

**GOVERNANCE AND AUDIT COMMITTEE**

**Wednesday, 25th January, 2017**

**10.00 am**

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







## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Wednesday, 25th January, 2017, at 10.00 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 D L Brazier, Mr S C Manion, Mr R A Marsh and Mr J E Scholes	Mr R J Parry (Vice-Chairman), Mr E E C Hotson, Mr A J King, MBE,
UKIP (3)	Mr M Heale and Mr C P D Hoare	
Labour (2)	Mr W Scobie and Mr D Smyth	
Liberal Democrat (1):	Mr R H Bird	
Independents (1):	Mr M E Whybrow	

#### **Webcasting Notice**

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

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

#### **UNRESTRICTED ITEMS**

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

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

4. Minutes - 6 October 2016 (Pages 5 - 10)
5. Committee Work and Member Development Programme (Pages 11 - 14)
6. Corporate Risk Register (Pages 15 - 58)
7. Review of KCC's Risk Management Policy and Strategy (Pages 59 - 78)
8. Treasury Management six month review 2016-17 (Pages 79 - 90)
9. Debt Management (Pages 91 - 102)
10. Update on Savings Programme (Pages 103 - 104)
11. External Audit Update January 2017 (Pages 105 - 126)
12. Effectiveness of Internal and External Audit Liaison (Pages 127 - 134)
13. Internal Audit and Counter Fraud Progress Report (Pages 135 - 216)
14. Review of the Committee's Terms of Reference (Pages 217 - 222)
15. Other items which the Chairman decides are urgent

#### **EXEMPT ITEMS**

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

John Lynch  
Head of Democratic Services  
03000 410466

**Tuesday, 17 January 2017**

*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) To approve the appointment and remuneration of External Auditors in accordance with relevant legislation and guidance, and the function is independent and objective. That there is a robust external audit plan to ensure the necessary scrutiny and assurance in relation to obligations for an audited statement of accounts.
- (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 financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- (g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.

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

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 6 October 2016.

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

ALSO PRESENT: Mr J D Simmonds, MBE

IN ATTENDANCE: Mr A Wood (Corporate Director Finance and Procurement), Mr N Vickers (Head of Financial Services), Mr R Patterson (Head of Internal Audit), Mr B Watts (General Counsel (Interim)), Mrs A Beer (Corporate Director Engagement, Organisation Design & Development), Ms P Blackburn-Clarke (Quality Assurance Manager) and Mr A Tait (Democratic Services Officer)

ALSO PRESENT were Mr N White and Mr P Hughes from Grant Thornton UK LLP

#### UNRESTRICTED ITEMS

**43. Minutes - 21 July 2016**  
(Item 4)

RESOLVED that the Minutes of the meeting held on 21 July 2016 are correctly recorded and that they be signed by the Chairman.

**44. Dates of meetings in early 2017**  
(Item 5)

The Committee noted the following dates for its meetings in early 2017:-

Wednesday, 25 January 2017;  
Tuesday, 11 April 2017.

**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 Work and Member Development programme to October 2017.

**46. KCC Insurance Overview**  
*(Item 7)*

(1) The Head of Financial Services provided a summary of insurance activity for the 2015/16 financial year.

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

**47. Treasury Management Update**  
*(Item 8)*

(1) The Head of Financial Services gave a summary of Treasury Management activity for the three months to 30 June 2016.

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

**48. External Audit Annual Letter 2015/16**  
*(Item 9)*

(1) Mr Nick White from Grant Thornton UK LLP presented the report on the most important findings in respect of the external audit work for the 2015/16 audit year. The Annual Letter reaffirmed the unqualified opinion on the 2015/16 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion. The audit certificate would be issued upon the completion of Grant Thornton's work in relation to an objection to the financial statements.

(2) RESOLVED that 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.

**49. External Audit Update October 2016**  
*(Item 10)*

(1) Mr Nick White from Grant Thornton UK LLP summarised progress on external audit work for 2016/17 as well as the emerging issues and developments set out in the report.

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

**50. Internal Audit and Counter-Fraud Progress Report**  
*(Item 11)*

(1) A revised Appendix C had been circulated to all members of the Committee prior to the meeting.

(2) The Head of Internal Audit summarised the outcomes of Internal Audit and Counter Fraud activity for the 2016/17 financial year to date and sought approval for minor revisions to the Anti-Fraud and Corruption Strategy.



(3) In response to questions from Members of the Committee, the Head of Internal Audit confirmed that there would be a follow up to the Autism internal audit before the next meeting of the Committee with subsequent verbal and formal feedback.

(4) In agreeing the proposed amendments to the Anti-Fraud and Corruption Strategy, the Committee deleted the word "internal" on the two occasions that it appeared in paragraph 19 of the Strategy (Appendix B).

(5) RESOLVED that:-

- (a) progress and outcomes against the 2016/17 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) subject to (4) above, approval be given to the proposed revisions to the County Council's Anti-Fraud and Corruption Strategy.

**51. KCC Annual Customer Feedback Report 2015/16**  
*(Item 12)*

(1) The Corporate Director for Engagement Organisation Design and Development and the Quality Assurance Manager provided a summary of the compliments, comments and complaints recorded by the County Council. This included statistics relating to customer feedback received and a sample of complaints considered by the Local Government Ombudsman.

(2) Following discussion of the geographical location of the complaints, the Corporate Director was asked to give consideration to the feasibility of establishing the address of each complainant.

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

**52. Corporate Law and Assurance Team**  
*(Item 13)*

(1) The Chairman informed the Committee that he was a member of the client-side Board set up under the Alternative Business Structure as a non-remunerated Director. This qualified neither as a Disclosable Pecuniary Interest nor as an Other Significant Interest.

(2) The Interim General Counsel provided an update regarding the recent creation of the client-side functions company for Legal Services. This focussed on the in-house team which would advise the Council on corporate and strategic legal issues whilst also commissioning and managing the contract with the company. He confirmed that a further report would be presented to the Committee in January 2017 in relation to the company.

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

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

To: Governance and Audit Committee – 25<sup>th</sup> January 2017

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

Classification: Unrestricted

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

## **FOR DECISION**

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### **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 2018. 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. It is good practice for the Committee to embrace a Member development programme through a series of pre-meeting briefings, focusing on areas that are of specific relevance to this Committee. This has been successfully implemented over the last few years.

6. With likely changes to the membership of the Committee after the May elections it would appear sensible to tailor a new development programme from July 2017 onwards.

### **Recommendations**

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

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

**Committee Work Programme**

**Appendix 1**

<b>Category / Item</b>	<b>Owner</b>	<b>Jan - 17</b>	<b>Apr - 17</b>	<b>Jul - 17</b>	<b>Oct - 17</b>	<b>Jan -18</b>
<b>Secretariat</b>						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	RP	✓	✓	✓	✓	✓
Member Development Programme	RP	✓			✓	✓
<b>Risk Management and Internal Control</b>						
Corporate Risk Register	RH	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme	RH	✓				✓
Report on Insurance and Risk Activity	NV				✓	
Treasury Management quarterly report/six monthly review	NV	✓	✓		✓	✓
Treasury Management Annual Review	NV			✓		
Ombudsman Complaints	DC					
Annual Complaints & Customer Feedback Report	DC				✓	
Update on Savings programme/transformation programme	AW/CJ	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	MR		✓			
<b>Corporate Governance</b>						
Update on development of management guides	DW	If significant changes to the approach or purpose of the management guides				
Annual review of Terms of Reference of G & A	RP	✓				✓
Debt Management	NV	✓		✓		✓
Annual review of the Council's Code of Corporate Governance	BW	If material changes to the code				
Commercial Services Policies	AW	If informed of material changes to policies				

Committee Work Programme

Appendix 1

Category / Item	Owner	Jan 17	Apr 17	Jul 17	Oct 17	Jan 18
<b>Internal Audit and Counter Fraud</b>						
Internal Audit and Counter Fraud Progress Report	RP	✓	✓		✓	✓
Schools Audit Annual Report	RP			✓		
Internal Audit and Counter Fraud Annual Report	RP			✓		
Internal Audit Strategy and Annual Plan	RP		✓			
Internal Audit Benchmarking Report	RP				✓	
Review of the anti-fraud and corruption strategy (part of progress report)	RP			✓	✓	
Review of anti-money laundering Policy	RP	✓				✓
<b>External Audit</b>						
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 and / or procurement arrangements	RP		✓		✓	✓
External Audit Fraud, Law & Regulations & Going Concern Considerations	AW		✓			
<b>Financial Reporting</b>						
Statement of Accounts & Annual Governance Statement	AW			✓		
Revised Accounting Policies	CH		✓			
Review of Financial Regulations	EF		✓			

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 – 25<sup>th</sup> January 2017

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

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**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**

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**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 sixteen risks. This includes two new corporate risks that have been escalated from directorate risk registers (CRR 27 and CRR28) and one that is a specific risk in its own right (CRR 26 relating to cyber security). Changes since the register was last reported to Governance & Audit Committee in July 2016 are summarised as follows:
- CRR 1: Data and information management - this risk is being closed and replaced by a more specific risk around cyber and information security threats and associated IT and organisational resilience concerns (CRR 26);
  - CRR 9: The Health & Social Care integration risk has been re-modelled around Sustainability and Transformation Plan delivery rather than Better Care Fund;
  - CRR 12: The context of this risk has been refined to acknowledge community cohesion concerns that could arise from any significant migration into Kent in concentrated areas, in addition to pressures on social care, school places etc.
  - CRR 23: The risk is refined slightly to more explicitly cover risks and opportunities as KCC's approach to strategic commissioning evolves.

- CRR 24: Delivery of 2016/17 savings - this risk has been raised from amber to red due to the continuing projected overspend. Additional mitigation options are being discussed by the Corporate Management Team and Cabinet should the position not improve considerably by January.
  - CRR 27: A social care risk has been escalated to the corporate register regarding care market concerns, including sustainability of care home and domiciliary care markets.
  - CRR 28: An Education and Young People's Services directorate risk has been escalated to the corporate risk register. This relates to the delivery of new school places being constrained by capital budget pressures and dependency on the Education Funding Agency (EFA) to deliver a number of Free School projects on time and to an appropriate standard.
  - Opportunities and risks for Kent associated with the referendum result for the UK to leave the European Union are being taken into consideration in the context of each existing corporate risk in the coming months; a number of impacts are likely to be longer term, although the fall in the pound (not necessarily entirely connected to 'Brexit') and associated inflation risk is of more immediate concern.
- 2.2 Individual meetings held with Cabinet Members and CMT demonstrated that there is clarity on what are seen as the main risks, both in relation to respective portfolios / directorates and wider KCC concerns. There remains a strong correlation between these views and risks already captured on directorate or corporate risk registers, which would indicate that the current risk management identification process is robust, although there is the continuing need to be alert to new or emerging risks.
- 2.3 In light of the refresh of the register, mitigating actions are subject to ongoing review to ensure continued relevance, especially where the context of a number of risks is changing. This will lead to a number of new mitigations being identified.
- 2.4 Out of the sixteen risks there are thirteen areas of risk currently rated as 'high' and three rated as 'medium'. The high risks relate to the management of demand in both adults and children's social care; managing and working with the social care market; safeguarding (both vulnerable adults and children); health & social care integration; delivery of 2016/17 and 2017/18 savings; cyber and information security threats; delivery of new school places and dependency on the Education Funding Agency; access to resources to aid economic growth and infrastructure; the future financial and operating environment for local government; and implications of large numbers of Unaccompanied Asylum Seeking Children being looked after by KCC. 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 2016/17 have been requested from action owners and will be reported in the next Quarterly Performance Report presented to Cabinet on 27<sup>th</sup> March 2017.
- 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 12<sup>th</sup> December 2016.

### **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*  
[mark.scrivener@kent.gov.uk](mailto:mark.scrivener@kent.gov.uk)  
*Tel: 03000 416660*

**Relevant Director:**  
**David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance**  
[David.whittle@kent.gov.uk](mailto:David.whittle@kent.gov.uk)  
**Tel: 03000 416833**



# **KCC Corporate Risk Register**

**FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE**

**25/01/17**

## 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 since July 2016
CRR 2(a)	Safeguarding – protecting vulnerable children	20	15	↔
CRR 2(b)	Safeguarding – protecting vulnerable adults	20	15	↔
CRR 3	Access to resources to aid economic growth and enabling infrastructure	16	9	↔
CRR 4	Civil Contingencies and Resilience	12	8	↔
CRR 9	Health & Social Care Integration – delivery of Sustainability and Transformation plan	16	9	↔
CRR 10(a)	Management of Adult Social Care Demand	20	12	↔
CRR 10(b)	Management of Demand – Early Help and Preventative Services and Specialist Children’s Services	20	12	↔
CRR 12	Potential implications associated with significant migration into Kent	12	8	↔
CRR 17	Future financial and operating environment for local government	20	12	↔
CRR 22	Implications of high numbers of Unaccompanied Asylum Seeking Children (UASC)	20	12	↔
CRR 23	Evolution of strategic commissioning approach	12	6	↔
CRR 24	Delivery of 2016/17 savings	16	2	↑
CRR 25	Delivery of 2017/18 savings	16	2	↔
CRR 26	Cyber and information security threats	16	6	NEW
CRR 27	Managing and working with the social care market	20	9	NEW
CRR 28	Delivery of new school places is constrained by capital budget pressures and dependency on the Education Funding Agency	20	9	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	CRR2(a)	Risk Title	Safeguarding – protecting vulnerable children			
	<p><b>Source / Cause of risk</b></p> <p>The Council must fulfil its statutory obligations to effectively safeguard vulnerable children.</p> <p>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.</p>	<p><b>Risk Event</b></p> <p>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 recruit and retain suitably experienced and qualified permanent staff.</p> <p>Failure to meet the requirements of the new "Prevent Duty" placed on Local Authorities.</p>	<p><b>Consequence</b></p> <p>Serious impact on vulnerable people.</p> <p>Serious impact on ability to recruit the quality of staff critical to service delivery.</p> <p>Serious operational and financial consequences.</p> <p>Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.</p> <p>Incident of serious harm or death of a vulnerable child.</p>	<p><b>Risk Owner</b></p> <p>On behalf of CMT:</p> <p>Andrew Ireland, Corporate Director Social Care Health &amp; Wellbeing (SCHW)</p> <p><b>Responsible Cabinet Member(s):</b></p> <p>Peter Oakford Specialist Children's Services</p> <p>Mike Hill (Lead Member for PREVENT)</p>	<p><b>Current Likelihood</b></p> <p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Possible (3)</p>	<p><b>Current Impact</b></p> <p>Major (5)</p> <p><b>Target Residual Impact</b></p> <p>Major (5)</p>
	<b>Control Title</b>		<b>Control Owner</b>			
	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, Prevent and Channel Strategic Manager
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 Education and Young People's Services (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	Graham Willett, Interim Director Education Quality & Standards
A revised Elective Home Education policy approved that includes interaction with child where there are welfare concerns and where other agencies have been involved with the family. Awareness raising taking	Keith Abbott, Director Education Planning & Access; Scott Bagshaw, Head of

place with other practitioners		Admissions & Transport
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 identified during a recent external review.		Philip Segurola, Director Specialist Children's Services
Multi-function officer group helping to define key steps and approach to aid any future inquiries or investigations that may arise relating to alleged historical abuse		Andrew Ireland, Corporate Director, SCHW
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)
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
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	March 2017 (review)
Implementation of transformation programme for children's services, including Social Work Contract Programme <ul style="list-style-type: none"> <li>Complete a piece of diagnostic work related to the point of access into Children's Services</li> </ul>	Philip Segurola, Director Specialist Children's Services	March 2017 (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	December 2016 (review)
Awareness-raising 'Prevent' training for identified key staff and specific training for those working with people directly at risk	Nick Wilkinson, Prevent and Channel Strategic Manager	February 2017 (review)

Risk ID	CRR2(b)	Risk Title	Safeguarding – protecting vulnerable adults			
	<p><b>Source / Cause of risk</b></p> <p>The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults.</p> <p>In addition, the Government's "Prevent Duty" requires the Local Authority to act to prevent people from being drawn into terrorism.</p>	<p><b>Risk Event</b></p> <p>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.</p> <p>Failure to meet the requirements of the new "Prevent Duty" placed on Local Authorities.</p>	<p><b>Consequence</b></p> <p>Serious impact on vulnerable people.</p> <p>Serious impact on ability to recruit the quality of staff critical to service delivery.</p> <p>Serious operational and financial consequences.</p> <p>Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.</p> <p>Incident of serious harm or death of a vulnerable adult.</p>	<p><b>Risk Owner</b></p> <p>On behalf of CMT:</p> <p>Andrew Ireland, Corporate Director SCHW</p> <p><b>Responsible Cabinet Member:</b></p> <p>Graham Gibbens, Adult Social Care &amp; Public Health</p> <p>Mike Hill (Lead Member for PREVENT)</p>	<p><b>Current Likelihood</b></p> <p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Possible (3)</p>	<p><b>Current Impact</b></p> <p>Major (5)</p> <p><b>Target Residual Impact</b></p> <p>Major (5)</p>
<b>Control Title</b>			<b>Control Owner</b>			
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 / Annie Ho, Interim 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			
Transforming Care Programme established to implement policy objectives of moving people into more			Penny Southern, Director			



suitable care settings.		DCALDMH
Safeguarding improvement plans in place for Older People and Physical Disability and Disabled Children, Learning Disability and Mental Health services		Anne Tidmarsh, Director OPPD / Penny Southern, Director DCLDMH
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, Prevent and Channel Strategic Manager
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, Prevent and Channel Strategic Manager
Management Action Plan arising from recent internal audit – progress monitored regularly and reported to Countywide Adult Safeguarding Board		Annie Ho, Interim Head of Adult Safeguarding
Capability framework for safeguarding and the mental capacity act introduced		Mark Lobban, Director of Commissioning SCHW
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Review of Kent and Medway Safeguarding Adults Board Learning and Development Competence Framework being undertaken.	Annie Ho, Interim Head of Adult Safeguarding	April 2017 (review)
Awareness-raising 'Prevent' training for identified key staff and specific training for those working with people directly at risk	Nick Wilkinson, Prevent and Channel Strategic Manager	February 2017 (review)
Independent audit of case files commissioned across all client categories	Annie Ho, Interim Head of Adult Safeguarding	February 2017

Risk ID	CRR3	Risk Title	Access to resources to aid economic growth and enabling infrastructure				
		<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
		<p>The Council seeks access to resources to develop the enabling infrastructure for economic growth, regeneration and health</p> <p>However, in parts of Kent, there is a significant gap between the costs of the infrastructure required to support growth and the Council's ability to secure sufficient funds through s106 contributions, Community Infrastructure Levy and other growth levers to pay for it. 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.</p> <p>The EU referendum result has created uncertainty over levels of EU funding available for projects in the longer term.</p>	<p>Inability to secure sufficient contributions from development to support growth.</p> <p>Failure to attract sufficient funding via the Local Growth Fund and other public funds to both support the cost of infrastructure and aid economic growth and regeneration.</p> <p>Insufficient return on investment from Regional Growth Fund schemes or significant level of default on loans.</p>	<p>Key opportunities for growth missed.</p> <p>The Council finds it increasingly difficult to fund KCC services across Kent (e.g. schools, waste services) and deal with the impact of growth on communities.</p> <p>Kent becomes a less attractive location for inward investment and business.</p> <p>Our ability to deliver an enabling infrastructure becomes constrained.</p> <p>Reputational risk.</p>	<p>Barbara Cooper, Corporate Director Growth, Environment and Transport</p> <p><b>Responsible Cabinet Member(s):</b></p> <p>Mark Dance, Economic Development</p> <p>Matthew Balfour, Environment &amp; Transport</p>	<p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Possible (3)</p>	<p>Serious (4)</p> <p><b>Target Residual Impact</b></p> <p>Significant (3)</p>
		<b>Control Title</b>	<b>Control Owner</b>				
		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 which gaps can be identified	David Smith, Director Economic Development / Katie 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	Dave Hughes, Head of Business and Enterprise	
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	
KCC is actively engaged in preparation of local plans across Kent and Medway, responding to all consultations.	Tom Marchant, Head of Strategic Planning & Policy	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Produce Kent’s Local Transport Plan 4 – the next iteration of ‘Growth without Gridlock’	Tom Marchant, Head of Strategic Planning & Policy	January 2017

Growth & Infrastructure Framework – interim refresh being conducted including reviewing key actions arising from the framework	Tom Marchant, Head of Strategic Planning & Policy	December 2016 (review)
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	January 2017
Liaison with Canterbury Christ Church University regarding their research on impact of Brexit on Kent and the Kent economy	David Smith, Director of Economic Development	January 2017

Risk ID	CRR4	Risk Title	Civil Contingencies and Resilience					
			<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
			<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>This includes responses associated with the Counter-terrorism and Security Act 2015 (CONTEST).</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 and its providers 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, severe weather incidents and the increasing threat of 'cyber attacks' (links to CRR 26).</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>Lack of preparedness for new or emerging threats.</p> <p>Lack of resilience in the supply chain hampers effective response to incidents.</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>On behalf of CMT</p> <p>Barbara Cooper, Corporate Director Growth, Environment &amp; Transport</p> <p><b>Responsible Cabinet Member(s):</b> Mike Hill, Community Services</p>	<p>Possible (3)</p> <p><b>Target Residual Likelihood</b> Unlikely (2)</p>	<p>Serious (4)</p> <p><b>Target Residual Impact</b> 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"> <li>• Intelligence gathering and forecasting;</li> <li>• Regular training exercises and tests;</li> <li>• Task &amp; Finish groups addressing key issues.</li> <li>• Plan writing</li> <li>• Capability building</li> </ul>	Mike Overbeke, Head of Public Protection (for Kent Resilience Team Activity)
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 (EPE)
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. KCC Resilience Programme in place to deliver further training opportunities	Katie Stewart, Director EPE
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 EPE
Learning and potential improvements to business continuity plans in light of loss of ICT systems captured	Katie Stewart, Director EPE
Emergency Reservists have been recruited to aid emergency responses	Katie Stewart, Director EPE
Prevent Duty Delivery Board established to oversee the activity of the Kent Channel Panel, co-ordinate	Andrew Ireland, Corporate

Prevent activity across the County and report to other relevant strategic bodies in the county	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 at district and borough level.	Nick Wilkinson, Head of Youth Justice and Safer Kent	
KCC Business Continuity Plan in place	Katie Stewart, Director EPE	
Reporting arrangements have been reviewed to include appropriate elected Member oversight of KCC Business Continuity arrangements.	Katie Stewart, Director EPE	
IT security incidents are logged and reviewed from an IT and wider Information Governance perspective	Kathy Stevens, ICT Risk and Compliance Manager	
Cabinet Office resilience training delivered	Katie Stewart, Director EPE	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Review sufficiency of KCC and Kent Resilience Team emergency and resilience resource	Katie Stewart, Director Environment, Planning & Enforcement	December 2016 – Phase 1 April 2017 – Phase 2
Work to understand local implications of any potential increase in national security threat level in future	Katie Stewart, Director Environment, Planning & Enforcement	January 2017
Review Business Continuity and emergency preparedness arrangements for Contact Point with service provider	Chris Smith, Intelligent Client – subject expert (telephony)	December 2016



<b>Risk ID</b>	<b>CRR9</b>	<b>Risk Title</b>	<b>Health &amp; Social Care Integration – delivery of Sustainability and Transformation Plans</b>			
<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
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. A local Sustainability and Transformation Plan (STP) is being developed to outline a ‘place-based’ plan for the future of health and care services in Kent,	Failure to maximise opportunities presented for health & social care integration, and ensure changes achieve maximum impact. Pressures within the acute health sector result in repercussions for social care and threaten successful implementation of the STP. Insufficient Better Care Fund monies to support preventative services, which means plans to reduce hospital admissions are destabilised. Lack of ‘system’ leadership. Insufficient Local Authority involvement.	Collapse of Health and Social Care system Gaps between services or in some instances duplication of services or inefficient use of the available joint resources. Additional budget pressures.	Andrew Ireland, Corporate Director SCHW  <b>Responsible Cabinet Member(s):</b> Roger Gough, Education & Health Reform  Graham Gibbens, Adult Social Care & Public Health	Possible (3)  Unlikely (2)	Major (5)  Serious (4)	
<b>Control Title</b>				<b>Control Owner</b>		
KCC has designated Cabinet Portfolio Holders for Public Health and Health Reform, who have assumed central roles				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		
KCC Members and Officers are part of local Sustainability and Transformation governance arrangements				Paul Carter, Leader of the Council / Roger Gough, Cabinet Member Education & Health Reform		

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 Implementation 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)	
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	
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	
Kent Integrated Dataset provides population level data from health and adult social care that is used to perform analysis to inform decisions about commissioning and management of health and care services across the county.	Gerrard Abi-Aad, Head of Health Intelligence	
Joint working takes place with Health partners to ensure adherence to the Continuing Healthcare (CHC) framework	SCHW Directors	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Contribute to the implementation of five-year, place-based Sustainability and Transformation Plans	Andrew Ireland, Corporate Director SCHW	June 2017 (review)
Revision of Joint Strategic Needs Assessment (JSNA) to support joint health & social care commissioning activity.	Andrew Scott-Clark, Director Public Health	September 2017 (review)
Revision of Health & Wellbeing Strategy	David Whittle, Director Strategy, Policy & Assurance	June 2017 (review)
Monitor implications associated with any changes to the Better Care Fund from 2018-19	Andy Wood, Corporate Director Finance & Procurement	July 2017 (review)
'Your Life, Your Wellbeing' transformation programme aims to prepare KCC adult social care for integration	Andrew Ireland, Corporate Director SCHW	April 2017 (review)

