ~~approach as an a~~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.

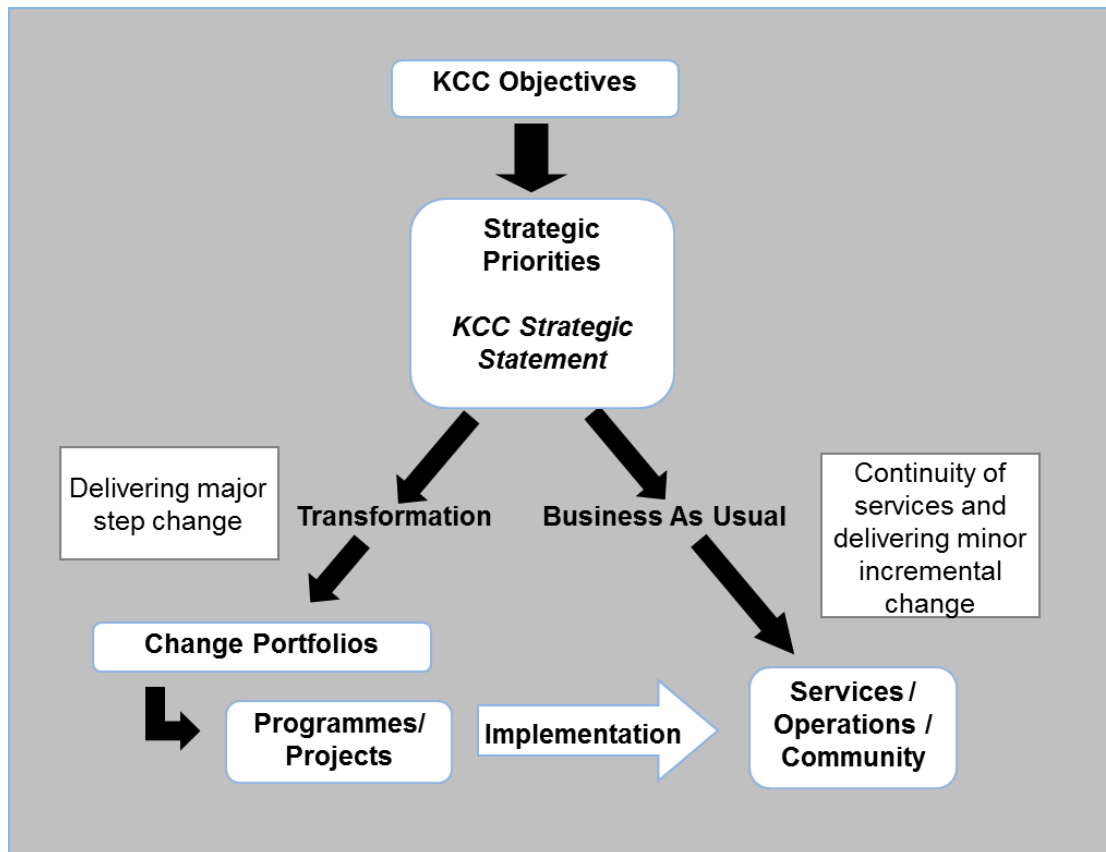
6.2 In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;

- '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;

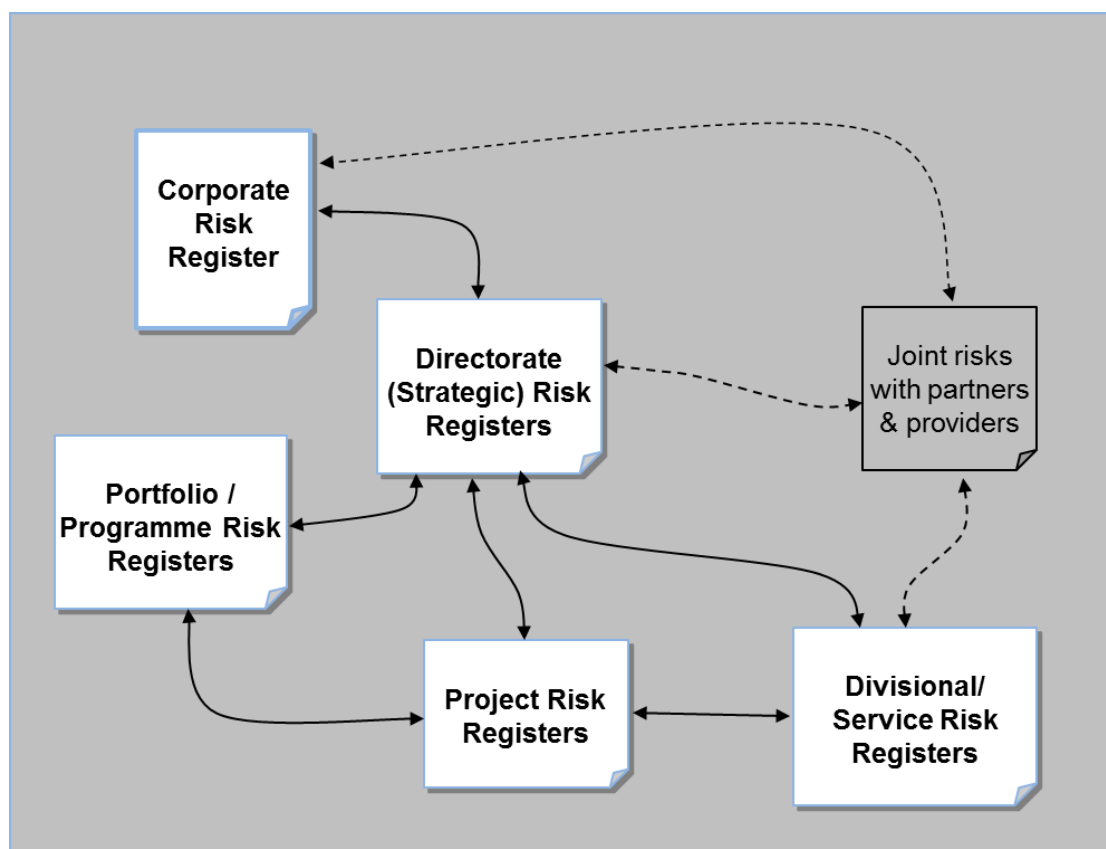
- **Corporate** – where decisions are made that shape our overall mission, strategic priorities and ambitions.
- **Strategic** - where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
- **Programme** – where we are exposed to risks that could affect 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. 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 and the roles and responsibilities are set out in Annex B.

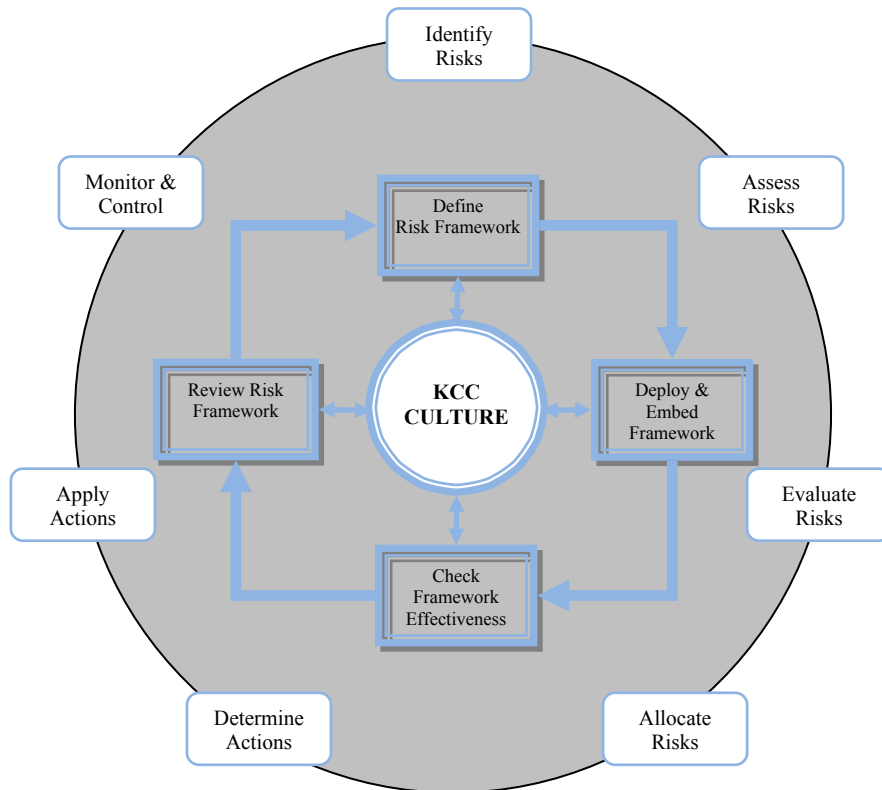
7.2 Other officer groups deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud and corruption etc. These groups are linked into the governance arrangements of the Council so that their 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 , 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 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 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 centred 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 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.

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				

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.

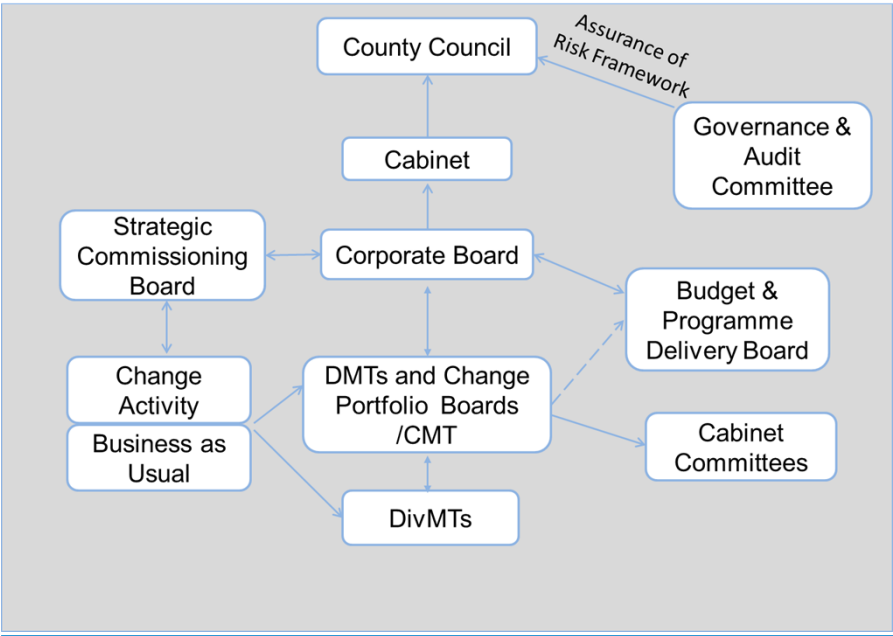
11.2 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh. It is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes. Strategic risks facing the County Council are to be reported to Cabinet Committees annually, 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>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>
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>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>
<u>Strategic Commissioning Board</u>	<u>Review risks arising from the 'analyse' and 'plan' phases of the commissioning cycle, including those associated with our strategic outcomes; data, customer and market analysis, service specifications and commissioning and procurement plans.</u>

Budget & Programme Delivery Performance & Evaluation Board	<p><u>Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient.</u></p> <p><u>Review risks arising from the 'do' and 'review' phases of the commissioning cycle, including those associated with contract mobilisation, delivery and review and as part of the Board's provider and contract monitoring role.</u></p>
Change 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 <u>Corporate Assurance function</u>	<p>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.</p> <p><u>Develop oversight, transparency and coordination of major change activity across Kent County Council, including reinforcing KCC's risk management framework throughout project and programme activity.</u></p>
<u>Portfolio Delivery Managers</u>	<p><u>Establish and monitor that clear, effective and proportionate governance is in place for all projects and programmes within change portfolios, including risk management.</u></p> <p><u>Ensure that key risks and interdependencies within change portfolios are identified and escalated as appropriate.</u></p>
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 Strategic & Corporate Services (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.
Director, Strategy, Policy, Relationships and Corporate Assurance	<p>Establish the organisational context and objectives for risk management and map the external and internal risk environment.</p> <p>Develop and maintain the risk management policy, strategy, management guidance and support resources.</p>
Corporate Risk Manager	<p>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.</p> <p>Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team.</p> <p>Facilitate the risk management process within the Council and advise on developments on risk management. Assist</p>

	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	<p>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> <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 elected Members and 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.

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 – 27 January 2016

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2015/16**

Classification: Unrestricted

Summary: To present the Treasury Management 6 Month Review.

FOR DECISION

INTRODUCTION

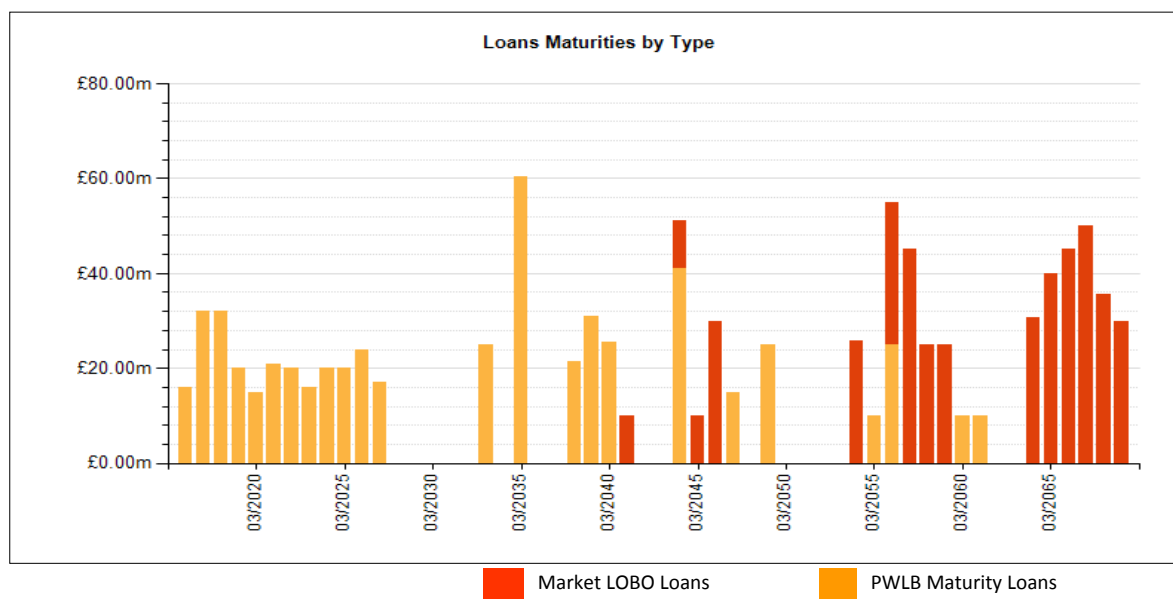
1. This report covers Treasury Management activity for the 6 months to 30 September 2015 and developments in the period since up to the date of this report.

BACKGROUND

2. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
3. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
5. Although formally this report is to 30 September it covers developments in the period since up to the date of this report.
6. If agreed by members this 6 month report will then go on to Council.

BORROWING STRATEGY

7. At 30 November the Council had long term borrowings of £994.08m, an increase of £10m from the balance as at 31 March 2015, with a maturity profile as follows:



8. Total external debt managed by KCC includes £38.2m pre-LGR debt managed by KCC on behalf of Medway Council and £2.3million for other bodies.
9. The Council's chief objective when borrowing continues to be to consider borrowing at advantageous points in interest rate cycles as well as striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
10. In April, given concerns regarding the likely outcome of the UK general election and possible impact on the UK financial market as well as uncertainty over the future for Greece in the EU, the decision was made given the availability of advantageous rates from the PWLB for long term fixed rate maturity loans, to borrow £25m for 40 years from the PWLB at a fixed rate of 3.16%. Subsequently KCC has repaid £15m of maturing PWLB loans and expects to repay a further £16m by 31 March 2016. It does not expect to undertake further borrowing during 2015/16.
11. The average interest rate payable on the Council's debt portfolio reduced slightly from 5.51% to 5.311%.
12. Affordability and the "cost of carry" remain important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council has determined it is more cost effective in the short-term to use internal resources instead.
13. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-

term borrowing rates are forecast to rise. The Council's Treasury Advisor, Arlingclose, assists it with this 'cost of carry' and breakeven analysis.

14. The Council holds £441.8m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. To date no lender has exercised an option.

INVESTMENT ACTIVITY

Counterparty Update

15. With assistance from Arlingclose counterparty credit quality continues to be assessed and monitored.
16. All three credit ratings agencies (Moody's, S&P and Fitch) have reviewed their ratings in the first six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions on the KCC approved counterparty list have seen their credit ratings upgraded due to an improvement in their underlying strength and an assessment that the level of loss given default is low.
17. In August duration limits were increased for some UK and European banks, and building societies based on advice from Arlingclose. Those for Close Brothers, Coventry BS, Nationwide BS and Santander UK were increased to 6 months from 100 days and Bank of Scotland, HSBC Bank, Lloyds Bank and Svenska Handelsbanken increased to 13 months from 6 months. The limit for Barclays was unchanged while RBS / NatWest remained suspended from the list as their ratings continue to be below the Council's agreed threshold.
18. In September, Volkswagen was found to have been cheating emissions tests over several years in many of their diesel vehicles. This scandal is still playing out and the full extent of the financial implications yet to become clear. Arlingclose recommended suspending VW (as a non-financial corporate bond counterparty) for new investments whilst the situation is monitored. The ratings of the VW group were placed on Rating Watch Negative by Fitch, CreditWatch with negative implications by S&P and the outlook revised to negative by Moody's. Moody's also revised the outlook on VW Financial Services to negative.

Investment activity 2015/16

19. The Council holds significant invested funds averaging £395.4m year to date, representing income received in advance of expenditure plus balances and reserves held. Cash balances are expected to fall towards the end of the financial year.

20. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.
21. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.
22. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
23. The Council has continued its policy of diversifying its investments. It holds £100m of covered bonds and increased its investment in the CCLA LAMIT fund to £20m. KCC has also placed £25m in a number of Santander notice call accounts. All these investments have beneficially impacted on the investment return, extended the maturity profile of the Council's investment portfolio and reduced the risk. The Volkswagen £1.75m corporate bond purchased in March matured in October at par.
24. As at the end of November the types of investment held were as follows:

Type of Investment	Total	
	£m	%
Call Account	42.20	12
Money Market Fund	18.21	5
Notice Account	25.00	7
Certificate of Deposit	50.00	14
Fixed Deposit	82.00	23
Covered Bond	98.59	28
ISK held in Escrow	3.28	1
Icelandic Recoveries outstanding	3.34	1
Internally managed cash	322.62	91
External Investments	26.40	8
Equity	2.14	1
Total	351.15	100

25. The UK Bank Rate has been maintained at 0.5% since March 2009 and short-term money market rates have remained at relatively low levels. New internally managed investments were made at an average rate of 0.6%.

ICELAND DEPOSITS

26. On 14 January the Council received a dividend of £2.9m from Landsbanki. This now brings the total recovered to £51.3m with £300-400,000 still to be received from Heritable Bank.

FORECAST OUTTURN

27. An underspend of £299k is forecast reflecting increased interest on cash balances as a result of higher cash balances, investing for longer durations and increased dividends.

COMPLIANCE WITH PRUDENTIAL INDICATORS

28. The Council can confirm that it has complied with its Prudential Indicators for 2015/16 set as part of the Council's Treasury management Strategy Statement. Details can be found in Appendix 2.

