

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 23rd January, 2019

10.00 am

Council Chamber - Sessions House

There will be a training session for Members of the Committee at 10.00 am delivered by Greg Readings and Mark Pickering of Arlingclose on Treasury Management





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 23rd January, 2019, at 10.00 am
Council Chamber - Sessions House

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

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

Membership (11)

Conservative (8) Mr D L Brazier (Chairman), Mr R A Marsh (Vice-Chairman),
Mrs R Binks, Mr N J D Chard, Mr G Cooke, Mrs S V Hohler,
Mr M J Horwood and Mr H Rayner

Liberal Democrat (1): Mr R H Bird

Labour (1) Mr D Farrell

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 - 24 October 2018 (Pages 5 - 10)
5. Committee Work and Member Development Programme (Pages 11 - 16)

6. Future Proofing the structure and workings of the Governance and Audit Committee (Pages 17 - 22)
7. Treasury Management 6 Month Review 2018/19 (Pages 23 - 34)
8. Corporate Risk Register (Pages 35 - 86)
9. Review of KCC's Risk Management Policy and Strategy (Pages 87 - 108)
10. Update on Savings Programme (Pages 109 - 110)
11. Internal Audit and Counter Fraud Progress Report (Pages 111 - 156)
12. External Audit Update (Pages 157 - 164)
13. Effectiveness of Internal and External Audit Liaison (Pages 165 - 170)
14. Other items which the Chairman decides are urgent
15. Motion to exclude the public

That under section 100A of the Local Government Act 1972 the public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act

EXEMPT ITEMS

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

16. The Education People (Pages 171 - 176)
17. Property Income Management Update Report (Pages 177 - 182)

Benjamin Watts
General Counsel
03000 416814

Tuesday, 15 January 2019

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

10 Members

Conservative: 7; Liberal Democrat: 1; Labour: 1; Independent: 1.

The purpose of this Committee is to:

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

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

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

- (j) The Council monitors the implementation of the Bribery Act Policy to ensure that it is followed at all times.
- (k) Ensure that there are effective governance arrangements in place for Kent County Council's wholly owned limited companies and trading vehicles
- (l) Receive and review the annual financial statements and dividend policies of any KCC limited companies and to consider recommending corrective action where appropriate
- (m) Review the establishment of new limited companies before the company commences trading and make recommendations to the Governance and Audit Committee and responsible Cabinet Member where appropriate in relation to:
 - i. Governance matters
 - ii. The financial impact of the proposed company on Kent County Council

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room - Sessions House on Wednesday, 24 October 2018.

PRESENT: Mr N J D Chard (Chairman), Mr R A Marsh (Vice-Chairman), Mrs R Binks, Mr R H Bird, Mr D L Brazier, Mr G Cooke, Mr D Farrell, Mrs S V Hohler, Mr M J Horwood, Mr H Rayner and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey, Mrs M E Crabtree and Mr P J Oakford

IN ATTENDANCE: Mr R Patterson (Head of Internal Audit), Mr B Watts (General Counsel), Mrs C Head (Head of Finance Operations), Mrs A Beer (Corporate Director Engagement, Organisation Design & Development), Mr P Rock (Counter Fraud Manager), Mrs A Mings (Treasury and Investments Manager), Miss M Goldsmith (Finance Business Partner), Mr L Manser (Insurance Manager), Mr M Akerman (Engagement and Consultation Delivery Officer) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

41. Membership
(Item 2)

The Committee noted that Mr D L Brazier had replaced Miss C Rankin as a Member of the Committee.

42. Election of Chairman
(Item 5)

(1) The Chairman informed the Committee that he was stepping down from this position. He then moved, seconded by Mr R A Marsh that Mr D L Brazier be elected Chairman.

Carried nem. Con

(2) Mr D L Brazier thereupon took the Chair.

43. Minutes - 25 July 2018
(Item 6)

RESOLVED that the Minutes of the meeting held on 25 July 2018 are correctly recorded and that they be signed by the Chairman.

44. Dates of Future Meetings
(Item 7)

The Committee noted that its meetings in 2019/20 would be held on:-

Wednesday, 23 January 2019;
Wednesday, 24 April 2019;
Wednesday, 24 July 2019;
Thursday, 3 October 2019;
Wednesday, 22 January 2020; and
Thursday, 23 April 2020.

45. Committee Work and Member Development Programme
(Item 8)

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member Development Programme following best practice guidelines in relation to Audit Committees.

(2) The Committee also noted that there would be update reports at the January 2019 meeting on The Education People, Property Income Management, and the Annual Review of the Code of Corporate Governance. It was agreed to invite the Cabinet Member for Corporate and Democratic Services and the Cabinet Lead Member for Traded Services to this meeting.

(3) RESOLVED that subject to (2) above, approval be given to the forward Committee Work programme and Member Development programme set out in the report.

46. Internal Audit and Counter Fraud Progress Report
(Item 9)

(1) The Head of Internal Audit summarised the outcomes to date against the 2018/19 Internal Audit and Counter Fraud Plan.

(2) Topics discussed by the Committee included the Coroners Service, Oakwood House, Adults Direct Payments, Blue Badges and the Kent Intelligence Network.

(3) RESOLVED to note:-

(a) progress and outcomes against the 2018/19 Internal Audit and Counter Fraud Plan;

(b) that minimal required to the Council's Anti-Fraud and Corruption Strategy and to the Anti-Money Laundering Policy;

- (c) the action plan developed following the completion of the Public Sector Internal Audit Standards (PSIAS) self-assessment;
- (d) future plans and enhancements; and
- (e) future preparations for the replacement of the current Head of Internal Audit during 2019.

47. External Audit Annual Letter 2017/18
(Item 10)

(1) Mr Andy Conlan from Grant Thornton UK LLP presented the Annual Audit Letter which summarised external audit work during the 2017/18 audit year.