Risk ID	CRR10(a)	Risk Title	Management of Adult Social Care Demand			
	<p><b>Source / Cause of risk</b></p> <p>Adult social care services across the country are facing growing pressures. Overall demand and cost 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.</p> <p>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.</p>	<p><b>Risk Event</b></p> <p>Council is unable to manage and resource to future demand and its services consequently do not meet future statutory obligations and/or customer expectations.</p>	<p><b>Consequence</b></p> <p>Customer dissatisfaction with service provision.</p> <p>Increased and unplanned pressure on resources.</p> <p>Decline in performance.</p> <p>Legal challenge resulting in adverse reputational damage to the Council.</p> <p>Financial pressures on other council services.</p>	<p><b>Risk Owner</b></p> <p>Andrew Ireland, Corporate Director SCHW</p> <p><b>Responsible Cabinet Member(s):</b></p> <p>Graham Gibbens, Adult Social Care &amp; Public Health</p>	<p><b>Current Likelihood</b></p> <p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Possible (3)</p>	<p><b>Current Impact</b></p> <p>Major (5)</p> <p><b>Target Residual Impact</b></p> <p>Serious (4)</p>
<b>Control Title</b>					<b>Control Owner</b>	
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 &amp; 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)	Mark Lobban, Director Commissioning, SCHW	
Systematic methodology for demand management agreed and delivered by Strategic Business Development and Intelligence (SBDI) division.	Vincent Godfrey, Director SBDI	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Progression of Adults 'Your Life Your Wellbeing' programme	Andrew Ireland, Corporate Director SCHW	December 2016

Risk ID	CRR10(b)	Risk Title	Management of Demand – Early Help and Preventative Services and Specialist Children’s Services				
		<p><b>Source / Cause of risk</b></p> <p>Local Authorities continue to face increasing demand for specialist children’s services due to a variety of factors, including consequences of highly publicised child protection incidents and serious case reviews, and policy/legislative changes.</p> <p>At a local level KCC is faced with additional demand challenges such as those associated with significant numbers of Unaccompanied Asylum Seeking Children (UASC). There are also particular ‘pressure points’ in several districts.</p> <p>These challenges need to be met as early help and preventative services and specialist children’s services face increasingly difficult financial circumstances and operational challenges such as recruitment and retention of permanent qualified social workers.</p>	<p><b>Risk Event</b></p> <p>High volumes of work flow into early help and preventative services and specialist children’s services leading to unsustainable pressure being exerted on them.</p>	<p><b>Consequence</b></p> <p>Children’s services performance declines as demands become unmanageable.</p> <p>Failure to deliver statutory obligations and duties or achieve social value.</p> <p>Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources.</p> <p>Ultimately an impact on outcomes for children, young people and their families.</p>	<p><b>Risk Owner</b></p> <p>Andrew Ireland, Corporate Director SCHW</p> <p>Patrick Leeson, Corporate Director EYPS</p> <p><b>Responsible Cabinet Member(s):</b></p> <p>Peter Oakford, Specialist Children’s Services</p>	<p><b>Current Likelihood</b></p> <p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Possible (3)</p>	<p><b>Current Impact</b></p> <p>Major (5)</p> <p><b>Target Residual Impact</b></p> <p>Serious (4)</p>
		<b>Control Title</b>	<b>Control Owner</b>				
		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 Segurolo, 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.	Stuart Collins, Interim Director 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	
Maintain the use of appropriate tools to obtain value for money in relation to the commissioning of expensive specialist residential and independent fostering accommodation	Philip Segurola, Director Specialist Children's Services / 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	Stuart Collins, Interim Director Early Help & Preventative Services	
Weekly Management Information reports track key children in care milestones	Philip Segurola, Director Specialist Children's Services	
Kent Safeguarding Children Board has developed a 'threshold' document that outlines the criteria required to by partners when making a referral and have been working with partners to promote aid appropriate application.	Mark Janaway, Programme and Performance Manager	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
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 2017 (review)
Phase 2 of 0-25 Programme to define and implement a new way of delivering services to the children and young people of Kent to improve outcomes and reduce costs.	Patrick Leeson, Corporate Director EYPS	May 2017 (review)

Risk ID	CRR 12	Risk Title	Potential implications associated with significant migration into Kent			
<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
Migration to Kent is not a new phenomenon and is an inevitable outcome of being a London-peripheral authority, symptomatic of differentials in housing markets across the country and the desirability of living in the county.	Influx of significant numbers of 'welfare dependent' or vulnerable people into the county, either due to welfare reform or other factors, particularly if migration is into concentrated areas.	Potential impact on community cohesion in parts of the county.	Corporate Management Team	Possible (3)	Serious (4)	
Welfare reform policy changes (e.g. Housing Benefit cap) combined with an overheating London housing market and lack of affordable housing options drives London residents and councils to more affordable temporary and permanent accommodation in Kent.	Failure to plan appropriately to deal with potential consequences.	Additional pressure on KCC services e.g. demand for adults and children's social care.	<b>Responsible Cabinet Member(s):</b> Graham Gibbens, Adult Social Care & Public Health  Mike Hill, Community Services  Peter Oakford, Specialist Children's Services	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> Significant (3)	
KCC needs to be prepared to manage the uncertain affects and outcomes that any significant migration into the county may have on local communities, as this may well lead to additional pressure on KCC services.						
<b>Control Title</b>			<b>Control Owner</b>			
Welfare reform - 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.			Vincent Godfrey, 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 SPRCA / Vincent Godfrey, Director Strategic Business Development & Intelligence
Kent Support and Assistance Service operating as the County's local welfare assistance scheme		Mark Lobban, Director of Commissioning
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Local Steering Group being established involving KCC and District Council partners to coordinate activity to respond to concerns over any potential proliferation of large-scale placement of those with housing need into Kent.	Paul Carter, Leader of the Council (KCC Lead)	January 2017 (review)



<b>Risk ID</b>	<b>CRR 17</b>	<b>Risk Title</b>	<b>Future financial and operating environment for Local Government</b>			
<b>Source / Cause of risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner (s)</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
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. Government funding is set to continue reducing over the medium term and the business rate retention scheme due to be implemented by 2020 may present opportunities but also threat to the Council. The Local Government, Cities and Devolution Act could have wide-ranging implications, including the potential for significant Local Government reorganisation. The EU referendum result in June 2016 has added additional uncertainty to the environment.	Additional spending demands and continued public sector austerity measures threaten financial sustainability of KCC, its partners and service providers.  Quality of KCC commissioned / delivered services suffers as financial situation continues to worsen.	Unsustainable financial situation.  Potential for partner or provider failure – including sufficiency gaps in provision.  Reduction in resident satisfaction and reputational damage.	All Corporate Directors  <b>Responsible Cabinet Member (s):</b> All Cabinet Members	Likely (4)	Major (5)	
				<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>	
				Possible (3)	Serious (4)	
<b>Control Title</b>			<b>Control Owner</b>			
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 Quarterly Performance Report monitors key performance and activity information for KCC			Richard Fitzgerald, Business Intelligence Manager –			

commissioned or delivered services. Regularly reported to Cabinet.		Performance
Ongoing oversight of implications relating to proposed Local Authority pension fund changes		Nick Vickers, Head of Financial Services
Support being provided to the Leader of the County Council in his role as Chair of the County Councils Network.		David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Work proactively with Government regarding how the new business rate retention scheme can be most effectively implemented	Dave Shipton, Head of Financial Strategy	December 2016 (review)
Continual engagement regarding devolution between KCC, District Councils, other partners and Government	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	July 2017
Engage with Government for a fair-funding needs formula for Grant distribution	Andy Wood, Corporate Director Finance & Procurement	June 2017 (review)
Financial analysis of medium term Kent public sector / provider landscape post Autumn Statement 2016 and Budget 2017	Dave Shipton, Head of Financial Strategy	November / December 2016 (Autumn Statement) / Autumn 2017 (Budget)

Risk ID	CRR22	Risk Title	Implications of increased numbers of Unaccompanied Asylum seeking children (UASC)			
<b>Source / Cause of risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
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.	Serious impact on vulnerable young people.	Andrew Ireland, Corporate Director, SCHW	Very Likely (5)	Serious (4)	
In addition, a significant number of these children will turn 18 in the coming months, requiring care leaver support.	Shortfall in funding the full cost associated with fulfilling the Council's statutory duties. Risk that other Local Authorities do not voluntarily accept UASC that arrive in Kent in sufficient numbers.	The Council would be unable to fulfil its statutory duties effectively. Additional budget pressures on the Authority if UASC costs are not fully funded by Govt.	<b>Responsible Cabinet Member(s):</b> Peter Oakford, Specialist Children's Services	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> Serious (4)	
<b>Control Title</b>				<b>Control Owner</b>		
UASC multi-agency Partnership Board established to take a strategic overview of whole system of services contributing to and impacted upon in managing the needs of UASC in Kent and to provide opportunities for shared learning.				Philip Segurola, Director of Specialist Children's Services		
An additional temporary reception centre has been 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		
Specialist Children's Services continue to work extremely closely with colleagues in the UASC arm of the UK Visas and Immigration service to ensure new arrivals, as well as children which arrived prior to the 1st July are transferred to the care of Other Local Authorities in the most timely and child-centred way				Philip Segurola, Director of Specialist Children's Services		
A National Transfer Scheme has been launched to encourage all local authorities to volunteer to support unaccompanied asylum-seeking children (UASC) so there is a more even distribution of caring responsibilities across the country.						

<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Continue to make representations to Government for reimbursement of the full costs of fulfilling our statutory duties for UASC.	Andrew Ireland, Corporate Director SCHW	March 2017
Continue to review staffing levels, increasing where required	Philip Segurola, Director of Specialist Children's Services	December 2016 (review)
Lobby Government for a mandatory dispersal scheme	Andrew Ireland, Corporate Director SCHW / Leader, Cabinet Member and other elected Members	December 2016 (review)

<b>Risk ID</b>	<b>CRR23</b>	<b>Risk Title</b>	<b>Evolution of Strategic Commissioning Approach</b>				
<b>Source / Cause of risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
The Authority is developing a strategic commissioning approach, as it looks to transform and respond to the challenging local government environment. This includes exploring alternative service delivery models as well as embedding commissioning principles for 'internally commissioned' services. This involves the development of appropriate 'client-side' arrangements.	Insufficient programme control on key change activity. Insufficient management capacity and / or capability in key skill areas to support sustained change. 'Client-side' commissioner arrangements not developed in time to drive effective relationships with, and performance management of, suppliers.	Potential to fall short of achieving financial and non-financial benefits if changes introduced are not fully embedded. Disproportionate effort could be spent on areas of change that do not provide the greatest return on investment. Potential implications for staff wellbeing, morale and engagement.	All Corporate Directors  <b>Responsible Cabinet Member:</b> Paul Carter, Leader of the Council	Likely (4)	Significant (3)	Unlikely (2)	Significant (3)
<b>Control Title</b>				<b>Control Owner</b>			
Corporate Directors are providing managerial leadership for the change agenda and ensuring resources for delivering change are sufficient.				Corporate Directors			
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 mind-set. 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			
Strategic Business Development & Intelligence function brings together activities which support effective commissioning and leads on the management of KCC's strategic contracts.				Vincent Godfrey, Director Strategic Business Development & Intelligence			
Commissioning network and toolkit in place to support development of key commissioning knowledge and				Steve Lusk, Commercial			

skills and sharing of good practice	Manager	
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	Vincent Godfrey, Director Strategic Business Development & Intelligence	
Roles and responsibilities for Officers charged with the strategic commissioning of services and those responsible for operational delivery of services have been clarified.	Corporate Directors	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Rolling programme of reviews of contract management arrangements for major contracts.	Vincent Godfrey, Director Strategic Business Development & Intelligence	March 2017 (review)
Review Governance arrangements to clarify Member roles and responsibilities around the evolving strategic commissioning authority approach.	David Whittle, Director Strategy, Policy, Relationships and Corporate Assurance	July 2017

<b>Risk ID</b>	<b>CRR24</b>	<b>Risk Title</b>	<b>Delivery of 2016/17 savings</b>			
<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
The ongoing difficult public finances situation and economic uncertainty continue to mean significant reductions in funding to the public sector and Local Government in particular, at a time when spending pressures on councils are increasing.	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	Likely (4)	Serious (4)	
KCC has already made significant cost savings and still needs to make ongoing year-on-year savings in order to “balance its books.”			<b>Responsible Cabinet Member(s):</b>  John Simmonds, Finance & Procurement	<b>Target Residual Likelihood</b>  Very unlikely (1)	<b>Target Residual Impact</b>  Moderate (2)	
<b>Control Title</b>				<b>Control Owner</b>		
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/		
Controls and mechanisms remain robust				Andy Wood, Corporate Director Finance & Procurement		
Savings plans developed 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		

Recruitment moratorium in place		Andy Wood, Corporate Director Finance & Procurement
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Action plan to address overspend in Specialist Children's Services	Philip Segurola, Director Specialist Children's Services	March 2017
Additional mitigations being discussed by Corporate Directors should situation not improve by January.	Corporate Directors	January 2017



Risk ID	CRR25	Risk Title	Delivery of 2017/18 savings				
		<p><b>Source / Cause of Risk</b></p> <p>The ongoing difficult public finances situation and economic uncertainty continue to mean significant reductions in funding to the public sector and Local Government in particular, at a time when spending pressures on councils are increasing.</p> <p>KCC has already made significant cost savings and still needs to make significant ongoing year-on-year savings in order to “balance its books”.</p>	<p><b>Risk Event</b></p> <p>Robust plans to achieve the required savings are not developed in time to enable implementation and realisation of benefits in 2017/18.</p> <p>Plans are not aligned with Cabinet Member priorities.</p>	<p><b>Consequence</b></p> <p>Urgent alternative savings need to be found which could have an adverse impact on service users and/or residents of Kent.</p> <p>Potential adverse impact on council transformation plans.</p> <p>Reputational damage to the council.</p>	<p><b>Risk Owner</b></p> <p>On behalf of CMT:</p> <p>Andy Wood, Corporate Director Finance &amp; Procurement</p> <p><b>Responsible Cabinet Member(s):</b></p> <p>John Simmonds, Finance &amp; Procurement</p>	<p><b>Current Likelihood</b></p> <p>Likely (4)</p> <p><b>Target Residual Likelihood</b></p> <p>Very unlikely (1)</p>	<p><b>Current Impact</b></p> <p>Serious (4)</p> <p><b>Target Residual Impact</b></p> <p>Moderate (2)</p>
		<b>Control Title</b>	<b>Control Owner</b>				
		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 Delivery 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				
		Controls and mechanisms remain robust	Andy Wood, Corporate Director Finance & Procurement				
		Indicative cash limits and savings targets allocated to Corporate Directors to allow early planning.	Corporate Directors and Director Group				
		Six monthly update reports on progress against budgeted savings presented to Governance & Audit Committee	Corporate Directors and Director Group				

<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Corporate Management Team and Cabinet discussing how current gap in 2017/18 budget is to be closed.	Corporate Directors	February 2017

Risk ID	CRR26	Risk Title	Cyber and information security threats			
<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner(s)</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
<p>The Council has a duty to protect personal and other sensitive data that it holds on its staff, service users and residents of Kent.</p> <p>KCC repels a high number of cyber-attacks on a daily basis, although organisations across all sectors are experiencing an increasing threat in recent times and must ensure that all reasonable methods are employed to mitigate them, both in terms of prevention and preparedness of response in the event of any successful attack.</p> <p>KCC's ICT Strategy will move the Authority's technology to cloud based services. It is important to harness these new capabilities in terms of both IT security and resilience, whilst emerging threats are understood and managed.</p> <p>In information terms the other factor is human. Technology can only provide a level of protection. Our staff must have a strong awareness of their responsibilities in terms of IT and information security.</p>	<p>Successful cyber-attack (e.g. 'phishing' scam) leading to loss or unauthorised access to sensitive business data.</p> <p>Significant business interruption caused by a successful attack.</p>	<p>Data Protection breach and consequent Information Commissioner's Office (ICO) sanction.</p> <p>Damages claims</p> <p>Reputational Damage</p> <p>Potential significant impact on business interruption if systems require shutdown until magnitude of issue is investigated.</p>	<p>Corporate Management Team</p> <p><b>Responsible Cabinet Member(s):</b> Gary Cooke, Corporate &amp; Democratic Services</p>	<p>Likely (4)</p> <p><b>Target Residual Likelihood</b> Possible (3)</p>	<p>Serious (4)</p> <p><b>Target Residual Impact</b> Moderate (2)</p>	

Control Title	Control Owner	
ICT Compliance and Risk Team operational	Michael Lloyd, Head of Technology Commissioning and Strategy	
Continual awareness raising of key risks amongst the workforce and manager oversight	Michael Lloyd, Head of Technology Commissioning and Strategy / Internal Communications function / All Managers	
Electronic Communications User Policy, Virus reporting procedure and social media guidelines in place	Michael Lloyd, Head of Technology Commissioning and Strategy	
Cyber security controls in place	Kathy Stevens, ICT Compliance and Risk Manager	
Mandatory Data Protection and Information Governance training	Ben Watts, General Counsel (Interim)	
Action Title	Action Owner	Planned Completion Date
Implementation of ICT Transformation Programme includes actions to further strengthen ICT resilience, with systems and software compliance with various UK Standards.	Michael Lloyd, Head of Technology Commissioning and Strategy	March 2017 (review)

Risk ID	CRR27	Risk Title	Managing and working with the social care market			
<b>Source / Cause of Risk</b>	<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>	
A significant proportion of adult social care is commissioned out to the private and voluntary sectors. This offers and value for money but also means that KCC is dependent on a buoyant market to achieve best value and give service users optimal choice and control.	Care home and domiciliary care markets are not sustainable	Gaps in the care market for certain types of care or in geographical areas meaning difficulty in placing some service users.	Andrew Ireland, Corporate Director SCHW	Likely (4)	Major (5)	
Factors such as the introduction of the National Living Wage, potential inflationary pressures and uncertainty over care market workforce status in light of the vote to leave the EU mean that the care market is under pressure.	Inability to obtain provider supply at affordable prices		<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>	
	Significant numbers of care home closures or service failures		Graham Gibbens, Cabinet member for Adult Social Care and Public Health	Possible (3)	Significant (3)	
	Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.					
<b>Control Title</b>						<b>Control Owner</b>
Risk based approach is applied to monitoring providers						Andrew Ireland, Corporate Director SCHW / Mark Lobban, Director of Commissioning SCHW
Opportunities for joint commissioning in partnership with key agencies (i.e. Health) being regularly explored						Andrew Ireland, Corporate Director SCHW / Mark Lobban, Director of Commissioning SCHW
An Accommodation Strategy is in place, developed with partners and key stakeholders.						Mark Lobban, Director of Commissioning SCHW
Regular market mapping and price increase pressure tracking						Andrew Ireland, Corporate Director SCHW / Mark Lobban,

	Director of Commissioning SCHW
Regular meetings with provider and trade organisations	Andrew Ireland, Corporate Director SCHW / Mark Lobban, Director of Commissioning SCHW
Placement data is regularly tracked through the County Placement Team	Mark Lobban, Director of Commissioning SCHW
Ongoing monitoring of Home Care market and market coverage following Home Care retender	Mark Lobban, Director of Commissioning SCHW
Commissioning and Access to Resources functions in place to ensure KCC gets value for money while maintaining productive relationships with providers	Andrew Ireland, Corporate Director SCHW / Mark Lobban, Director of Commissioning SCHW
<b>Action Title</b>	<b>Action Owner</b>
<b>Planned Completion Date</b>	
Ensure as far as practically possible that the market is able to offer choice in the new market conditions opened up by personalisation	Mark Lobban, Director of Commissioning SCHW
December 2016	
Work to ensure there is sufficient local foster and residential care for disabled children to reduce the need for out of county placements.	Mark Lobban, Director of Commissioning SCHW
December 2016 (review)	
Project to improve quality of care in independent sector, with further work to operationalise it.	Mark Lobban, Director of Commissioning SCHW
January 2017	
Residential and nursing re-let: implementation phase following the tender.	Mark Lobban, Director of Commissioning SCHW
December 2016	
Implementation of key actions arising from the Accommodation Strategy	Mark Lobban, Director of Commissioning SCHW
May 2017 (review)	

<b>Risk ID</b>	<b>CRR28</b>	<b>Risk Title</b>	<b>Delivery of New School Places is constrained by capital budget pressures and dependency upon the Education Funding Agency (EFA)</b>			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
A significant expansion of schools is required to accommodate major population growth in the short term to medium term (primary age) and medium to long term (secondary age). The "Basic Need" capital grant from Dept of Education (DfE) will not fund the expansion in full.		The expansion required may not be delivered, meaning KCC is not able to provide appropriate school places.	The duty to provide sufficient school places is not met, which may lead to legal action against the council. Some children have to travel much further to attend a school, with a resulting impact on the transport budget.	Patrick Leeson, Corporate Director EYPS	Very Likely (5)	Serious (4)
A funding gap to deliver the programme for schools will be created by cost pressures from higher than expected build costs, low contributions from developers and increases in pupil demand.				<b>Responsible Cabinet Member(s):</b> Roger Gough, Cabinet Member for Education & Health Reform	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> Significant (3)
Whilst the funding gap identified with the Kent Commissioning Plan has been closed, the delivery of the plan is highly dependent upon securing 15 Free Schools in Kent over the period and that the EFA complete the Free School projects on time and to an appropriate standard.						
<b>Control Title</b>					<b>Control Owner</b>	
The Kent Commissioning Plan contains the forecast expansion numbers and locations. A school expansion programme has been mapped, costed and kept under review.					Keith Abbott, Director Education Planning and Access	
The school expansion programme is under member scrutiny and review by relevant Education and Property					Keith Abbott, Director	

programme boards/forums/committees.	Education Planning and Access	
EYPS capital monitoring mechanism with Member involvement now created	Keith Abbott, Director Education Planning and Access	
Policy and operations to secure sufficient developer contributions are overseen by Growth and Infrastructure Group.	Keith Abbott, Director Education Planning and Access/Katie Stewart, Director Environment, Planning and Enforcement	
A bid has been made for extra funding under the priority school building programme Phase 2	Keith Abbott, Director Education Planning and Access	
Negotiations have taken place with District Councils regarding allocation of contributions	David Adams, Area Education Officer (SK)/Jared Nehra, Area Education Officer (WK)/Ian Watts, Area Education Officer (NK), Marisa White, Area Education Officer (EK)	
Close working with the EFA and lobbying of the DFE/EFA. This included raising the issue in the KCC response to the Education White Paper and the Leader raised this via the County Council's Network.	Keith Abbott, Director Education Planning and Access	
Regular meetings with EFA officials to monitor progress at individual project level and identify ways in which KCC can help progress these projects. First meeting held on 28/11/16	Keith Abbott, Director Education Planning and Access	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
To develop contingency plans for alternative interim accommodation for each Free School project	Keith Abbott, Director Education Planning and Access/ David Adams, Area Education Officer (SK)/Jared Nehra, Area Education Officer (WK)/Ian Watts, Area Education Officer (NK), Marisa	January 2017 (review)



	White, Area Education Officer (EK)	
Discussions with senior EFA staff and Keith Abbott/Rebecca Spore to follow in the coming months	Keith Abbott, Director Education Planning and Access	January 2017

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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 – 25<sup>th</sup> January 2017

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

Classification: Unrestricted

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### **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**

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#### **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 At the last review of the Policy & Strategy in January 2016, the Committee agreed that it would 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 does not affect the requirement for the Policy & Strategy to be reviewed and approved annually.
- 1.3 The Policy & Strategy has been reviewed again and there are no proposed amendments to it this year.

#### **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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## Appendix 1

# Risk Management Policy & Strategy 2017-20

**DRAFT for presentation to Governance  
and Audit Committee  
25/01/17**

**POLICY OWNER:**

**David Whittle**  
**Director Strategy, Policy, Relationships and Corporate Assurance**  
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**03000 416660**

**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 & Accounts 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 change 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 ;
- 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.

## **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 our strategic commissioning approach as an 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.