RECOMMENDATION

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

Alison Mings
Treasury and Investments Manager
Ext: 03000 416488

Investments as at 30 November 2016

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount	End Date	Interest Rate
Call Account	Barclays Bank	£5,000,000	n/a	0.35%
Call Account	Barclays FIBCA	£5,000,000	n/a	0.50%
	Total Barclays	£10,000,000		
Fixed Deposit	Lloyds Bank	£5,000,000	19/08/2016	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	26/02/2016	0.70%
Fixed Deposit	Lloyds Bank	£5,000,000	30/09/2016	1.05%
Fixed Deposit	Lloyds Bank	£5,000,000	24/05/2016	0.80%
Fixed Deposit	Lloyds Bank	£5,000,000	22/07/2016	0.85%
Fixed Deposit	Lloyds Bank	£5,000,000	08/08/2016	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	09/05/2016	0.80%
Fixed Deposit	Lloyds Bank	£5,000,000	05/09/2016	1.00%
	Total Lloyds Group	£40,000,000		
Call Account	Santander UK	£12,200,000	n/a	0.40%
31 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.65%
60 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.75%
95 Day Call Notice Account	Santander UK	£5,000,000	n/a	0.90%
120 Day Call Notice Account	Santander UK	£5,000,000	n/a	1.05%
180 Day Call Notice Account	Santander UK	£5,000,000	n/a	1.15%
	Total Santander UK	£37,200,000		
Certificate of Deposit	Standard Chartered	£10,000,000	01/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£10,000,000	07/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£10,000,000	22/04/2016	0.73%
Certificate of Deposit	Standard Chartered	£5,000,000	15/01/2016	0.72%
Certificate of Deposit	Standard Chartered	£5,000,000	06/05/2016	0.74%
	Total Standard Chartered	£40,000,000		
Total UK Bank Deposits		£127,200,000		
Fixed Deposit	Nationwide Building Society	£18,000,000	18/12/2015	0.59%
Fixed Deposit	Nationwide Building Society	£3,600,000	19/04/2016	0.66%
Fixed Deposit	Nationwide Building Society	£10,000,000	22/04/2016	0.68%
	Total Nationwide BS	£31,600,000		
Total UK Building Society Deposits		£31,600,000		
Fixed Deposit	Commonwealth Bank of Australia	£10,400,000	10/02/2016	0.59%
Total Australian Bank Deposits		£10,400,000		

Appendix 1

Certificate of Deposit	Bank of Montreal	£5,000,000	22/01/2016	0.63%
Certificate of Deposit	Toronto Dominion Bank	£5,000,000	07/11/2016	0.74%
Total Canadian Bank Deposits		£10,000,000		
Call Account	Svenska Handelsbanken	£20,000,000	n/a	0.40%
Total Swedish Bank Deposits		£20,000,000		
Money Market Fund	Deutsche Managed Sterling Fund	£439,833	n/a	0.38% (variable)
Money Market Fund	HSBC Global Liquidity Fund	£8,247	n/a	0.36% (variable)
Money Market Fund	Insight Sterling Liquidity Fund	£8,838,920	n/a	0.40% (variable)
Money Market Fund	LGIM Liquidity Fund	£8,833,808	n/a	0.44% (variable)
Money Market Fund	SSgA GBP Liquidity Fund	£66,930	n/a	0.38% (variable)
Money Market Fund	Aberdeen Sterling Liquidity Fund	£19,239	n/a	0.35% (variable)
Total Money Market Funds		£18,206,977		

1.2 Iceland Deposits

Instrument Type	Principal Amount
Total Icelandic Recoveries outstanding	£3,343,747
Total ISK held in Escrow (est GBP)	£3,278,427
Icelandic Recoveries outstanding	£6,622,174

1.3 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Maturity Date	Net Yield
Floating Rate Covered Bond	Abbey National Treasury	£5,760,752	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£3,005,510	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£2,451,685	23/03/2016	0.911%
Floating Rate Covered Bond	Abbey National Treasury	£1,385,426	12/08/2016	0.647%
Floating Rate Covered Bond	Abbey National Treasury	£3,004,487	08/11/2016	1.293%
Fixed Rate Covered Bond	Bank of Scotland	£2,070,756	08/11/2016	1.309%
Fixed Rate Covered Bond	Bank of Scotland	£2,980,464	14/01/2017	0.806%
Floating Rate Covered Bond	Barclays Bank	£5,006,126	20/01/2017	0.820%
Floating Rate Covered Bond	Barclays Bank	£3,003,914	20/01/2017	0.714%
Floating Rate Covered Bond	Barclays Bank	£5,003,436	05/04/2017	0.776%
Fixed Rate Covered Bond	Coventry Building Society	£3,233,355	05/04/2017	0.716%

Appendix 1

Fixed Rate Covered Bond	Coventry Building Society	£5,420,183	17/07/2017	0.769%
Fixed Rate Covered Bond	Coventry Building Society	£2,180,528	17/07/2017	0.719%
Floating Rate Covered Bond	Coventry Building Society	£3,009,340	17/07/2017	0.709%
Floating Rate Covered Bond	Leeds Building Society	£2,502,786	15/09/2017	0.685%
Floating Rate Covered Bond	Leeds Building Society	£2,502,830	15/09/2017	0.721%
Fixed Rate Covered Bond	Leeds Building Society	£2,168,991	19/01/2018	0.784%
Fixed Rate Covered Bond	Leeds Building Society	£1,640,010	09/02/2018	0.784%
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	09/02/2018	0.721%
Floating Rate Covered Bond	Lloyds	£3,005,227	12/02/2018	1.981%
Floating Rate Covered Bond	Lloyds	£3,902,567	12/04/2018	1.550%
Floating Rate Covered Bond	Lloyds	£1,405,221	12/04/2018	1.933%
Floating Rate Covered Bond	National Australia Bank	£5,006,744	19/04/2018	1.703%
Floating Rate Covered Bond	Nationwide Building Society	£1,899,995	19/04/2018	1.520%
Floating Rate Covered Bond	Nationwide Building Society	£1,000,861	19/04/2018	0.740%
Floating Rate Covered Bond	Nationwide Building Society	£2,102,170	27/04/2018	0.787%
Floating Rate Covered Bond	Nationwide Building Society	£3,430,540	29/05/2018	0.685%
Floating Rate Covered Bond	Yorkshire Building Society	£3,019,699	17/12/2018	2.016%
Floating Rate Covered Bond	Yorkshire Building Society	£5,035,956	17/12/2018	1.187%
Floating Rate Covered Bond	Yorkshire Building Society	£2,014,900	01/07/2019	0.758%
Fixed Rate Covered Bond	Yorkshire Building Society	£2,160,067	01/10/2019	0.967%
Fixed Rate Covered Bond	Yorkshire Building Society	£3,279,738	17/03/2020	0.877%
Total Covered Bonds		£98,594,264		

Total Internally managed investments	£322,623,415
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2. Externally Managed Investments

Investment Fund	Book Cost	Market Value as at 30 November 2015	12 months return to 30 November 2015
CCLA LAMIT Property Fund	£20,000,000	£21,339,486	9.67%
Pyrford Fund	£5,000,000	£5,050,011	1.21%
Kent PFI (Holdings) Ltd	£2,135,741	£2,135,741	
Total Externally Managed Investments		£28,525,239	

3. Total Investments

	Value at 30 November 2015
Total Investments	£351,148,654

2015-16 Quarter 2 Monitoring of Prudential Indicators

1. Estimate of capital expenditure (excluding PFI)

Actuals 2014-15	£219.896m
Original estimate 2015-16	£289.838m
Revised estimate 2015-16	277.815m

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

	2014-15	2015-16	2015-16	2016-17	2017-18
	Actual	Original Estimate	Forecast as at 30-09-15	Forecast as at 30-09-15	Forecast as at 30-09-15
	£m	£m	£m	£m	£m
Capital Financing requirement	1,382.856	1,382.620	1,374.698	1,347.369	1,306.975
Annual increase/reduction in underlying need to borrow	-52.407	-9.053	-8.158	-27.329	-40.394

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

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

Actuals 2014-15	14.19%
Original estimate 2015-16	13.17%
Revised estimate 2015-16	13.71%

4. Operational Boundary for External Debt

Appendix 2

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management. The operational boundary for debt will not be exceeded in 2015-16

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

	Prudential Indicator	Position as at 30.09.15
	£m	£m
Borrowing	993	955
Other Long Term Liabilities	254	248
	<u>1,237</u>	<u>1,203</u>

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

	Prudential Indicator	Position as at 30.09.15
	£m	£m
Borrowing	1,024	994
Other Long Term Liabilities	254	248
	<u>1,278</u>	<u>1,242</u>

5. Authorised Limit for external debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2015-16 are:

	Authorised limit for debt relating to KCC assets and activities	Position as at 30.09.15	Authorised limit for total debt managed by KCC	Position as at 30.09.15
	£m	£m	£m	£m
Borrowing	1,023	955	1,064	994
Other long term liabilities	254	248	254	248
	<u>1,277</u>	<u>1,203</u>	<u>1,318</u>	<u>1,242</u>

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

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

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

The Council has determined the following upper limits for 2015-16

Fixed interest rate exposure	100%
Variable rate exposure	40%

These limits have been complied with in 2015-16.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	As at 30.09.15
	%	%	%
Upper 12 months	10	0	1.61
12 months and within 24 months	10	0	3.22
24 months and within 5 years	15	0	6.74
5 years and within 10 years	15	0	9.76
10 years and within 20 years	20	5	12.72
20 years and within 30 years	20	5	14.99
30 years and within 40 years	25	10	10.61
40 years and within 50 years	30	10	24.2
50 years and within 60 years	30	10	16.15

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

Indicator	£175m
Actual	£126m

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

To: Governance & Audit Committee – 27 January 2016

Subject: **DEBT MANAGEMENT**

Classification: Unrestricted

Summary: To report on the Council's debt position

FOR ASSURANCE

INTRODUCTION

1. The purpose of this report is to provide the Governance and Audit Committee with assurance on the Council's outstanding debt position.
2. This report concentrates mainly on debt over 6 months old.

MANAGEMENT SUMMARY

3. The overall outstanding debt as at 1 December 2015, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £49.7m. This represents Social Care debt of £17.1m (11,279 Clients) and Sundry Debt of £32.6m (3,035 Debtors).
4. The sundry debt figures includes invoices raised to the Clinical Commissioning Groups amounting to £20.8m, of which £16.3m is not yet due for payment. Please see paragraph 22 for further details.
5. The total debt reported has decreased by £25.6m from the £75.3m reported in the last Governance and Audit report. However, the £75.3m reported to the Governance & Audit Committee in July included £25.1m actually due for payment compared to £22.2m due for payment as at this reporting period.
6. The value of total debt at any given date can vary considerably, particularly when large one-off invoices are raised – and thus paid. A better measure of comparative performance can be seen by movements in the value of sundry debt over six months' old as a percentage of total debt over the course of the last seven years, as the table below illustrates:

30-Apr- 15	30-Apr-14	30-Apr-13	30-Apr-12	30-Apr-11	30-Apr-10	30-Apr-09	30-Apr-08
5%	7%	8%	12%	8%	6%	11%	12%

7. The detail around the Social Care element of debt, as well as the movement in value since the last report, can be found in sections 26-34, with earlier sections referring to Sundry debt only. The Social Care debt analysed from this point on reflects the four weekly client billing process run on Tuesday 10 November 2015.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2015. As can be seen £21.8m of the £32.6m outstanding is not yet due for payment:

FTC	Directorate	Not Yet Due	AR Overdue 0-60 Amount	AR Overdue 61-181 Amount	AR Overdue 182+ Amount	Total AR Outstanding Amount	Overdue Element
New Directorate	EY	£664,170.12	£207,863.49	£16,548.40	£44,071.91	£932,653.92	£268,483.80
	GT	£1,255,179.33	£2,762,379.38	£152,328.93	£271,347.37	£4,441,235.01	£3,186,055.68
	SC	£18,664,549.81	£1,859,061.20	£1,016,155.58	£2,220,263.93	£23,760,030.52	£5,095,480.71
	ST	£469,550.44	£468,515.07	£84,782.60	£349,848.92	£1,372,697.03	£903,146.59
Old Directorate	BSS	£63,712.55	£24,460.88	£5,999.10	£76,740.39	£170,912.92	£107,200.37
	C&C	£0.00	£0.00	£0.00	£14,628.45	£14,628.45	£14,628.45
	E&E	£4,323.11	£1,254.60	£0.00	£20,471.66	£26,049.37	£21,726.26
	ELS	£24,563.88	£0.00	£30.00	£18,933.76	£43,527.64	£18,963.76
	FSC	£27,726.22	£0.00	£51.69	£202,980.47	£230,758.38	£203,032.16
Other	EDUKENT	£239,641.72	£115,975.79	£465,904.70	£36,756.31	£858,278.52	£618,636.80
	Penalty Notices	£33,420.00	£36,119.40	£45,260.00	£9,660.00	£124,459.40	£91,039.40
	Property Rents	£394,260.17	£66,510.06	£156,271.37	£19,971.74	£637,013.34	£242,753.17
Grand Total		£21,841,097.35	£5,542,139.87	£1,943,332.37	£3,285,674.91	£32,612,244.50	£10,771,147.15

PERFORMANCE

9. There are two performance indicators that the Debt Recovery Team aims to achieve. The percentages are based on the total outstanding unsecured debt.
- Total outstanding sundry debt under 60 days old – greater than 75%
 - Total outstanding sundry debt over 6 months old – less than 15%

As at 1 December 2015, 83.97% of the total sundry outstanding debt was under 60 days old whilst 10.07% was over 6 months old.

DEBT LEVELS OVER SIX MONTHS OF AGE

10. The following tables provide an analysis of the categories of debt **over 6 months old** by Directorate, followed by more detailed analysis. Some invoices are currently marked as “Other” – this is usually due to the fact that some invoices are chased directly by the Directorate responsible for them – and they are thus responsible for changing the tag status.

11. EY – Early Years

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£39,309.64
HEALTH DEBT - HQ	£50.00
REFERRED FOR WRITE OFF	£530.00
REFERRED TO DIRECTORATE	£4,182.27
TOTAL	£44,071.91

There are 95 invoices over 6 months for EY – the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £16,797.04 regarding a recharge to Westminster City Council – the debt is being chased by the Directorate directly.

12. GT – Growth, Environment & Transport

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£77,394.95
HEALTH DEBT - HQ	£250.00
INSURANCE	£7,274.71
LIQ'S/INSOLV'S/RECV	£674.40
PAID TO CS IN ERROR	£75.00
PAYMENT PLAN	£1,307.52
REFERRED FOR WRITE OFF	£4,454.70
REFERRED TO DIRECTORATE	£179,916.09
TOTAL	£271,347.37

There are 101 outstanding invoices over 6 months for GT – the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £133,956.38 regarding a waste management contract. An instalment plan is in place which is being formalised by Legal Services.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£253,488.88
HEALTH DEBT - HQ	£293,607.76
HEALTH DEBT - SECURED - HQ	£1,311,660.95
INSTALMENTS	£675.20
PAYMENT PLAN	£2,942.19
REFERRED FOR WRITE OFF	£9,306.95
REFERRED TO DIRECTORATE	£348,582.00
TOTAL	£2,220,263.93

There are 74 invoices over 6 months - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. It can be noted that £1.3m of the total debt is secured – leaving £909k as unsecured. The largest invoice was for the sum of £696,797.25 outstanding from NHS Thanet CCG regarding Westbrook House Integrated Care Centre.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£290,360.44
HEALTH DEBT - HQ	£82.50
INSTALMENTS	£944.38
PAYMENT PLAN	£9,952.49
REFERRED FOR WRITE OFF	£274.32
REFERRED TO DIRECTORATE	£48,234.79
TOTAL	£349,848.92

There are 132 invoices over 6 months for ST - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £85,778.58 regarding support provided by KCC following a Human Rights Assessment. The Debt Recovery team are currently awaiting the purchase order number from the requester.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£29,949.16
INSTALMENTS	£994.54
INTERNAL	-£30.00
PAYMENT PLAN	£22,022.00
REFERRED FOR WRITE OFF	£13,264.94
REFERRED TO DIRECTORATE	£9,428.05
SMALL CLAIMS COURT	£1,111.70
TOTAL	£76,740.39

There are 51 invoices over 6 months old for BSS - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £14,521.54 regarding several services provided to Commercial Services Kent LTD. The Debt Recovery team continue to liaise with debtor to resolve the dispute.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£1,428.90
INSTALMENT - SMALL CLAIMS	£832.00
LIQ'S/INSOLV'S/RECV	£1,527.81
REFERRED FOR WRITE OFF	£4,111.25
REFERRED TO DIRECTORATE	£6,728.49
TOTAL	£14,628.45

There are 11 invoices over 6 months old for C&C - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. The largest invoice is for the sum of £4,111.25 which relates to work undertaken in order to ensure the safety of fuel tanks located at a garage where the owner had absconded. Legal action is currently being considered.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
INSURANCE	£19,801.66
REFERRED FOR WRITE OFF	£670.00
TOTAL	£20,471.66

There are 17 invoices for E&E over 6 months old. The largest invoice is for £9,530.08 regarding an insurance claim for repairs to a bridge – the insurance team are chasing for the payment of this invoice directly. The £19.8k tagged as “Insurance” consists of 15 invoices. Debt Recovery are awaiting direction and assistance from the Budget Holder in Growth, Environment and Transport in relation to these invoices.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£120.00
INSTALMENT - SMALL CLAIMS	£2,320.00
PAYMENT PLAN	£1,664.76
REFERRED FOR WO	£1,948.27
REFERRED TO DIRECTORATE	£620.72
SMALL CLAIMS COURT	£12,260.01
TOTAL	£18,933.76

There are 19 invoices for ELS over 6 months old. The largest invoice is for the sum of £12,260.01 regarding a Direct Payment overpayment – a court judgement has now been obtained and Debt Recovery will be visiting the debtor.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£21,162.51
INSTALMENTS	£136.69
LIQ'S/INSOLV'S/RECV	£595.14
ON HOLD	£480.20
PAYMENT PLAN	£31,080.28
REFERRED FOR WRITE OFF	£36,400.73
REFERRED TO DIRECTORATE	£81,333.23
REFERRED TO LEGAL	£13,447.09
SMALL CLAIMS COURT	£18,344.60
TOTAL	£202,980.47

The £81.3k tagged as “Referred to Directorate” consists of 35 Invoices. Of these, the largest invoice for £11.5k is to reclaim costs regarding a Direct Payment. Payments of £10 are being made on a monthly basis.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£36,756.31
TOTAL	£36,756.31

There are currently 5 invoices over 6 months old for Edu Kent.

SUNDRY HEALTH DEBT

21. The Sundry Health Debt as at 1 December 2015 was identified as being £20.8 million comprising of 186 invoices. This is a decrease of £26.3 million when compared to the position reported in June 2015 and is due to instalment payments being made in respect of the Better Care Fund invoices.
22. KCC is responsible for hosting, on behalf of seven Clinical Commissioning Groups, a pooled budget arrangement via a Section 75 for the Better Care Fund. Each Clinical Commissioning group pays a monthly contribution to the authority. The authority then allocates the money according to the plan of expenditure.
23. The following table provides an analysis by debtor of Sundry Health debt as at 1 December 2015.

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	£0.00	£100.00	£0.00	£0.00	£100.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	£50,794.42	£77,122.00	£3,818.00	£432.50	£132,166.92
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	£0.00	£0.00	£70.00	£0.00	£70.00
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	£12,495.72	£200,412.78	£851.58	£218,421.94	£432,182.02
LONDON PORT HEALTH AUTHORITY	£8,588.16	£0.00	£0.00	£0.00	£8,588.16
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	£2,066.20	£100.00	£0.00	£0.00	£2,166.20
NHS ASHFORD CCG	£2,574,581.57	£165,273.15	£62,206.09	£138,903.67	£2,940,964.48
NHS CANTERBURY & COASTAL CCG	£4,544,669.81	£264,968.69	£60,881.35	£6,556.82	£4,877,076.67
NHS COMMISSIONING BOARD	£90,250.00	£0.00	£0.00	£0.00	£90,250.00
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	£321,817.11	£62,735.03	£27,167.52	£100,293.93	£512,013.59
NHS EASTERN & COASTAL CCG	£0.00	£20,665.10	£0.00	£166,489.73	£187,154.83
NHS EASTERN & COASTAL KENT COMMUNITY SERVICES	£0.00	£150.00	£215.00	£0.00	£365.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	£0.00	£0.00	£0.00	£153,878.10	£153,878.10
NHS SOUTH EAST CSU	£24,165.16	£115.00	£0.00	£0.00	£24,280.16
NHS SOUTH KENT COASTAL CCG	£4,779,376.05	£20,450.26	£50,693.19	£48,005.21	£4,898,524.71
NHS SWALE CCG	£132,228.80	£198,430.46	£20,056.62	£46,641.50	£397,357.38
NHS THANET CCG	£3,397,202.27	£574,290.58	£657,335.10	£1,043,274.00	£5,672,101.95
NHS WEST KENT CCG	£349,338.61	£50,253.74	£6,475.92	£28,570.79	£434,639.06
PUBLIC HEALTH ENGLAND	£0.00	£3,150.00	£0.00	£0.00	£3,150.00
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	£0.00	£707.60	£0.00	£0.00	£707.60
SUSSEX PARTNERSHIP-NHS FOUNDATION TRUST-KENT CAMHS	£498.00	£550.00	£0.00	£0.00	£1,048.00
THE JOHN TOWNSEND TRUST	£50.00	£200.00	£0.00	£0.00	£250.00
THE TAVISTOCK AND PORTMAN NHS FOUNDATION TRUST	£0.00	£5,556.10	£0.00	£0.00	£5,556.10
WORCESTERSHIRE HEALTH AND CARE NHS TRUST	£0.00	£363.15	£0.00	£0.00	£363.15
Grand Total	£16,288,121.88	£1,645,593.64	£889,770.37	£1,951,468.19	£20,774,954.08

TRENDS

24. The numbers and values of invoices raised through Accounts Receivable for the last 6 years are:

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Number of invoices raised	31,465	30,290	28,353	32,029	29,336	30,369
Value of invoices raised	£250,886.916	£246,893,065	£237,392,631	£160,139,056	£176,597,554	£183,961,032

WRITE OFFS

25. The table below shows the sum written off from 1 April 2015 to 1 December in relation to Sundry debts.

DIRECTORATE	TOTAL WRITE OFFS
BSS REVENUE	£2,564.18
C&C REVENUE	£1,720.82
E&E REVENUE	£5,759.50
ELS REVENUE	£1,471.55
FSC REVENUE	£35,297.28
WRITE OFF/WRITE BACK REVERSAL	(£3,366.86)
GRAND TOTAL	£43,446.47

SOCIAL CARE DEBT

26. Client Charging

- (i) Clients are financially assessed to determine their contribution towards either their residential or non-residential care costs in accordance with the Care Act – Care and Support Charging & Assessment of Resources Regulations 2014.
- (ii) In 2014/2015 the total amount of income charged to clients through the client billing system was £60,208,842.16. This is a decrease of nearly £7m compared to the previous financial year, and a reduction of 1,657 debtors. The average amount billed on each invoice run is £4,631k.
- (iii) The decrease in debtors is due to the increase in client's receiving a Direct Payment to pay for their care. As the Direct Payment is paid net of the client contribution an invoice is not generated.

ANALYSIS OF CLIENT RELATED DEBT

27. As at the billing run on 10 November 2015 the overall client related social care debt stood at £17.1m.

This debt can be broken down as follows:

Debt Type	£'000
Residential	£14,522
Non-Residential	£2,625
Total	£17,147

28. Of the £17.1m (11,279 debtors), £4,597k relates to the latest billing run and is therefore not yet due.
29. The £17.1m can be broken down between secured and unsecured debt as follows:

Credit Status	£'000
Caution/Restriction	£59
Secured	£6,152
Unsecured Ongoing	£9,094
Unsecured Deceased/Terminated	£1,842
Grand Total (Including Not Yet Due)	£17,147

AGED ANALYSIS OF CLIENT RELATED DEBT

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

Unsecured Debt	Under Six Months £'000	Six Months to a Year £'000	Over One Year £'000	Total Overdue £'000
Total	£2,705	£1,029	£2,911	£6,645

NUMBERS OF UNSECURED DEBTORS

31. There are currently 11,091 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £10,995k.

SOCIAL CARE DEBT MOVEMENTS

32. The following table shows all due debt across the localities. It also includes all types of debt:

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

Total Debt	10-Nov-15 Total Debt £'000	26-May-15 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£4,061	£4,294	£4,586	£-525
West Kent	£4,316	£4,880	£5,682	£-1,366
Ashford and Canterbury	£3,041	£3,245	£3,424	£-383
Thanet & South Kent Coastal	£4,479	£4,523	£4,526	£-47
East Kent LD	£679	£738	£704	£-25
West Kent LD	£380	£392	£289	£91
Mental Health	£190	£175	£144	£46
Corporate	£1	£0	£5	£-4
Total	£17,147	£18,843	£19,360	£-2,213

33. The table below shows unsecured overdue debt, which is the “highest” risk debt:

Overdue Debt (unsecured)

Unsecured Overdue Debt - All Localities				
Locality	10-Nov-15 Total Debt £'000	26-May-15 Total Debt £'000	29-Apr-14 Total Debt £'000	Change Since 29-Apr-14 £'000
Dartford Gravesham Swanley & Swale	£1,485	£1,557	£1,500	£-15
West Kent	£1,780	£1,956	£1,643	£137
Ashford and Canterbury	£1,049	£1,056	£1,113	£-64
Thanet & South Kent Coastal	£1,801	£1,861	£1,632	£169
East Kent LD	£261	£206	£195	£66
West Kent LD	£128	£96	£83	£45
Mental Health	£141	£112	£103	£38
Corporate	£0	£0	£3	£-3
Total	£6,645	£6,844	£6,272	£373

WRITE OFFS

34. As at 1 December 2015, £541,979.36 in Social Care write offs had been processed in ORACLE since 1 April 2015. Write offs processed in previous years are as follows. Please note that the sum written off for the year 2014 – 2015 has previously been reported incorrectly. This was due to data being reported on a calendar basis rather than a fiscal one on the Oracle Business Intelligence system. The error has now been corrected and the correct data is shown below.

Social Care Write Offs	
Year	Amount
2014 - 2015	£472,066.50
2013 - 2014	£400,685.90
2012 - 2013	£188,124.22
2011 - 2012	£468,094.95
2010 - 2011	£254,829.22
2009 - 2010	£433,369.86

CONCLUSION

35. Total Sundry Debt has decreased from £57.2m to £32.6m since the last Governance and Audit report. This is largely due to changes in the way that Kent hosts the budget arrangement for the Better Care Fund as explained in section 22 of this report.
36. Total Social Care debt including not yet due has decreased from £18.2m to £17.1m since the last Governance and Audit report of this figure the unsecured element has reduced by £20k.
37. The most recent Debt Recovery Internal Audit report dated 21 September 2015 gave an "Adequate" opinion with good prospects for improvement. Audit will commence a further audit as a follow up measure in due course.

RECOMMENDATION

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

Andrea Hanson

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Business Service Centre

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15 December 2015

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

To: Governance and Audit Committee – 27 Jan 2016

Subject: Update on savings Programme

Classification: Unrestricted

Summary: This report asks Members to note the position on the progress towards the 2015-16 and 2016-17 budget savings

FOR ASSURANCE

1. 2015-16

- 1.1 The savings target for the 2015-16 financial year was £83.1m. This is the 5th year that we have had a significant savings target with savings of over £433m being achieved since 2010-11. As each year passes, the savings are more difficult to realise.
- 1.2 The reality of this has been demonstrated in the monitoring in 2015-16; with a large overspend being reported in each report to date. The last monitoring report that went to Cabinet on the 30 November reported an overspend of £6.6m after management action.
- 1.3 Corporate Directors are actively working towards ensuring that the Council's outturn position is breakeven by the end of the financial year, but the effort to achieve this should not be underestimated.
- 1.4 Much of the forecast overspend is as a result of higher than budgeted demand for social care. Evidence suggests that the budgeted savings from transformation are being delivered, but this is being offset by higher demand and rising costs.
- 1.5 Given the above information, Members should be assured that the budgeted savings of £83m have largely been delivered.

2. 2016-17

- 2.1 The budgeted savings as shown in the draft budget book are £94.3m. Given the above issues, robust and accurate financial monitoring is imperative from the start of the financial year. The process of RAG rating all of the £94m is a continuous one, with the intention that by the time the final draft budget is released in early February, there are no Red (R)

savings in the budget, with the majority being Green (G) and between a quarter and a third being Amber (A).

3. Recommendation

- 3.1 Members are asked to NOTE for assurance the progress on the 2015-16 and 2016-17 revenue budget savings.

Andy Wood
Corporate Director of Finance and
Procurement
Ext: 416854

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

To: Governance and Audit Committee – 27th January 2016

Subject: **ANNUAL REVIEW OF THE COMMITTEE TERMS OF REFERENCE**

Classification: Unrestricted

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

FOR DECISION

Introduction and Background

1. In December 2014 Members reviewed and approved the revised Committee Terms of Reference (TOR). The opportunity to undertake an annual review of an Audit Committee's terms of reference is good practice. The current TOR incorporating the minor amendments as indicated via 'track changes' are included at Annex 1 for ease of reference.

Suggested Changes

2. A number of minor amendments are proposed relating to the objectives of the Committee in relation to external audit and clarifying the role of approving appointment, fees, planning and the audit of the statement of accounts on behalf of the County Council
3. In addition, the reference to Minutes of the Committee being reported to the County Council have been removed in the 'Responsibilities' section as this is no longer the case
4. With much change and transformation in progress that might impact on the role of this Committee, it is appropriate that the Terms of Reference is regularly kept under review and that such a formal evaluation continues to take place in January of each year.

Recommendations

4. Members of the Committee are asked to:
 - Approve the minor amendment to the Terms of Reference as detailed in Annex 1

Appendices

Annex 1 Proposed Terms of Reference

Robert Patterson
Head of Internal Audit (03000 416554)

Governance and Audit Committee TERMS OF REFERENCE

15 Members

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

Overarching Purpose

The purpose of the Governance and Audit Committee is to:

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

Objectives of the Committee

On behalf of the Council the Governance and Audit Committee will ensure the following outcomes:

- a) Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- b) The Council's Corporate Governance framework meets recommended best practice, is embedded across the whole Council and is operating throughout the year with no significant lapses.
- c) The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- d) To approve the appointment and remuneration of the external auditors in accordance with relevant legislation and guidance, and the function is independent and objective. That there is a robust external audit plan of work to ensure the necessary scrutiny and assurance in relation to obligations for an audited statement of accounts.
- e)
- e) The external audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- f) On behalf of the County Council provide assurance that the ~~The Council's~~ financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.

- h) Accounting policies are appropriately applied across the Council.
- i) The Council has a robust counter fraud culture backed by well designed and implemented controls and procedures, which define the roles of management and Internal Audit.
- j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.

Responsibilities

Risk Management and Internal Control

The Committee should:

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

Corporate Governance

The Committee should:

- Ensure that the Annual Governance Statement (including the list of significant issues for action in the ensuing year) is prepared in accordance with the statutory requirements and guidance, properly reflects the risk environment, and monitor progress on the significant issues and actions identified in the Statement;
- Review the Council's key financial governance procedures i.e., Financial Regulations, Schemes of Delegation, the Procurement Policy and the Treasury Management Policies, and recommend any necessary amendments;

- Review the Council's Code of Corporate Governance and make recommendations to Council to ensure that it remains relevant to the Council's work and remains in compliance with best practice and legislation;
- Consider issues referred by the Head of Paid Service, Corporate Director of Finance and Procurement, Monitoring Officer, any Council body or appropriate external party within the remit of these Terms of Reference;
- Monitor the Council's compliance with its own published standards and controls;
- Make recommendations to the Council on amendments to the Constitution to ensure compliance with standards of financial probity and stewardship;
- Consider arrangements made by the Superannuation Fund Committee for effective governance of the Kent Pension Fund.

Internal Audit

The Committee should:

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

External Audit

The Committee should:

- Approve on behalf of the Council the appointment of the External Auditor selected by the Audit Commission;
- Approve the annual External Audit plan and fee, ensuring that non-mandated work is proportionate, relates to recognised risks of the Council and takes account of the work of Internal Audit or other assurance activities;

- Review at each meeting of the Committee progress against, and changes to, the External Audit plan and fee;
- As “those charged with governance”, receive the Annual Governance Report and the Annual Audit Letter and monitor Council’s response to the External Auditor’s findings and the implementation of external audit recommendations.

Financial Reporting

The Committee should:

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

Fraud

The Committee should:

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

Membership

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

Reporting

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

Rights and Access

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

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

Meetings

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

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

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

Attendees

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

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

Work of other Committees

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

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

Training and Development

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

By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 27th January 2016

Subject: **Future Appointment of External Auditors**

Classification: Unrestricted

Summary: This report details the changes to the arrangements for appointing External Auditors at the conclusion of the 2017/18 audits, following the closure of the Audit Commission and the end of the transitional arrangements.

FOR INFORMATION

1. Introduction and background

- 1.1. Prior to its closure on 31st March 2015, the Audit Commission was responsible for appointing external auditors for all local public bodies, including Local Authorities. Between 31st March 2015 and 31st March 2017 transitional arrangements were put in place and Public Sector Audit Appointments Limited (an independent company established by the Local Government Association) is responsible for setting fees and appointing auditors under existing contracts. This has been extended by a further year, meaning the current arrangements come to an end on 31st March 2018.
- 1.2. The Council needs to have appointed an external auditor for the 2018/19 financial year by 31st December 2017.
- 1.3. In line with legislation local authorities must set up, consult and take into account the advice of an independent auditor panel on the selection and appointment, before an external auditor is appointed. Therefore the auditor panel will need to be in place by April 2017 to ensure they are involved in negotiations during 2017.
- 1.4. The current cost to the Council for its External Audit service is £155,925 for 2015/16. This service is provided by Grant Thornton within the same tranche as the ten Kent District Councils, the Kent Pension Fund and Kent Fire.
- 1.5. Outcomes from external audit are highly regulated and prescribed.
- 1.6. It should be noted that the External Auditor would have to be one with no issues of independence, i.e. one who has not offered any consultancy or advisory work to any of the authorities involved and this might lead to reduced options during the procurement process.

2. Options available

- 2.1. There are three options available to the Council, as detailed in the Local Audit and Accountability Act 2014 Schedule 4. This is shown diagrammatically in Appendix 1.

Option 1 KCC could establish its own independent auditor panel

2.2. The Council could set up its own Auditor Panel. This would need to consist of a majority or even entirely of independent members. The definition of independent members of the Audit Panel as defined by the Local Audit and Accountability Act 2014 is someone who had 'not been a member or officer of the Council within the period of five years ending with that time'.

2.2. This could be done in three ways:

- Use an Auditor Panel which is already in place.
- Use a committee within KCC that is not designated as an 'audit panel' but which agrees to act as one and complies with the requirements of the Local Audit and Accountability Act.

2.3. This would enable KCC to have local input to the decision of an appointment. However, this would be a costly exercise in terms of recruitment and maintaining the Auditor Panel, and it is not evident whether there would be a sufficient availability of independent members. It would also mean no option for KCC to take advantage of possible savings through economies of scale in a larger joint procurement process.

Option 2 KCC could join with other local authorities to set up a joint independent auditor panel

2.4. The Act enables KCC to join with other authorities to establish a joint auditor panel, which would also need to be compiled of wholly or a majority of independent members and the options available are:

- Establish/procure a joint auditor panel collaborating with other Local Authorities.
- Ask another local authority's auditor panel to also act as KCC auditor's panel. The panel must agree and must comply with all the requirements of the Local Audit and Accountability Act.

2.5. This has the advantage of spreading the cost across a number of local authorities and may also result in a more substantive contract with a greater ability to negotiate a lower cost with audit providers. Clearly this does reduce the input for KCC in the auditor panel as it would have to share appointments/nominations.

2.6. A Kent-wide procurement process has clear advantages in relation to the geography of the contract and awareness of current local issues and circumstances. A larger procurement arrangement also reduces the risk of a lack of competition in the procurement process.

Option 3 Opt-in to a sector led body

2.7. The third option would be to opt-in to a sector led body that will negotiate contracts and make the appointments on behalf of councils, removing the need to set up an independent Auditor Panel. The LGA is currently investigating the feasibility of establishing a national sector led body.

2.8. This has the advantage of reducing the cost to the Council as it would not be necessary to set up or be involved in an independent Auditor Panel and depending on the participants the cost savings could be significant. A larger

procurement arrangement also reduces the risk of a lack of competition in the procurement process and takes advantage of central expertise. However it means that the Council has limited input in the appointment of the auditor and the geographical mix of contracts is uncertain depending on buy-in.

- 2.9. Despite the potential benefits of this option, it remains a concept rather than a firm proposal at this time.

3. Going forward

- 3.1. The opportunity to link in other public sector bodies in Kent will be investigated further, including District Councils, Kent Pension Fund, Kent Fire, Kent Police and Medway Council. This 'partnership' could be used to follow options 2 or 3.
- 3.2. The results of this consultation will be fed back at a later meeting of the Governance and Audit Committee for a final procurement decision.

4. Recommendations

Members are asked to note:

- The future implications for external audit procurement arrangements.