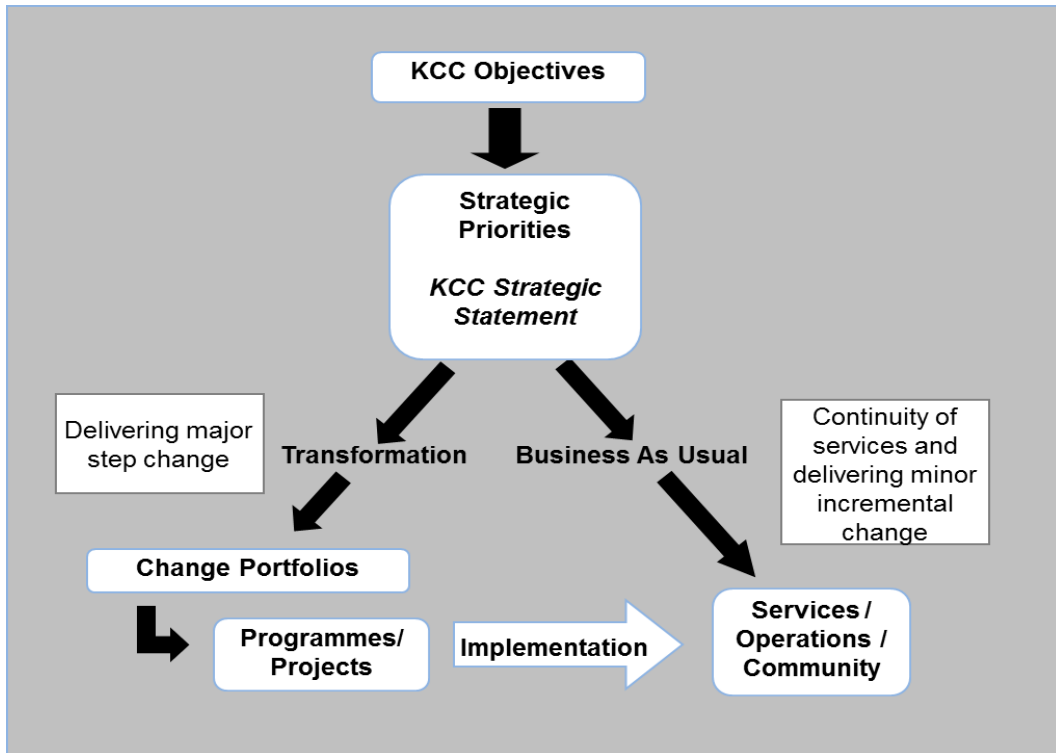
6.2 In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;

- '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;

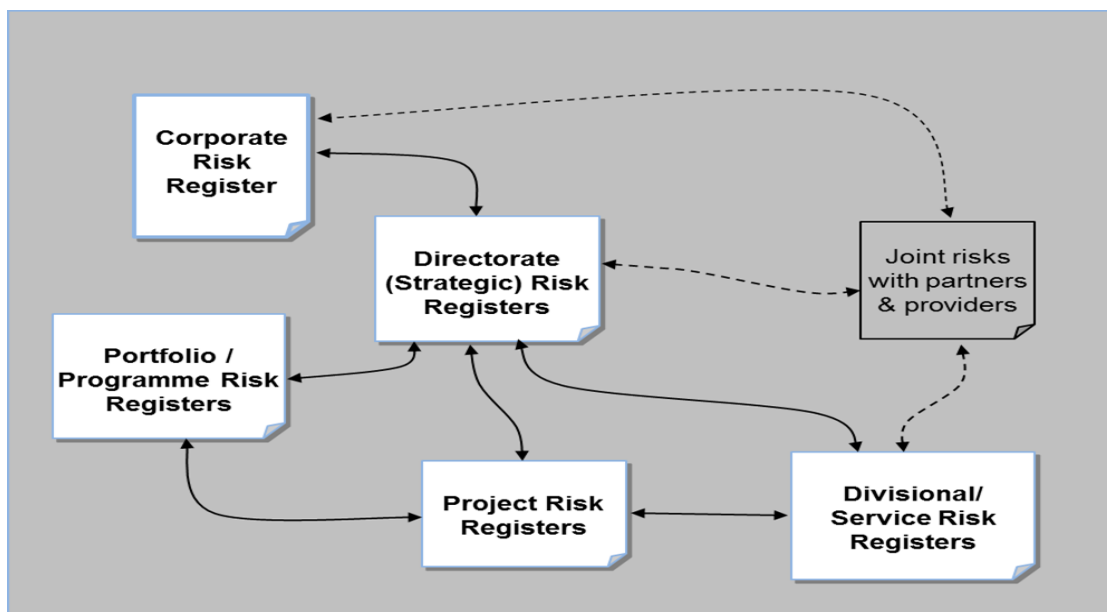
- **Corporate** – where decisions are made that shape our overall mission, strategic priorities and ambitions.
- **Strategic** - where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
- **Programme** – where we are exposed to risks that could affect 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

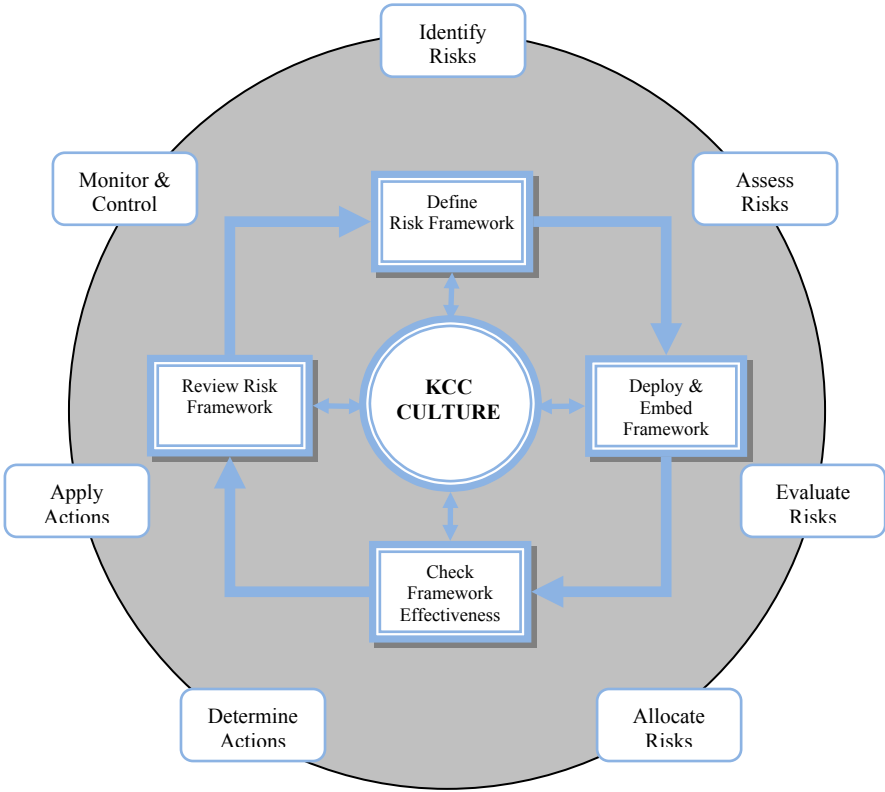
7.1 Responsibility for risk management runs throughout the Council; everyone has a role to play. Staff and managers that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key 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.

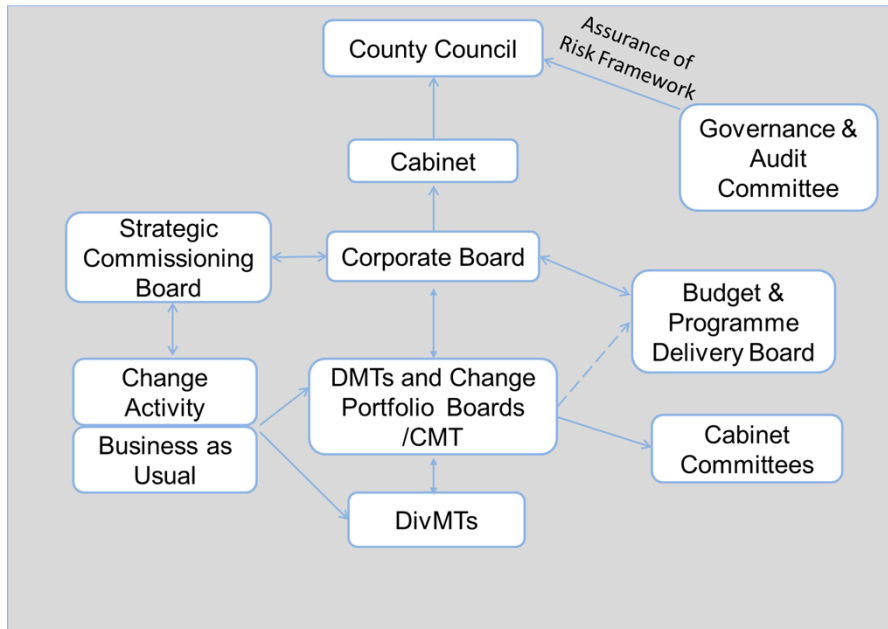
11.2 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh. It is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes. Strategic risks facing the County Council are to be reported to Cabinet Committees annually,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

Budget & Programme Delivery Board	<p>Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient.</p> <p>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.</p>
Change Portfolio / Programme / Project Boards	<p>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.</p>
Corporate Assurance function	<p>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.</p>
Portfolio Delivery Managers	<p>Establish and monitor that clear, effective and proportionate governance is in place for all projects and programmes within change portfolios, including risk management.</p> <p>Ensure that key risks and interdependencies within change portfolios are identified and escalated as appropriate.</p>
Directorate Management Teams (DMT)	<p>Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.</p>
Divisional Management Teams (DivMT)	<p>Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.</p>
Corporate Director Strategic & Corporate Services (Head of Paid Service)	<p>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.</p>
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 key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.</p>

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 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.

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

To: Governance and Audit Committee – 25 January 2017

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2016/17**

Classification: Unrestricted

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Summary: To present the Treasury Management 6 Month Review

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**FOR DECISION**

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**INTRODUCTION**

1. This report covers Treasury Management activity for the 6 months to 30 September 2016 and developments in the period since up to the date of this report.
2. If agreed by members this 6 month report will then go on to Council.
3. 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 council is embracing Best Practice in accordance with CIPFA's recommendations.
4. The Council's Treasury Management Strategy for 2016/17 was approved by full Council on 11 February 2016.
5. 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.

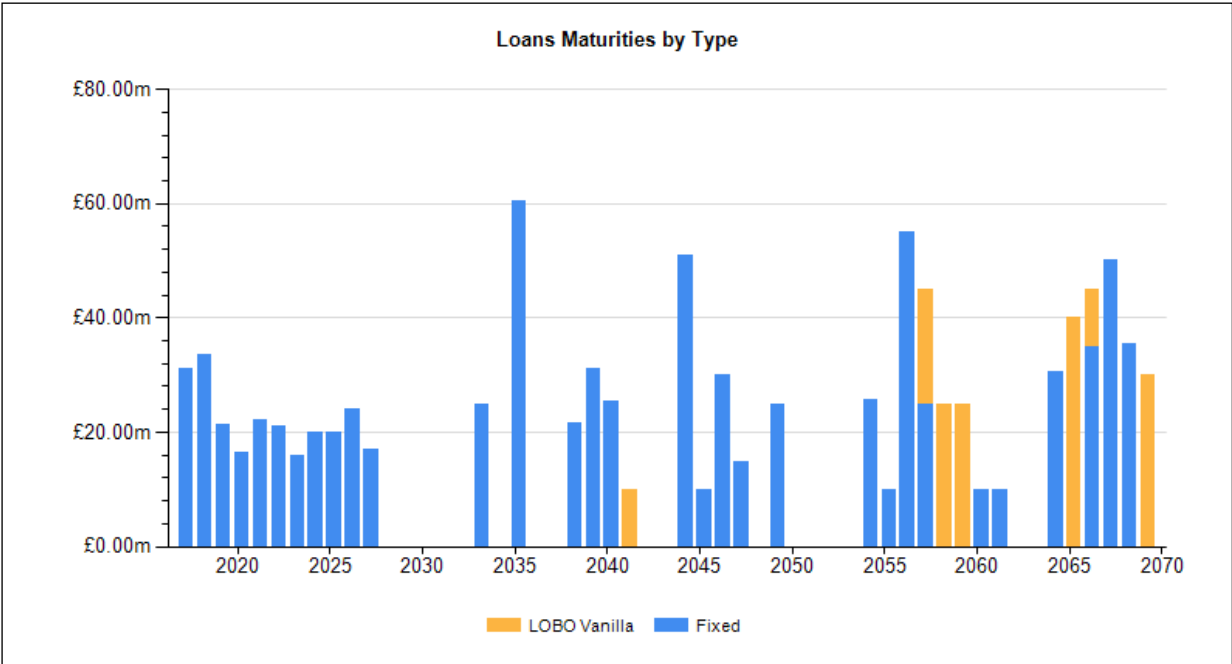
**EXTERNAL CONTEXT**

6. The main external issues in the first six months of the year were the Bank of England's decision in August to reduce the base rate to 0.25%, to make further gilt and corporate bond purchases (Quantitative Easing), and to provide cheap funding for banks (Term Funding Scheme) in order to maintain the supply of credit to the economy. These post- Brexit vote actions were made to pre-empt a slowdown in the economy but second quarter growth of 0.5% was better than expected. The reduction in the base rate has led to further reductions in the rates offered by banks for deposits and available from money market funds.

- 7. The Council had some exposure to equity markets, through its investment in the Pyrford Fund, which have performed strongly in the first half of the year.
- 8. Inflation has picked up due to a rise in import prices, dampening real wage growth and real investment returns. The Consumer Price Index (CPI) rose to 1.2% in the year to November 2016 and the Bank of England forecasts a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.
- 9. Some of the UK's largest property pooled fund providers closed their funds in the immediate aftermath of the Brexit vote and the CCLA LAMIT Property Fund, which the Council invests in, wrote down capital values by 4%. Since the initial Brexit reaction capital values have reduced marginally and it is already widely forecast that UK Commercial Property returns in the next few years will be driven by income returns. Fidelity are forecasting returns for UK Commercial Property of 6-7% per annum for the next five years.

**BORROWING STRATEGY**

- 10. At 30 November the Council had long term borrowings of £983.84m, an increase of £4.3m from the balance as at 31 March 2016, with a maturity profile as follows:



- 11. Total external debt managed by KCC includes £37.4m pre-LGR debt managed by KCC on behalf of Medway Council and £0.91m for other bodies.
- 12. 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 Council's long-term plans change being a secondary objective.

13. In June Barclays Bank advised the Council of their decision to cancel all the embedded options within their standard Lender's Option Borrower's Option loans. This converted the Barclays LOBOs, totalling £281.8m, into fixed rate loans and is a highly welcome move by the bank.
14. Since the start of the current financial year the Council has received £6.2m of the funding agreed for the County's street lighting and expects to receive a total of £8.8m in 2016-17. KCC also expects to repay £32m of maturing and EIP PWLB loans by 31 March 2017
15. As a result of the borrowing relating to the street lighting, the average interest rate payable on the Council's debt portfolio reduced to 5.181%.
16. 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 remain lower than long-term rates, the Council has determined it is more cost effective in the short-term to use internal resources instead.
17. 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.

## **INVESTMENT ACTIVITY**

### **Counterparty Update**

18. The impact on KCC's counterparties and investments of the uncertain economic environment is being carefully monitored by officers and the Council's treasury advisors. Arlingclose's credit advice remains cautious however duration limits for major UK banks and building societies were unchanged with Standard Chartered remaining suspended from the list.

### **Investment activity 2016/17**

19. The Council holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. Cashflow forecast indicated that during 2016/17 investment balances would range between £285m and £434m.
20. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

21. Security of capital has remained the Council's main investment objective. Against a background of increasing uncertainty, the continuing risk of bail-in and continued low returns, it is the Council's aim to further diversify into more secure and/or higher yielding asset classes as set out in its Treasury Management Strategy Statement for 2016-17.
22. As at the end of November the types of investment held were as follows:

Type of Investment	Total	
	£m	%
Call Account	11.00	3.59
Money Market Fund	34.85	11.39
Notice Account	25.00	8.17
Certificate of Deposit	5.00	1.63
Fixed Deposit	68.60	22.42
Covered Bond	115.34	37.69
ISK held in Escrow	3.28	1.07
Icelandic Recoveries Outstanding	0.51	0.17
<b>Internally managed cash</b>	<b>263.57</b>	<b>86.13</b>
External Investments	30.31	9.90
Cashplus Fund	10.00	3.27
Equity	2.14	0.70
<b>Total</b>	<b>306.02</b>	<b>100.00</b>

## FORECAST OUTTURN

23. The average cash balances were £345.7m in the half year. Short-term money market rates have remained at relatively low rates. Following the reduction in the base rate, rates for very short-dated periods (overnight – 1 month) have fallen to between 0.1% and 0.2%. Debt Management Account Deposit Facility (DMADF) rates have fallen to 0.15% for periods up to 3 months and to 0.10% for 4 – 6 month deposits.
24. New internally managed investments over the 6-month period were made at an average rate of 0.78%
25. The forecast anticipates an underspend of £0.487m on the net debt charges budget.

## COMPLIANCE WITH PRUDENTIAL INDICATORS

26. The Council can confirm that it has complied with its Prudential Indicators for 2016/17 set as part of the Council's Treasury management Strategy Statement. Details can be found in Appendix 2.

## **TREASURY ADVISOR**

27. Following a full tendering process for treasury advisory services Arlingclose were reappointed for a 3 year period from 1 August 2016.

## **RECOMMENDATION**

28. 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	£1,000,000	n/a	0.35%
	<b>Total Barclays</b>	<b>£1,000,000</b>		
Fixed Deposit	Lloyds Bank	£5,000,000	21/08/2017	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	29/09/2017	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	24/02/2017	0.80%
Fixed Deposit	Lloyds Bank	£5,000,000	24/07/2017	1.05%
Fixed Deposit	Lloyds Bank	£5,000,000	08/08/2017	1.00%
Fixed Deposit	Lloyds Bank	£5,000,000	09/02/2017	0.90%
Fixed Deposit	Lloyds Bank	£5,000,000	05/09/2017	1.00%
	<b>Total Lloyds Group</b>	<b>£35,000,000</b>		
Call Account	Santander UK	£10,000,000	n/a	0.15%
180 Day Call Notice Account	Santander UK	£25,000,000	n/a	0.90%
	<b>Total Santander</b>	<b>£35,000,000</b>		
<b>Total UK Bank Deposits</b>		<b>£71,000,000</b>		
Fixed Deposit	Nationwide Building Society	£3,600,000	19/04/2017	0.42%
Fixed Deposit	Nationwide Building Society	£10,000,000	24/04/2017	0.43%
<b>Total UK Building Society Deposits</b>		<b>£13,600,000</b>		
Certificate of Deposit	Toronto-Dominion Bank	£5,000,000	10/02/2017	0.80%
<b>Total Canadian Bank Deposits</b>		<b>£5,000,000</b>		
Fixed Deposit	United Overseas Bank	£10,000,000	10/02/2017	0.73%
Fixed Deposit	United Overseas Bank	£5,000,000	10/02/2017	0.70%
Fixed Deposit	Overseas Chinese Banking Corp	£5,000,000	10/02/2017	0.65%
<b>Total Singapore Bank Deposits</b>		<b>£20,000,000</b>		
Money Market Fund	Aberdeen Sterling Liquidity Fund	£4,496,679	n/a	0.31 (variable)
Money Market Fund	Deutsche Managed Sterling Fund	£93,593	n/a	0.30 (variable)
Money Market Fund	Federated (PR) Short-term GBP Prime Fund	£9,990,000	n/a	0.30 (variable)
Money Market Fund	HSBC Global Liquidity Fund	£96,302	n/a	0.29 (variable)
Money Market Fund	Insight Sterling Liquidity Fund	£97,412	n/a	0.29 (variable)
Money Market Fund	LGIM Liquidity Fund	£9,991,781	n/a	0.37 (variable)
Money Market Fund	SSgA GBP Liquidity Fund	£94,334	n/a	0.26 (variable)
Money Market Fund	Standard Life Liquidity Fund	£9,990,000	n/a	0.33 (variable)
<b>Total Money Market Funds</b>		<b>£34,850,100</b>		
Cash Plus Fund	Aberdeen Ultra Short Duration Sterling Fund	£10,002,230	n/a	0.30 (variable)
<b>Total Cash Plus Funds</b>		<b>£10,002,230</b>		

## 1.2 Iceland Deposits

Instrument Type	Principal Amount
Total Icelandic Recoveries outstanding	£506,554
Total ISK held in Escrow (est GBP)	£3,278,427
<b>Icelandic Recoveries outstanding</b>	<b>£3,784,981</b>

## 1.3 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Maturity Date	Net Yield
Fixed Rate Covered Bond	Coventry Building Society	£3,157,053	19/04/2018	1.931%
Fixed Rate Covered Bond	Coventry Building Society	£5,282,513	19/04/2018	1.726%
Fixed Rate Covered Bond	Coventry Building Society	£2,121,260	19/04/2018	1.524%
Fixed Rate Covered Bond	Leeds Building Society	£2,128,008	17/12/2018	2.029%
Fixed Rate Covered Bond	Leeds Building Society	£1,601,727	17/12/2018	1.192%
Fixed Rate Covered Bond	Yorkshire Building Society	£2,107,752	12/04/2018	1.976%
Fixed Rate Covered Bond	Yorkshire Building Society	£3,187,918	12/04/2018	1.545%
Floating Rate Covered Bond	Abbey National Treasury	£5,752,160	20/01/2017	0.820%
Floating Rate Covered Bond	Abbey National Treasury	£3,001,107	20/01/2017	0.714%
Floating Rate Covered Bond	Abbey National Treasury	£2,417,166	05/04/2017	0.776%
Floating Rate Covered Bond	Abbey National Treasury	£1,365,105	05/04/2017	0.716%
Floating Rate Covered Bond	Abbey National Treasury	£3,002,438	29/05/2018	0.787%
Floating Rate Covered Bond	Barclays Bank	£5,003,059	15/09/2017	0.693%
Floating Rate Covered Bond	Barclays Bank	£3,001,954	15/09/2017	0.685%
Floating Rate Covered Bond	Barclays Bank	£5,001,899	12/02/2018	0.721%
Floating Rate Covered Bond	Barclays Bank	£2,395,754	12/02/2018	0.781%
Floating Rate Covered Bond	Coventry Building Society	£3,007,248	17/03/2020	0.877%
Floating Rate Covered Bond	Leeds Building Society	£2,501,547	09/02/2018	0.784%
Floating Rate Covered Bond	Leeds Building Society	£2,501,572	09/02/2018	0.784%
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	01/10/2019	0.967%

## Appendix 1

Floating Rate Covered Bond	Lloyds	£3,001,050	14/01/2017	0.806%
Floating Rate Covered Bond	Lloyds	£3,901,503	19/01/2018	0.721%
Floating Rate Covered Bond	Lloyds	£1,403,781	18/07/2019	0.758%
Floating Rate Covered Bond	Lloyds	£10,004,572	16/01/2017	0.459%
Floating Rate Covered Bond	Nationwide Building Society	£1,899,998	17/07/2017	0.769%
Floating Rate Covered Bond	Nationwide Building Society	£1,000,369	17/07/2017	0.719%
Floating Rate Covered Bond	Nationwide Building Society	£2,100,930	17/07/2017	0.709%
Floating Rate Covered Bond	Nationwide Building Society	£3,429,522	27/04/2018	0.740%
Floating Rate Covered Bond	Nationwide Building Society	£2,147,283	27/04/2018	0.771%
Fixed Rate Covered Bond	National Australia Bank	£3,003,113	10/11/2021	1.104%
Floating Rate Covered Bond	Toronto Dominion	£5,456,592	01/02/2019	1.016%
Fixed Rate Covered Bond	Leeds Building Society	£5,851,747	17/12/2018	0.623%
Fixed Rate Covered Bond	Santander UK PLC	£3,615,957	14/04/2021	0.649%
Fixed Rate Covered Bond	Bank Of Nova Scotia	£4,984,225	14/09/2021	0.813%
<b>Total Bonds</b>		<b>£115,337,881</b>		

<b>Total Internally Managed Investments</b>	<b>£273,575,193</b>
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### 2. Externally Managed Investments

Investment Fund	Book Cost	Market Value as at 31 October 2016	12 months return to 31 October 2016
CCLA LAMIT Property Fund	£20,000,000	£24,807,891	0.16%
Pyrford Fund	£5,000,000	£5,498,197	10.99%
Kent PFI (Holdings) Ltd	£2,135,741	£2,135,741	
<b>Total Externally Managed Investments</b>		<b>£32,441,828</b>	

### 3. Total Investments

<b>Total Investments</b>	<b>£306,017,020</b>
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## 2016-17 October Monitoring of Prudential Indicators

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

Actuals 2015-16	£249.121m
Original estimate 2016-17	£299.658m
Revised estimate 2016-17	£291.264m

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

	2015-16	2016-17	2016-17	2017-18	2018-19
	Actual	Original Estimate	Forecast as at 31-10-16	Forecast as at 31-10-16	Forecast as at 31-10-16
	£m	£m	£m	£m	£m
Capital Financing requirement	1,348.259	1,335.724	1,363.995	1,320.627	1,272.689
Annual increase/reduction in underlying need to borrow	-34.597	-17.266	-15.736	-43.368	-47.938

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 2015-16	13.90%
Original estimate 2016-17	13.71%
Revised estimate 2016-17	13.89%

### 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 2016-17

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

	Prudential Indicator	Position as at 31.10.16
	£m	£m
Borrowing	975	944
Other Long Term Liabilities	248	248
	<hr/> 1,223	<hr/> 1,192

(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 31.10.16
	£m	£m
Borrowing	1,015	983
Other Long Term Liabilities	248	248
	<hr/> 1,263	<hr/> 1,231

### 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 2016-17 are:

	Authorised limit for debt relating to KCC assets and activities	Position as at 31.10.16	Authorised limit for total debt managed by KCC	Position as at 31.10.16
	£m	£m	£m	£m
Borrowing	1,015	944	1,055	983
Other long term liabilities	248	248	248	248
	<hr/> 1,263	<hr/> 1,192	<hr/> 1,303	<hr/> 1,231



**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 2016-17

Fixed interest rate exposure	100%
Variable rate exposure	40%

These limits have been complied with in 2016-17.

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

	Upper limit	Lower limit	As at 31.10.16
	%	%	%
Upper 12 months	10	0	3.17
12 months and within 24 months	10	0	3.37
24 months and within 5 years	15	0	6.10
5 years and within 10 years	15	0	10.22
10 years and within 20 years	20	5	10.43
20 years and within 30 years	20	5	18.21
30 years and within 40 years	25	10	13.28
40 years and within 50 years	30	10	23.46
50 years and within 60 years	30	10	11.75

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

Indicator	£230m
Actual	£178.3m

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

To: Governance & Audit Committee – 25 January 2017

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 2016, as shown on Oracle Accounts Receivable Business Intelligence Suite, is £32.3m. This represents Social Care debt of £13m (3,935 Clients) and Sundry Debt of £19.3m (2,694 Debtors).
4. The sundry debt figures includes invoices raised to the Clinical Commissioning Groups amounting to £3.9m, of which £895k is not yet due for payment. Please see paragraph 22 for further details.
5. The total debt reported has decreased by £1.5m from the £33.8m reported in the last Governance and Audit report.
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:

#### ***Sundry Debt over 6 month percentages***

<b>30-Apr-16</b>	<b>30-Apr-15</b>	<b>30-Apr-14</b>	<b>30-Apr-13</b>	<b>30-Apr-12</b>	<b>30-Apr-11</b>	<b>30-Apr-10</b>	<b>30-Apr-09</b>
1,938,887.34	819,031.59	1,112,016.2	1,646,787.35	2,184,398.19	1,672,564.69	1,323,090.01	2,134,991.75
11%	5%	7%	8%	12%	8%	6%	11%

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 8 November 2016.
8. The table below is an analysis of the summary position for Sundry debt as at 1 December 2016. As can be seen £7.3m of the £19.3m outstanding is not yet due for payment:

**Sundry Debt Values by Directorate**

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	£316,107.11	£956,532.01	£74,357.98	£30,750.62	£1,377,747.72	£1,061,640.61
	GT	£3,877,193.06	£2,393,005.06	£504,700.36	£720,941.56	£7,495,840.04	£3,618,646.98
	SC	£1,069,770.55	£752,417.55	£1,152,955.79	£853,012.53	£3,828,156.42	£2,758,385.87
	ST	£1,034,780.69	£927,412.32	£1,235,529.89	£177,561.68	£3,375,284.58	£2,340,503.89
Old Directorate	BSS	£369,506.50	£11,607.01	£7,264.57	£43,668.44	£432,046.52	£62,540.02
	C&C	£1,416.45	£0.00	£0.00	£2,415.05	£3,831.50	£2,415.05
	E&E	£4,023.11	£0.00	£0.00	£14,112.46	£18,135.57	£14,112.46
	ELS	£31,811.36	£0.00	£0.00	£1,803.66	£33,615.02	£1,803.66
	FSC	£31,075.52	£85.00	£3,583.66	£144,370.51	£179,114.69	£148,039.17
Other	CASHIER MISC INCOME	£240.00	£0.00	£0.00	£0.00	£240.00	£0.00
	EDUKENT	£175,388.97	£1,266,005.23	£90,428.80	£13,276.40	£1,545,099.40	£1,369,710.43
	GEN2 Property	£0.00	£13,300.44	£0.00	£0.00	£13,300.44	£13,300.44
	Penalty Notices	£14,892.00	£19,560.00	£27,249.00	£7,080.00	£68,781.00	£53,889.00
	Property Rents	£370,828.40	£109,651.32	£436,846.63	£26,954.91	£944,281.26	£573,452.86
<b>Grand Total</b>		<b>£7,297,033.72</b>	<b>£6,449,575.94</b>	<b>£3,532,916.68</b>	<b>£2,035,947.82</b>	<b>£19,315,474.16</b>	<b>£12,018,440.44</b>

**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 2016, 71.2% (£13.7m) of the total sundry outstanding debt was under 60 days old whilst 10.5% (£2.06m) was over 6 months old. The reasons for the first KPI not being met are as follows:

- One invoice with a value of £650,000 is in dispute – the matter has been referred back to the Directorate for resolution. The Director is taking forward with the Board of Education.