Members are invited to comment:

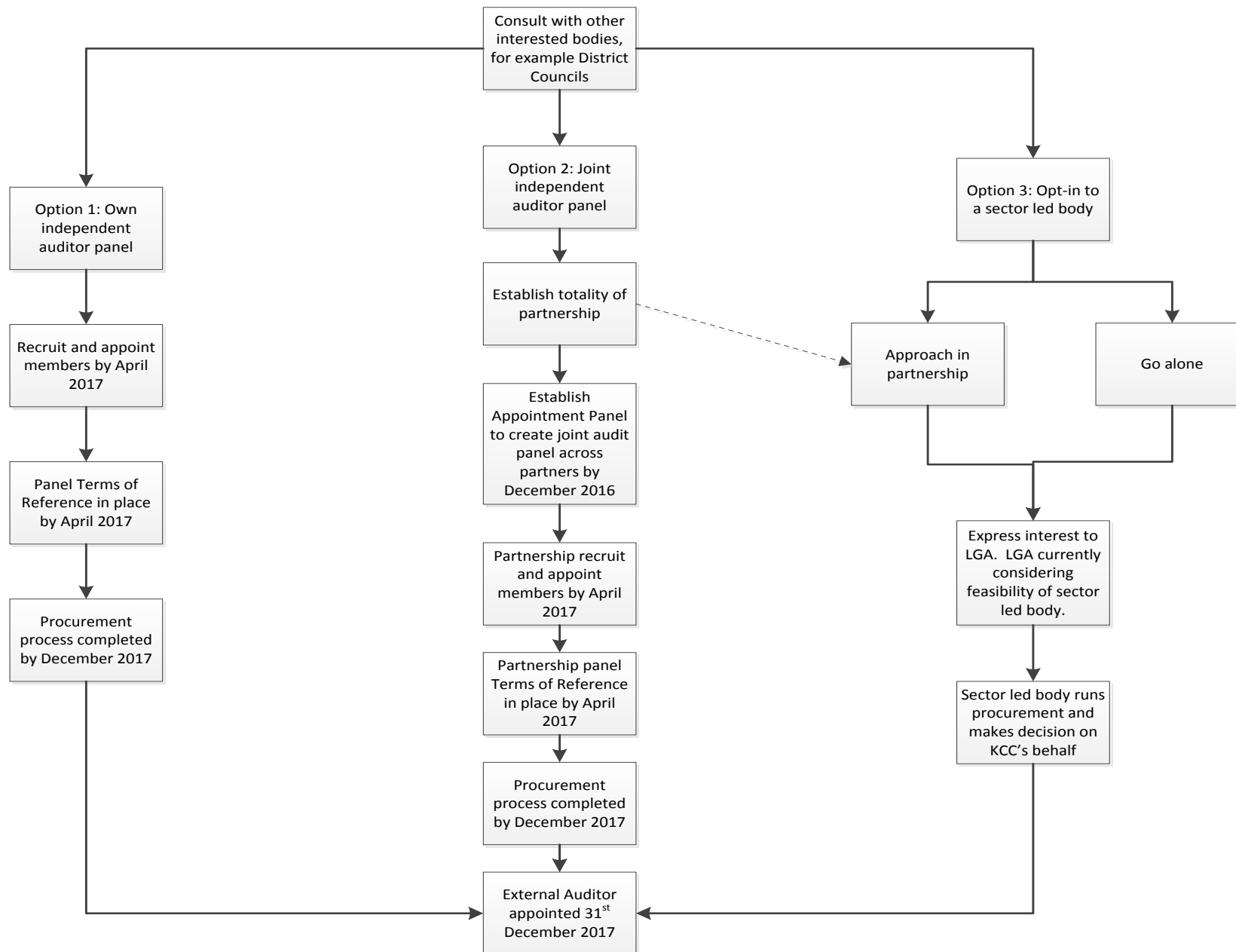
- On the options proposed and the potential benefits of joint procurement on a Kent-wide basis and/or in a sector-led body.

Appendices

Appendix 1 Decision Process Chart

Robert Patterson
Head of Internal Audit
(03000 416554)

Appendix 1 Decision Process Chart



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

To: Governance and Audit Committee – 27th January 2016

Subject: **External Audit Update January 2016**

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 for 2015/16
 - Emerging issues and developments

Recommendation

3. Members are asked to note the report.

Robert Patterson
Head of Internal Audit (03000 416554)

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Governance and Audit Committee Update for Kent County Council

Year ended 31 March 2016

January 2016

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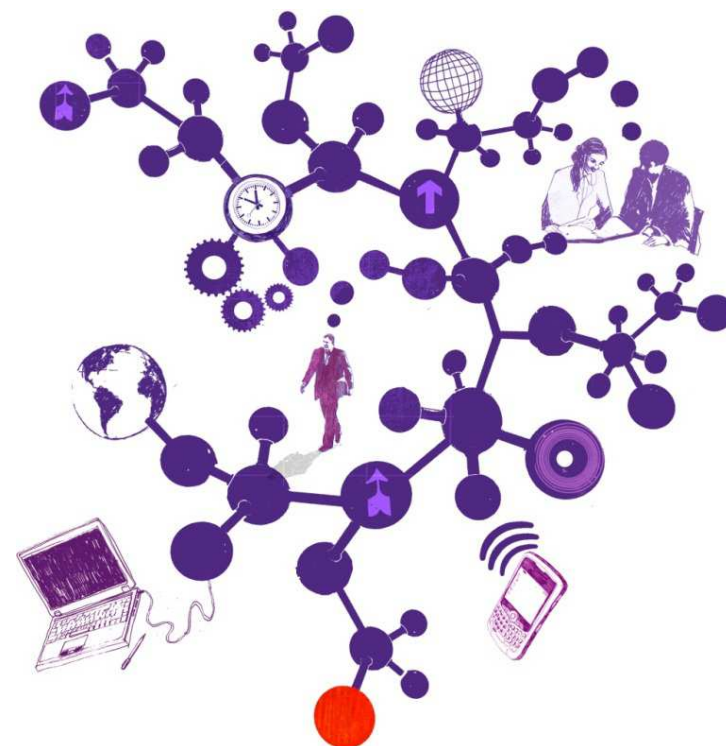
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

Introduction

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

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

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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

Paul Hughes Engagement Lead T 07860 282 763 Paul.Hughes@uk.gt.com
Nicholas White Senior Audit Manager T 020 7728 3357 Nicholas.J.White@uk.gt.com

Progress at January 2016

Work	Planned date	Complete?	Comments
2015-16 Accounts Audit Plan We are required to issue a detailed accounts audit plan setting out our proposed approach in order to give an opinion on your 2015-16 financial statements.	April 2016	No	We will issue our 2015-16 Accounts Audit Plan upon substantial completion of our interim audit. This will be presented at the April Governance and Audit Committee meeting.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of your control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	December 2015 and early 2016	In progress	Our interim audit will be carried out in late 2015 and early 2016. The final dates will be agreed with management in due course.
2015-16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on your accounts • proposed Value for Money conclusion. 	June – July 2016	No	Our final accounts audit will be carried out in June and July 2016. We are working with your finance team to continue with a faster closedown and to deliver an efficient audit process in advance of the bringing forward of the accounts and audit deadlines to 31 May and 31 July respectively in 2018.
Value for Money (VfM) conclusion The scope of our work to inform the 2015-16 VfM conclusion comprises: <ul style="list-style-type: none"> • review of arrangements for securing economy, efficiency and effectiveness in your use of resources • review and evaluation of significant risks and developments arising. 	Ongoing	In progress	Our work to inform our value for money conclusion will be carried out over the course of the year, with our findings to be reported alongside our final accounts audit opinion.
Other areas of work We have completed reasonable assurance work on your 2014/15 teacher's pension return and the Initial Teacher Training audit grant report.	November - December 2015	Yes	We have completed this grant work and have not identified any issues which we need to highlight for your attention.

Turning up the volume: The Business Location Index

Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

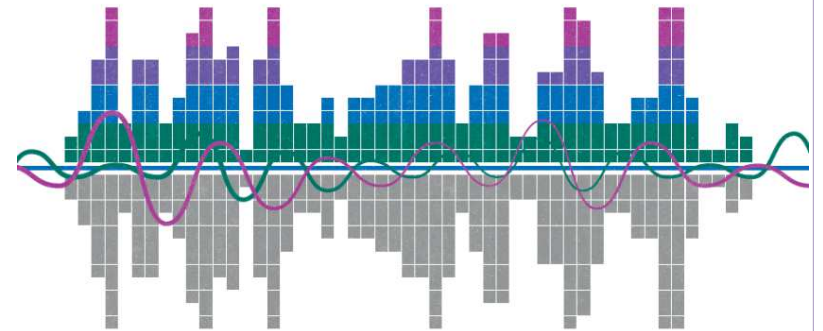
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

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



Reforging local government

Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

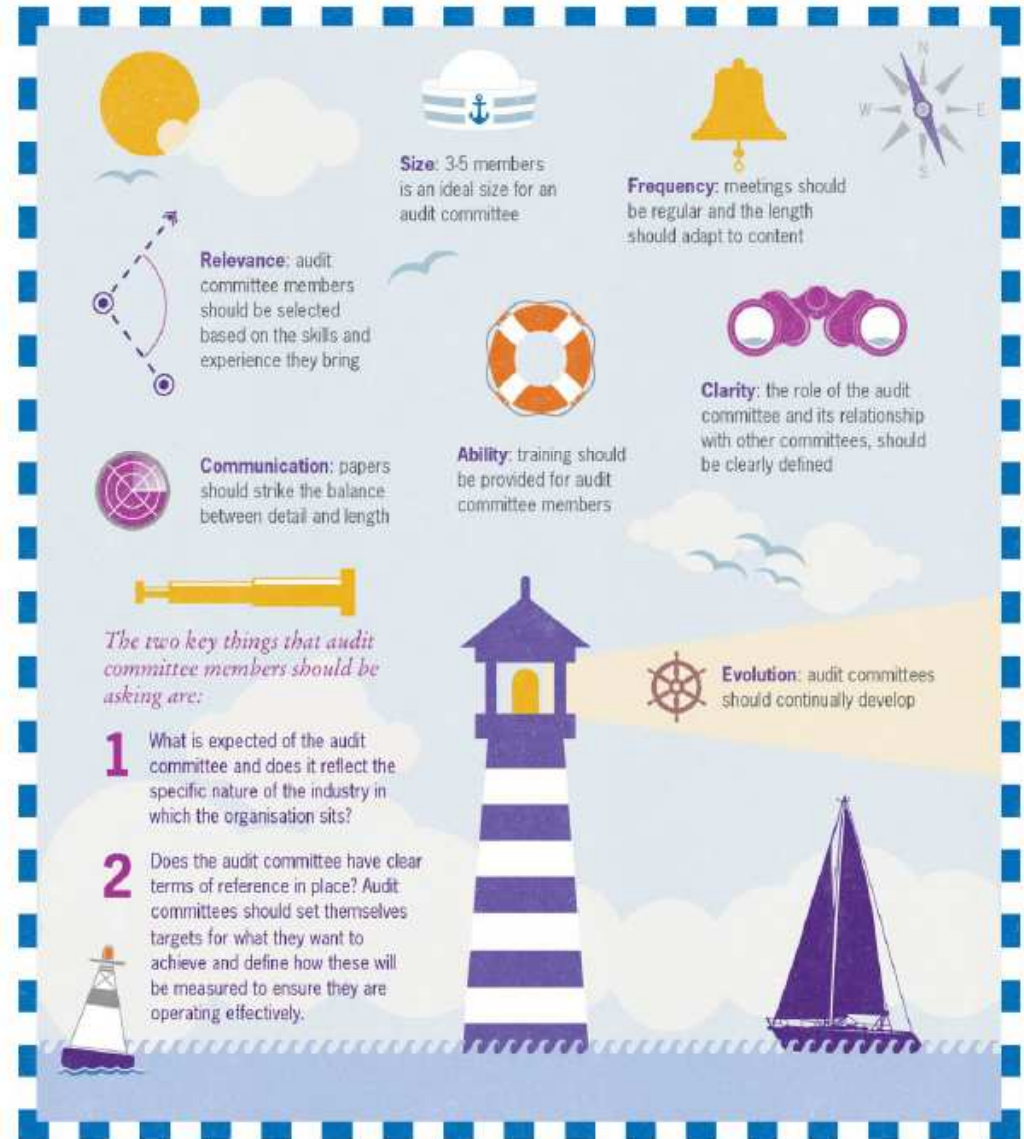
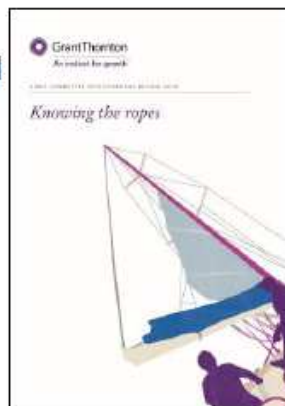
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Growing healthy communities: The Health and wellbeing index

Grant Thornton market insight

Our Place Analytics team reveals how collaboration between local authority stakeholders can help address health quality determinants (social, economic and environmental) and result in improved health outcomes (quality of lifestyle and health conditions).

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live. Our index assesses 33 key health determinants and outcomes of health for the 324 English local authorities, to provide a coherent, national story on health and wellbeing. It highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes.

The purpose of this report is to help stakeholders – NHS providers and clinical commissioning groups (CCGs), local authorities, health and social care providers, housing associations, fire authorities and the police – to improve collaboration through a better understanding of the correlation between the economic, social and environmental health determinants and the health outcomes within their locality. It includes a concluding checklist of questions to help facilitate discussions in the light of joint service needs assessments.

The data behind the index also allows segmentation which reveals areas around the country with similar health determinants, but better outcomes. This underscores the need to work in collaboration with peers that may not be 'next door' if there is an opportunity to learn from 'others like us'.

Our report, Growing healthy communities: Health and Wellbeing Index, can be downloaded from our website: <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/growing-healthy-communities-health-and-wellbeing-index.pdf>

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



George Osborne sets out plans for local government to gain new powers and retain local taxes

Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

Issue for consideration

Have Members:

- been briefed by your Chief Finance Officer on the Chancellor's "devolution revolution" announcement and its likely impact on the Council?

Councils must deliver local plans for new homes by 2017

Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published audit guidance on the auditor's work on value for money arrangements was finalised in November 2015. The guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





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By: Robert Patterson, Head of Internal Audit
 To: Governance and Audit Committee – 27th January 2016
 Subject: **Effectiveness of Internal and External Audit Liaison**
 Classification: Unrestricted

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

FOR ASSURANCE

Introduction

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

Professional requirements

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

Current practice

6. External Audit's evaluation of Internal Audit has been positive over recent years and no concerns across the four criterion set out in ISA 610 have been raised. In particular their July 2015 audit findings report contained positive observations over the adequacy of internal audit arrangements. There are regular meetings between the two teams to share, discuss and co-ordinate plans. The liaison

arrangements are documented within a protocol shown at Appendix 1 to this report.

7. The independent external quality assessment of internal audit in 2015 by the Institute of Internal Auditors also evaluated good standards of work against professional standards and resultant integrated working with external audit.
8. External and internal work wherever possible is co-ordinated to reduce duplication and promote effective working wherever possible.
9. The 2015/16 Internal Audit plan contains a number of core financial reviews, a number of which are being reported back to this meeting. Internal Audit ensures that Grant Thornton are informed of the findings and outcomes from these audits and they can use any of this material to help plan and inform their own external audit work.
10. In addition the work that the Internal Audit section completes to provide core assurance e.g. Corporate Governance, Risk Management, and performance management is utilised by the External Auditors to inform their risk assessment of the Council.

Conclusion and next steps

11. Liaison between Internal Audit and External Audit is in place and working effectively. Reliance is placed on the work of Internal Audit by the External Audit team where this is relevant.
12. Both Internal and External Audit are starting to consider their plans for the 2016/17 year (for external audit this is in relation to the 2015/16 financial statements). This will be reflected in the plans presented for approval by the April G&A Committee.

Recommendations

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

Appendices

Appendix 1 KCC Internal Audit – External Audit Protocol

Robert Patterson (03000 416554)
Head of Internal Audit

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Internal Audit – External Audit Protocol for Kent County Council

Year ended 31 March 2016

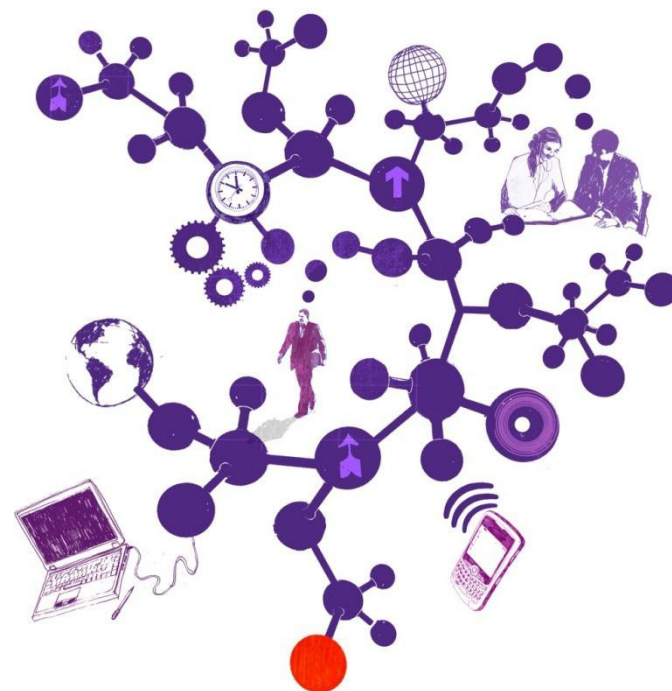
January 2016

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Introduction and Principles

Introduction

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

The protocol is based on the understanding of International Standards on Auditing (ISA), in particular ISA 315 (Identifying and assessing risks of material misstatement through understanding the entity and its environment) and ISA 610 (Using the work of internal auditors).

Principles

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

Procedures

Together internal audit and Grant Thornton will:

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

Grant Thornton will:

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

Internal audit including the fraud team will:

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

Way forward:

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



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By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 27th January 2016

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 2015/16 financial year to date.

FOR ASSURANCE AND DECISION

Introduction

1. This report summarises:

- the key findings and themes from completed Internal Audit reviews
- the key findings from completed counter fraud investigations
- progress against the 2015/16 Internal Audit Plan;
- achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- work in progress
- follow up on management progression of previously agreed audit actions
- further benchmarking comparisons
- emerging themes for the 2016/17 Internal Audit Plan
- approval for continuation with the current anti-money laundering Policy

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 36 audit reviews have been completed, including 28 substantive reviews. A further 6 substantive audits are at draft reporting stage or awaiting final management feedback and significant fieldwork is in progress for a further 15 audits. In relation to counter fraud work there have been 95 irregularities reported and investigated since the start of 2015/16 of which 55 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £1.15 billion since the start of 2015/16.
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 2015/16 is satisfactory with over half the plan underway as at the end of December and with 46% of priority 1 and 28% of lower priority audits complete or substantially complete.

5. Progress against targets for agreed Internal Audit Key Performance Indicators (KPIs) for the 2015/16 year are also detailed within Appendix 1.

Implications for Governance

6. Summaries of findings from completed work between September and December 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 together with four levels of prospects for further improvement representing a projected 'direction of travel'. Definitions are included within the attached report.
7. Cumulatively, the outcomes to date have been positive with the following strengths and areas for development underlying these conclusions:

Strengths

- 57% of systems or functions have been judged with a substantive assurance or better
- A continuing pattern of general robustness of key financial systems
- Positive assurance over non-financial safeguarding controls in children's services
- No incidences of material fraud, irregularities or corruption have been discovered or reported to date

Areas for Development

- The 2 (7%) of systems / functions that have received a 'limited' assurance level
 - The need to improve the overall standards and consistency of contract management and monitoring
 - The continuing need for consistency in devolved financial and non-financial controls in establishments. (Cumulatively, of the 8 establishments audited this year, only one has received a substantial assurance rating)
 - Mixed performance in the implementation of agreed actions from audits by management
8. In relation to contract management issues we are currently undertaking commissioned work with the Procurement Team over 'lessons learnt' from previous and current contract management weaknesses so as to help focus preventative resources such as enhanced training into areas of greatest need.
9. In relation to counter fraud, the potential value from the 95 reported irregularities is £810,829. This value has been skewed by a number of potential grant frauds.
10. There has been a marked increase in the detection of Blue Badge misuse and reflects the work in supporting a number of District Councils with associated media publicity

11. Overall, from our coverage we have concluded there is continuing evidence to substantiate that the County Council has adequate and effective controls and governance processes as well as systems to deter incidences of substantive fraud and irregularity.

Follow Ups

The overall results are mixed, as per the table below:

12. Appendix 1 details the results of follow ups on management's progression on actions agreed within previous audits. The summary results are:

Action Priority		Complete	In progress	Not yet Due	No action
High	72	32 (44%)	17 (24%)	5	18 (25%)
Medium	95	61 (64%)	10(11%)	4	20 (21%)

13. Within the totality of the 167 agreed actions, 72% have been implemented by their scheduled date or are in progress. Unfortunately no progress or action has been made on nearly a quarter of agreed actions.
14. This performance has been raised with the Corporate Management Team (CMT) who have requested that these outcomes are disseminated to Directors and relevant management teams, expressing concern over the levels of 'no action' and that this is not acceptable. We will also be changing our follow up methodology in future to re-inforce the need for management accountability for the implementation of agreed higher priority actions.

Service Enhancements and Improvements

15. In relation to detection of fraud and error with Council Tax single person discount (SPD) and business rates, work on the DCLG funded Kent Intelligence Network (KIN) continues. Contracts for the provision of the data analytics software were awarded in October and governance documents drafted for agreement with all the participating local authorities. A pilot exercise with 3 Districts has also commenced. However, unexpected information security challenges have emerged that are proving time consuming to resolve. (This has been a common problem for other similar data matching bids across the country). We are hopeful that this can be resolved allowing initial data loading this month
16. We have also developed a business case to spend the remaining DCLG grant on a further Council Tax and SPD initiative utilising data held by Specified Anti-Fraud Organisations (SAFO)
17. As per Appendix 1 we have formally reviewed the anti-money laundering Policy and would recommend that following the fundamental re-drafting last year, there is no need for any further alterations.
18. Our initiative to use internal audit as a management development vehicle through the use of peer auditors has also been successfully implemented and the outcomes planned are being realised. Although there will be a formal evaluation it is likely these opportunities will be repeated for 2016/17.

Plans for 2016/17

19. We have commenced work and consultation on the audit plan for 2016/17 and the final plan will be brought to the April G&A Committee. It is likely that in addition to the 'business as usual' cyclical and risk based core assurance work on key financial and non-financial systems and services, themes will emerge around:

- The delivery and sustainability of transformation plans now they are being embedded into the Council
- Risk based work around meeting increasing demand for services with reduced resources
- Systems put in place during 2015 in response to the unaccompanied asylum seeker children (UASC) challenges
- Strategic Commissioning
- Cyber security

20. In addition during 2016 our counter fraud data matching work on SPD and business rates should also start to impact on the local taxation base across the County.

21. As such we would aim to put in place a plan that will not only provide core assurance and governance work but also focus on the key challenges affecting the County Council in the coming years.

22. Recommendations

23. Members are asked to note:

- Progress and outcomes against the 2015/16 Audit Plan and relevant performance indicators
- Progress and outcomes in relation to Counter Fraud activity
- Management's performance in implementing agreed actions from previous audits
- The overall assurances provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date
- The proposed service enhancements and emerging plans for 2016/17;
- Following internal review, the positive assurance around the current anti-money laundering Policy;

and to approve

- the Anti-Money Laundering Policy without amendment since it was last agreed in January 2015.

Appendices

Appendix 1 Internal Audit Progress Report January 2016

Robert Patterson
Head of Internal Audit

(03000 416554)



Kent County Council

Internal Audit and Counter Fraud Progress Report

January 2016

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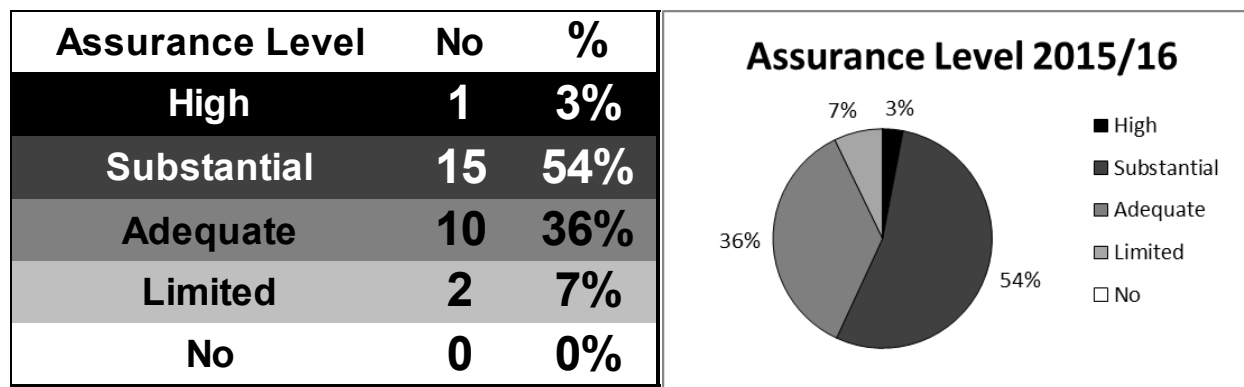
1 Introduction and Purpose

- 1.1. This report details cumulative internal audit and counter fraud outcomes for 2015/16 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since October 2015. 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 36 internal audits (including 8 establishment visits) and 45 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 £1.15 billion of KCC turnover to date.
- 1.3. Other key performance data for the unit is detailed in Section 8.
- 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.

Overview

Internal Audit

- 1.5. Table 1 maps the assurance levels from the 28 substantive internal audits (i.e., excluding establishment visits) undertaken to date. This results in an overall distribution of:



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

1.6. Particular strengths include:

- 57% of systems or functions have been judged with substantial assurance or better
- A pattern of general robustness of key financial systems audited
- Positive assurance over the key non-financial safeguarding controls in Children's Services
- No incidences of material fraud, irregularities or corruption have been discovered or reported to date

1.7. Areas for further improvement relate to :

- The 7% of systems / functions that have been judged with a limited assurance level (Strategic transformation partnership contracts and Total Facilities Management contract management)
- The need to improve the overall standards and consistency of contract management and monitoring
- The continuing need for improved consistency and quality in devolved financial and non-financial controls in remote establishments
- Mixed performance in the implementation of agreed actions from audits by management

Counter Fraud

1.8. The counter fraud function has provided positive outcomes as detailed on later pages. In particular 95 irregularities have been recorded with a potential value of £810,829.

1.9. Section 5 details progress being made in implementing the Kent Intelligence Network (KIN) where the data matching has the potential to reduce fraud and error with Council Tax single person discount (SPD) and Business Rates discounts and exemptions. Currently the project is running behind schedule due to information security challenges, but which are in the process of resolution.

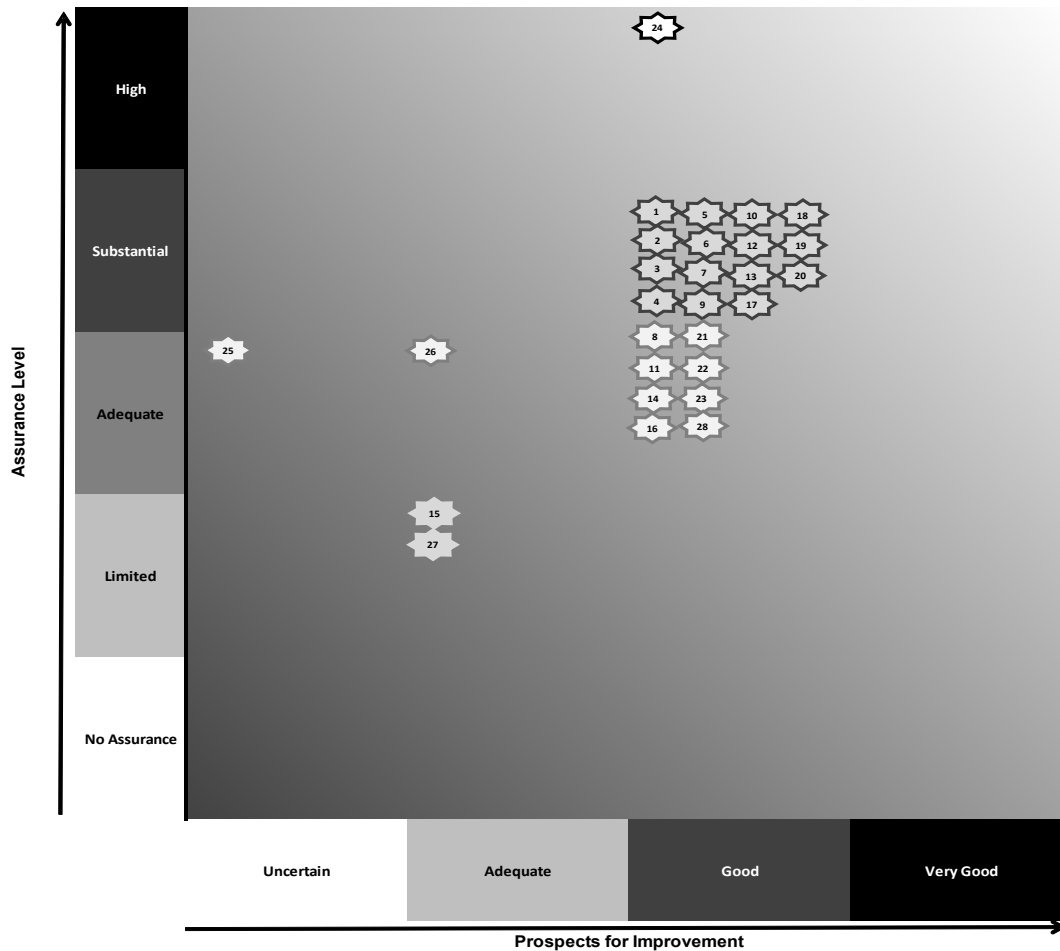
Overview Assurance

1.10. 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

1.11. Management have developed appropriate action plans in response to all the high priority issues raised from our recent audit and counter fraud work.

2015/16 Audit Assurance Levels and Prospects for Improvement of Audits



Audit Opinion September G&A Committee

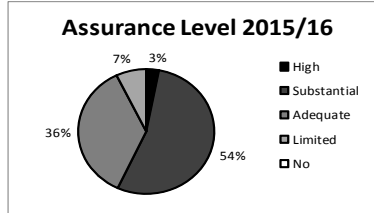
No	Audit	Judgement	Prospects for Improvement
1	Community, Learning and Skills	Substantial	Good
2	Capital Projects - Schools Build	Substantial	Good
3	Transparency Code Compliance	Substantial	Good
4	Pensions Payroll	Substantial	Good
5	IT Oracle	Substantial	Good
6	Business Continuity Planning	Substantial	Good
7	KCC Payroll - Follow up	Substantial	Good
8	Debt Recovery	Adequate	Good
9	Learning and Development	Substantial	Good
10	Safeguarding SCS	Substantial	Good
11	Foster Care (Follow up)	Adequate	Good
12	Household Waste & Recycling Contract Management	Substantial	Good
13	Client Financial Affairs (Follow up)	Substantial	Good
14	Home Care Contract	Adequate	Good

Audit Opinion January G&A Committee

No	Audit	Judgement	Prospects for Improvement
15	Consultancy & Partnership Contract Arrangements	Limited	Adequate
16	Programme Management & Corporate Assurance	Adequate	Good
17	New Ways of Working Follow-up	Substantial	Good
18	ICT Data Centres	Substantial	Good
19	ICT Change Control	Substantial	Good
20	Data Quality - HR Oracle	Substantial	Good
21	Looked After Children (LAC) Finances	Adequate	Good
22	Recruitment Controls & DBS Checks	Adequate	Good
23	Payment Processes	Adequate	Good
24	Treasury Management	High	Good
25	Better Care Fund	Adequate	Uncertain
26	OP Residential & Nursing Contract re-lets	Adequate	Adequate
27	Total Facilities Management - Contract Management	Limited	Good
28	Sexual Health	Adequate	Good

Total Turnover Audited (£) **£1,149,210,978**

Assurance Level	No	%
High	1	3%
Substantial	15	54%
Adequate	10	36%
Limited	2	7%
No	0	0%



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 April, but it is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the year to date.

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

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

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	Assurance Level	Prospects for Improvement	Issues Raised	
Consultancy and Partnership Contract Arrangements	Limited	Adequate	High: 5 Medium:5	All accepted
Programme Management and Corporate Assurance	Adequate	Good	High: 0 Medium:6	All accepted
New Ways of Working (follow up)	Substantial	Good	High: 1 Medium:0	Accepted
Home Care contract	Adequate	Good	High: 1 Medium: 0	All accepted

- 3.3. The Consultancy and Partnership contracts audit covered the near £18 million paid to date to four consultancy firms to aid the Council's transformation programme. Fortunately the contract for the largest element of £15 million has been appropriately controlled with adequate governance and oversight arrangements. For a number of the smaller contracts

there was a theme of poor training for contract managers, an absence of disclosure in contract registers and poor contract documentation. These findings mirror a number of themes we have found in other contract reviews (see paragraph 3.16)

- 3.4. We are also present on a number of working groups in change programmes with elements of assurance responsibilities, including the 0-25 change programme. The notion of our involvement is that it is more beneficial where practical to make more timely 'upstream' input towards controls in change programmes.

Data and Information Management

- 3.5. Assurance over the integrity and reliability of the Council's information systems has been provided by audits of :

	Assurance level	Prospects for Improvement	Issues Raised	
ICT Data Centres	Substantial	Good	High: 0 Medium:3	All accepted
ICT Change Control	Substantial	Good	High: 0 Medium:1	All accepted
Data Quality (Oracle HR)	Substantial	Good	High: 2 Medium:2	All accepted
IT Oracle	Substantial	Good	High: 0 Medium: 3	Accepted
Business Continuity Planning	Substantial	Good	High: 1 Medium:4	Accepted

- 3.6. A positive aspect in this period has been the substantial assurance gained over the data and ICT reviews undertaken, including data quality.

Safeguarding

- 3.7. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have undertaken one targeted piece of work with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Looked After Childrens (LAC) Finances	Adequate	Good	High: 0 Medium: 1	Accepted
Safeguarding in Children's Services	Substantial	Good	High: 1 Medium: 7	All Accepted
Foster Care Follow Up	Adequate	Good	N/A	Good progress being made
Client Financial Affairs (follow up)	Substantial	Good	High: 0 Medium: 2	Accepted

- 3.8. This audit related to assurances over the approximate £500,000 of funds held for children in care that KCC administers. Although our testing found no specific issues, risks were increased due to the need to update relevant procedures to social workers and carers to include guidance on money matters and how to maintain appropriate records. The data quality from Child Trust Fund information was also in need of improvement.

Access to resources to aid economic growth and enabling infrastructure

- 3.9. The audit relating to RGF monitoring and management arrangements is substantially complete but still requires report finalities with management. We will report the outcomes to the April G&AC meeting.

Governance and Internal Control - critical systems and services

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

	Assurance level	Prospects for Improvement	Issues Raised	
Recruitment Controls and DBS	Adequate	Good	High: 2 Medium:2	All accepted
Payments Processes	Adequate	Good	High: 0 Medium:2	All accepted
Treasury Management	High	Good	High: 0 Medium:0	N/A
Pensions / Payroll	Substantial	Good	High: 1 Medium: 4	Accepted
KCC Payroll – follow up	Substantial	Good	High: 0 Medium: 0	Accepted
Debt Recovery	Adequate	Good	High: 1 Medium: 3	Accepted
Learning and Development	Substantial	Good	High: 0 Medium: 1	Accepted

- 3.11. In general these assurance levels point to the robustness of underlying financial and corporate systems. Clearly the Treasury Management outcomes are particularly positive. The further audit of the payments processes has also resulted in an upgrade in the assurance rating from the 'limited' judgement of the past two years.

Better Care Funding

- 3.12. One substantive element of audit work relates to Better Care Funding arrangements and Section 75 agreements with Kent CCG's:

	Assurance level	Prospects for Improvement	Issues Raised	
Better Care Funding	Adequate	Uncertain	High: 0 Medium: 3	Response not yet due

- 3.13. In summary allocations of BCF between Health and KCC still remain effectively ring fenced as arrangements are at an 'aligned budgeting' stage but have yet to progress to full joint commissioning and pooled arrangements. This clearly minimises the risk to KCC of any diversion of funds but could equally limit the potential benefits of joined up working across the community.

- 3.14. In terms of future governance arrangements appropriate financial and performance monitoring dashboards have been put in place but associated finance, performance and assurance bodies and groupings have met infrequently or are lying dormant as a result of the lack of such pooled arrangements. In addition there is no independent verification of either CCG or KCC spend against the BCF plan and allocations.

Procurement and Contract Management

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

	Assurance level	Prospects for Improvement	Issues Raised	
OP Residential Nursing Re- Let	Adequate	Adequate	High: 3 Medium: 5	All accepted

TFM Contract Management	Limited	Good	High: 2 Medium:8	All accepted
Household waste and re-cycling contract management	Substantial	Good	High: 0 Medium: 3	Accepted

- 3.16. The findings from these two audits combined with that from the Consultancy and Partnership Contract arrangements (Section 3.3) are reflective of the need for improvements in the way contracts are managed in certain areas in the Council. We are currently undertaking an assignment with a joint working group including the Procurement Team to review learning from these and other poorer areas of contract management with the aim of helping the targeting of preventative resources and controls, such as enhanced training, into the areas of greatest need. This will ultimately be reported into the Commissioning Advisory Board. We also have an audit review of contract variations and extensions in progress.

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4. Other Audit Work

- 4.1. As a precursor to our governance review of Public Health, during this period we completed an audit on sexual health:

	Assurance level	Prospects for Improvement	Issues Raised	
Sexual Health	Adequate	Good	High: 0 Medium:2	All accepted
Community, Learning and Skills	Substantial	Good	High: 0 Medium:3	Accepted

Transparency Code - Compliance	Substantial	Good	High: 0 Medium:3	Accepted
School Capital Project Delivery	Substantial	Good	High: 0 Medium:1	Accepted

- 4.2. Our review of sexual health found that overall clinical governance frameworks were sound, contracts were flexible and efforts had been made to open them up to new providers. Many of the areas for improvement were indicative of issues found in the later governance review, more particularly that relating to poorer performance monitoring around the quality of service provision.

Establishment Visits

- 4.3. During the past 9 months we have concluded audits of 8 establishments with the following outcomes:

	Assurance level	Directorate
Thanet Youth Hub	Adequate	EY
Lullingstone (Country) Park	Substantial	GET
Minnis Bay Day Centre	Limited	SC
Westbrook Centre	Adequate	SC
Shorne Woods Country Park	Adequate	GET
Kiln Court	Adequate	SC
Blackburn Lodge	Adequate	SC
Wayfarers	Adequate	SC

4.4. These establishment audit visits, a number of which were carried out with minimal or no notice, are part of three themes this year around Country Parks, Homes for Older People and Youth Services. The most significant findings related to the following areas:

- Cash Controls - including adequacy of petty cash records and the regular banking of cash receipts
- Assets – the adequacy of recording and security marking assets
- Stock records – missing or incomplete records for food and cleaning stocks
- Staff time recording – incomplete records to support staff overtime payments.
- Staff training –lack of a staff skills and training matrix and poor completion of mandatory training such as Data Protection, Information Governance, Equality & Diversity, Infection Control and Safeguarding.