- Five invoices for one particular debtor remain outstanding with a total value of £606k. The matter has been referred to the invoice requestor in the Directorate, who has confirmed she will be meeting with the debtor before escalating the matter with Senior Managers.
- Five invoices owed by 3 different health organisations remain outstanding with a total value of £902k. Debt Recovery are currently liaising with the individual trusts to resolve before referring to the invoice requestor in the Directorate.

### **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

<b>DEBT CATEGORY</b>	<b>AMOUNT OUTSTANDING</b>
EDUKENT	£306.00
ONGOING ACTION	£4,420.60
INSTALMENTS	£166.80
LIQ'S/INSOLV'S/RECV	£675.30
OTHER	£5,992.50
ON HOLD	£100
REFERRED FOR WRITE OFF	£4,717.79
REFERRED TO DIRECTORATE	£4,678.38
UNSECURED	£9,693.25
<b>TOTAL</b>	<b>£30,750.62</b>

There are 109 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 £4,000 regarding education charges for St Andrews – the debt is being chased by the Directorate directly.

12. GT – Growth, Environment & Transport

<b>DEBT CATEGORY</b>	<b>AMOUNT OUTSTANDING</b>
ONGOING ACTION	£27,113.51
INSTALMENTS	£75,022.74
INSURANCE	£3,970.01
OTHER	£48,811.37
ON HOLD	£520,695.00
REFERRED FOR WRITE OFF	£5,829.85
REFERRED TO DIRECTORATE	£12,762.35
UNSECURED	£26,736.73
<b>TOTAL</b>	<b>£720,941.56</b>

There are 359 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 £303,050.00 regarding developer contribution towards

A28 Chart road. This invoice is subject to a 6 week judicial review in January and once completed the debtor will be obligated to pay the invoice in full.

13. SC – Strategic Commissioning

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£56,197.52
INSTALMENTS	£2,378.13
OTHER	£3,249.15
ON HOLD	£780.66
PAYMENT PLAN	£12,600.68
REFERRED FOR WRITE OFF	£18,981.90
REFERRED TO DIRECTORATE	£357,705.58
REFERRED TO LEGAL	£66,444.56
UNSECURED	£334,674.35
<b>TOTAL</b>	<b>£853,012.53</b>

There are 163 invoices over 6 months - the Debt Recovery Team is liaising with all invoice requestors to recover the debts. It can be noted that £239k of the total debt is secured – leaving £593k as unsecured. The largest invoice is for the sum of £181,803.24 outstanding from KCH NHS Foundation Trust regarding the Active care scheme. The Director is involved in the resolution of this debt.

14. ST – Strategic & Corporate Services

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£50,255.96
INSTALMENTS	£167.00
LIQ'S/INSOLV'S/RECV	£424.25
OTHER	£50.00
ON HOLD	£7,505.97
PAYMENT PLAN	£13,498.27
REFERRED FOR WRITE OFF	£4,220.53
REFERRED TO DIRECTORATE	£44,855.75
UNSECURED	£56,583.95
<b>TOTAL</b>	<b>£177,561.68</b>

There are 128 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 £13,316.41 regarding an over payment of salary. The Debt Recovery team are currently trying to make contact with the debtor to obtain payment.

15. BSS – Business Strategy and Support

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£4,492.00
INTERNAL	£-30.00
PAYMENT PLAN	£11,070.40
REFERRED FOR WRITE OFF	£14,459.11
REFERRED TO DIRECTORATE	£2,996.68
UNSECURED	£10,680.25
<b>TOTAL</b>	<b>£43,668.44</b>

There are 43 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 £8,750 regarding a duplicate payment made to The Milkmaid & Pail LLP. The former Budget Holder agreed to write off the debt and this is currently in progress.

16. C&C – Customers & Community

DEBT CATEGORY	AMOUNT OUTSTANDING
INSTALMENT - SMALL CLAIMS	£612.00
LIQ'S/INSOLV'S/RECV	£1,478.75
REFERRED FOR WRITE OFF	£324.30
<b>TOTAL</b>	<b>£2,415.05</b>

There are 3 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 £1,478.75 which relates to a salary overpayment. The Debtor is subject to an IVA and small payments towards the debt are being received.

17. E&E - Environment & Enterprise

DEBT CATEGORY	AMOUNT OUTSTANDING
REFERRED FOR WRITE OFF	£2,246.40
REFERRED TO DIRECTORATE	£11,866.06
<b>TOTAL</b>	<b>£14,112.46</b>

There are 6 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.

18. ELS – Education, Learning & Skills

DEBT CATEGORY	AMOUNT OUTSTANDING
PAYMENT PLAN	£190.80
REFERRED FOR WRITE OFF	£1,003.96
UNSECURED	£608.90
<b>TOTAL</b>	<b>£1,803.66</b>

There are 5 invoices for ELS over 6 months old. The largest invoice is for the sum of £843.96 regarding a salary overpayment. The Debt Recovery team are currently seeking authorisation for write off.

19. FSC - Families and Social Care

DEBT CATEGORY	AMOUNT OUTSTANDING
ONGOING ACTION	£208.28
INSTALMENTS	£1,271.14
LIQ'S/INSOLV'S/RECV	£1,067.53
OTHER	£120.00
ONHOLD	£2,867.58
PARKED TERMINATED	£115.48
PAYMENT PLAN	£30,635.98
REFERRED FOR WRITE OFF	£23,366.00
REFERRED TO DIRECTORATE	£30,696.99
REFERRED TO LEGAL	£17,311.65
SMALL CLAIMS COURT	£14,041.01
UNSECURED	£22,668.87
<b>TOTAL</b>	<b>£144,370.51</b>

The £30.6k tagged as “Referred to Directorate” consists of 18 Invoices. Of these, the largest invoice for £5.7k is to reclaim a payment made to a provider in error. The remaining balance is currently in dispute and the directorate is liaising with the debtor to resolve.

20. EduKent

DEBT CATEGORY	AMOUNT OUTSTANDING
EDUKENT	£13,276.40
<b>TOTAL</b>	<b>£13,276.40</b>

There are currently 8 invoices over 6 months old for Edu Kent. Edu Kent are responsible for the recovery of their own debts.

**SUNDRY HEALTH DEBT**

21. The Sundry Health Debt as at 1 December 2016 was identified as being £3.9million comprising of 294 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 2016:



*Analysis of Health Debt as at 1 December 2016*

Customer Name	Not Yet Due	Overdue 0-60 Amount	Overdue 61-181 Amount	Overdue 182+ Amount	Total Outstanding Amount
DOWNSWAY MEDICAL CENTRE	80.00	125.30	0.00	0.00	205.30
EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST	13,962.36	20,955.73	0.00	0.00	34,918.09
HEALTH EDUCATION ENGLAND	75,000.00	45,150.00	0.00	0.00	120,150.00
KENT & MEDWAY NHS SOCIAL CARE PARTNERSHIP TRUST	69,668.73	111,138.96	55,434.22	300.00	236,541.91
KENT AND MEDWAY NHS SCPT T/AS KENT AND MEDWAY CFE M E SERVICES	0.00	0.00	0.00	154.00	154.00
KENT COMMUNITY HEALTH NHS FOUNDATION TRUST	35,066.61	9,454.99	200.00	218,471.94	263,193.54
MAIDSTONE & TUNBRIDGE WELLS NHS TRUST	0.00	600.00	0.00	0.00	600.00
MEDWAY COMMUNITY HEALTHCARE / NHS	0.00	0.00	410.00	0.00	410.00
NHS ASHFORD CCG	25,015.48	15,588.11	471,769.39	173,964.23	686,337.21
NHS CANTERBURY & COASTAL CCG	77,113.62	306,896.69	5,840.57	6,175.00	396,025.88
NHS DARTFORD, GRAVESHAM, AND SWANLEY CCG	29,228.93	118,965.93	28,674.67	50,498.64	227,368.17
NHS EASTERN & COASTAL KENT COMMUNITY SERVICES	0.00	0.00	0.00	365.00	365.00
NHS MEDWAY CLINICAL COMMISSIONING GROUP	0.00	6,100.15	0.00	137,850.90	143,951.05
NHS PROPERTY SERVICES LTD#RENT	0.00	0.00	1,415.23	0.00	1,415.23
NHS SOUTH KENT COASTAL CCG	131,748.07	33,692.63	0.00	29,415.83	194,856.53
NHS SWALE CCG	39,882.20	284,696.83	127,881.09	3,181.97	455,642.09
NHS THANET CCG	120,061.08	21,369.37	11,318.87	0.00	152,749.32
NHS THANET TRADESHIFT CCG	0.00	0.00	218,259.81	0.00	218,259.81
NHS WEST KENT CCG	277,739.85	136,644.77	21,897.85	2,428.79	438,711.26
NHS WEST KENT CCG#GEN2	0.00	5,247.60	0.00	0.00	5,247.60
SUSSEX PARTNERSHIP NHS FOUNDATION TRUST	0.00	0.00	321,967.74	0.00	321,967.74
<b>Grand Total</b>	<b>894,566.93</b>	<b>1,116,627.06</b>	<b>1,265,069.44</b>	<b>622,806.30</b>	<b>3,899,069.73</b>

**TRENDS**

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

**Number and Value of Invoices Trends**

	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Number of invoices raised</b>	35,010	31,465	30,290	28,353	32,029	29,336
<b>Value of invoices raised</b>	£280,859,263	£250,886,916	£246,893,065	£237,392,631	£160,139,056	£176,597,554

**WRITE OFFS**

25. The table below shows the sum written off from 1 April 2016 to 1 December 2016 in relation to sundry debts:

***Sundry Write Off Analysis by Directorate***

<b>DIRECTORATE</b>	<b>TOTAL</b>
BSS REVENUE DEBT	£1,648.39
C&C BAD DEBT	£510.00
C&C REVENUE DEBT	£2,701.12
E&E REVENUE DEBT	£4,458.47
ELS BAD DEBT	£50.00
ELS REVENUE DEBT	£917.80
FSC BAD DEBT	£640.08
FSC REVENUE DEBT	£35,423.25
<b>TOTAL</b>	<b>£46,349.11</b>

**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 2015/2016 the total amount of income charged to clients through the client billing system was £59,125,763.10. This is a slight decrease when compared to the previous year. The average amount billed on each invoice run is £4,927k – an increase when compared to the previous year.

**ANALYSIS OF CLIENT RELATED DEBT**

27. As at the billing run on 8 November 2016 the overall client related social care debt stood at £17,273,724.31.

This debt can be broken down as follows:

### **Type of Debt Breakdown**

<b>Debt Type</b>	<b>£'000</b>
Residential	£14,415
Non-Residential	£2,859
<b>Total</b>	<b>£17,274</b>

28. Of the £17.3m (11,675 debtors), £4.6m relates to the latest billing run and is therefore not yet due.
29. The £17.3m can be broken down between secured and unsecured debt as follows:

### **Social Care Credit Status (Total)**

<b>Credit Status</b>	<b>£'000</b>
Caution/Restriction	£124
Secured	£5,712
Unsecured Ongoing	£9,742
Unsecured Deceased/Terminated	£1,696
<b>Grand Total (Including Not Yet Due)</b>	<b>£17,274</b>

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

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

#### ***Unsecured Debt Breakdown by Age***

	<b>Under Six Months £'000</b>	<b>Six Months to a Year £'000</b>	<b>Over One Year £'000</b>	<b>Total Overdue £'000</b>
<b>Unsecured Debt</b>				
<b>Total</b>	£2,443	£1,280	£3,473	£7,196

### **NUMBERS OF UNSECURED DEBTORS**

31. There are currently 11,529 debtors with an unsecured debt or credit on their account. This figure includes both due and not yet due debts – which total £11,562k.

## **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)*

<b>Total Debt</b>				<b>Change</b>
<b>Locality</b>	<b>08-Nov-16</b>	<b>24-May-16</b>	<b>29-Apr-14</b>	<b>Since</b>
	<b>Total Debt</b>	<b>Total Debt</b>	<b>Total Debt</b>	<b>29-Apr-14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Ashford and Canterbury</b>	3,283	3,156	3,424	-141
<b>Corporate</b>	0	0	5	-5
<b>Dartford Gravesham Swanley and Swale</b>	4,189	4,210	4,586	-397
<b>East Kent LD</b>	676	697	704	-28
<b>Mental Health</b>	156	190	144	12
<b>Thanet and South Kent Coastal</b>	4,243	4227	4,526	-283
<b>West Kent</b>	4,323	4341	5,682	-1,359
<b>West Kent LD</b>	403	428	289	114
<b>Total</b>	<b>17,273</b>	<b>17,249</b>	<b>19,360</b>	<b>-2,087</b>

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

### *Overdue Debt (unsecured)*

<b>Unsecured Overdue Debt - All Localities</b>				
<b>Locality</b>	<b>08-Nov-16</b>	<b>24-May-16</b>	<b>29-Apr-14</b>	<b>Change Since</b>
	<b>Total Debt</b>	<b>Total Debt</b>	<b>Total Debt</b>	<b>29-Apr-14</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Ashford and Canterbury</b>	1,390	1,210	1,113	277
<b>Corporate</b>	0	0	3	-3
<b>Dartford Gravesham Swanley &amp; Swale</b>	1,642	1,706	1,500	142
<b>East Kent LD</b>	250	284	195	55
<b>Mental Health</b>	114	146	103	11
<b>Thanet and South Kent Coastal</b>	1,813	1,803	1,632	181
<b>West Kent</b>	1,849	2,032	1,643	206
<b>West Kent LD</b>	138	132	83	55
<b>Total</b>	<b>7,196</b>	<b>7,313</b>	<b>6,272</b>	<b>924</b>

## **WRITE OFFS**

34. As at 1 December 2016, £313,862.08 in Social Care write offs had been processed in ORACLE since 1 April 2016. Write offs processed in previous years are as follows.

### ***Social Write Off Analysis by Year***

<b>Social Care Write Offs</b>	
<b>Year</b>	<b>Amount</b>
2015 - 2016	£686,715.80
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

## **CONCLUSION**

35. Total Sundry Debt has increased from £16.6m to £19.3m since the last Governance and Audit report. This is largely due to the way that Kent hosts the budget arrangement for the regional growth fund.
36. Total Social Care debt including not yet due has increased from £17.2m to £17.3m since the last Governance and Audit report.

## **RECOMMENDATION**

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

### **Andrea Hanson**

Assessment & Income Operational Services Manager

Business Service Centre

Tel no: 03000 410784

Email: [andrea.hanson@kent.gov.uk](mailto:andrea.hanson@kent.gov.uk)

4 January 2017

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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 – 25 January 2017

Subject: Update on Savings Programme

Classification: Unrestricted

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Summary: This report asks Members to note the position on the progress towards the 2016-17 and 2017-18 budget savings

## **FOR ASSURANCE**

---

### **1. 2016-17**

- 1.1 The savings target for the 2016-17 financial year was £81m. This is the 6th year that we have had a significant savings target with savings of over £514m 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 2016-17; with a large overspend being reported in each report to date. The monitoring report that went to Cabinet on the 23 January reported an overspend of £6m after Corporate Director adjustments and roll forward requirements, including £2m on the Asylum Service.
- 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 children's social care, which has affected the ability to deliver the budgeted savings in that service, and pressure on SEN transport.
- 1.5 However, budget managers are being asked to consider every penny before spending it and Members should be assured that everything possible, other than actions adversely impacting on front-line services, is being done to deliver a balanced budget for 2016/17.

## **2. 2017-18**

- 2.1 The total budgeted savings and income as shown in the draft budget book are £74.9m. This year, the gap has been more difficult than ever to close. 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 £74.9m is a continuous one, and the latest position on that RAG status will be presented to Council on 9 February. If there were to be serious doubt about the delivery of any of the proposed savings, then those savings options would need to be removed from the draft budget proposals.

## **3. Recommendation**

- 3.1 Members are asked to NOTE for assurance the progress on the 2016-17 and 2017-18 revenue budget savings.

**Andy Wood**  
**Corporate Director of Finance and Procurement**

**Tel: 416854**  
**Email: [andy.wood@kent.gov.uk](mailto:andy.wood@kent.gov.uk)**



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

To: Governance and Audit Committee – 25th January 2017

Subject: **External Audit Update January 2017**

Classification: Unrestricted

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

## **FOR ASSURANCE**

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### **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 2016/17
  - Emerging issues and developments
  - Technical matters

### **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  
Kent County Council  
Progress Report and Update  
Year ended 31 March 2017

Page 107 25 January 2017

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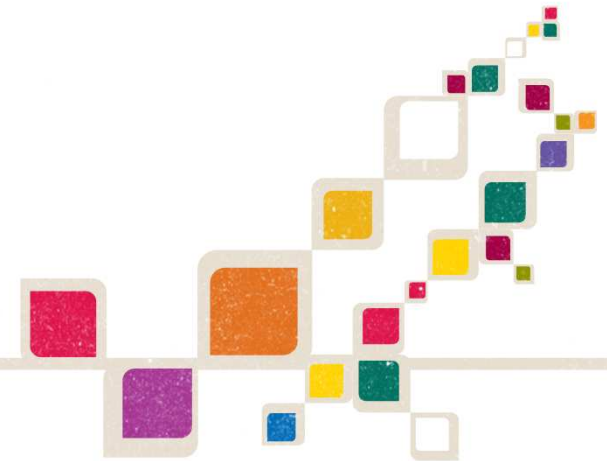
Assistant Manager

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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 Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Governance Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- CFO Insights – reviewing councils’ 2015/16 spend (Dec 2016)  
<http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Five principles of good governance – accountability (Dec 2016)  
<http://www.grantthornton.co.uk/en/insights/five-principles-of-good-governance-accountability/>
- Fraud risk, 'adequate procedures', and local authorities (Dec 2016)  
<http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- CFO Insights - Local government budget 2016-2017 review (Oct 2016)  
<http://www.grantthornton.co.uk/en/insights/cfo-insights-budget-2016-17-insights-review/>
- Advancing closure: the benefits to local authorities (July 2016)  
[www.grantthornton.co.uk/insights/advancing-closure-the-benefits-to-local-authorities/](http://www.grantthornton.co.uk/insights/advancing-closure-the-benefits-to-local-authorities/)
- Building a successful joint venture company (April 2016)  
[www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/](http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/)

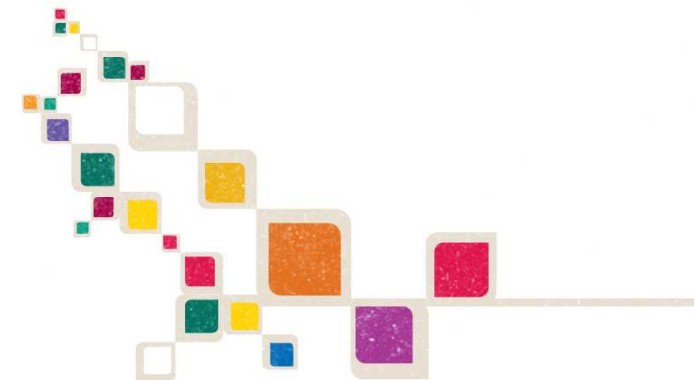
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



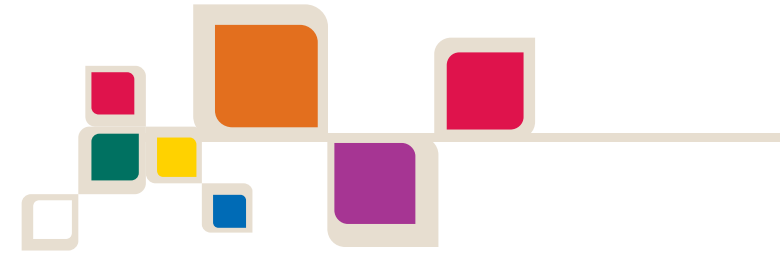
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# Progress at January 2017



**Progress against plan**  
On track



**Opinion and VfM conclusion**  
..... Plan to complete our work July 2017



**Outputs delivered**  
Fee letter, Progress Reports, delivered to plan

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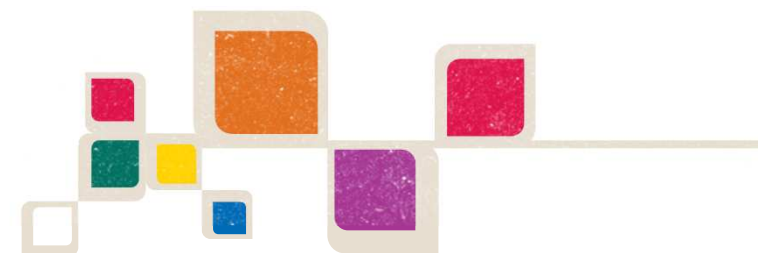
2015/16 work	Planned Date	Complete?	Comments
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<p><b>Annual Audit Letter</b> We are required to issue the Annual Audit Letter by the 30 November</p>	30/11/16	Yes	We issued our Annual Audit Letter to the Governance and Audit Committee on 6 <sup>th</sup> October 2016.
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2016/17 work	Planned Date	Complete?	Comments
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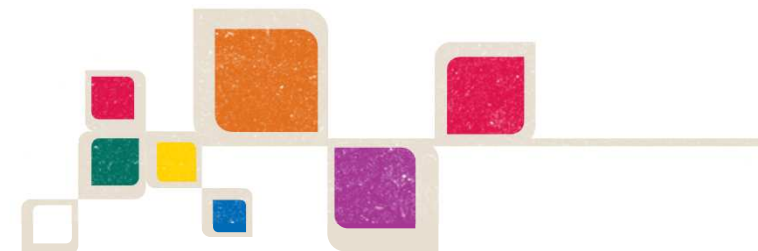
<p><b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	23/04/2016	Yes	This was presented to the Governance and Audit Committee in April 2016
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# Progress at January 2017



2016/17 work (continued)	Planned Date	Complete?	Comments
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.</p>	11/04/2017	Not yet due	We plan to issue our Accounts Audit Plan to the Governance and Audit Committee on 11 <sup>th</sup> April 2017.
<p><b>Interim accounts audit</b> Our interim fieldwork visits plan includes:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	November 2016 and February/March 2017	Not yet due	We completed our first interim visit between 7 <sup>th</sup> November 2016 and 18 <sup>th</sup> November 2016. Our next interim visit is planned for 20 <sup>th</sup> February 2017 to 27 <sup>th</sup> February 2017.
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</li> </ul>	Fieldwork in June/July 2017 – formal conclusion reported by July 2017	Not yet due	Fieldwork will take place between 5th June 2017 and 30th June 2017.

# Progress at January 2017



2016/17 work (continued)	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged from the 2015/16 financial year and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>Fieldwork in June/July 2017 – formal conclusion reported by July 2017</p>	<p>Not yet due</p>	<p>Fieldwork will take place between 5th June 2017 and 30th June 2017.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report. We will include our conclusion as part of our report on your Financial Statements.</p>



# Technical Matters

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# Highways network asset accounting update

On 14 November CIPFA/LASAAC announced a deferral of the move to measuring the Highways Network Asset ('HNA') at depreciated replacement cost in local authority financial statements for 2016/17. This is due to delays in obtaining updated central rates information that was required for the valuations.

CIPFA/LASAAC will issue an Update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom to confirm this decision once it has completed the full due process before publication. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18 and will consider whether central rates and the central assurance processes will be delivered in a timely manner to allow successful implementation. It expects that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

In August, CIPFA published the 'Code of Practice on the Highways Network Asset (2016 Edition)' and additional guidance to aid the implementation process.

# Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

# Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

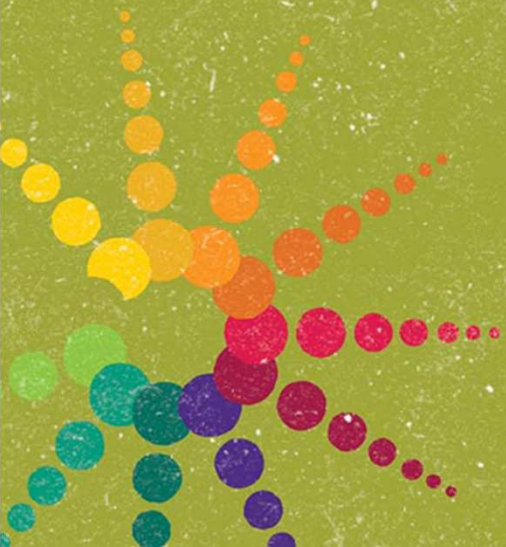
Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.



# Sector issues and developments





# National Audit Office:

Below is a selection of reports issued during 2016 which may be of interest to Audit Committee members. Please see the website for all reports issued by the NAO.



## Local welfare provision

Overall spending on discretionary local welfare support by central and local government has reduced since April 2013. The consequences of this gap in provision are not understood.

Sector(s): [Community and society](#), [Local services](#)

Performance Improvement area(s): [Financial and service sustainability](#), [Local service delivery](#)

<https://www.nao.org.uk/report/local-welfare-provision/>

Published:  
12 Jan 2016



## English devolution deals

Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended

Sector(s): [Central Finance and Treasury](#), [Community and society](#)

Performance Improvement area(s): [Economic growth](#), [Local service delivery](#)

<https://www.nao.org.uk/report/english-devolution-deals/>

Published:  
20 Apr 2016



## Financial sustainability of local authorities: capital expenditure and resourcing

Local authorities have kept up levels of capital spending but face pressure to meet debt costs and maintain investment in existing assets.