Other Audit Activity

4.5. We continue to diversify our work by offering a proportion of our services to other public sector related or associated bodies, including

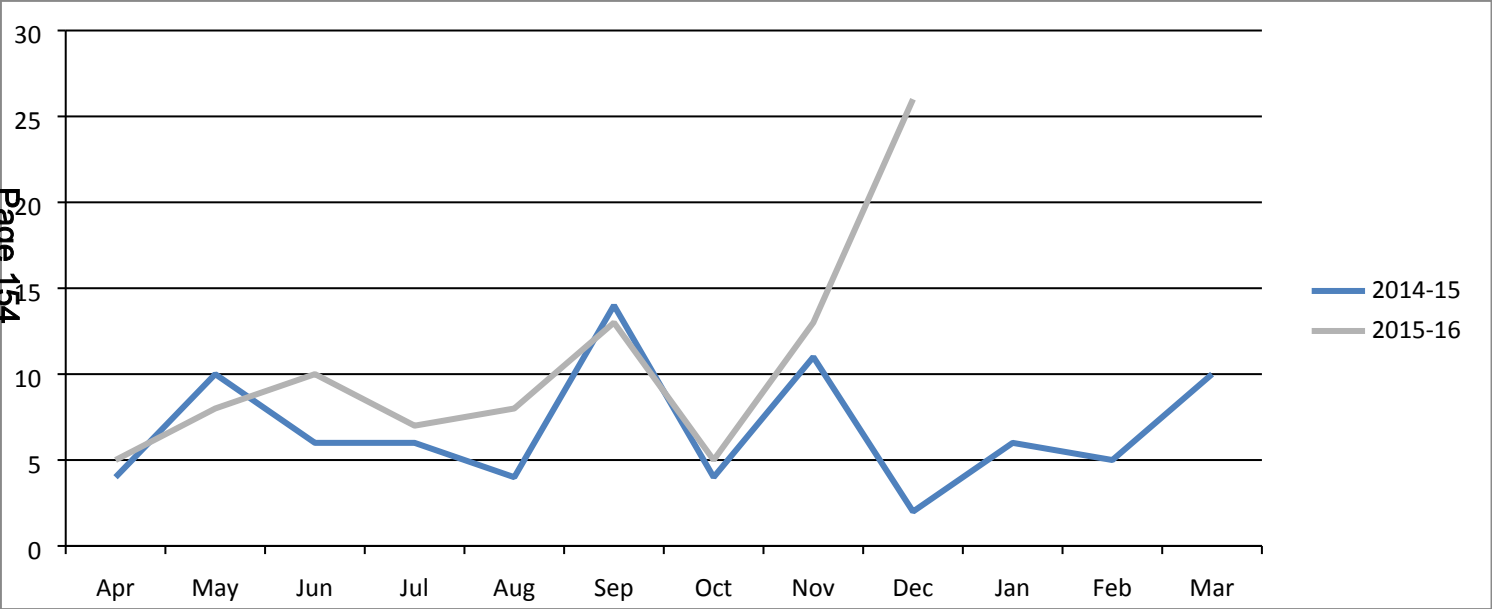
- A 'Group Audit' activity to Kent Commercial Services
- Appointed auditor to 13 Parish Council's
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
- Internal audit of Kent and Medway Fire and Rescue Service
- Management of the audit and fraud service at Tonbridge and Malling Borough Council

5. Counter Fraud and Corruption Fraud and Irregularities

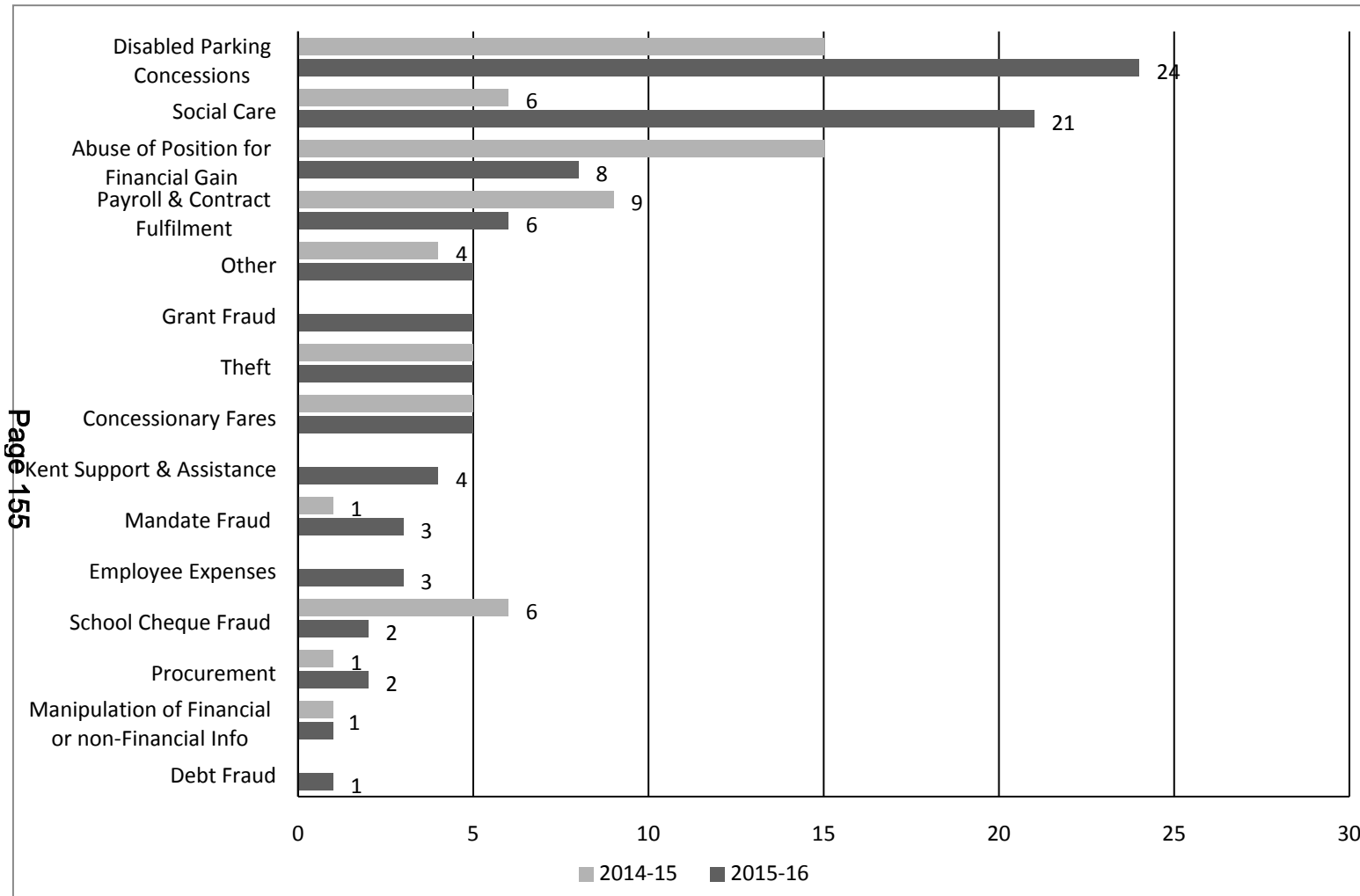
5.1. We have recorded 95 irregularities in 2015/16 of which 40 remain under investigation and 55 have been closed. The potential value for these cases is £810,829. This figure includes actual losses (from opened and closed cases) and prevented losses (where no actual loss occurred). The figure has recently increased because of potential grant frauds we are investigating. Two irregularities remain ongoing from 2014/15 but we are reliant on police support to progress and close these cases.

- 5.2. In addition to the investigation activity we are currently reviewing the fraud risks for a sample of local administered and funded grant schemes across KCC.
- 5.3. Tables CF1 to CF4 compares activity from 2014-15 to 2015-16 and summarises the irregularities by type of fraud, source and directorate.

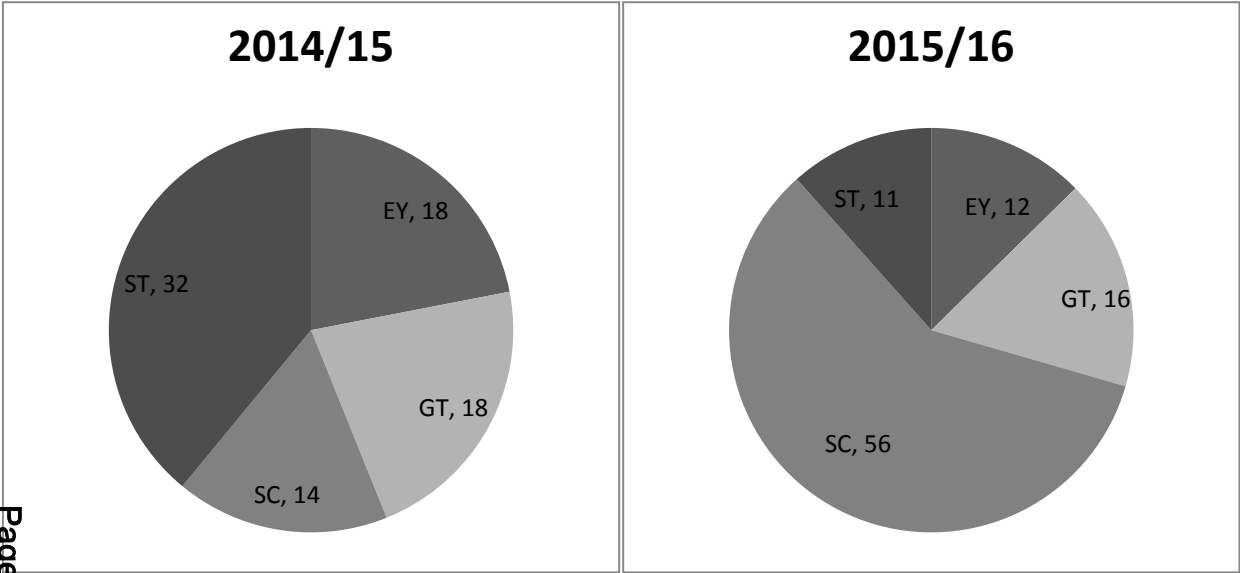
CF1 – 2014/15 & 2015/16 Irregularities



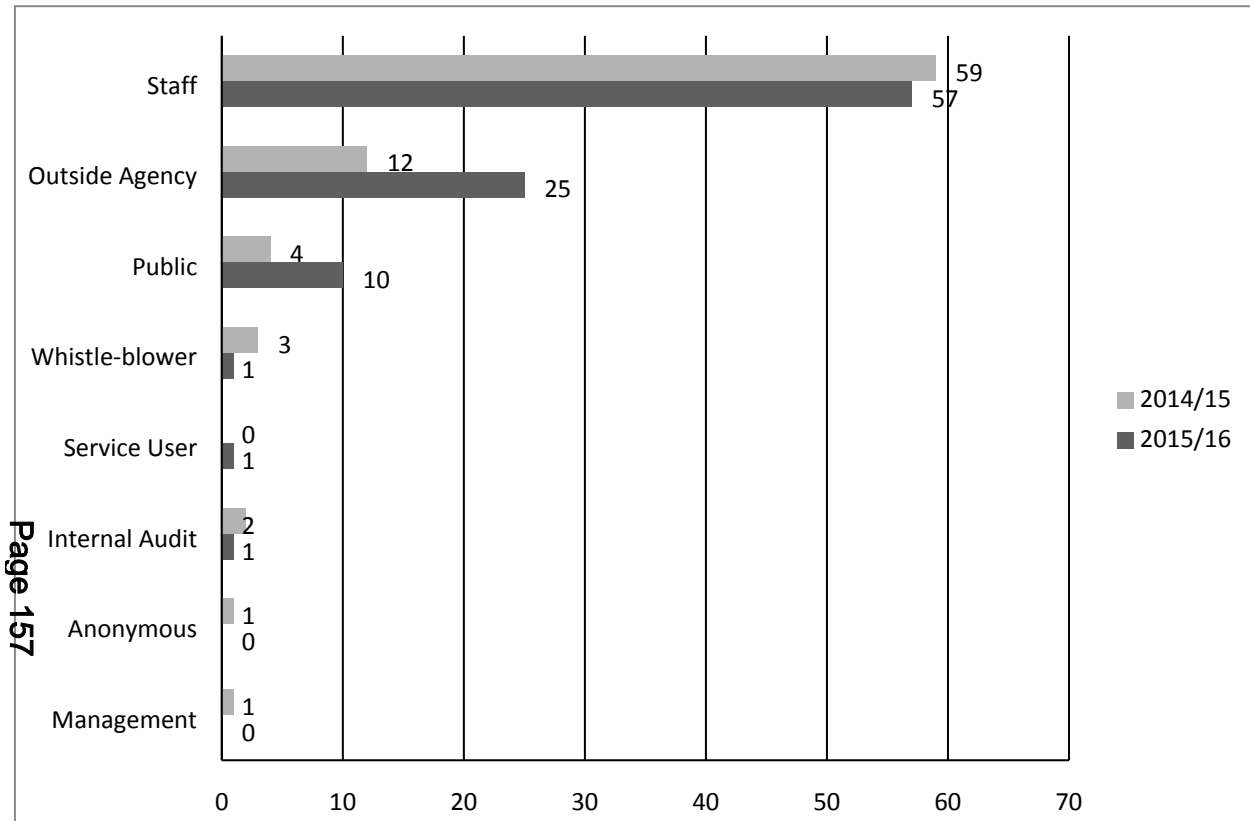
CF2 – Irregularities by Type



CF3 – Irregularities by Directorate



CF4 – Irregularities by Source



- 5.4. There has been a notable increase in reports of Blue Badge misuse. This is a direct result of our work to support District, Borough and City Councils in tackling Blue Badge fraud (summarised below). The figures and charts also identify a significant increase in Social Care fraud, this is because we have recently re-evaluated the classification of Direct Payment misuse and aligned our classification of this type of fraud with other County Councils. There has not been a significant increase in fraud in this area and our level of support and investigation remains the same as previous years but the figures now properly represent the fraud risk and activity.

Blue Badge Fraud

- 5.5. In conjunction with Maidstone Borough Council, Dover District Council and Tunbridge Wells Borough Council we have undertaken 3 Blue Badge enforcement days which are designed to reduce incorrect and fraudulent use of the Blue Badge scheme. During the course of these exercises we have spoken with over 100 drivers and it is pleasing to report that the vast majority were using the Blue Badge correctly.
- 5.6. Some misuse was detected which included members of the public using a disabled bay to pick someone up who did not have a badge, displaying another person's badge when the badge holder was not present and displaying a photocopied (and therefore counterfeit) Blue Badge. As well as talking to people about using their badge correctly, a number of expired badges were removed from circulation where the legitimate badge holder had kept hold of them following the issuing of a new badge. The response from the public was positive. A further enforcement day will be held in the County over the next few months. As stated above this activity is designed to both raise awareness and create a deterrent effect. As a result of these exercises Parking Enforcement Officers across Kent now have a better understanding of what constitutes misuse and this has increased levels of detection

Kent Intelligence Network

- 5.7. We previously reported successfully applying for funding from the Department for Communities and Local Government (DCLG) to set up the Kent Intelligence Network (KIN) which is a data analytics partnership between all local authorities in Kent designed to tackle fraud by sharing data. Our progress to date with this project can be summarised as follows:
- The contract to provide the data analytics software was awarded to Connexica in October 2015.
 - A first draft of the governance documents has been circulated to the partnership and is being amended to reflect the issues raised.
 - The software has been deployed and we now have access and can technically start to share and analyse data (subject to agreeing governance arrangements across the partnership).
 - Training has been provided to key users at KCC.
 - A pilot exercise has been operating with three district councils to determine the best data to share and analyse and identify any issues we may encounter with information security and data quality.
 - We have developed and agreed a business case to spend the remaining DCLG funds to increase detection of Council Tax fraud across Kent utilising data from Specified Anti-Fraud Organisations (SAFO).

- 5.8. We had hoped to be in a position to technically and legally share data by November 2015 however there have been some unexpected information security issues to resolve and, in addition, it is proving longer than anticipated to reach agreement for the governance of the project between all 14 partners. Nevertheless we are hopeful these issues will be resolved by the end of January.

Anti-Money Laundering Policy

- 5.9. The policy was last amended and later approved by the Governance and Audit Committee in January 2015. There have been no changes to legislation of best practice in this time and therefore no further amendments are required.

6 Follow Ups

- 6.1 Appendix C details the results from 28 past audits subject to programmed formal follow ups. This has involved tracking the progress on actions previously agreed by management. The results are:

Action Priority		Complete	In progress	Not yet Due	No action
High	72	32 (44%)	17 (24%)	5	18 (25%)
Medium	95	61 (64%)	10(11%)	4	20 (21%)

- 6.2 The overall outcomes are mixed – 72 % of agreed actions have been implemented by the scheduled date or in progress but 23% have made no progress. As a result 16 of the 28 audits are at ‘amber’ status with one – (Developer Contributions – Sect 106 agreements) at red.
- 6.3 Such follow up data can provide useful indicators of the governance cultures in an organisation and it is expected that Corporate Directors will take forward areas of poor progression as well as reflecting relevant outcomes in their annual governance statement returns.