Sector(s): [Community and society](#), [Local services](#)

Performance Improvement area(s): [Financial and service sustainability](#), [Local service delivery](#)

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

Published:  
15 Jun 2016

## National Audit Office reports (continued)



### Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

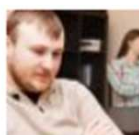
Sector(s): [Local services](#)

Performance Improvement area(s): [Departmental Overviews](#), [Local service delivery](#)

Published:  
9 Nov 2016

<https://www.nao.org.uk/report/overview-local-government/>

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### The Troubled Families programme: update

This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

Sector(s): [Community and society](#), [Local services](#)

Published:  
18 Oct 2016

<https://www.nao.org.uk/report/the-troubled-families-programme-update/>



# Grant Thornton





# Integrated Reporting

## Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

*Integrated reporting: Looking beyond the report* was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as "*enhancing the way organisations think, plan and report the story of their business.*"

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.
2. **Identify stakeholders** – who are they and how can you engage with them?
3. **Identify the capitals for your organisation** – what resources do you use to create value?
4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?
5. **Set limits and create boundaries** – make sure your report is focussed.
6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.

## Grant Thornton publications

### Challenge question:

- Have you thought about how the principles of Integrated Reporting can help your organisation become more focussed?

 Grant Thornton  
An instinct for growth

Integrated reporting  
Looking beyond the report  
November 2016



# Integrated Thinking and Reporting

## Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

## CIPFA Publications

### Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



# Brexit

## Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

### Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

### Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

## Grant Thornton update

### Challenge questions:

- Have you assessed the potential impact of Brexit on your organisation?
- Does your risk register include Brexit and is this regularly updated and reported?

### Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.



# Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

## Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

**Staffing** – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

**Financial viability** – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

**Market volatility** – for example pension fund and charitable funds investments and future treasury management considerations.

**International collaboration** – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

## Grant Thornton update

### Challenge questions:

- Have you assessed the potential impact of Brexit on your organisation?
- Does your risk register include Brexit and is this regularly updated and reported?

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate/>



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By: Robert Patterson, Head of Internal Audit  
 To: Governance and Audit Committee – 25<sup>th</sup> January 2017  
 Subject: **Effectiveness of Internal and External Audit Liaison**  
 Classification: Unrestricted

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

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## **FOR ASSURANCE**

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### **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 2016 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 2016 by the Institute of Internal Auditors also evaluated good standards of work with full compliance with professional standards including 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 2016/17 Internal Audit plan contains a number of core financial reviews, which are regularly reported back to the G & A Committee. 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 2017/18 year (for external audit this is in relation to the 2016/17 financial statements). This will be reflected in the plans presented for approval by the Committee in April next year.

### **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**

**Nicholas White (0207 7283357)**  
**Senior Manager, Grant Thornton**





# Internal Audit – External Audit Protocol for Kent County Council

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**Year ended 31 March 2017**  
January 2017

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## 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.



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# 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 – 25th January 2017  
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 2016/17 financial year to date including follow up work on previously agreed actions from audits.

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## **FOR ASSURANCE AND DECISION**

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### **Introduction**

1. This report summarises:

- The key findings from completed Internal Audit reviews (since September)
- The key outcomes from completed counter fraud investigations
- Progress against the 2016/17 Internal Audit Plan
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- Work in progress and future plans and improvements,
- Follow up on management progression of previously agreed audit actions
- Plans for progressing the 2017/18 internal audit and counter fraud plan and
- Approval for continuation with the current anti money laundering Policy

### **Overview of Progress**

2. Appendix 1 outlines the outcomes of Internal Audit and Counter Fraud work completed for the financial year to date. In total 38 audit reviews have been completed, including 32 substantive reviews. In addition we have undertaken 4 special investigations / consultancy work outside pre planned audit activity. A further 3 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 12 audits. In relation to counter fraud work there have been 132 irregularities reported and investigated since the start of 2016/17 of which 61 have been concluded. Overall the unit has reviewed systems or activities with a combined spend of an estimated £156.5 million since the start of 2016/17.
3. Appendix 2 (the Internal Audit Progress Report) details the outcomes from this work against the more significant corporate risks (as ratified by this Committee in July 2016) where it is practical for internal audit work to provide assurance against the progression of the management and mitigation of such risks

4. Appendix 2 also provides an update on the progress of the DCLG funded Kent Intelligence Network (KIN) data matching counter fraud project. The first data matching exercise has taken place and the initial matches are being reviewed and investigated by fraud teams within the District Councils and with early results and feedback imminent.
5. Progress against the Audit Plan for 2016/17 is broadly in line with target to achieve the Audit Plan key performance targets (KPI's) by 31<sup>st</sup> March 2017. The detailed KPI's are also shown in Appendix 2.

### **Implications for Governance**

6. 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. At this stage of the year, the outcomes from audits are generally positive. In particular:
  - 34% of systems and functions have been judged with 'substantial assurance' or better
  - A continuing pattern of general robustness of key financial systems, in particular the underlying medium term financial planning
  - The HR related audits for activities servicing KCC or third parties (schools and academies) have also received positive assurance
  - Positive outcomes prior to September relating to asylum seeking children systems and effective early help services within specialist children's services
8. Areas for development and improvement relate to:
  - The 4 (13%) of systems / functions that have received a 'limited' assurance level.
  - In relation to the outcomes from the 0-25 Transformation Programme the lessons learnt have been agreed and will be built into future projects
  - The audit of road safety and crash remedial measures found lapses in key documentation and an absence of post implementation reviews. A new manager is in place and we are assured that corrective actions are in progress.
  - Our follow up of the TFM Help Desk found that little progress has been made on high and medium priority issues.
9. In relation to safeguarding related work, the frameworks in EYPS were found to be generally robust although quality assurance systems were not always comprehensive.
10. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter, although one irregularity was discovered during the audit of a Children's Centre.
11. As such, from our coverage to date 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 material fraud and irregularity.

## Follow Ups

12. Appendix 2 incorporates the results of follow up work on the progression of previously agreed actions by management. We have continued with a revised system introduced last year which generates greater accountability through managers initially self-assessing the implementation of agreed actions, following which we test check the accuracy of such responses.

13. The overall results are generally positive as per the table below:

Priority	Actions	Completed	In progress	No action
High	27	10	12	5
Medium	50	31	16	3
Total	77	41 (53%)	28 (36%)	8 (11%)

14. In summary of the totality of the 77 agreed actions due for implementation, 89% have been implemented by the scheduled date or are in progress. Only 11% of actions have made no substantive progress (by comparison this was 23% last year).

15. In the 2016/17 plan we also included a number of formal follow up audits whereby a service or function which received a 'limited' opinion the previous year was subject to a full follow up review. The outcomes from these audits have been incorporated into the table above, but the individual results have been:

Area	Previous judgement	Revised judgement after follow up	Prospects for Improvement
ICT Disaster Recovery	Limited	Adequate	Adequate
TFM Help Desk	Limited	Limited	Uncertain
Leaving Care	Limited	Adequate	Good
Developer Contributions	Follow up cancelled due to the new systems not being fully implemented.		

16. During the next quarter we will be undertaking further formal follow up work, particularly in relation to adult safeguarding in Social Care including supervision controls and the dedicated safeguarding service.

## Anti-Money Laundering Policy

17. We have completed our annual review of the Council's Anti-Money Laundering Policy (Appendix 3) and have determined that no further amendments are required since the last comprehensive review in January 2015.

## **Benchmarking**

18. We previously reported to the October 2016 meeting the difficulties in finding relevant 'benchmarking clubs' in which to review our inputs, outputs and outcomes.
19. In relation to the internal audit service we are now part of the County Council Audit Network (CCAN) benchmarking club and it has been determined that benchmarking of data will commence for the 2017/18 year.
20. In relation to counter fraud, following delays CIPFA produced a benchmarking "tracker report" at the start of January 2017. We will provide the Committee with a precis of the key findings for the April meeting.

## **Plans for 2017/18**

21. We have commenced work and consultation on the audit plan for 2017/18 and have arranged meetings with corporate Directors and Cabinet members as part of this process.
22. Our audit coverage next year will be reduced by at least a further 5% in line with savings reductions across F&P. It will become even more important that we ensure we focus these resources on the key risks facing the Council.
23. We are also re-procuring our IT internal audit contract for the start of 2017/18 and if a new supplier is chosen it is likely they will want to undertake their own risk assessment and planning relating to IT issues.

## **Recommendations**

24. Members are asked to note:

- Progress and outcomes against the 2016/17 Audit Plan and proposed amendments
- Progress and outcomes in relation to Counter Fraud activity
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- 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

And to approve

- The Anti-Money Laundering Policy without amendment since the last comprehensive review which was agreed in January 2015

## **Appendices**

***Appendix 1 - Distribution of internal audit judgements 2016/17 (to date)***

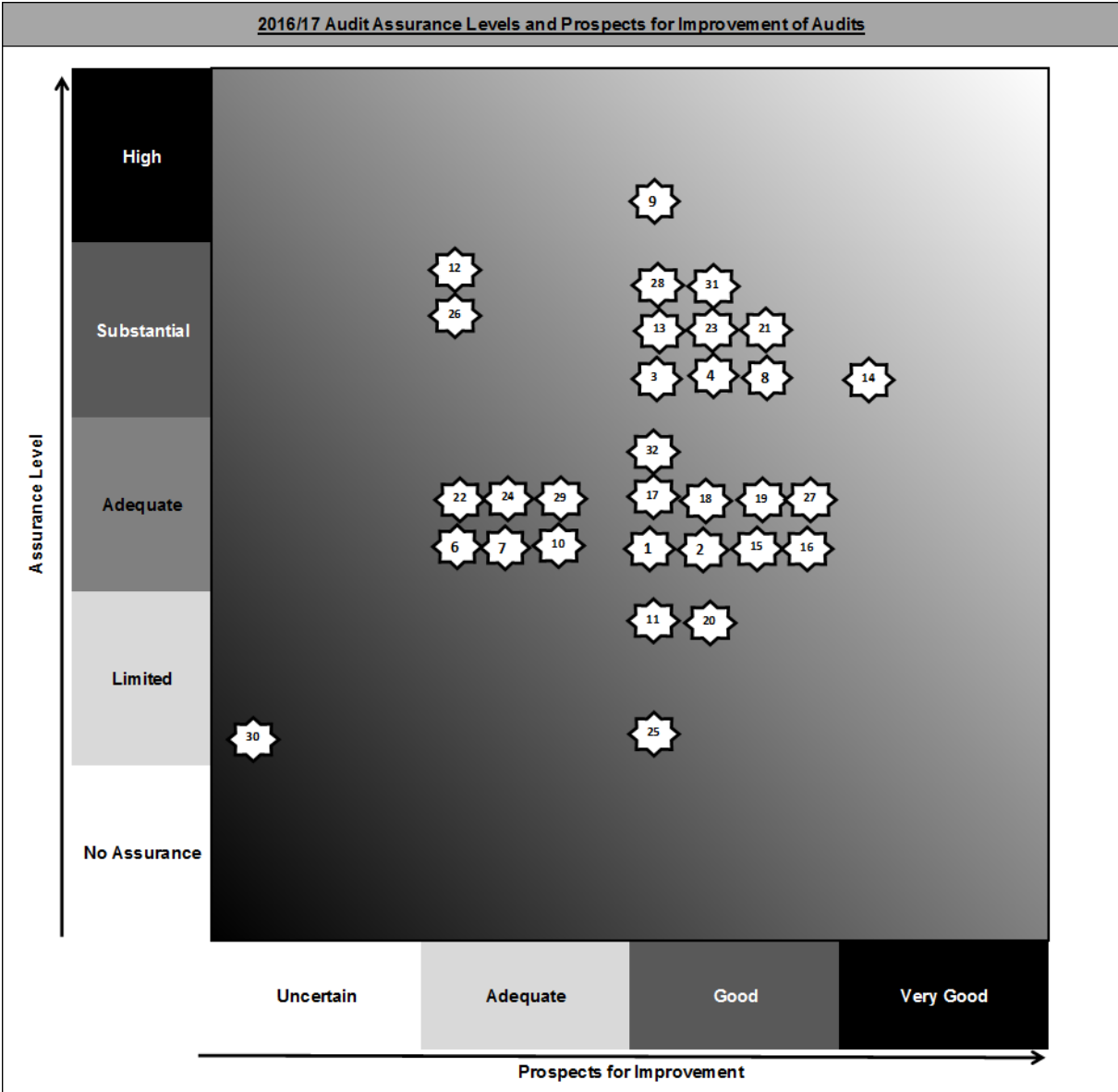
***Appendix 2 - Internal Audit Progress Report January 2017 (including follow ups)***

***Appendix 3 - Anti Money Laundering Policy***

**Robert Patterson  
Head of Internal Audit**

**(03000 416554)**

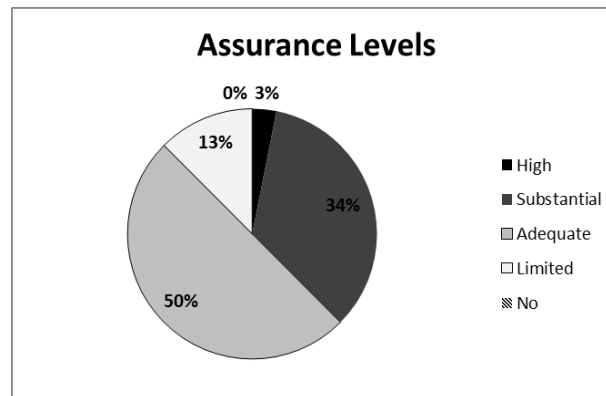
**Appendix 1 – Distribution of internal audit judgements 2016/17 (to date)**



Audit Opinion October G&A Committee				Audit Opinion January G&A Committee			
No	Audit	Judgement	Prospects for Improvement	No	Audit	Judgement	Prospects for Improvement
1	Autism	Adequate	Good	13	General Ledger	Substantial	Good
2	UASC	Adequate	Good	14	Value Added Tax (VAT)	Substantial	Very Good
3	Early Help - Step Up Process	Substantial	Good	15	Insurance Fraud	Adequate	Good
4	TCP Process	Substantial	Good	16	ICT Software Licence Management	Adequate	Good
5	ICT Disaster/ Recovery	Adequate	N/A	17	Swift/ AIS Application and Preparedness for ISO 27001 Certification Review	Adequate	Good
6	ICT Swift	Adequate	Adequate	18	Spydus Application	Adequate	Good
7	PROW	Adequate	Adequate	19	Contact Point - Contract Management Agilisys	Adequate	Good
8	Schools and 3rd Party Payroll	Substantial	Good	20	Road Safety & Crash Remedial Measures	Limited	Good
9	FOI Requests	High	Good	21	ICES and Telecare	Substantial	Good
10	Data Protection	Adequate	Adequate	22	Safeguarding - Education and Young Peoples Services*	Adequate	Adequate
11	Bribery and Corruption Act	Limited	Good	23	Workforce Planning	Substantial	Good
12	Annual Governance Statement Returns	Substantial	Adequate	24	Establishment Themed Review - Children Centres*	Adequate	Adequate
				25	Transformation 0-25	Limited	Good
				26	MTFP	Substantial	Adequate
				27	Business Planning	Adequate	Good
				28	Schools Personnel Service	Substantial	Good
				29	Carers Assessments*	Adequate	Adequate
				30	TFM - Help Desk (Follow-up)	Limited	Uncertain
				31	Schools Improvement Team	Substantial	Good
				32	Leaving Care (Follow-up)	Adequate	Good

\* The audits in the above list in bold are the provisional ratings which are awaiting final confirmation

Assurance Level	No	%
High	1	3%
Substantial	11	34%
Adequate	16	50%
Limited	4	13%
No	0	0%



Special Investigations/ Consultancy
Enablement Expenses
Camera Safety Partnership
Carbon Reduction Commitment
Troubled Families Grant



# Kent County Council

## Internal Audit and Counter Fraud Progress Report

January 2017

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## **1 Introduction and Purpose**

- 1.1. This report details cumulative internal audit and counter fraud outcomes for 2016/17 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since September 2016. 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 38 internal audits (including 6 establishment visits) and 61 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are focused on providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £156.5 million of KCC turnover to date.
- 1.3. A further 15 audits including 1 counter fraud proactive project are currently in progress, and a further 71 counter fraud investigations remain ongoing.
- 1.4. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide assurance against key corporate risks or significant systems. During this period we have also undertaken a number of special investigations and 'consultancy' styled assignments, using our expertise to review areas of concern or selected control areas for management.

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## **2. Overview**

### **Internal Audit and Counter Fraud**

- 1.5. The covering paper to this progress report provides a graphical representation of the outcomes from the audits completed to date. In addition, to reprise our covering report, the following summary strengths and areas for development emerge from the work to date:
- 1.6. Strengths include:
  - Over a third of systems or functions continue to be judged with a substantive assurance or better
  - A continuing pattern of general robustness of key financial systems
  - The HR related audits for activities servicing KCC or third parties (schools) have also received positive assurance
  - No material incidences of fraud or corruption have been detected although one irregularity was discovered during the audit of a Children's Centre



1.7. Areas for further improvement relate to :

- The 4 (13%) systems / functions that have received a limited assurance level, including the 0-25 transformation project
- The audit of Road Safety and Crash Remedial Measures found lapses in key documentation and an absence of post implementation reviews
- Our follow up of the TFM Helpdesk found that little progress has been made on the high and medium priority issues

1.8. The breadth of coverage and outcomes from our work to date have provided sufficient evidence to support an interim opinion that Kent County Council continues to have:

- Adequate and effective financial and non-financial controls
- Adequate and effective governance processes
- Adequate and effective processes to deter incidences of substantive fraud and irregularity

1.9. From current work and the findings from follow ups of audit issues, it is evident that in general management have developed appropriate action plans in response to all the high priority issues raised from our audit and counter fraud work.

### 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.

#### Managing and embedding sustainable change (including strategic commissioning)

- 3.2. During the year to date we have reviewed the following areas that have a common theme connected to the management of change, delivering planned savings and service improvements:

	Assurance Level	Prospects for Improvement	Issues Raised	
<b>Transformation 0-25</b>	Limited	Good	High: 3	Accepted
<b>Schools Improvement Team</b>	Substantial	Good	Medium: 3	Accepted
<b>Adoption</b>	N/A	N/A	N/A	Consultancy review

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- 3.3. Our deep dive on elements of the 0-25 transformation project determined that there was insufficient evidence to substantiate that all of the planned sustainable savings and benefits were being delivered. Although undoubtedly savings have been produced, underlying monitoring and reporting mechanisms lacked integration to prime financial records and the KPI's were not always the right measures to monitor planned outcomes. Measures to provide accountability, monitor and challenge did not always operate as planned. Positives outcomes related to the achievement of savings from early help services, embedding improved working patterns and that the quality of services to vulnerable users had not deteriorated during a period of considerable change.
- 3.4. Our audit of the new Schools Improvement Team found positive assurance that statutory responsibilities are being met to allow the achievement of KCC's strategic outcomes. KPI's are being achieved, more particularly in the performance of primary schools across Kent. Underlying procurement and commissioning processes were robust.

## Identification, planning and delivery of financial savings

- 3.5. Clearly associated with the above risk is the delivery and planning of resource reductions and in this respect we recently reviewed the Council's medium terms financial planning (MTFP) mechanisms and associated business planning:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Medium Term Financial Planning (MTFP)</b>	Substantial	Adequate	Medium: 2	Accepted
<b>Business Planning</b>	Adequate	Good	Medium: 3	Accepted
<b>Public Rights of Way (PROW)</b>	Adequate	Adequate	High: 2 Medium: 0	Accepted

- 3.6. Despite the increasing risks and challenges behind the construction of the MTFP the underlying processes are sound with good alignment to transformation plans and strategies. This is backed up by regular monitoring and review. Our testing showed a small number of areas where sensitivity analysis could be improved or where limitations to the delivery of selected savings proposals could be highlighted.
- 3.7. Overall the underlying business planning processes were found to be good with adherence to stipulated processes and templates with strong links to strategic priorities, activities and planned service improvements. Being more strategic priority statements there is a trend for a reduced financial focus and drive.

## Data and Information management

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

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Swift/AIS</b>	Adequate	Good	High: 1 Medium: 2	Accepted
<b>Spydus Application</b>	Adequate	Good	Medium: 2	Accepted
<b>ICT Software Licence Management</b>	Adequate	Good	High: 0 Medium: 4	Accepted
<b>ICT Disaster Recovery follow up</b>	Adequate	N/A	Of the six issues raised, one is fully implemented, one is 'risk accepted' whilst the remainder are in progress.	
<b>ICT SWIFT</b>	Adequate	Adequate	High: 1 Medium: 2	Accepted
<b>Data Protection</b>	Adequate	Adequate	High: 0 Medium: 1	Accepted
<b>FOI requests</b>	High	Good	High: 0 Medium: 0	N/A

3.9. Our review of the SWIFT and Adult Integrated System (AIS) which are critical to control case management in adult social care found 96% full compliance with relevant ISO standards but that anti-virus software was not being regularly updated.

3.10. Our audit of the Spydus library management system found that it was stable and well maintained and managed despite inherent weaknesses over password security. Performance against the contract SLA's are not communicated to libraries management.

3.11. The review of controls over software lifecycle management found that appropriate records of ICT applications are kept and a contract management resource is in place. Unfortunately almost half the applications tested were not updated to the latest vendor versions.

**Safeguarding – protecting vulnerable children and adults**

3.12. During this quarter we looked at the safeguarding frameworks within EYPS together with a formal follow up of the Leaving Care service:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Safeguarding – EYS</b>	Adequate	Adequate	High: 1 Medium: 5	Accepted
<b>Leaving Care (follow up)</b>	Adequate	Good	High: 2 Medium: 5	Accepted

3.13. Overall we found the application of formal quality assurance frameworks within early help services but not in the 'Safeguarding in Education' team and that integration of all safeguarding arrangements could be improved. The safeguarding teams are visible with costs being offset within 'Education in Safeguarding' with significant chargeable work to schools.

3.14. Our follow up work on the leaving care service found that there had been significant progress since the last audit with improvements to the timeliness of statutory reviews and the quality of pathway plans. Existing caseloads continue to be demanding particularly on unqualified staff.

### Implications of increased numbers of unaccompanied asylum seeker children

3.15. We have not undertaken any further work in this area, but as a reminder the judgment from the dedicated audit in the previous quarter was:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>UASC</b>	Adequate	Good	High: 1 Medium: 1	Accepted

### Health and Social Care Integration

3.16. We did not undertake any dedicated work during this quarter, but previous work this year has involved:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Autism</b>	Adequate	Good	High: 0 Medium: 2	TBC Currently at final draft

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### Management of Demand – adult social care and early help / specialist children’s services

3.17. We have undertaken two related pieces of work during this quarter:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>ICES &amp; Telecare</b>	Substantial	Good	Medium: 3	Accepted
<b>Carers Assessments</b>	Adequate	Adequate	High: 1 Medium: 2	Accepted

<b>Managing 'Step Up' to Specialist Children's Services and 'Step Down' to Early Help</b>	Substantial	Good	High: 0 Medium: 4	Accepted
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- 3.18. Our audit of the Integrated Community Equipment Service (ICES) and the associated Telecare contracts determined that there were appropriate governance arrangements with performance regularly reviewed and challenged. There are some issues over invoicing for the ICES contract and this is being addressed with the provider.
- 3.19. In relation to carers assessment controls we found that strong monitoring processes for performance and associated KPI's but these strengths are undermined by reconciliation issues with the SWIFT system.

### **Financial and operating environments – critical systems and functions**

- 3.20. As would be expected from an internal audit function, a considerable proportion of our work is centred on reviews of core critical financial and non-financial systems. We have undertaken a miscellany of topics during this quarter which nearly all provide positive assurance:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Workforce Planning</b>	Substantial	Good	Medium: 2	Accepted
<b>Schools Personal Service</b>	Substantial	Good	Medium: 1	Accepted
<b>General Ledger</b>	Substantial	Good	Medium: 3	Accepted
<b>VAT</b>	Substantial	Very Good	Medium:2	Accepted

<b>Insurance Fraud</b>	Adequate	Good	Medium:3	Accepted
<b>Anti Bribery and Corruption Controls</b>	Limited	Good	High: 1 Medium: 0	Accepted
<b>Schools and 3<sup>rd</sup> party payrolls</b>	Substantial	Good	High: 0 Medium: 1	Accepted
<b>TCP process</b>	Substantial	Good	High: 0 Medium: 6	Accepted

- 3.21. From the workforce planning audit it was evident the relevant strategy had been successfully implemented with regular review. Directorates have engaged with succession planning and there are a number of good practice case studies including the 'Future Manager' programme.
- 3.22. The Schools Personnel Service (SPS) is a specialist HR advice service for schools and academies within the Business Services Centre. We found controls were strong with contracts in place, accurate billing and good budget monitoring.
- 3.23. Both the General ledger and VAT systems displayed effective and strong controls
- 3.24. Controls to minimise the risks of insurance fraud were judged to be only adequate because of a lack of procedures over identification of potentially fraudulent claims, processing of sometimes incomplete claims and ineffective use of management information to identify multiple claims. Management have responded positively to the issues raised.



#### 4. Other Audit Work

- 4.1. During the last quarter we have undertaken work in a miscellany of areas, but particularly around selected contracts , road safety and two special investigations:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Contact Point</b>	Adequate	Good	High: 4 Medium: 1	Accepted
<b>TFM Help Desk (follow up)</b>	Limited	Uncertain	High: 4 Medium: 1	Not fully addressed
<b>Road Safety &amp; Crash Remedial Measures</b>	Limited	Good	High: 3 Medium: 3	Accepted
<b>Camera Safety Partnership</b>	NA	NA	High: 1	Accepted
<b>Enablement Expenses</b>	NA	NA	High: 1 Medium: 2	Accepted
<b>Carbon Reduction Commitment</b>	N/A	N/A	Judged as "compliant"	

- 4.2. The aim of the contact point audit was to provide assurance over the contract management and outcomes from the recently outsourced operations. In general the contractor is delivering on investment into the service and the reconciliation processes to verify call volumes to core payments are effective. Where there have been performance issues, such as the out of hours service, rectification plans have been put in place and monitored. However there are ineffective processes behind two critical KPI's or KCC cannot validate elements of performance data. Work is still in progress to embed quality assurance arrangements and record keeping is inadequate.

- 4.3. A follow up of the total facilities management (TFM) help desk (which had a limited opinion last year) remains at 'limited' due to the high and medium priority issues not yet being properly addressed. Currently one in four tasks received is not resolved within stipulated timescales. One of the three contractors was also unable to provide information for the audit due to migration to a new system (this will be followed up separately).
- 4.4. Our limited opinion on Road Safety and Crash Remedial Measures was due to shortfalls relating to supporting documentation including delegated authority decisions and an absence of post implementation reviews to determine if the completed schemes had achieved the desired outcomes.
- 4.5. We have also undertaken a number of special investigations during this period. The review of KCC's involvement in the Kent and Medway Safety Camera Partnership and National Driver Offender Retraining Scheme was requested by Corporate Board to independently review the financial and governance arrangements.
- 4.6. The review of Enablement service expenses was a follow up from our general review of expenses last year as it was seen as a higher risk area. It is evident there needs to be a fundamental re-examination of the current local adopted policy including an enhanced quality assurance mechanism on the accuracy and completeness of claims.

### Establishment Visits

During the past 6 months we have concluded audits of 3 children's centres, as part of a themed review over the year

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Children's Centres – themed summary</b>	Adequate	Adequate	High: 1 Medium: 5	Final Draft

4.8. This has involved the following 6 centres with the following outcomes:

Children's Centre	<b>Assurance level</b>
<b>Joy Lane (Canterbury)</b>	Adequate
<b>Six Bells (Thanet)</b>	Adequate

<b>Milton Court (Swale)</b>	Limited
<b>Willows (Ashford)</b>	Adequate
<b>Buttercups (Dover)</b>	Limited
<b>Caterpillars (Shepway)</b>	Adequate

4.9. It is evident that the centres presented a 'mixed' picture, with the highest assurance levels being 'adequate'. Key strengths from these centres were good controls to safeguard children through to training of staff. Conversely security and safety processes are not consistently embedded throughout all centres (since rectified) and there were a number of weaknesses in financial control across all 6 centres. Management actions have been agreed for each centre and overall learning is being addressed through the thematic report.

#### Page 155 4.10. **Other Audit Activity**

10. 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, Gen2 and to the future Legal LATCo
- Appointed auditor to 12 Parish Council's
- Management of the internal audit and counter fraud service at Tonbridge and Malling Borough Council
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
- Internal audit of Kent and Medway Fire and Rescue Service

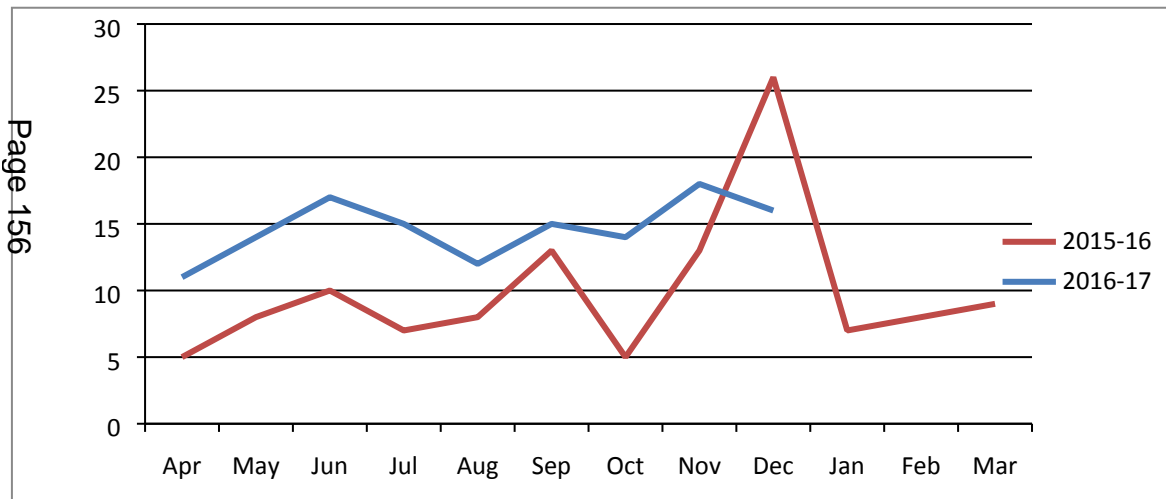
### **5. Counter Fraud and Corruption - Fraud and Irregularities**

5.1. To date we have recorded 132 irregularities in 2016/17 of which 71 remain open and 61 have been closed. The potential value for these cases is £375,568. This figure includes the potential losses at the point of referral and actual losses (from opened and closed cases) and prevented losses (where no actual loss occurred).

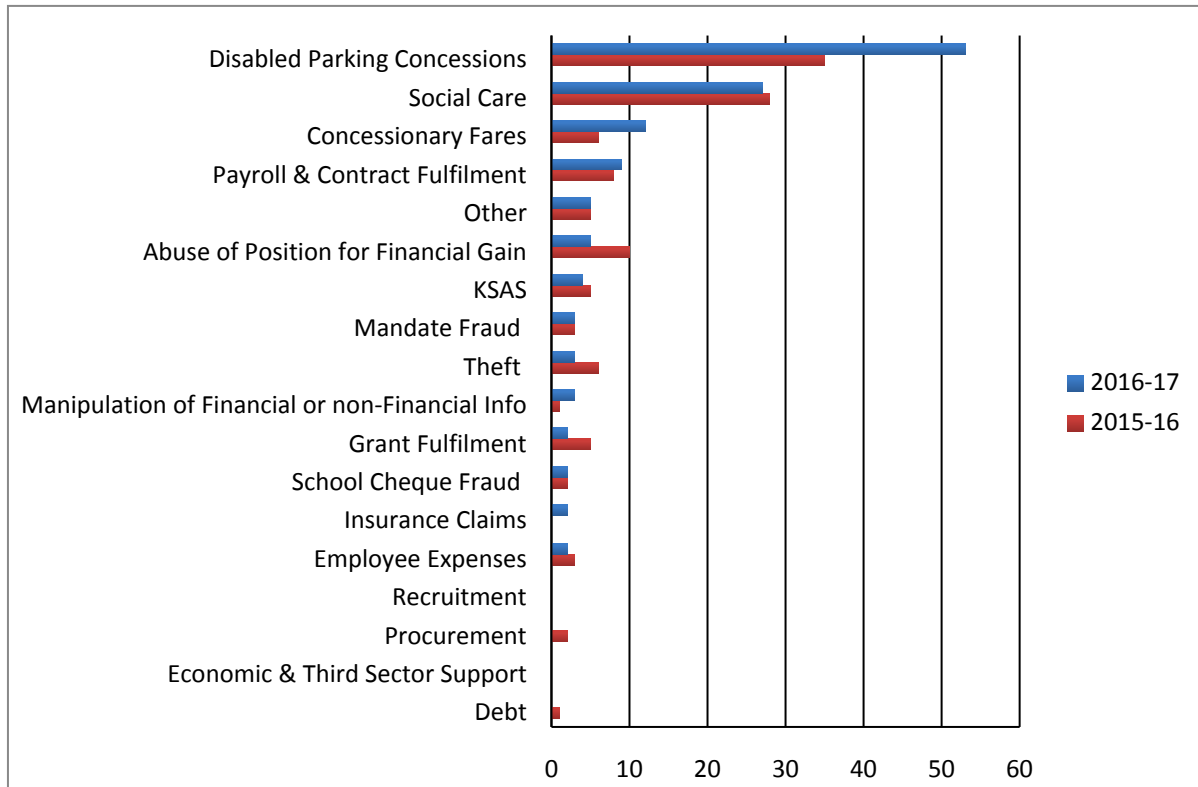
5.2. Tables CF1 to CF4 below compares activity from 2015-16 to 2016-17 and summarises the irregularities by type of fraud, source and directorate. The table CF1 shows a clear increase in the amount of irregularities received for the 2016-17 financial year. This is due to the high number of Blue Badge referrals the fraud team have received and reflects the continuing work in supporting the District, Borough and City Councils with joint enforcement days and associated media publicity. There has also been an increase in the number of Direct Payment referrals following the fraud awareness sessions we have provided to the direct payment monitoring teams.

5.3. In comparison, during the last financial year the Counter Fraud team recorded a total of 120 irregularities. The 132 irregularities we have recorded for 2016/17 to date is a 10% increase in the total number of irregularities received in 2015/16.

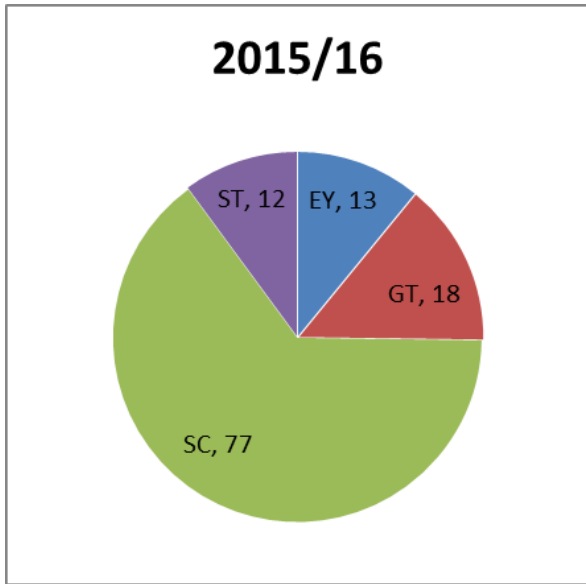
**Table CF-1 2015/15 & 2016/17**



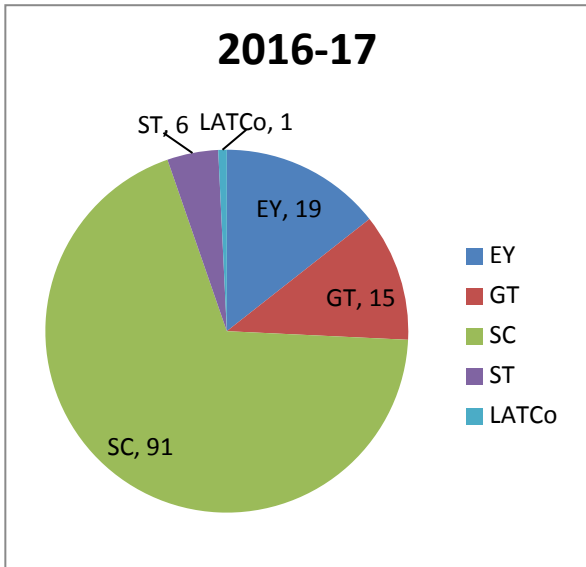
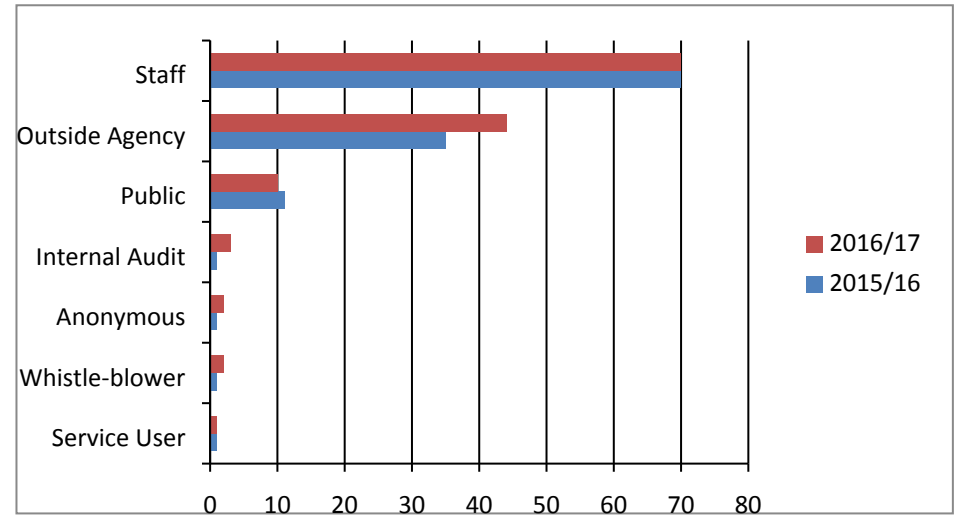
## CF2-Irregularities by Type



**Table CF3 -Irregularities by Directorate**



**Table CF-4 Referrals By Source**



## Kent Intelligence Network

5.4. Since the October Committee meeting the following has taken place:

- The data supplied by the members has been matched and the results of comparing joint applicants for Social Housing to Council Tax Single Person Discounts were released in November for further investigation. Around 900 matches were identified.
- The matches are now being reviewed by the members and we expect to receive early results by the end of January 2017.
- Work has begun on the second data match comparing small business rate reliefs across the members as well as charitable discounts using data from the Charity Commission.

5.5. Progress on the project has been slow for reasons previously outlined to the committee but we expect to see a significant increase in the number of matches over the coming months.

## 6. Follow Ups

Appendix C details the outcomes from 36 past audits subject to programmed formal follow up work. This has involved a system of departmental self assessment against progress on previously agreed actions (to enhance accountability) followed by independent test checking from the audit team. The results are generally positive:

Priority	Actions	Completed	In progress	No action
High	27	10	12	5
Medium	50	31	16	3
Total	77	41 (53%)	28 (36%)	8 (11%)

Of the totality of the 77 previously agreed actions which were due to have been implemented, 89% had been implemented by the scheduled date or are in progress. As a result, as per Appendix C, only 3 areas have been designated as a 'red risk', being Section 106 developer contributions, TFM help desk and the 'Kent Card' systems.

Such follow up data can provide useful indicators of governance cultures in an organisation and it is expected that Corporate /directors will take forward any areas of poor progression as well as reflecting outcomes in their annual governance returns.

## 7. Internal Audit and Counter Fraud Performance

7.1 Performance against our targets to the end of December 2016 are shown below:

<b>Performance Indicator</b>	<b>Target</b>	<b>Actual</b>
<b>Outputs</b>		
100% of Priority 1 audits completed (by year end)	67%	55%
50% of Priority 2 audits completed	34%	22%
Time from start of fieldwork to draft report to be no more than 40 days	90%	57%
No of fraudulent incidents / irregularities recorded	N/A	132
<b>Outcomes</b>		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	0
% of all other issues agreed	N/A	94%
% of all other issues implemented	N/A	0
Client satisfaction	90%	97%
Total Number of identified occasions of		
a) Fraud		41
b) Irregularity		20
Total monetary value detected of		
a) Fraud		£206,123
b) Irregularity		£8,758
Total monetary value recovered of		
a) Fraud		£16,706
b) Irregularity		£8,758



- 7.2 As part of our work we have identified actual or potential value for money savings of over £300,000.
- 7.3 In general the output 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 2016/17.

## 8 Internal Audit and Counter Fraud Resources

- 8.1 We have no current issues with audit and counter fraud resources and staff turnover is relatively low.

## 9 Work in progress and future planned coverage

- 9.1 Appendix B details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.

- 9.2 We have the following substantive work in progress

GET Governance Review
Adults Transformation – Phase 2
Strategic Commissioning

- 9.3 For the next quarter of the year we also have a number of substantive audits to complete including:

Adoption	Supervisions - Social Care (follow up)
Risk Management	Safeguarding Adults (follow up)
Corporate Governance (selected controls)	Procurement and contract management (follow up)
Accounts Payable	LED Street lighting
Accounts Receivable	

- 9.4 Appendix B also details the audits that have been cancelled or deferred. We are planning to defer or cancel 18 audits from the plan, of which 15 are Priority 2 audits. As a reminder we have a target to complete 50% of priority 2 audits each year and there is always an overprovision within the plan to allow flexibility of available audit resources.

## **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 Our follow up work confirms that in general management have taken or have planned, appropriate actions to implement agreed issues.
- 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 2016/17 Internal Audits issued from September – December 2016

## Transformation and Change – 0-25 Portfolio

Audit Opinion	<b>Limited</b>
Prospects for Improvement	<b>Good</b>

The overall objective of the audit was to provide assurance that the 0-25 Portfolio is delivering sustainable savings and realising planned benefits / outcomes. Our audit focused on a sample of eight projects in the 0-25 Portfolio. Five of the largest are part of the 0-25 Unified Programme of projects which were initiated with the support of Newton Europe. The 0-25 Unified Programme as a whole was estimated to save a minimum of £17.7m per annum

Our overall opinion is that we can provide ‘limited assurance’ that the 0-25 Portfolio is delivering sustainable savings and realising planned benefits / outcomes, for the following reasons:

Although all projects could demonstrate some achievement of benefits, it is less than clear that targeted financial and non-financial planned outcomes are being achieved. Underlying monitoring and reporting mechanisms lack integration to prime financial records. A number of the KPIs are not the right measures or are sufficient for monitoring achievement of planned outcomes. The Financial Performance Monitoring Group (FPMG) as a means of challenge, scrutiny and accountable integrated working has been less effective than planned and accountabilities from a number of key stakeholders have been blurred.

In addition, lessons learned reviews had not been quickly embraced as a mechanism to promote continual improvement.

Although not all projects had achieved the intended cashable

### Key Strengths

- Newton Europe were a useful independent catalyst for challenge and change within the programme
- In the initial year of the programme (15/16), FPMG reported that cashable savings of nearly £6 million across the Newton Europe initiated programme were delivered (although from our testing we cannot substantiate all of these figures)
- There is evidence that £5.7m savings have been achieved from in house savings from re configuring of Early Help services.
- All projects in our sample across the Portfolio had achieved some financial or non-financial benefits, although quantification of these benefits is difficult, particularly with changes in demand and volumes
- KPIs are reviewed by senior management and FPMG prior to incentive payments being made to the consultants
- Positive changes to ways of working are embedded and have been embraced by staff, which is indicative of levels of sustainability
- Evidence suggests the quality of outcomes to vulnerable service users has not deteriorated during this period of change

It must however be acknowledged that the implementation of the 0-25 Unified Programme took place at a time when the Council was dealing with the unprecedented challenge of large numbers of UASC arrivals; this may have had an impact on the service’s ability to capitalise and manage the benefits of the Transformation

### Prospects for Improvement

Prospects for Improvement are considered Good based on the following factors:

- Work is underway to rapidly remedy the way projects are

benefits, the impact of not implementing the projects in a rapidly changing environment remains unknown and therefore labels of 'success' or 'failure' must be treated with caution

### Areas for Development

- Overall not all of the projects within our sample have not achieved longer term cashable savings. Out of our sample of 5 within the Newton Europe 0-25 Unified Programme, only one has savings built into the 2016-19 MTFP.
- There is a trend for elements of initial cashable savings from the Newton Europe Programme and benefits to be re-designated as 'cost avoidance' and 'undeliverable' as the project has progressed and it is unclear whether the project has delivered or not
- The overall SCS caseload is not consistently reducing and consequently planned savings in agency staff costs are not being achieved
- It is evident that a number of assumptions were not clearly understood by the relevant accountable stakeholders at the outset of the Programme
- Some of the assumptions underpinning the Programme and the performance indicators were not reasonable/ realistic.
- It is evident that some of the KPI measures were not an effective means of monitoring or truly indicative of programme success and cashable savings
- A critical flaw with reporting of financial benefits is that it was not integrated with budget monitoring systems but based on stand-alone models and predictions. This means it is difficult to reconcile whether programme activity is resulting in real time savings to KCC.
- Two systems of data recording used to measure KPIs have broken down, one due to a decision by the data owner (Specialist Children's Services) and one where the recording systems have not been sustainable (Residential)
- The FPMG group was not as effective as planned in monitoring the programme benefits and relating these to cashable savings

planned and delivered to achieve the intended savings and the 0-25 Portfolio Board has set up a dedicated project group

- The FPMG group is being re-constituted into a more accountable form and with revised KPIs linked to financial monitoring
- A lessons learnt review (carried out in April 2016), has not been shared with the 0-25 Portfolio Board.
- Management have provided a clear and positive action plan in response to this audit and have assured us that as the Transformation enters Phase 2, there will be a different approach to avoid the issues identified in this report

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	3	3	0
<b>Medium Risk</b>	0	NA	NA
<b>Low Risk</b>	0	NA	NA

## Standards and School Improvement Team

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

An audit to provide assurance that the Schools Improvement Service operates appropriately to ensure statutory responsibilities are met and allow the achievement of Kent County Council's strategic outcomes. This will include a review of the consistency of support and information provided, the adequacy and appropriateness of commissioning processes and monitoring and review against planned outcomes.

A new Standards and School Improvement Team structure was put in place for the start of the 2016/17 academic year. This contains substantive post holders for key roles in the team. There is a clear vision set by management. The Strategy for School Improvement is up to date and the business plan is aligned to KCC strategic objectives. There is evidence that statutory responsibilities are being met.

KPIs are being achieved, most notably the improvement in the performance of primary schools in Kent over the past 2 years, with 90% now achieving a good or outstanding Ofsted judgement. There are a number of areas where targets are not being met. The ratings for secondary schools have improved but not to the same degree as Primary schools in Kent and are currently below target. 'Closing the Gap' is also notably behind target.

Procurement processes for the appointment of consultants have been followed and evaluation and reviews are completed, however there could be improvements and better consistency in performance management of consultants.

### Key Strengths

- The new structure, implemented on 01.09.2016, has led to senior posts being made substantive, including a designated post for 'Closing the Gap' where improvement has been slow to date
- A School Improvement Strategy and a Schools Causing Concern protocol are in place. These were developed in consultation with Kent Association of Head Teachers and are central to the work of this team.
- Detailed Notes of Visit were seen to support core visits and contact with schools, which reflects the School Improvement Strategy.
- For the consultant agreements, scrutiny of sample demonstrated that commissioning and procurement procedures are being followed.
- There is evidence that statutory responsibilities are being complied with
- KCC and EYPS strategic outcomes are evident in the Strategy for School Improvement. Objectives and KPIs in the team's business plan also support these.
- There is significant improvement in the performance of Kent schools, particularly Primary.
- There has been a move away from Memorandums of Understanding (MoUs). Formal contracts are now in place for KCC brokered agreements whenever financial payments are required.

### Areas for Development

- Actions were not always recorded in school visit notes and in some cases where they were there was no evidence that these had been followed up.
- There are inconsistencies in monitoring and performance management of secondary consultants

**Areas for Development (cont)**

- Although conflicts of interest are required to be disclosed by consultants/ contractors, there is currently no record of these
- KPI targets in the business plan relating to closing the gap are not currently being met
- Academies are benefiting from DSG money used to fund KAH boards

**Prospects for Improvement**

**Prospects for Improvement are considered Good based on the following factors:**

- Management in the team have clear objectives to achieve improvements in the service, and during the audit a number of new initiatives were identified as in development
- There is a continuous drive to improve partnership working
- The number of academies that are now engaging with the SSIT is increasing and we were informed that for 16/17 all primary academies have accepted keeping in touch visits.
- A number of Secondary academies do not engage with the Local Authority, limiting KCC influence over performance and standards of education

- Consultant agreements for school support are only signed by the consultant and not by the designated KCC officer.

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	3	3	NA
<b>Low Risk</b>	3	3	NA

## Medium Term Financial Planning

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Adequate</b>

The overall objective of the audit was to provide assurance on the management of financial planning arrangements in place to meet increased saving pressures while achieving KCC priorities. The audit was undertaken alongside an audit of Business Planning in order to provide assurance on the alignment of financial and business planning.

It is evident that the underlying risks and challenges behind the construction and delivery of the MTFP are increasing. Overall the objectives and processes behind the construction and operation of the MTFP remain sound, there is alignment to transformation plans and other strategies, awareness of risks is strong and there is regular monitoring and review. Our testing showed a small number of areas where sensitivity analysis could improve and a number of savings proposals had limited plans or track record to back them up, or there were significant risks associated with delivery.

### Key Strengths

- The Medium Term Financial Planning process as managed by the Financial Strategy team is robust
- Analysis of the wider environment is carried out using information from a variety of sources, to enable a fair assessment to be made of the key challenges facing the Council
- The method for estimating pricing pressures is sound in design
- There are controls in place to reconcile the MTFP with the annual Revenue Budget and testing demonstrated these are effective
- Although the risks to budget delivery are high, there is good awareness of these risks and appropriate monitoring and reporting arrangements in place.

### Areas for Development

- There is limited sensitivity analysis carried out on the assumptions behind estimated price and demand increases. For 2016-17, budget monitoring shows that increases in price and demand beyond the budgeted amounts in a number of high risk areas has contributed towards the current forecast overspend position
- One third of savings proposals reviewed were considered ambitious to deliver, did not have detailed plans behind them or were based on untested assumptions
- Inherent financial risks are increasing. The “Delivery of 2016/17 Savings” risk on the Corporate Risk Register is currently outside the target risk rating set; the current risk rating is considered to be 12 whereas the target is 4.
- There is a lack of clarity around how business plans support the delivery of the MTFP as the two cycles are not formally aligned and business plans lack financial content and drive

### Prospects for Improvement

- The financial challenges facing the Council continue to be intense due to the combination of additional; (unfunded) spending demands and reductions in central government funding
- The officers involved in MTFP are highly experienced
- There is a review process to ensure continual refinement
- The Council has a 16-year track record of delivering an underspend although for 2016/17 this looks challenging.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	2	1	1
<b>Low Risk</b>	0	NA	NA

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

The aim of the audit is to provide assurance on the implementation of the new business planning arrangements for 2016/17 and consideration of links to KCC priorities, the strategic commissioning cycle and the longer term view. This audit was undertaken alongside an audit of Medium Term Financial Planning to provide assurance on the alignment of financial and business planning.

There was a clear process in place for compiling 2016/17 Business Plans across all Directorates and Divisions/ Services. Robust and appropriate support and advice was provided by the Business Strategic Advisers associated to each Directorate to ensure relevant information is communicated across the Directorate to inform the Business Planning process for the forthcoming year. The Directorate plans we reviewed included the required information which had been agreed by the Policy and Resources Cabinet Committee.

Following the 2015/16 Business Planning review, templates for Divisional plans are no longer required and this has resulted in a small number of business plans not including key information to support delivery of financial targets and the workforce strategy.

Our opinion of Adequate is based on the following strengths and areas for development.

**Key Strengths**

- Guidance and support is provided by the Policy, Strategy & Assurance Division to inform the development of Directorate Business Plans.
- Member Priorities are included within Directorate Business Plans which are then communicated downwards to inform Divisional/ Service Plans.
- Business Plans are reviewed and signed off at the appropriate level.
- There is a golden thread linking the Council’s Strategic Statement through to Directorate plans and then down to Divisional/Service plans.
- Directorate/ Divisional Business Plans are being used to identify key activities/ priorities in raising standards.