7 Work in progress and future planned coverage

- 7.1 Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.
- 7.2 Current works in progress that have reached final reporting stages include:
- The wholesale governance and performance review of Public Health
 - Regional Growth Fund – management and monitoring
 - Settlement Agreements
 - A themed review of payroll and income controls in schools (involving visits to 20 establishments)
- 7.3 For the next quarter of the year we have a number of substantive audits to complete including
- Leaving Care
 - Services to disabled children
 - Adoption services
 - Adult safeguarding
 - Risk Management
 - Corporate Governance (selected controls)
- 7.4 In relation to the 2015/16 audit plan we will not be progressing two priority 1 audits being
- Care Act Implementation (owing to changes in legislation)
 - Contact Point – at the request of management due to the workloads following on from outsourcing

8 Internal Audit and Counter Fraud Performance

8.1 Performance against our targets to the end of December 2015 are shown below:

Performance Indicator	Target to Dec	Actual
Outputs		
100% of Priority 1 audits completed	67%	52%
50% of Priority 2 audits completed	34%	31%
Time from start of fieldwork to draft report to be no more than 40 days	100%	56%
No of fraudulent incidents / irregularities recorded	N/A	95
Outcomes		
% of high priority / risk issues agreed	N/A	99%
% of high priority / risk issues (fully) implemented	N/A	43%
% of all other issues agreed	N/A	93%
% of all other issues implemented	N/A	63%
Client satisfaction	90%	93%
Total Number of occasions in which a) Fraud and b) irregularity were identified		39 16
Total monetary value of (a) Fraud (b) Irregularity detected		£64,135 £482
Total monetary value of (a) Fraud (b) Irregularity recovered		£43,371 £482
Value for money savings identified to date		£138,288

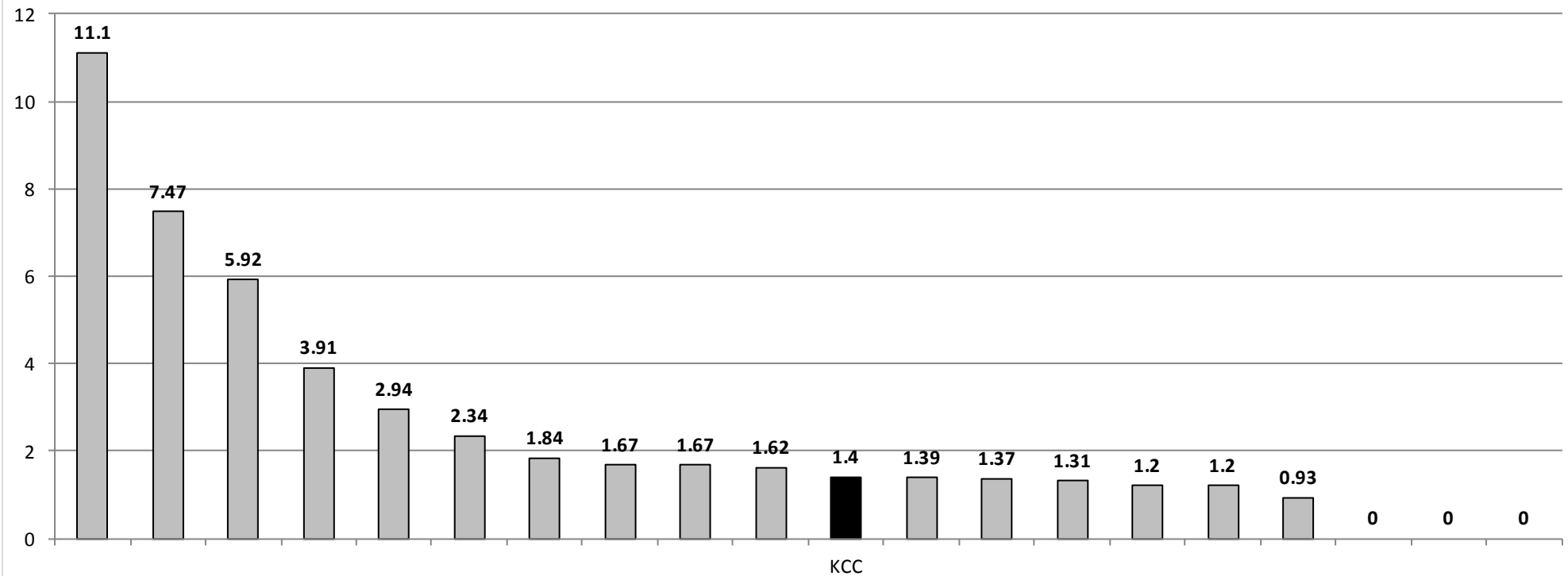
- 8.2 In general the outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2015/16.

9 Further Benchmarking

- 9.1 The CIPFA internal audit benchmarking data reported to the October G&AC meeting was of limited use to us due to the low number of participants and the absence of most County Councils.
- 9.2 An alternative 'benchmarking club' is the County Chief Auditors Network (CCAN) which we joined this year and provides comparable data with 14 County Councils and a further 6 unitary Boroughs. There are two key indicators that should be considered, being the levels of coverage (expressed in the form of audit days per £ million spend) and the cost of the service, (expressed in the form of an average daily rate).
- Although KCC has the second highest number of planned audit days (3,291), when expressed in the form of days per £million spend the results shows the following distribution:

Days per £m spend

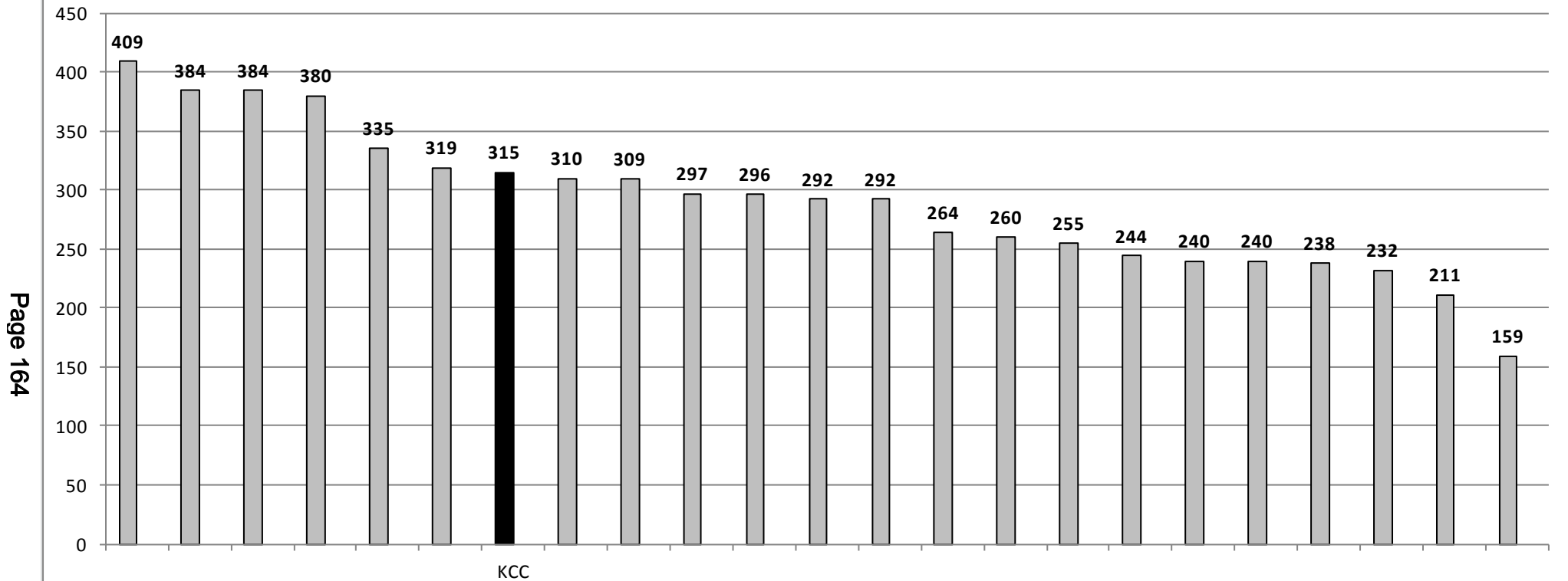
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- 9.4 This indicates that the County Council's coverage of 1.4 audit days per £ million spend is at about average levels.
- 9.5 In relation to the net cost of the internal audit service expressed in a cost per audit day, the KCC level of £315 is approximately 8% higher than the average of £287.

Net Cost of Service

20 Resondents (Average £287 per Day)



- 9.6 This is potentially reflective of higher costs in the South East. It should also be remembered that following our shared service agreement with Tonbridge and Malling Borough Council we are aiming to reduce our costs by a further 5% during the next year.

10 *In Conclusion*

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

Appendix A – Summary of individual 2015/16 Internal Audits issued October 2015 – December 2016

Strategic Transformation Partnership Contracts

Audit Opinion	Limited
Prospects for Improvement	Adequate

We have identified the following strengths and areas for improvement in relation to consultancy and partnership contract arrangements.

Strengths

Contractor One

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- A signed contract which clearly defines roles and responsibilities and a clear charging structure.
- Good governance and oversight through various formal meetings, with standard agendas and minutes.
- KPI metrics had been signed-off appropriately.
- Risks are recorded and actively managed.

Contractor Two

- Contracts have been appropriately approved with clearly defined roles and responsibilities.
- Reporting is focused on outcomes; data that is reported was verified.
- We were able to verify the payments made under the original contract (excluding variations - however see Areas for Improvement below.

There are **Good** prospects for improvement as all key issues had been accepted with action already been taken to address these.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	5	4.5	0.5
Medium Risk	5	5	0
Low Risk	2	2	0

Contractor Three

- Visibility by the appropriate senior Officers and Members of the Council and monitoring of the individual pieces of work undertaken.
- All invoices and accompanying cost breakdowns are adequately checked and approved.

Contractor Four

- Senior Officers have frequent oversight and engagement with this contract with supporting papers on the initiatives being delivered.

Areas for Improvement

Overall themes identified

- Training - Contract managers had not received any formal contract management training although this is currently being developed.
- Contract Register - The contracts for three contractors are not on the Register in line with the Transparency Code and the Public Contract Regulations 2015.
- Contract documentation – Overall there was an absence of formal documentation, including variations and supporting documentation (with the exception of Contractor One).
- Formal contract management meetings – Formal meetings were not being held in line with the contract.

Contractor One

- Sustainability to help build an in-house consultancy style skill set is a key deliverable; the risk of this not being achieved was not included in the risk register. It is acknowledged that HR are developing a plan for this.
- There were no formal arrangements for the Call-off Agreements to be signed-off by the SRO.
- The payment profile was overstated by £46,496 (although no overpayment had been made).

The contract manager has already addressed the issues identified and supplied appropriate evidence to support this.

Contractor Two

- Contract variations are not being appropriately managed.
- Overreliance on the contractor providing documentation, specifically in relation to finance information and performance of the contract.
- The price being paid against the Pricing Schedule could not be reconciled.
- A 3% price increase totalling £12,691 on the contract was made, but the formal contract variation process was not followed.

Contractor Three

- The contract was signed by an officer who does not have the appropriate authority.
- The contract was extended until September 2015 and a contract extension letter issued. As a result the contract exceeded £1m and no evidence was supplied to substantiate enhanced approval.
- Sufficient evidence of approval of each piece of work was not retained, although a retrospective email has been supplied.

Contractor Four

- Contracts have been supplied, although signed versions could not be located during the audit.
- A Voluntary Ex Ante Transparency Notice (VEAT) should have been completed, following the single source justification process.

Programme Management & Corporate Assurance

Audit Opinion	Adequate
Prospects for Improvement	Good

Each change portfolio is overseen by a Portfolio Delivery Manager (PDM) and the Corporate Assurance Function has a remit to oversee and provide assurance on the most significant programmes in each portfolio working closely with the PDMs. This structure has now been in place for a few months and the audit took place before the structure was fully embedded.

Strengths

- The Corporate Assurance team is currently putting a new system in place, including a programme for assurance of projects.
- The PDM role is seen as helpful by Project Managers for support and guidance.
- Some good examples of project management and project management documentation have been seen across all Portfolios.

Areas for Improvement

- Corporate Assurance now needs to move forward with completing checkpoint reviews for key Tier 1 projects.
- Greater support and training is needed for Project Managers in some areas.
- Some common project documentation weaknesses were identified and objectives, costs and benefits have not been formally documented in a material number of projects. Greater clarity on the approach to benefits realisation would help project managers.
- Better definition of stakeholders and understanding of impact and interdependencies is required in a number of projects sampled.

Prospects for Improvement are considered to be **Good** due to the following factors:

- The Corporate Assurance team has a clear, documented and approved vision of its role and where it is headed. This now needs to be clearly communicated across the Council.
- The PDMs are all clear about their roles and have set up reporting systems to regularly obtain project updates and report to senior management.
- The Corporate Assurance staff and the PDMs have good knowledge for undertaking their roles and have completed the Better Business Case training, used by HM Treasury, but:
- Reliance in some areas is placed on Project Managers who are not trained or experienced in project management and are undertaking the role in addition to their day job.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	6	6	0
Low Risk	1	1	0

New Ways of Working Follow-up

Audit Opinion	Substantial
Prospects for Improvement	Good

Internal Audit carried out a review of New Ways of Working as part of the agreed 2014/15 annual audit plan, for which the final report was issued in January 2015. The opinion arising from the audit was 'Adequate' assurance and, as a result of this and potential risks due to the nature of the service, Internal Audit agreed at the 29th April 2015 Governance and Audit Committee that a follow-up audit would be undertaken.

Further testing and enquiries demonstrate that the majority of the high and medium priority issues have been satisfactorily addressed as follows:

Previous Issue	Conclusion from testing
Risk registers (Medium Risk)	A consolidated Programme Risk Register is now in place. The Risk Register is updated monthly. Issue closed
Lessons learnt (Medium Risk)	A "Lessons Learned" report has been produced. Examples on how this has improved current projects were provided. Issue closed
Dependencies (Medium Risk)	A dependancy log was created in conjunction with the Corporate Portfolio Office. Issue closed

Measuring project outcomes and project manager performance (High Risk)	The customer feedback questionnaire is still in development. Issue remains open
Overall programme financial management (Medium Risk)	Risk accepted and no action to follow up. However, there is now more emphasis on delivering revenue savings. Issue closed

Areas for Improvement

- Preliminary customer feedback questionnaires have been issued for two completed projects. However, the Programme has developed a wider questionnaire to gauge the efficacy and 'softer' aims of the Programme in facilitating a 'New Ways of Working' ethos. The questionnaire is in final stages of development.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	NA	NA	NA
Medium Risk	NA	NA	NA
Low Risk	NA	NA	NA

Audit Opinion	Substantial
Prospects for Improvement	Good

The audit opinion is based on a review of relevant documentation, interviews with key members of staff and visits to both data centres. We confirmed that controls are in place for physical access, physical security and environmental controls.

Strengths

- Regular monthly meetings are held.
- An agreement is in place for hosting KCC critical systems at Medway Council DC.
- There is ample floor space for expansion at the Medway Council DC.
- An ICT asset register is maintained for the Sessions House DC and the KCC hosted services at Medway.
- Closed circuit television (CCTV) cameras are installed and monitored inside both data centres.
- Electronic door access control systems are installed at both the DCs and access is limited.
- Appropriate environmental control systems are installed at both DCs.

Areas for Improvement

- The policy and procedures for the Sessions House DC is out of date and does not to reflect outsource arrangements.
- Access to valves on pipes connecting the cooling plant to the air-conditioning units in the Sessions House DC is not restricted.

- The hosting agreement for Medway DC does not include providing a monthly monitoring/performance report to the client.
- High temperatures were noted at the Medway DC, in excess of the acceptable range set out in the service agreement.
- KCC backup and recovery procedures are not documented consistently

Prospects for Improvement are rated as **Good** due to the following factors:

- KCC management have agreed appropriate action plans to address the issues identified in this report and action has already been taken to address one of the issues.
- KCC and Medway ICT teams have a track record of working well together to resolve any problems with the Data Centres.
- There is room to expand at Medway DC.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	2	2	0

ICT Change Control

Audit Opinion	Substantial
Prospects for Improvement	Good

The audit opinion is based on a review of relevant documentation, interviews with key officers and the use of Computer Aided Audit Techniques (CAATs) to identify trends and risk indicators. Our audit opinion of Substantial is based on the following strengths and areas for improvement:

Strengths

- The governance framework is well described and supported by clearly documented processes.
- All changes are appropriately documented and tested prior to implementation.
- Authorisation has been clearly aligned to specialist areas and supports the approval and risk appraisal processes.
- The Change Advisory Board is well attended and all attendees were found to be engaged.

Areas for Improvement

- The review of failed changes requires improvement as this may hamper any attempt at root cause analysis.
- The Terms of Reference (TOR) for the Change Advisory Board have not been formalised.
- Risk Assessment of ICT changes is not quantified.
- Metrics associated with business case development and testing have not yet been formalised. The Business Services Centre is still developing and gaining approval for their metrics.

The Prospects for Improvement rating of Good is based on:

- Staff and management were receptive to the issues raised and open to the potential to improve their processes further.
- There is good attendance at Change Advisory Board (CAB) meetings and attendees are engaged with the change process.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	3	2	1

Audit Opinion	Substantial
Prospects for Improvement	Good

Strengths

- Team responsibilities are clearly defined and linked to process documents.
- Job descriptions include adequate reference to data quality and align to the corporate data quality policy.
- Training is required before access is granted to the Oracle HR system.
- Audits of system access are carried out quarterly and the recent Oracle application review found that access granted to staff was appropriate.
- Exception reports are run for critical data and issues identified are dealt with in a timely manner.
- There are sufficient internal processes for checking data input.
- Mandatory and statutory reporting follows the appropriate guidance and definitions.

Areas for Improvement

- Some members of HR staff have not yet completed mandatory Data Protection Act and Information Governance training.
- All essential qualifications required for a role should be entered onto Oracle as part of the recruitment process, but this was not consistent.
- There is no clear guidance on manager and employee responsibilities for accurately updating and maintaining personal information via Oracle Self Service.

Prospects for improvement are Good due to:

- The issues raised are being addressed through the management action plan
- Development of the CRM system has been requested to automate the data checking processes.
- Monthly monitoring of training completion to ensure mandatory training has been completed.
- Additional training and checking in place to ensure key data is entered onto the system.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	2	2	0

Looked After Children (LAC) Finances

Audit Opinion	Adequate
Prospects for Improvement	Good

KCC has responsibility for administering funds of approximately £500k. The Official Solicitor maintains the Child Trust Funds which we estimate are worth £250k. While we have adequate strategies, procedures and systems in place there is a need for them to include guidance for social workers and carers on ensuring funds are being clearly and consistently recorded and managed with no likelihood of waste, theft or misuse.

Strengths

- KCC responsibilities for administering LAC Finances are documented.
- Audit testing found no material errors and key underpinning systems and controls were adequate

Areas for Improvement

- A need to update the strategy and any relevant procedures to include 'money matters'.
- Include guidance for social workers and carers in the procedures regarding records to be kept.
- Data quality of Child Trust Fund information held.
- Share Foundation Valuation reports understanding and usefulness.
- Kent Pledge update of payment information for closed accounts.
- Records of balances for residual trustee accounts.

Prospects for Improvement

The prospects for improvement are **good** because of the action plans put in place and the short timescales for implementation.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	4	4	0

Recruitment Controls & DBS Checks

Audit Opinion	Adequate
Prospects for Improvement	Good

Kent County Council (KCC) is a leading local employer with more than 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county. Recruitment processes are a fundamental high level key control and essentially should ensure that the right people are brought into the organisation following appropriate checks.

Strengths

- Detailed procedure notes are available.
- New non TUPE staff are set up on Oracle promptly and accurately following the appropriate checks.
- DBS checks are dealt with promptly, were appropriate to the role and suitable action has been taken for disclosures with content.
- A record is held on Oracle of all DBS checks.

Areas for Improvement

- No clear library of guidance documents on KNet or version control.
- There is no process in place in the HRAT team to ensure that staff being TUPEd into KCC are subject to pre-employment checks.
- There have been delays in the renewal of DBS checks for some existing staff.
- Two references are not obtained in all cases.

There are **Good** prospects for improvement as all issues had been accepted with action already been taken to address these.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	2	2	0
Low Risk	2	2	0

Payments Processes

Audit Opinion	Adequate
Prospects for Improvement	Good

There are **Good** prospects for improvement as all issues had been accepted and action already been taken to address these.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	2	2	0

Strengths

- Financial authorisation limits for revenue codes are aligned to iProc and the delegated authority matrix.
- iProc users have the correct self-approval limits.
- New iProc users are checked for accuracy when they are set up.
- Processes for identifying duplicate payments are effective.
- Manual invoices over £50,000 are checked by AP.
- The control team perform sample checking on invoices under £50,000, although it is noted that this sample is small.