**Areas for Development**

- Due to business plans, in particular the Directorate plans, being more Strategic Priority Statements, a minority have not included activities/ priorities that link directly with the Medium Term Financial Plan or key information such as workforce planning requirements, Key Performance or Activity Indicators. In general there is no requirement for a financial focus behind current business planning across all levels despite funding reductions being a key driver at present.
- There is a lack of guidance and information about the planning cycle available to support managers in developing their Divisional/Service plans.
- Some Business Plans do not take a medium term view and only concentrate on activity/priorities for the coming year.
- Key Performance Indicators in business plans have not been aligned/ linked to service activities/priorities.



**Prospects for Improvement**

Prospects for Improvement are considered to be Good, based on the following:

- There is a yearly cyclical review of business planning imbedded within the business planning process to identify improvements.
- Members, Corporate Directors, Directors and Service Heads are engaged in the process.
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.

**Summary of management responses**

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	3	3	NA
<b>Low Risk</b>	0	NA	NA

**Contact Point – Contract Management Agilisys**

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

The aim of the audit was to provide assurance on the recently outsourced operations, including contract management Agilisys assumed responsibility for KCCs contact centre in December 2015. Since this time KCC has seen several changes in key personnel which has affected the consistency of managing the contract and has contributed to some of the issues identified.

During the eight months that Agilisys has been delivering the service, there has been investment in line with the Transformation programme which is scheduled for completion in February 2018. To date Transformation activity has implemented key projects, however there have been some delays with implementing some of the other activities due to ineffective engagement between KCC’s service areas and Agilisys.

In the first 3 months of the contract there was a significant decline in the customer experience for the Out of Hours service provided by Agilisys. KCC actively managed this issue through a formal Rectification Plan, which has since been signed-off subject to Agilisys finalising their business continuity and disaster recovery plan. For day-time calls, the service has remained stable.

It is difficult to determine if the contract is generally delivering on outcomes, as a number of areas are missing from KPIs or KCC cannot validate or corroborate the data.

Below we have summarised the key strengths and areas for development.

### Key Strengths

- The monthly reconciliation process to verify the volume of calls to support the monthly core payment is effective. We were able to reconcile each monthly forecast and variable payment and found satisfactory evidence of challenge where there was any doubt.
- Key Performance Indicators (KPIs) have been agreed as part of the contract (see also Areas for Development below).
- Where average call handling times were exceeded, there is evidence of sufficient challenge by the Client Team.
- The contract clearly defines roles and responsibilities, including governance arrangements for the contract (although see also Areas for Development below).
- There is good oversight and management of the Rectification Plan in respect of the Out of Hours service.
- The transformation activity is well documented in a Project Initiation Document, with supporting detailed plans, and progress is adequately monitored.
- The new Contract Manager has introduced more robust financial forecast arrangements from September 2016, to facilitate effective budget monitoring.

### Areas for Development

- There are no processes in place for KCC to corroborate the information submitted by Agilisys for KPI 4 (complaints data) before monthly payments are made.
- There is no KPI to measure the response times for emails and post received and processed. In addition KCC is unable to verify the volumes submitted by Agilisys when making contractual monthly payments, and therefore are currently unable to confirm accuracy of billing for this element.
- Record keeping is inadequate – for example officers were unable to locate key documents (such as meeting minutes, formal decision authorisations and contract change control notices) and document version control and organisation was poor.
- Responsibilities are not being fully discharged in line with the Governance Schedule of the contract.

### Prospects for Improvement

Prospects for Improvement are considered to be Good based on the following factors:

- Continuity of staff needs to stabilise for management of the contract to be fully effective. Recent appointments will help with this and we have already evidenced this with the appointment of the new Contract Manager.
- Sustainability of the monthly reconciliation and independent quality assurance processes by the Client Team beyond 2016/17 is uncertain.
- Agilisys have employed a Key Account Director to strengthen the engagement with KCC service areas, in particular those most affected by the changes.
- Issues experienced with the Out of Hours service were quickly escalated, a Rectification Plan drafted and progress monitored closely.
- Officers have already started to address some of the issues identified during this audit.

### Summary of management responses

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

## Software Licence Management

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

This audit reviewed controls over the management of software to ascertain the record keeping of the assets; version control; vendor support arrangements; change control process and licence management arrangement.

Our audit opinion of Adequate is based on the following strengths and areas for improvement:

### Key Strengths

- A Contract Manager is now in place to manage ICT vendor contracts.
- A record of ICT applications is maintained and retained.
- Services and teams have access to information and support to help them manage
- upgrades and new versions.
- Restrictions are in place to prevent the downloading and installing of unauthorised third party software on the Council's network and this is monitored.
- There is a formal change control process in place as well as a policy for the upgrade of software.

### Areas for Development

- Almost half of the applications tested during the audit from across the estate were not updated to the latest version.
- The draft ICT BSC Service Specification includes a requirement for ICT Operations to undertake audits of licences held to ensure that software licences are managed. To date no audit/review has been undertaken

### Areas for Development (cont)

- The ownership of licences by individual services/ teams can restrict the re-allocation of them to other users across the Council.
- There have been instances of applications being purchased without ICT involvement in the procurement process to give advice on support maintenance, risk, capacity, etc. before connecting onto the Council's infrastructure.

### Prospects for Improvement

Prospects for Improvement are considered to be Good, based on the following:

- ICT BSC Operations is a knowledgeable resource to services in providing advice and support in planning for upgrades for all types of software.
- The new ICT Strategy has been drafted and approved (although not yet published) which includes the key objective of re-using software assets corporately

### Summary of management responses

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	4	4	NA
<b>Low Risk</b>	0	NA	NA

## SWIFT/ AIS Application and Preparedness for ISO 27001 Certification Review

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

This audit details the results of the Swift and Adult Integrated System (AIS) applications audit to assess the current level of compliance with the ISO 27001:2013 Information System Security Standard..

ISO/IEC 270001:2013 accreditation is being sought in accordance with the requirements of the NHS's annual Information Governance Statement of Compliance.

This audit evaluated the requirements to achieve compliance with the 35 control objectives of the ISO 27001:2013 standard. The audit was carried out using a 'Gap Analysis' tool and focussed on the controls which we believe could be in scope for the ISO 27001 certification, in summary we found that:

- 96% of the controls that we reviewed were compliant with controls identified within ISO27001; and
- 4% of the controls that, we reviewed were found to be partially compliant.

### Key Strengths

- Information Technology (IT) security policies have been documented and communicated to relevant key stakeholders.
- Information Security Officer (ISO) roles and responsibilities have been defined.
- The ICT asset register is maintained by both the business support team and the infrastructure team.
- Application password configuration is compliant with the corporate password policy.
- Ownership of the Swift/AIS applications has been defined
- Use of removable media has been restricted.

- Logical access controls at the application level are in place and are monitored by the business application support team.
- Physical access and environmental controls are in place at the Sessions House data centre.
- Segregation of the development, test and production environments is in place.
- Swift/AIS application and data is backed up.
- Data sharing procedures have been documented.
- Third party application maintenance and support contract is in place.

### Areas for Development

- Mandatory certification documentation has yet to be drafted.
- Anti-virus not updated since March 2016.
- Administrative logs are not collected and analysed.

### Prospects for Improvement

The Prospects for Improvement rating of Good is based on the following:

- Sufficient training is provided to the users of the Swift/AIS applications/systems.
- The business application support team have significant knowledge of the Swift/AIS applications/systems.
- Management and staff were receptive to the issues raised.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	1	1	NA
<b>Medium Risk</b>	2	2	NA
<b>Low Risk</b>	NA	NA	NA

## Spydus Application Audit

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

Overall the Spydus system is stable and well managed through the South East Library Management Service (SELMS) Consortium, which monitors the contract with the system provider. There is a robust process in place for new users to be added with appropriate access for their role, although leaver access is not always removed promptly.

Our audit opinion of Adequate is based on the following strengths and areas for improvement:

### Key Strengths

- All users on the system are uniquely identifiable and are assigned appropriate user roles based on their job profiles.
- Appropriate Spydus support and maintenance is in place through a combination of external and in-house arrangements.
- The contract is appropriately managed through South East Libraries Management Services (SELMS). Quarterly meetings are held by (SELMS) development and steering groups, in which KCC take an active role.
- An appropriately detailed audit trail is maintained within the Spydus system for all changes made to the data on the system.
- There is a robust change management process in place maintained by the third party system provider.

### Areas for Development

- Active user accounts are not regularly reviewed to ensure access levels are appropriate and leavers have been removed.
- Spydus does not enforce password updates and some library staff have not changed their passwords from those allocated when access was first granted.
- Procedures for purchase of library stock (including adding it to Spydus) have yet to be formally documented.
- The third party provider SLA monitoring report is not provided to Libraries management for review.

### Prospects for Improvement

The Prospects for Improvement rating of Good is based on the following:

- The KCC application support team has good understanding and knowledge of the application.
- Management have a very good awareness of issues and challenges.
- The libraries staff are provided relevant training in order to fulfil their roles in using the Spydus system.
- Library and IT staff were receptive to the issues raised in this report and already working on corrective actions for some issues.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	2	2	NA
<b>Low Risk</b>	2	2	NA

## Safeguarding Quality Assurance Framework – Education and Young People’s Services

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Adequate</b>

The audit was designed to provide assurance that an appropriate framework exists to manage safeguarding effectively including quality assurance of the work carried out in relation to children and therefore manage risks to their health, safety and wellbeing.

There is an assurance framework for Early Help and Preventative Services (EHPS) but not for the Safeguarding in Education team’s area of work. There is effective liaison and involvement with the Kent Safeguarding Children’s Board (KSCB) and the Safeguarding in Education team generates significant income although the impact of this on delivery of statutory services has not been assessed.

### Key Strengths

- The Safeguarding in Education team is represented on all the sub groups of the KSCB.
- The costs of the Safeguarding in Education team are minimised by significant chargeable work.
- There is an effective process for Early Help triage and allocation of work to districts and then to key workers.
- An Early Help quality assurance framework and audit programme is now in place.

### Areas for Development

- There is no quality assurance framework for the Safeguarding in Education team area of responsibility.
- The chargeable work undertaken by the Safeguarding in Education team could impinge on the discharge of statutory duties and responsibilities.

### Areas for Development (cont)

- Integration of all Safeguarding arrangements could be improved.
- Early Help triage backlogs earlier in the year suggest that resources and/or procedures need to be revisited even though the backlogs have been cleared.
- There are issues still to be addressed regarding the recording of training take up in EHPS. This was originally raised at KSCB Quality and Effectiveness sub group in May 2016.

### Prospects for Improvement

Prospects for Improvement are considered to be adequate based on the following factors:

- The Early Help assurance framework is being refined. Audit training is being updated and there are plans to align the audit tool with that of the KSCB.
- Key senior vacant posts have been filled in EHPS and the Safeguarding in Education team.
- There has not been an evaluation of whether chargeable work is impinging on the statutory duties and responsibilities of the Safeguarding in Education team and insufficient testing of customer satisfaction.
- There are no plans to introduce a quality assurance framework for the Safeguarding in Education team’s area of work.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	1	TBC	
<b>Medium Risk</b>	5	TBC	Audit at final draft stage
<b>Low Risk</b>	1	TBC	



## Leaving Care Follow-up

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

Internal Audit carried out a review of the Leaving Care Service as part of the agreed 2015/16 Annual Audit Plan. The final report was issued in April 2016 and the opinion arising from the audit was 'Limited' assurance. This was largely due to significant weaknesses identified around statutory pathway plans which represented safeguarding and compliance risks to the Authority.

Our follow-up work highlighted that there has been significant progress since our original audit, including for the two high priority issues raised. The quality of the pathway plans and the timeliness of statutory reviews has improved noticeably. Whilst our testing did identify some exceptions with regard to pathway plans, this was to be expected given the nature of the changes required and the relatively short timescales to deliver improvements since our original audit. The service has plans in place to ensure that there is continued positive direction of travel. Policy and processes have been drawn up to improve the numbers of care leavers in employment, training and education which are integrated with the Authority-wide strategy and processes.

There is a predicted large increase in overall case load over the coming months, mainly due to the influx of Unaccompanied Asylum Seeking Children (UASC) in the summer of 2015 who are now entering the leaving care service. Current forecasts show that the caseload is likely to increase by 200 between October 2016 and March 2017; equating to an extra 6.5 Personal Advisors. In addition, the Children and Social Work Bill currently being debated in the House of Commons will, if passed, require Local Authorities

to continue to support Care Leavers up until the age of 25 (the current age limit is 21 except for those in education). This will create additional pressure on the service and therefore considerable future challenges and resultant risks to the sustainability of improvements. Existing caseloads, although they have been reduced since our original audit, continue to be demanding; unqualified staff have an average caseload of 30 care leavers, many of whom are extremely vulnerable with a variety of complex needs.

Through discussions with the service, we are satisfied that they are aware of these risks and that actions are being developed to mitigate these.

<b>Issue</b>	<b>Priority Level</b>	<b>Conclusion from testing</b>
Pathway Plans - SCS	High	In progress
Leaving Care Budget Monitoring and Forecasting	High	Implemented
Staff Leavers and Personal Adviser Caseloads	Medium	Implemented
Integration and Creation of new team	Medium	Implemented
Adult Social Care Pathway Plans	Medium	In progress
Education, Employment and Training Outcomes	Medium	Implemented - Agreed actions have been implemented but the service should monitor these to ensure they continue to meet the desired outcomes
Cash Payments	Medium	Implemented

## ICES and Telecare Contract Management

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

There are processes in place to oversee management of both contracts, with performance regularly reviewed and challenged. There are some issues around invoicing for the ICES contract and, the service is addressing this with the provider. In addition, the delegated authority for the award of the Telecare contract was not clear.

### Key Strengths

- Appropriate governance arrangements are in place for both contracts
- Regular meetings are held with providers and performance is scrutinised and challenged by contract managers.
- Formal Partnership Board meetings have been established with the Clinical Commissioning Groups (CCGs) and contractor which cover all aspects of contract management and performance in detail.
- Appropriate Key Performance Indicators (KPIs) are produced on a monthly basis and discussed at the contract monitoring meetings
- A risk management system is in place for the ICES contract with high level risks discussed at the Partnership Board
- Invoices are scrutinised and independently reconciled to source data prior to being passed for payment which minimises the risk of financial loss through payment made for goods not received

### Areas for Development

- The relevant key decision does not clearly detail both services that it covered; the delegated authority to award the Telecare service contract is therefore not clear
- There are issues currently with the invoicing and payments processes for the ICES service as invoices are sent requiring multiple adjustments due to discrepancies however, this has been recognised by the service and are actively addressing the issue.
- There is currently a dispute surrounding TUPE costs between the provider and the Council which needs to be resolved
- There was no clear plan to review the adequacy and effectiveness of the Section 75 (Partnership agreement) although this is not required prior to the end of the financial year

### Prospects for Improvement

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

- The service have provided strong responses to the issues raised
- The governance arrangements in place allow for strong oversight and continual improvement

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	3	3	0
<b>Low Risk</b>	0	NA	NA



## Carers Assessments

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Adequate</b>

The overall objective of the audit is to provide assurance that there are adequate and effective processes in place to ensure that contracts are effectively managed to achieve objectives, performance is in line with required standards and complies with legislation and that financial and safeguarding risks are adequately managed.

Our audit opinion of adequate assurance is based on the following strengths and areas for development. There are strong monitoring processes for KPI's and reviewing performance against set targets with action plans in place where issues are identified. However due to reporting issues, assessments reported as undertaken and Something for Me payments cannot be reconciled to Swift. In addition copies of signed contracts were not held, there was no formal variation for the increase in 'Something for Me' payments and no evidence provided of appropriate approval of the original contract and subsequent extensions.

### Key Strengths

- KPI's are appropriate and support the outcomes of contracts.
- Detailed responses to action plans with built in reviews with providers
- Where detected areas of concern and performance are addressed with the providers at quarterly contract meetings.
- The Carer business process chart for Carers Assessments is very detailed, concise and easy to follow.

### Areas for Development

- Formal approval of the original contracts was not provided and contract extensions were signed outside of authorisation levels specified within KCC's delegation matrix.
- Signed copies of the contracts were not retained; two were sourced during the audit from the providers but one remains o/s.
- Due to reporting issues with SWIFT this has impact and the ability to monitor the achievement of targets.
- Additional "Something For Me" payments were paid to providers and while these additional funds were agreed at DMT there was no formal contract variation.

### Prospects for Improvement

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

- There is recognition that SWIFT is not working effectively enough to capture the appropriate data required and this is currently being reviewed.
- The contract will be re-let on expiry of the extensions as part of Phase Three transformation programme
- Management responses to the actions raised for this report has been positive

### Summary of management responses

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

## General Ledger

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

Our audit testing found that controls are operating effectively in respect of journals, feeder systems, suspense accounts and flexfield information. Overall, systems are well managed to ensure that the information held on the General Ledger is correct and complete. A small number of issues were identified. – in particular improvements could be made to the bank reconciliation processes to ensure that reconciling items are promptly.

### Key Strengths

- The current bank mandate for KCC's is up-to-date and there are controls in place to manage amendments to signatories.
- Monthly bank reconciliations are being carried out, and these are reviewed and signed off by appropriate persons.
- All journals tested had been accurately processed.
- There are good controls in place to monitor users who have Oracle permissions to post their own journals.
- All suspense account balances are monitored and action is taken to clear them regularly.
- Our sample testing of feeder files confirmed that files are checked and uploaded in a timely manner, and balances from supporting documentation agree to the General Ledger.
- Sample testing of 30 Oracle change requests found evidence of appropriate authorisation and documentation in all cases. Changes had all been processed in accurately and promptly.
- Tasks are well managed, co-ordinated and shared within the Finance Systems & Support Team.
- The Finance Systems & Support Team evidenced good communication with other areas of the business to ensure GL information is complete and accurate.

### Areas for Development

- Bank reconciliation procedure notes for the main accounts require review to ensure they are comprehensive and user friendly.
- Only one member of staff performs the reconciliations causing a lack of resilience should she be absent for a period of time.
- The bank reconciliation for the Salaries Account is not always completed promptly and there were delays with bank reconciliations being authorised by the Chief Accountant.
- Uncleared transactions appearing on the General Account reconciliation are not being addressed promptly.
- For 08 Journals (where charges are made between different directorates), local sample checking is not being routinely carried out in line with the documented sampling methodology.

### Prospects for Improvement

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

- Management and staff are knowledgeable, they understood the issues raised and were responsive to addressing them.
- There is a culture of continuous improvement.
- Some issues remain outstanding since the last internal audit in 2015 in relation to bank reconciliation procedures and have been re-identified during this audit.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	1	1	NA
<b>Low Risk</b>	3	3	NA

## Value Added Tax (VAT)

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Very Good</b>

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

We identified that controls are operating adequately and effectively. There are several areas of good practice evident, with a few areas identified where further improvements could be made. These strengths and areas for improvement are summarised below.

### Key Strengths

- Staff have access to an accurate and up to date VAT manual which provides guidance on the VAT indicators they should use and what constitutes a valid VAT invoice.
- Monthly VAT returns are accurately compiled based on information from the Oracle Financials system and have been submitted to HMRC in line with their timescales.
- The Partial Exemption calculation for 2015/16 has been estimated based on the final calculation from 2014/15 and is regularly reviewed and updated.
- The Corporate Director of Finance and Procurement receives accurate quarterly VAT update reports.
- The VAT update reports now include additional detail in the form of sensitivity analyses which allow for a more meaningful assessment of the risk of not achieving the Partial Exemption criteria.

### Areas for Development

- Succession planning could be strengthened by documenting key procedures and by widening access to training.

### Areas for Development (cont)

- Some of the invoice descriptions input into Oracle contained insufficient information to ascertain what the payment related to and/or the relevant time period.
- VAT indicators are not being applied correctly in all instances, for both invoices paid by the Council and invoices issued by the Council, although most errors identified related to the use of the various 'nil VAT' tax codes and had minimal impact on the VAT return.

### Prospects for Improvement

Prospects for Improvement are considered to be Very Good based on the following factors:

- Management actions arising from the previous audit have all been implemented.
- The team has a good track record of internal challenge and improvements to current processes, such as the improvements in the structure of the VAT return and Partial Exemption working documents, and the inclusion of a sensitivity analysis in the quarterly VAT update reports.
- Management has responded positively to the issues raised in this report, and they are confident that their proposed management actions will result in further improvements.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	2	2	NA
<b>Low Risk</b>	1	1	NA

## Insurance Fraud

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

The aim of the audit was to provide assurance that the risks of insurance fraud are minimised and opportunities for prevention and detection are maximised.

Within the insurance team there are a number of checks in place to ensure the authenticity of claims; this includes a detailed claim form and a requirement to submit supporting evidence. However there are some improvements that could be made to detect and deter potentially false claims through clear guidance about what to do if fraud is suspected, closer working with the Council's fraud team and making better use of the available data. The service has responded positively and is already adapting their processes.

### Key Strengths

- All claimants are required to submit a detailed claim form which requires the claimant to attest to the truthfulness of their claim and advises them that their data may be shared for the purposes of preventing and detecting fraud.
- Claimants are required to submit evidence to support their claims such as an MOT and vehicle registration documents. Original invoices are required before any payment to the claimant is made and there are some checks in place to ensure repair work has been completed.
- Payments are made by BACS.

### Areas for Development

- There should be clear procedures in place for staff describing what to do if they suspect a potentially fraudulent claim has been submitted.

### Areas for Development (cont)

- Potentially fraudulent insurance claims, whether rejected or not, should be referred to the Counter Fraud Manager and a record kept.
- The service should ensure that claim forms that are unsigned are rejected and returned to claimants before any further processing.
- Claimants could be asked to submit evidence of their identity.
- The insurance record system (Figtree) has not historically been used to record data such as claimant address or telephone number which limits the opportunity to automate repeat and suspicious claim detection.
- The service should work with the current insurance provider to improve the quality of the data uploaded to the National Fraud Initiative.

### Prospects for Improvement

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

- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.
- Management are liaising with Zurich Municipal to rectify the issue of incorrect data being uploaded to the NFI.

### Summary of management responses

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

## Workforce Planning

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

In 2015 a Workforce Planning Strategy was introduced and endorsed by the Corporate Management Team. We conducted an authority-wide review to assess progress with managing workforce planning, with focus on succession planning and talent management. Below are the strengths and areas of development from our work.

### Key Strengths

- There is an up to date Workforce Planning Strategy for 2015-2020, endorsed by the Corporate Management Team.
- A review was in progress by EODD of how the actions from the Workforce Planning Strategy have been implemented and a draft report is currently being prepared of the findings.
- All directorates have identified their critical roles and successors at DMT level (the top three tiers) and most divisions have also identified theirs.
- We were provided with a cross section of examples of good practice across the organisation.
- Workforce planning is a regular agenda item on the Organisational Development directors' group meetings and on senior management team meetings.
- Training and development has been identified for successors and talented staff.
- A new Workforce Planning database is being introduced.
- The Future Manager Programme has been reviewed and there are plans to improve the tracking of staff progress.

### Areas for Development

- There is no authority-wide overview of critical roles, gaps (for critical roles), successors and talent management.

### Areas for Development (cont)

- One of the six divisions in our sample had not formally identified and documented their critical roles and successors (BSC). One other division was in the process of doing this (DCLDMH).
- Monitoring and evaluating the success or otherwise of succession planning and talent management is not currently carried out. Although it is recognised that this is a longer term aim.

### Prospects for Improvement

Prospects for Improvement are considered to be Good based on the following factors:

- Those divisions currently in the process of review/restructure will be identifying their critical roles and potential successors once new roles have been confirmed.
- A review was in progress by EODD of how the actions from the Workforce Planning Strategy have been implemented.
- The introduction of the Workforce Planning database for all directorates in 2017/18. It is anticipated that this database will provide authority-wide information on workforce planning.
- The on-going roll out of workforce planning workshops and presentations to help embed the process in all directorates.
- The introduction of the e-learning Workforce Planning training course.

### Summary of management responses

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	2	2	NA
<b>Low Risk</b>	0	NA	NA

## Schools' Personnel Service

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

In order to provide a wider assurance on the services being provided, this audit was carried out in conjunction with the audit of Schools, Academies and Outsourced Payroll Contracts (audit reference CA21 2017) which received a Substantial audit opinion with Good prospects for improvement.

SPS sits within the Business Services Centre (BSC) and is a specialist in HR advice and support for schools and academies, as well as providing an optional payroll service. We found that service costs and charges are well understood and managed, and that contracts are in place with all clients.

### Key Strengths

- Charges for SPS services are reviewed and approved on a yearly basis to ensure a surplus is maintained in accordance with the Medium Term Financial Plan.
- Contracts are reviewed by Legal Services and are in place for all clients.
- Billing to schools for the services provided is accurate and in line with their contracts and agreed charges.
- There is robust budget monitoring to ensure budgets are not overspent.

### Areas for Development

- Obtain independent market testing to ensure income and costs are competitive.
- "Competitive testing" is not undertaken independently and is based on benchmarking comparisons.

### Areas for Development (cont)

- Staff declarations of interest do not currently include membership of any school governing bodies. It should be noted that the current KCC guidance on KNet does not specifically state that this is a requirement and the service takes appropriate action to address any known conflict consultancy staff may have.
- Lack of monitoring and reporting of the KPIs set out in the service level agreements included in contracts.
- Not all procedure notes in relation to the Business Support Team are version controlled, showing who is responsible for the procedure, when they were reviewed and the next review date.

### Prospects for Improvement

Prospects for improvement are assessed as Good due to the following factors:

- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.
- Enhancement of the IKEN time recording system has been implemented to improve the available reporting for additional work undertaken.
- The development of the charging review to provide more comprehensive data, including impact assessments on income to inform changes in charges.

### Summary of management responses

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



## Total Facilities Management – Helpdesk Follow-up

Audit Opinion	<b>Limited</b>
Prospects for Improvement	<b>Uncertain</b>

An audit of the Property Service Desk operations carried out under the three TFM contracts was completed in 2015/16, resulting in a Limited assurance opinion. This audit seeks to provide assurance that the actions agreed to address the issues raised have been implemented effectively

Further audit sample testing and enquiries demonstrate that although some progress has been made, the high and medium priority issues raised in the previous audit report have not been fully addressed by Skanska (East Kent) and Amey (Mid-Kent). Further actions are being taken by KCC Asset Management to ensure Gen2 as the commissioned contract managers engage with the contractors to improve their service delivery in line with the TFM contracts. As part of this, a new customer experience action plan is being developed.

We were unable to audit Kier's Helpdesk service (for East Kent) as the team are currently migrating to a new system. Arrangements have been made to complete this element of the audit in January/February 2017 and it will be reported separately.

### Key Strengths

- From 60 Tasks sample tested across both contractors, 56 (93%) had the correct category applied.
- Both contractors have implemented a complaints process that is consistent with the authority's Complaints, Comments and Compliments Policy

### Areas for Development

- Across both contractors only 75% of tasks reviewed were resolved within the contracted SLA.
- For Skanska and Amey, call waiting time reports are available but are not being used to determine the root-cause of any KPI breaches.
- There remain issues with completing and closing off tasks for both contractors, although the exception rates are reduced.
- Both contractors currently are applying differing interpretations of the Repeat Request KPI. For Amey, repeat requests should be referred to a Facilities Manger but we found that in most instances this is not happening.
- Although both contractors have appropriate complaints processes within their respective Helpdesks, a combination of missing evidence and delayed responses meant that many complaints were not processed correctly.

### Prospects for Improvement

- Clearly the lack of progress in implementing agreed actions is a poor track record for any prospects for future improvement.

### Summary of management responses

	No raised in previous audit	Implemented and closed	Not addressed further agreed	fully and actions agreed
High Risk	4	0	4	
Medium Risk	1	0	1	
Low Risk	NA	NA	NA	

## Road Safety and Crash Remedial Measures

Audit Opinion	<b>Limited</b>
Prospects for Improvement	<b>Good</b>

The aim of the audit was to provide assurance that appropriate proactive and reactive action is taken to minimise the risk of injury or death on Kent roads. This included a review of whether resources are being applied reasonably and appropriately, focused on delivering cost effective outcomes.

Our audit confirmed that data received from Kent Police is validated prior to investigation by the Schemes Planning & Delivery team. However, for the majority of our sample, supporting documentation for cluster investigations was not available for key elements of the process.

We established that combined members grant applications are submitted via the correct process and were included on the pre-approved list. However, up to date guidance is not currently available on Knet and the rationale behind the applications on how the proposed work will align to the Road Casualty Reduction Strategy was not documented. Authority for delegated decisions was also not documented to ensure compliance with the scheme of delegation.

### Key Strengths

- Data quality and exemption reporting for STATS19 data is operating effectively.
- All combined members grant applications were made via the Members Highway Fund.
- All applications for the combined members grant (Highway

### Areas for Development

#### 1) Crash Remedial Responses

- Guidance notes for the Cluster Site Identification Process or for the production of casualty reduction measures are not version controlled.
- For all cases where a site visit was not required, there was no documentation to support this decision.
- For 93% of Clusters which required a site visit, there was no Route/Site Analysis checklist retained on file.
- In 8% of cases which required a referral to the Road Surfacing team, there was no evidence to demonstrate that the referral had taken place.
- In 33% of cases there was no handover pack where required.
- Site visits whilst works are on-going are not currently recorded as a means to monitor progress against the specification.
- No 'scheme specific' post implementation monitoring is occurring to assess the impact of remedial work identified from crash cluster data.

#### 2) Combined Members Scheme for Highways

- The current 2016/17 Members pack is not available on Knet.
- Application forms do not detail why improvements applied for align with the Local Transport Plan
- There is no formal documented delegated authority for decisions made by engineers for the grants to be taken on behalf of the Director of Highways, Transportation & Waste.
- Completion certificates could not be located for completed works. Consequently, we were unable to review whether payments processed matched certificates of completed works.
- There is a lack of priority ratings for applications during the year's workcycle and for resources being allocated to services with high



Fund) were found to be on the pre-approved list of highways fixed price projects and processing fees.

demand/limited capacity.

- No post implementation monitoring can occur to assess the impact of remedial work identified by members due to lack of information in the application process.

**Prospects for Improvement**

Prospects for Improvement are considered to be Good based on the following factors:

- The current Schemes & Member Highway Fund Manager has been replaced by a Schemes Planning Delivery Manager from the 31st October 2016.
- A restructure has been implemented to address the high turnover of staff resulting in an emphasis on a quality management scheme by managers.
- Training on project management processes is being incorporated into all scheme project managers personal action plan.
- A review of the combined member’s application process will occur to include a funding link with KCC objectives.
- All issues for this audit have been accepted by management with actions in the next five months. Although, it is noted that the post-implementation reviews will not be introduced until three years after the current improvements.
- Enhancements in evidencing analysis in order to support future decision making in post-implementation learning.

**Summary of management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	3	3	NA
<b>Medium Risk</b>	3	3	NA
<b>Low Risk</b>	1	1	NA

Audit Opinion	<b>Not Applicable</b>
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The aim of the audit is to provide an independent summary of the financial and governance arrangements in place to meet the objectives of the National Driver Offender Retraining Scheme (NDORS) being operated by KCC on behalf of Kent Police and commitments to the Kent & Medway Safety Camera Partnership (KMCSP).

Overall we have verified income and expenditure records from the NDORS Courses, as accurate and as such the net surplus of £850k estimated to be generated for 2016/17 appears reasonable

The Memorandum of Understanding that sets out the aims of the Safety Camera partnership, does not clearly define the financial arrangements for the partnership. NDORS course fees are reviewed annually, although they have not been benchmarked against other course providers. We understand there may be scope to increase such charges. Currently KCC contributes £570k to the partnership while the police have reduced their contribution for the 16/17 year.

The net surplus generated by KCC from running the NDORS courses is used to support wider road safety activity. The overall road safety activity costs to date exceed the net surplus and as such there is no ring fencing to specific projects. The Road Causality Reduction Strategy for Kent 2014-2020 provides clear objectives linked with Road Safety activity, including the Kent & Medway Safety Camera Partnership. The NDORS and Safety Camera Partnership budgets are monitored appropriately.

As such there are opportunities to increase income through either increasing NDORS course charges or reducing the councils contribution to the Safety Camera Partnership. Both would require collaboration/agreement with the Police.

**Key Strengths**

- NDORS course fees have been reviewed and agreed at the relevant cabinet meeting.
- The residual surplus from the scheme appears reasonable with appropriate costs and splits made from the gross income
- Course numbers are monitored to ensure costs for trainers and venues are accurate and the courses are appropriately resourced.
- The NDORS courses and Safety Camera Partnership activity is supported by the Road Causality Reduction Strategy for Kent 2014-2020 which has been agreed by the Environment & Transport Cabinet Committee.

**Areas for Development**

- There is currently no reconciliation of invoices from NDORS against course attendance figures to confirm the accuracy of the invoice.
- The Memorandum of Understanding for the Safety Camera Partnership does not define the financial commitments from each of the partners or the fees charges for NDORS courses.
- Kent Police have at present reduced their contribution for 2016/17 to the Safety Camera Partnership due to decreasing offender numbers (which funds developments/upgrades to cameras) whilst KCC have maintained their commitment at the same level.

**Summary of management responses**

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	1	1	NA
<b>Medium Risk</b>	0	NA	NA
<b>Low Risk</b>	2	2	NA

## Enablement Expenses

Audit Opinion	<b>Not Applicable</b>
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Our review identified the following key conclusions:

- As a result of a long standing contractual agreement which was established over 15 years ago the Kent Enablement at Home Service (KEAH) has permitted Enablement Support Workers (ESWs) to claim business miles for journeys greater than 5 miles (for car drivers) from their home to first visit and last visit to home. In contrast KCC's expenses policy requires all staff to deduct their normal home to office (and return) mileage from any business related journeys that begin and/or end at the employee's home.
- This agreement has not been formally reviewed for many years and is out-of-date in comparison to actual practice.
- As a result of the existing agreement KEAH's expenses costs are higher than they would have been had KCC policy been adhered to. Overall the claims were around 35% higher, which if extrapolated would equal approximately £205,000 annually.
- Line managers in the service have a high number of direct reports. As a result they are unable to realistically review each expense claim in detail. A risk-based approach to review and authorisation has been adopted in one locality, but this has not been replicated across the remaining localities.
- More than half the claims we reviewed were incorrect (including under claims) which strongly suggests that staff do not understand the policy.
- There is clear training for the use of the technology the service has adopted to manage activity and mileage claims, but the guidance around the local policy is weaker.

### Key Strengths

- Training in the use of the In Touch application is comprehensive.
- Use of the In Touch application results in a significant amount of information being available about the journeys undertaken by individual ESW's including the full address and timings of the various visits.
- One locality has adopted 10% sampling of the accuracy of claims. This could be replicated across the remaining localities.
- Locality Organisers understand the KEaH policy in regards to claimable mileage.

### Areas for Development

- It is clear that the service must formally assess all the implications (including tax) of the locally adopted policy for claimable business mileage and seek a decision from the appropriate Corporate Directors about whether the local policy should continue.
- If the local policy continues further guidance should be provided to staff with illustrative examples to explain the local policy in more detail. The guidance should be circulated at least annually.
- The service should ensure that Locality Organisers adopt a reliable methodology for reviewing the accuracy and completeness of the high number of expenses claims, including reviewing receipts and forwarding them to the Business Service Centre.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	1	1	NA
<b>Medium Risk</b>	2	2	NA
<b>Low Risk</b>	0	NA	NA

## Carbon Reduction Commitment

Audit Opinion

**Compliant**

Internal Audit was requested to undertake a review of the Carbon Reduction Commitment Energy Scheme submitted for Kent County Council.

The aim of the audit is to provide assurance as to the accuracy of the base data used for measuring carbon usage in relation to the CRC Scheme. We also assessed the management processes put in place and review the content of the evidence pack to give assurance that it is complete, accurate and updated periodically.

We found that the base data for measuring carbon usage and reduction is accurate, with actual rather than estimated energy consumption data being used where possible. Responsibility for maintenance of the evidence pack is properly assigned and the requirements are adequately understood, although the current evidence pack checklist is out of date.

### Key Strengths

- The energy consumption base data for the report is accurately and correctly collated in line with Environment Agency guidance.
- Responsibilities are clearly defined and followed, as evidenced in key documentation.
- The CRC return was accurately produced, reflecting the energy base data.

### Areas for Development

- The evidence pack template does not currently reflect revised guidelines. We established that information that was no longer required was included in the evidence pack and newer requirements were omitted.
- The current procedure notes which are included within the evidence pack are not version controlled.

### Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	0	NA
<b>Medium Risk</b>	0	0	NA
<b>Low Risk</b>	2	2	NA

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Adequate</b>

Internal Audit undertook a series of establishment visits to Children's Centres as part of the agreed 2016/17 annual Audit Plan. The results of each Children's Centre review have been considered and a number of key themes and significant issues noted. Individual Establishment audit reports should be referred to for specific results as well as the recommendations made, which were reported to the relevant Delivery Manager, District Manager and Head of Service.

A total of 59 recommendations across six centre's were made of which 9 (15%) were high priority, 36 (61%) medium priority and 14 (24%) low priority. One central issue has been raised for the division to ensure appropriate knowledge and understanding of key process and controls across all Children Centre's.

From the six Children's Centres selected for audit in 2016/17 the following overarching themes emerged:

**Key Strengths**

- All Centres are using iProcurement, with the majority of purchase orders being raised in advance of an invoice. All expenditure has been approved in line with the Council's delegated authority matrix.
- Management of customer feedback is operating effectively to inform service delivery through the compliments, comments and complaints process.

Safeguarding procedures are in place with staff aware of their responsibilities and how to report concerns. There are notices on display to alert users of the differing types of abuse and how to access help.

**Key Strengths (cont)**

- Staff also have a good awareness of data protection requirements, including the need to keep personal and sensitive information secured.
- All Centres are clean and clutter free and health and safety checks are carried out regularly.
- Management is appropriately engaged to resolve the issues identified through the development and implementation of action plans.

**Key Areas for Development**

- There are a number of weaknesses in financial control across all six Centres, particularly relating to purchase cards, income, banking, petty cash and asset registers.
- Security and safety processes are not consistently embedded throughout all Centres and we identified instances of insufficient risk assessments and a lack of management actions identified on accident forms. In addition to this there had been inconsistent fire alarm tests and drills carried out by the relevant facilities contractor alongside the Centres. These issues clearly have safeguarding implications for Center users.
- The stock records maintained at some Centres were incomplete - eg for items such as breast pumps.
- Staff TOIL and timesheets, including agency staff, are not regularly authorised and not all staff have completed the relevant mandatory training.

**Summary of individual centres management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	9	9	NA
<b>Medium Risk</b>	36	36	NA
<b>Low Risk</b>	14	14	NA

**Summary of central management responses**

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
<b>High Risk</b>	0	NA	NA
<b>Medium Risk</b>	1	1	NA
<b>Low Risk</b>	0	NA	NA

## Appendix B - Audit Plan 2016/17 Progress

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
<b>Core Assurance</b>							
Business Continuity				Programme Management and Corporate Assurance Functions	Planning		
Procurement and Contract Management	Planning			Business Change/ Check point Reviews	Watching brief		
Tail-spend	Audit Cancelled	n/a	n/a	Transformation and Change – Delivery of Savings and Other Outcomes – 0-25 portfolio	Final Draft	January 2017	Limited/ Good
Transformation and Change – Delivery of Savings and Other Outcomes – Adults portfolio	Planning			Staff Survey – Response and Actions	Planning		
Performance Management and KPI Reporting	Audit Cancelled	n/a	n/a	Business Planning	Final Draft	January 2017	Adequate/ Good
Annual Governance Statement 2015/16	Complete	June 2016	Substantial/ Adequate	Payroll – Outsourced Contracts	Complete	October 2016	Substantial/ Good
Risk Management	Planning			Recruitment Controls re TUPE Transfer Staff Follow-up	Potential deferral to 2017/18		
Information Governance	Planning			Schools Personnel Service	Complete	January 2017	Substantial/ Good
Freedom of information Requests	Complete	October 2016	High/ Good	Workforce Planning inc. Succession Planning	Complete	January 2017	Substantial/ Good
Data Protection	Complete	October 2016	Adequate/ Adequate	TCP Process	Complete	October 2016	Substantial/ Good

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Bribery and Corruption	Complete	October 2016	Limited/ Good	Recruitment – Use of Agencies	Potential deferral to 2017/18		
Corporate Governance – KCC as a Whole	Planning			Declaration of Interest	In Progress		
Departmental Governance Review - GET	In Progress			Data Quality			
Implementation of Strategic Commissioning Framework	Planning						
<b>Core Financial Assurance</b>							
General Ledger	Complete	January 2017	Limited/ Good	Debt Fraud	Deferred		
Revenue Budget Monitoring	Deferred			Insurance	Complete	January 2017	Adequate/ Good
Value Added Tax (VAT)	Complete	January 2017	Substantial/ Very Good	Medium Term Financial Planning	Complete	January 2017	Substantial/ Adequate
Payments Processing				Family Placement Payments – Controcc Implementation, Phase 2			
Accounts Receivable	Planning			Debt Recovery Follow-up	In Progress		
Corporate Purchase Cards	Potential deferral to 2017/18						
<b>Risk/Priority Based Audit</b>							



Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Contact Point - Agilisys	Complete	January 2017	Adequate/ Good	NEET Strategy	In Progress		
Business Service Centre	Deferred			Community Learning and Skills	Planning		
Total Facilities Management – Contract Management Follow-up	In Progress			Attendance and Inclusion	Deferred		
Total Facilities Management – Property Service Desk Follow-up	Final Draft	January 2017	Limited/ Uncertain	Schools Improvement Team	Complete	January 2017	Substantial/ Good
Property – Disposal of Assets	Planning			Elective Home Education	In Progress		
Public Governance Follow-up inc Clinical Governance Framework	Planning			Safeguarding – Education and Early Years	Final Draft	January 2017	Adequate/ Adequate
Grant Administration Follow-up inc. Member Grant Scheme and Grant for VCS				Education Commissioning – Capital Plan	In Progress		
Property LATCo – GEN2	Planning			School Financial Services – System of Audit	Planning		
Legal Services LATCo	Planning			Schools –Themed Review	In Progress		
Knet and Website				EduKent	Deferred		
Developer Contributions	Audit postponed to 2017/18 due to lack of progress on system development			Educational Trust – Watching Brief	Planning		
Independent Living Fund	Deferred			New EY Data Systems – Watching Brief	Planning		
Social Care Placements – Central Purchasing Team	In Progress			Troubled Families	In Progress		

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Support Directory - Signposting				Road Safety/ Crash Remedial Measures	Complete	January 2017	Limited/ Good
Dementia Care	Potential deferral to 2017/18			LED Street Lighting	In Progress		
ICES Contract	Final Draft	January 2017	Substantial/ Good	Highways Repairs Process and Outcomes	Deferred		
Disabled Services Post Transfer	In progress			Speed Awareness Courses	In progress		
Carers' Assessments	Final Draft	January 2017	Adequate/ Adequate	Public Rights of Way	Complete	October 2016	Adequate/ Adequate
Better Care Fund – Health and Social Care Integration				Contract for Bulky Waste	Deferred		
Foster Care Follow-up				Regional Growth Fund			
Unaccompanied Asylum Seeking Children	Complete	October 2016	Adequate/ Good	Concessionary Fares	Deferred		
Adoption	Planning			Commercial Services – Household Waste and Recycling Centre Contract	Deferred		
No Recourse to Public Funds	In Progress			Discovery Park Technology	Merged with Regional Growth Fund Audit		
0-25 Post Implementation Reviews	Merged with Transformation and Change – Delivery of Savings and Other Outcomes			BDUK Phase 2			
Step-Down to Early Help	Merged with Early Help – Managing Step-Up to Specialist Children's Services			Coroners Service	Audit Cancelled	n/a	n/a
Early Help – Managing Step-Up to Specialist Children's Services	Complete	October 2016	Substantial/ Good	Integrated Community Safety Function			

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Supervisions Follow-up	In Progress			Kent Resilience Team Phase 3 and Follow-up	In Progress		
Pupil Referral Units	Planning						
<b>ICT Audit</b>							
Software Lifecycle Management	Complete	January 2017	Adequate/ Good	ICT Strategy and Governance			
SWIFT – Adult SC ISO27001 Certification	Complete	October 2016	Adequate/ Good	Cyber Security and Social Engineering	In Progress		
Spydus – Application Review	Complete	January 2017	Adequate/ Good	ICT Project Management			
Disaster Recovery Planning: Follow-up	Complete	October 2016	Adequate	IT Asset Management	Planning		
PCI DSS				Network Management	Merged with Cyber Security and Social Engineering		

## Appendix C – Follow Up of agreed audit actions



Limited assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Consultancy & Partnership Contract Arrangements – Contract Management	09/12/15	1	1	1	1	0	0	0		Green
Recruitment & Retention Incentives	03/05/16	2	1	2	1	0	0	0		Green
Foster Care Payments	14/01/14	1		1		0	0	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
IT Disaster Recovery Planning	13/02/15	1	0	1*	0	0	0	0		Amber
Safeguarding Framework (Adults)	21/06/16	0	3	0	3	0	0	0	Full follow-up to be undertaken in Q4	Amber
Direct Payments (Childrens)	30/07/15	2	1	1 1*	1*	0	0	0	Re-audit to be undertaken 2017/18	Amber
Mental Capacity Act & Deprivation of Liberty Assessments	08/06/16	1	0	1	0	0	0	0	Follow-up audit to be undertaken. Responses were obtained from the service	Green
Optimisation	17/06/15	2	1	2*	1*	0	0	0		Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Promoting Independence Reviews	24/02/15	1	0	1	0	0	0	0		Green
Sect 106 Developer Contributions	13/01/15	1	0	1*	0	0	0	0	Planned new system has missed previous deadlines 2016/17 and deferred as a result	Red
Total Facilities Management – Help Desk	12/04/16	4	1	0	0	4	1	0		Red
<b>Total Limited Audits</b>		<b>16</b>	<b>8</b>	<b>7</b> <b>5*</b>	<b>5</b> <b>2*</b>	<b>4</b>	<b>1</b>	<b>0</b>		






### Adequate assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Unaccompanied Asylum Seeking Children (UASC)	05/08/15	1	1	1*	1	0	0	0		Amber
Customer Feedback	21/07/15	0	1		1*	0	0	0		Amber
Consultations	21/06/16	0	4		1 3*	0	0	0		Amber
Pension Scheme Administration	04/06/16	1	1	1	1	0	0	0		Green
Children's Payments - Section 17	23/03/16	0	1	0	0	0	1	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Insurance Fraud	11/07/16	0	2		2	0	0	0		Green
Financial Assessments - Follow-up	11/04/16	1	3	1*	3	0	0	0		Green
New Ways of Working	09/01/15	1	0	0	0	0	0	1		Green
Enablement (KEaH) Service	28/07/15	1	2	1*	1 1*	0	0	0		Amber
Health and Social Care Integration - Kent Card	20/07/15	1		0	0	1	0	0		Red
OP Residential & Nursing Contract Re-Lets	16/12/15	1	3	1*	2 1*	0	0	0		Amber




Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Healthwatch Kent	27/02/15	0	2	0	0	0	0	2		
Young Persons Transport Including SEN	28/06/16	2	2	2*	1 1*	0	0	0		
Leaving Care	27/04/16	2	5	1 1*	4 1*	0	0	0	Full follow-up showed satisfactory progress being made	
<b>Total Adequate Audits</b>		<b>11</b>	<b>27</b>	<b>2 7*</b>	<b>11 8*</b>	<b>1</b>	<b>1</b>	<b>3</b>		



Substantial assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Transparency Code Compliance	10/09/16	0	1	0	1	0	0	0		Green
Pensions Payroll	08/09/15	1	1	1	1*	0	0	0		Green
Schools, Academies and Outsourced Payroll Contracts	06/09/16	0	1	0	1	0	0	0		Green
Family Placement Payments	31/05/16	0	3	0	3	0	0	0	Awaiting evidence on 1 issue	Green
Client Financial Affairs - Follow-up	23/07/15	0	1	0	1	0	0	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Oracle Application Review	10/09/15	0	1	0	0	0	1	0		Amber
Data Centres	21/12/15	0	1	0	1*	0	0	0		Amber
Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	06/11/15	0	4	0	2 2*	0	0	0	Awaiting evidence on 1 issue	Amber
AMEY Contract Payments	20/02/15	0	2	0	2	0	0	0		Green
Local Growth Fund & Local Enterprise Partnership	18/05/16	0	1	0	1*	0	0	0		Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Business Continuity	22/09/15	0	1	0	1*	0	0	0		
Total Substantial Audits		1	17	1	10 6*	0	1	0		

Page 204	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
	High	Medium	High	Medium	High	Medium	
Total All Audits	28	52	10 12*	31 16*	5	3	3

## Appendix D - Internal Audit Assurance Levels

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

## Prospects for Improvement

### Very Good

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.

## Appendix 3 – Anti-Money Laundering Policy

# Anti-Money Laundering Policy

Document Owner	Robert Patterson Head of Internal Audit Tel: 01622-694664 <a href="mailto:robert.patterson@kent.gov.uk">robert.patterson@kent.gov.uk</a>
Version	Version 2

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	29 Sept 2014	Internal Audit	Governance & Audit Committee	29 Jan 2015

## **Introduction**

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

## **2. Policy Statement**

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

## **3. Scope of Policy**

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

## **4. Definition of Money Laundering**

- 4.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.



4.2. The following constitute money laundering offences:

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

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

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

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

## **5. Identifying Money Laundering**

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

5.2. Examples of money laundering activity include:

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

5.3. Any transaction involving an unusually large amount of cash should cause concern and prompt questions to be asked about the source. This will particularly be the case where the value of cash paid exceeds the amount due to settle the transaction and the person(s) concerned ask for a non-cash refund of the excess.

- 5.4. If the person(s) concerned use trusts or offshore funds for handling the proceeds or settlement of a transaction, then the reasons for this should be questioned.
- 5.5. Care should be exercised and questions asked where:
- A third party intermediary becomes involved in a transaction;
  - The identity of a party is difficult to establish, or is undisclosed;
  - A company is used where the ultimate ownership of the company is concealed or difficult to verify; and/or
  - A party is evasive about the source or destiny of funds.

## **6. The Council's Obligations**

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

## **7. The Money Laundering Reporting Officer (MLRO)**

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

MLRO: **Andy Wood**, Corporate Director of Finance and Procurement.  
Email: [andy.wood@kent.gov.uk](mailto:andy.wood@kent.gov.uk) Tel: 03000 416854

Deputy MLRO: **Robert Patterson**, Head of Internal Audit  
Email: [robert.patterson@kent.gov.uk](mailto:robert.patterson@kent.gov.uk) Tel: 03000 416554

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

## **8. Reporting concerns**

- 8.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 1.
- 8.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.

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

## **9. Identification of Clients**

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

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

- 9.3. Where the 'relevant business' is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.
- 9.4. If the 'relevant business' is being provided externally then the following additional checks must be completed:

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

- Check the organisation's website and other publically available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details.
- Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation.

9.5. Remember, these additional client identification procedures are **only** required when conducting a 'relevant business.'

## **10. Training**

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

## **11. Further information**

11.1. Further information can be obtained from the MLRO and the following websites:

- [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)
- Proceeds of Crime (Anti- Money Laundering) - Practical Guidance for Public Service Organisations'- CIPFA
- Money Laundering Guidance at [www.lawsociety.org.uk](http://www.lawsociety.org.uk)
- HM Revenue & Customs <http://www.hmrc.gov.uk/mlr/>

## **12. Conclusion**

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

## Anti Money Laundering Reporting Form

### Your Contact Details

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

Name :			
Role:			
Email:			
Contact Telephone:			

**Main Subject**  
Please provide the details

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

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

### Transaction(s)

Please enter the details of the transactions you think are suspicious

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

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

**Account(s)**

Please enter details of the account(s) used.

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

**Associated Subjects:**  
If there are any other people you

suspect are involved in money laundering, please enter their details below.

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

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

**Linked addresses:**

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

**Reason for Suspicion:**

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

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By: Richard Long, Chairman of Governance & Audit Committee

Robert Patterson Head of Internal Audit

To: Governance and Audit Committee – 25th January 2017

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

Classification: Unrestricted

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

## **FOR DECISION**

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### **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 TORs are included at Annex 1.

### **Suggested Changes**

2. Having reviewed the current TOR it is recommended that no amendments are required at this time.

### **Recommendations**

3. Members of the Committee are asked to approve the continuation of the Terms of Reference as detailed in Annex 1 in their current form.

### **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) 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 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).***

### ***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, 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.