Areas for Improvement

- Testing showed that around 15% of invoices paid did not have the correct authority.
- There is no flexfield dashboard for capital codes.
- Poor record keeping of the checks made to verify new commercial suppliers.
- The proposal for new supplier set ups to be processed through the P2P team has not been implemented.
- Supplier credit balance remains high.

Treasury Management

Audit Opinion	High
Prospects for Improvement	Good

This audit only considered the management of KCC funds. The function is overseen by the Head of Financial Services and comprises the Treasury and Investments Manager and two dedicated staff. The Council made £1.7 billion of KCC investment transactions between 1 January 2015 and 16 November 2015.

Strengths

- Detailed and up to date policies and procedures are in place.
- Investment activity is limited to approved counterparties and is within approved limits.
- Cash flow and liquidity is monitored daily.
- Regular, timely and accurate Treasury Management reports are produced.

Areas for Improvement

- There is currently no formal succession plan to ensure staff are recruited and trained appropriately.

Prospects for improvement have been assessed as **good** due to the following factors:

- The treasury management team has strong leadership.

Risks exist if there was a significant change in investment strategy to use more complex financial instruments then current processes may not be suitable.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	1	1	0

Audit Opinion	Adequate
Prospects for Improvement	Uncertain

Strengths

- There is a sound section 75 agreement in place with CCG specific schedules reflecting local approaches to delivery and governance.
- There is adequate financial and performance monitoring reporting in place with monitoring data reported to NHS England quarterly distributed to all partners for sharing with local H&WBs.
- A dashboard containing relevant key performance indicators will be the primary reporting tool to the Health & Wellbeing Boards.
- An Assurance Group has been set up with formal terms of reference.

Areas for Improvement

- The agreement is based on aligned budgets rather than a true pooled budget arrangement.
- The relevant Performance and Assurance Groups had met only once as at the time of the audit.
- There is limited verification of BCF spend from KCC and CCG’s against the BCF plan. However it is recognised each partner retains complete accountability and responsibility for their own resources.
- BCF risks are included in the corporate risk register but there isn’t a discrete BCF S75 risk register. The risks are not due to be reviewed until early 2016
- A post implementation review is still pending – KCC are awaiting guidance and tools from NHS England

Prospects for Improvement

Prospects for Improvement have been assessed as **uncertain** (provisional), due to the following factors:

- Uncertainty regarding whether the next S75 agreement is for a lead commissioning arrangement with a true pooled budget or whether current arrangements will continue
- Delays in learning from a post implementation review might impact on the next iteration of the agreement
- The confirmation in the Autumn Statement that the BCF arrangements will continue after 2015/16 will require the governance oversight and financial management and performance monitoring procedures to be fully functioning which is currently not the case.
- The general willingness of the partners to continue to try and make the arrangements work

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	TBC	TBC
Medium Risk	3	TBC	TBC
Low Risk	0	TBC	TBC

OP Residential & Nursing Contract re-lets

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The audit included review of the effectiveness of contract management of the Dynamic Purchasing System (DPS) contract which commenced in October 2014, and the plans for the new contract from April 2016.

Strengths

- Contract adequately defines roles and responsibilities.
- Accommodation Commissioning Group meets monthly with relevant standing agenda items.
- Good engagement with providers and two KPIs have been reviewed and removed following provider feedback.
- Sound knowledge of the compliance visit process with all care homes on the DPS to be visited by the end of Oct 2015.
- Equality Impact Assessment completed appropriately.

Areas for Improvement

- We have not been able to corroborate the number of care homes on the DPS with various internal records.
- Improvements needed to ensure KPIs address desired outcomes, and are accurate and complete with themes/trends identified.
- Regular management information on performance has not been defined by key stakeholders, which has led to inconsistencies.
- There are no documented procedures accompanying the compliance visit process, which has led to inconsistencies.

- Not all lessons learnt captured in the informal Issues Log.
- Programme delivery plan does not capture revised dates, completion dates or impact to critical activities.
- Not all risks associated with the re-let have been identified and considered.

Prospects for Improvement

Prospects for Improvement have been assessed as **Adequate**, due to the following factors:

- KCC's credibility and reputation in the market due to paying a lower than benchmarked national average rate for care.
- Culture of the market due to historic lack of formal contract management and resistance to enhanced processes.
- Market awareness of the legislative restrictions placed on KCC as a customer.
- Culture within KCC is resistant to change and providers are aware of circumvention of the process.
- Lack of investment in a contract management IT system to enable dynamic and consistent monitoring.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	3	3	0
Medium Risk	5	5	0
Low Risk	1	1	0

Total Facilities Management Contract Management

Audit Opinion	Limited
Prospects for Improvement	Good

Facilities management services for most properties where KCC is the Corporate Landlord are provided under Total Facilities Management (TFM) contracts. The total contract value is approximately £11 million per year for the fixed costs element.

Strengths

- Consistency between the three contracts, with a notable exception being the maximum deductions chargeable to the contractors.
- Regular meetings are held with contractors with an appropriate level of challenge.
- Governance arrangements are in place for the three contracts.
- Robust budget monitoring processes are in place with support from the Finance team where relevant.

Areas for Improvement

- Access to the contractors' systems for East Kent and West Kent has been provided but further training and access is required.
- A lack of evidence to support some of the KPI data provided.
- Risk registers are not in place for the three area contracts.
- There is no schedule for regular site visits or audits.
- Day to day responsibilities for management of the contracts have not been formally defined.
- There is no formal record of issues noted or retained and contractors are not providing notes from their meetings in a timely manner.

- Logs containing information on the Change Control Notices and works orders are not consistent and are not kept up to date.
- Errors were identified in the KPI spreadsheets provided by the contractors, which may have been caused by unprotected formulas.
- Customer accessibility to the complaints procedures is confusing.

Prospects for improvement have been assessed as **Good** because of the following factors:

- There is currently a lack of capacity to resolve known contract management weaknesses, however this is being addressed through the current Infrastructure restructure.
- Issues with the contracts have been noted by the contract managers and the team are aware of areas that require improvement.
- Management have commenced actions to mitigate the issues identified in this report.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	8	8	0
Low Risk	3	3	0

Sexual Health

Audit Opinion	Adequate
Prospects for Improvement	Good

- Public Health does not formally agree or approve the provider's clinical audit programmes.
- Public Health risk management processes do not include independent validation of risk scoring for consistency.

Strengths

- A clinical governance framework is in place
- Risk management policies and procedures are adhered to.
- Extensive work has been undertaken to assess service requirements and the needs of service users.
- An integrated specialist service has been developed with increased access and availability. The new model requires providers to be flexible to meet changing needs, improve sexual health and help reduce inequalities.
- The market has been opened up to new providers via sub-contracting.

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Areas for Improvement

- Sexual Health commissioning does not come under the Head of Commissioning, though the team have worked alongside the Head of Sexual Health Commissioning to achieve the outcomes.
- The current commissioning strategy document is not significantly different to the previous strategy despite changes above.
- More work needs to be done to develop the market.
- Due to differing contract award dates a post implementation review of the service has not been completed.
- Arrangements with GPs require a signature from the practice.
- The role of the Quality Committee had not been developed fully and the terms of reference has not been taken to the committee for approval, though it was approved at DMT.

Prospects for Improvement

Prospects for Improvement have been assessed as **Good**, due to the following factors:

- Basic building blocks are in place to improve the commissioning process
- There may be a need to revisit the strategy and a post implementation review is required.
- Quality Committee set up but its role needs to be embedded.
- Good rapport with providers and other stakeholders.
- Adequate performance monitoring is in place.
- Significant service redesign and improved access to services
- Some success in developing the market but there may be limits on further development.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	8	8	0
Low Risk	3	3	0

Appendix B – Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
1022	External	A number of Social Care clients in the Ashford area were victims of a Kent Card related fraud where their cards were misused by unknown perpetrators to order tickets, book holidays and other luxury purchases.	Working with the provider we were able to recover all but £600 of the £40,000 stolen. We identified at least one suspect and have provided their details to a specialised card fraud unit in the Police.
1024	External	A Social Care client's mother fraudulently altered invoices from her son's care provider to increase their value and keep the difference.	The client's mother admitted the offence and the fraudulently obtained sum (£2,350) is being recovered. As this was a first offence a simple caution was offered and accepted.
1048	Internal	It was alleged a member of staff forged a senior member of staff's signature falsely authorising a key debt related document.	The member of staff informally admitted their actions but denied any dishonesty and personal gain and resigned before the investigation could be completed.

Appendix C – Follow-ups Analysis



Limited assurance reports

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Direct Payments (Childrens)	30/07/2015	3	2	0	0	One High and one medium priority issue were not due. Of the remaining three issue, two High Priority issues are to be followed up as part of the 2016/17 audit plan and one medium to be picked up as part of a planned audit in Q4.	Amber
Payments Process	26/03/2015	2	3	1	2	2015/16 audit completed and found one High and one Medium issue had not been implemented. Issues have therefore been raised again with revised implementation	Amber
Schools Additional Funding	28/04/2015	1	2	1	2	Implemented	GREEN
Foster Care Payments	14/01/2014	4	7	3	6	The two outstanding issues are to be followed up as part of the 2015/16 audit of Family placement payments in Q4	Amber
Personal Budgets	05/04/2013	5	3	5	3	Service has undertaken its own follow up work which shows improvement. Personal Budgets to be re audited at later stage	GREEN
UASC	15/01/2014	9	9	6	6	Follow-up audit completed, this identified that 6 actions were outstanding and these have been raised again with revised dates due to a change in the service. The follow-up audit is shown in the next table.	Amber
Gypsy & Traveller Unit - Allocation of Sites	04/09/2014	1	1	1	1	Implemented	GREEN
Community Based Nurseries	31/12/2014	6	2	1 5*	2*	To be followed up as part of the establishment programme 2016/17	Amber
Optimisation	17/06/2015	5	2	1 3*	1 1*	One High and One Medium priority issue implemented with the remaining issues are to be followed up during 2016/17.	Amber
Developer Contributions (s106)	13/01/2015	5	4	1	3	Revised implementation dates have now been agreed for the outstanding five issues and will be followed up as part of a planned audit in Q4.	RED
IT Disaster Recovery Planning	13/02/2015	2	2	1	1	Remaining two issues given revised implementation dates as a meeting with the service is proposed to re-allocate the issues to a new responsible officer.	TBC
Foster Care	16/04/2015	7	2	2 4*	1	A follow-up audit was completed and found that two high and one medium issue had been implemented. Four high priority issues were found to be in progress. One medium priority issue will be followed up as part of a planned audit of Family Placement payments in Q4.	Amber
Promoting Independence Reviews	24/02/2015	2	0	2*	0	The two issues still have on going actions and will be followed up once complete in 2016/17	Amber
Total All Limited Audits		52	39	22 14*	24 3*		

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Risk Management	23/03/2015	1	3	1*	3*	A follow-up audit is in progress, additional evidence is awaited to confirm sign-off on implementation for the 4 actions shown as in progress.	TBC
Records Management	14/01/2014	1	0	1	0	Implemented	GREEN
Payroll	03/11/2014	2	4	2	4	Implemented	GREEN
Direct Payments (Adults)	30/07/2015	1	1	0	1	The outstanding high issue has been followed up by the service, this found the action had not been implemented and this is now being reviewed by the relevant DivMT.	Amber
Bank Accounts	09/01/2015	1	5	1*	4 1*	The remaining two actions have been partially implemented and we are awaiting evidence for full closure.	Amber
Income & Assessment Unit	25/03/2015	0	3	0	3	Implemented	GREEN
Client Financial Affairs	31/10/2014	1	1	0	0	Two remaining outstanding issue has not been implemented and revised dates have been agreed. These are now being monitored in line with the revised dates agreed as part of the follow-up audit and that one High has been reduced to medium.	Amber
School Financial Services	10/09/2014	3	4	1	3	One High and one medium had not been agreed by the service. Three medium had been implemented whilst the remaining two high priority issues had not been implemented	Amber
Property - Statutory Compliance	19/12/2013	2	5	2	4	One remaining outstanding issue has not been implemented due to restructure and TFM contract developments.	Amber
New Ways of Working	09/01/2015	1	4	0	4	Follow-up audit completed and identified 1 outstanding high priority issue which is to be followed up Q4	Amber
Community Learning Services	12/11/2013	1	12	1	8	A follow-up audit established that nine issues had been implemented. However four had not been implemented and have been re-raised as part of the audit.	Amber
Regional Growth Fund (RGF)	24/04/2015	1	3	0	1	One medium priority had been implemented whilst a revised date of implementation has been agreed for the outstanding one high and two medium issues.	Amber
Liberi	16/03/2015	1	1	1	1	High priority issue implemented and management accepts the risk of medium priority non-functional testing issue.	GREEN
Customer Feedback	21/07/2015	1	3	0	1*	Action taken in relation to the one issue due but this needs time to embed. Remaining three issues not due for implementation	GREEN
UASC Follow-up	05/08/2015	1	4	0	1	One medium priority implemented and the remaining issues are not due until end of December 2015	GREEN
Enablement (KEaH) Service	28/07/2015	2	3	1 1*	1 2*	One High and One Medium priority issue implemented with the remaining three issues to be followed up as part of 2016/17 audit plan.	GREEN
Total All Adequate Audits		20	56	9 3*	35 7*		

Total All Follow-ups	Management Actions		Implemented/ In Progress*	
	High	Medium	High	Medium
	72	95	31 17*	59 10*

Appendix D – Audit Plan 2015/16 Progress

Project	Progress at January 2016	Date to G&A	Overall Assessment	Project	Progress at January 2016	Date to G&A	Overall Assessment
Core Assurance							
Annual Governance Statement	Complete	July 2015	Substantial	Consultation	Planning		
Business Continuity	Complete	October 2015	Substantial/ Good	Consultancy & Partnership Contract Arrangements	Complete	January 2016	Limited/ Adequate
Transparency Code Compliance	Complete	October 2015	Substantial/ Good	Contact Point	Deferred to 2016/17		
Information Governance	Planning			Recruitment and Retention Incentives	Planning		
Performance Management and KPI Reporting				Recruitment Controls	Complete	January 2016	Adequate/ Good
Risk Management	In progress			Payroll Key Controls Follow-up	Complete	October 2015	Substantial/ Good
Corporate Governance – KCC	Planning			Pensions Payroll	Complete	October 2015	Substantial/ Good
Departmental Governance Review – Public Health	Draft Report			Pension Scheme Administration	In progress		
Corporate Governance – Alternative Service Delivery Models	Ongoing			Member and Officer Expenses – Follow-Up			
Implementation of Strategic Commissioning Strategy	Deferred to 16/17			Disclosure and Barring Service Process	Merged with Recruitment Controls		
Declarations of Interest				Oracle Right Now			
Programme Management and Corporate Assurance	Complete	January 2016	Adequate/ Good	Learning and Development	Complete	October 2015	Substantial/ Good
Portfolio and Programme Checkpoint Reviews	Ongoing			Compromise Agreements and Disciplinary Process	Draft Report		
Transformation and Change – Major outsource arrangements	Replaced by Contract Management Themed Review			Contract Extensions and Variations	In progress		

Project	Progress at January 2016	Date to G&A	Overall Assessment	Project	Progress at January 2016	Date to G&A	Overall Assessment
Contract Management Themed Review	In progress						
Core Financial Assurance							
Schools Financial Services – System of Audit	Planning			Client Financial Affairs Follow-up	Complete	October 2015	Substantial/ Good
Schools Themed Review – Payroll and Income	Draft Report			Debt Recovery	Complete	October 2015	Adequate/ Good
Payment Processing	Draft Report	January 2016	Adequate/ Good	Financial Assessments Follow-up			
Family Placement Payments				Grants	In progress		
Pension Contributions	Planning			Insurance			
Treasury Management	Final Draft	January 2016	High/ Good	iSupplier	Merged with Payment Processing		
Capital Finance	In progress						

Risk/Priority Based Audit							
Total Facilities Management (TFM) – Contract Management	Complete	January 2016	Limited/ Good	Home Care	Complete	October 2015	Adequate/ Good
TFM – Property Service Desk	In progress			Public Health Advice to CCGs	Merged with Public Health Governance Review		
New Ways of Working Follow-Up	Complete	January 2016	Substantial/ Good	Sexual Health	Complete	January 2016	Adequate/ Good
Data Quality – Oracle HR	Complete	January 2016	Substantial/ Good	Kent Drug and Alcohol Service Follow-up	Merged with Public Health Governance Review		
Blue Badges	In progress			Clinical Governance Process	Merged with Public Health Governance Review		
Safeguarding Framework – Adults	Planning			Health Inequalities	Merged with Public Health Governance Review		
Care Act – Pre and Post Implementation	Deferred due to delayed implementation of legislation			SEN Assessment and Funding	Planning		
Better Care Fund	Draft Report	January 2016	Adequate/ Uncertain	Elective Home Education Outcomes			
Integrated Discharge Scheme				School Admissions – Fair Access			
Independent Living Scheme				Community Learning and Skills	Complete	October 2015	Substantial/ Good
Pooled Equipment Budget	Planning			School Improvement Team	Planning		
Boundary Re-alignment and Change Management				Troubled Families	In Progress and ongoing		
Mental Capacity Act and Deprivation of Liberty	Planning			Contract Management – Household Waste and Recycling	Complete	October 2015	Substantial/ Good
Autism Service	Planning			Developer Contributions and Community Infrastructure Levy			
KCC/KMPT Partnership agreement and AMHP (Approved Mental Health Professionals) service	Planning			Local Growth Fund and Local Enterprise Partnership	Planning		
Transformation and Integration of Disabled Services	In Progress			Regional Growth Fund	In progress		

Adult Social Care Transformation Phase 2	In Progress			Broadband Delivery UK Watching Brief	In progress		
0-25 Change Portfolio	In Progress			Coroners Service			
Quality Assurance Framework Safeguarding Children	Complete	October 2015	Substantial/ Good	Allington Waste Incinerator Contract			
On-line Case File Audit – Children	Merged with Safeguarding Children			Transformation and Change – Transport inc SEN	Planning		
Missing Children	Merged with Safeguarding Children			Transformation and Change – Libraries, Registration and Archives	On Hold		
Adoption Service	Planning			Transformation and Change – Property	Planning		
Looked After Children's Finances	Draft Report	January 2016	Adequate/ Good	Economic Development Contract Management			
Section 17 Payments Follow-up	In progress			International Development Team			
Leaving Care Service	In progress			Kent Resilience Team	In progress		
Foster Care Follow-up	Complete	October 2015	Adequate/ Good	Carbon Reduction Commitment – Annual Return	Complete	January 2016	Compliant
Older Persons Residential and Nursing Contract Re-let	Complete	January 2016	Adequate/ Adequate	Community Wardens			
Supporting People Follow-up				EduKent Follow-up			

ICT Audit

Oracle Application Review	Complete	October 2015	Substantial/ Good	Review of Third Party ICT Contracts	Planning		
ICT Strategy and Governance				Data Centres	Complete	January 2016	Substantial/ Good
ICT Change Control	Draft report	January 2016	Substantial/ Good	Swift Application Review			
Software Lifecycle Management				WAMS Application Review			

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 were noted during the audit that may put a system/service objective 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 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.

Definition of Prospects for Improvement

Very Good

There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.

Good

There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.

Adequate

Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.

Uncertain

Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

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