(2) Mr Conlan replied to Members' questions by agreeing to consider whether findings on individual objections to the financial statements could be reported to the Committee, or whether a generic report could be provided on the objection to the 2016/17 audit of accounts which was identical to that made to other Local Authorities.

(3) RESOLVED to note: -

- (a) the Annual Audit Letter for assurance; and that
- (b) the requirement of the External Auditors to prepare and issue the Annual Audit Letter to the County Council has been met.

48. External Audit Update
(Item 11)

(1) The Committee received a report on recent updates and information from the External Auditor, Grant Thornton UK LLP.

(2) The Chairman undertook to consider whether the Committee Members should hold informal meetings privately and separately with the Internal and External Auditors.

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

49. Debt
(Item 12)

(1) The Head of Finance (Operations) introduced a report on the Council's outstanding debt position.

(2) During discussion of this item, Members raised concerns over the causes and implications of social care debt. The General Counsel advised that the Corporate Director of Adult Social Care and Health would be able to provide a briefing on this matter to the Members of the Committee.

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

50. KCC Annual Customer Feedback Report 2017/18

(Item 13)

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

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

51. KCC Insurance Overview

(Item 14)

(1) The Insurance Manager provided a summary of insurance activity in the 2017/18 financial year.

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

52. Treasury Management Update

(Item 15)

(1) The Treasury and Investments Manager introduced a summary of Treasury Management activity for the three months up to 30 June 2018 together with updates on significant developments since then.

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

By: David Brazier, Chairman of Governance and Audit Committee
Robert Patterson, Head of Internal Audit

To: Governance and Audit Committee – 23rd January 2019

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

Classification: Unrestricted

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

FOR DECISION

Introduction and background

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

Current Work Programme

3. Appendix 1 shows the latest programme of work for the Committee, up to January 2020. 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.

Member Development Programme

4. 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.
5. Before the start of today's meeting Members received a training update on Treasury Management.

6. Before the start of the April 2019 meeting, when the internal audit and counter fraud plan will be considered for the following year, it would seem sensible that Members receive a background briefing and presentation on “Internal Audit Planning and Sources of Assurance”
7. Members can request alternative or additional training if they wish, via the Chairman.

Recommendations

8. 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

Category Item	Owner	Jan-19	Apr-19	Jul-19	Oct-19	Jan-20
Secretariat						
Minutes of last meeting	Andrew Tait	✓	✓	✓	✓	✓
Work Programme	Robert Patterson	✓	✓	✓	✓	✓
Member Development Programme	Robert Patterson	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	Mark Scrivener	✓		✓		✓
Review of the Risk Management Strategy, Policy and Programme	Mark Scrivener	✓				✓
Report on Insurance and Risk Activity	Lee Manser				✓	
Treasury Management quarterly report/six monthly review	Alison Mings	✓	✓		✓	✓
Treasury Management Annual Review	Alison Mings			✓		
Ombudsman Complaints	Pascale Blackburn-Clarke				✓	
Annual Complaints & Customer Feedback Report	Pascale Blackburn-Clarke				✓	
Update on Savings Programme / Transformation Programme	Zena Cooke	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	Mark Rolfe			✓		
Corporate Governance						
Annual review of Terms of Reference of G & A	Robert Patterson Ben Watts			✓		
Debt Management	Cath Head			✓	✓	
Annual review of the Council's Code of Corporate Governance	Benjamin Watts			✓	✓	
LATCo Policies and Governance Structures (when required)	LATCO Board or originating Directorate			✓		

Committee Work Programme

Appendix 1

Category Item	Owner	Jan-19	Apr-19	Jul-19	Oct-19	Jan-20
Internal Audit and Counter Fraud						
Internal Audit and Counter Fraud Progress Report	Robert Patterson	✓	✓		✓	✓
Schools Audit Annual Report	Yvonne King			✓		
Internal Audit and Counter Fraud Annual Report	Robert Patterson			✓		
Internal Audit Strategy and Annual Plan	Robert Patterson		✓			
Review of the Anti-Fraud and Corruption Strategy (part of progress report)	Robert Patterson				✓	
Review of Anti-Money Laundering Policy (part of progress report)	Robert Patterson				✓	
External Audit (provided by Grant Thornton)						
External Audit Update	Robert Patterson	✓	✓	✓	✓	✓
External Audit Findings Report/Value for Money and Annual Audit letter	Robert Patterson			✓	✓	
Pension Fund Audit Findings Report	Robert Patterson			✓		
External Audit Certification of Claims and Returns Report	Robert Patterson		✓			
Effectiveness of Internal and External Audit Liaison	Robert Patterson	✓				✓
External Audit Plan	Robert Patterson		✓			
External Audit Pension Fund Plan	Robert Patterson		✓			
External Audit Fee letter and / or procurement arrangements	Robert Patterson	✓				✓
External Audit Fraud, Law & Regulations & Going Concern Considerations	Zena Cooke		✓			
Financial Reporting						
Statement of Accounts & Annual Governance Statement	Zena Cooke			✓		
Revised Accounting Policies	Cath Head		✓			
Review of Financial Regulations	Emma Feakins		✓			
Review of Companies which KCC has an Interest						
Review of statutory accounts	Emma Feakins		✓			

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By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 23rd January 2019

Subject: **'FUTURE PROOFING' THE STRUCTURE AND WORKINGS OF THE GOVERNANCE AND AUDIT COMMITTEE**

Classification: Unrestricted

Summary: This report summarises potential changes to the structure and workings of the Governance and Audit Committee to conform to recommended best practice.

Recommendation: FOR DECISION

Introduction

1. Before the start of the October Committee the Head of Internal Audit gave a presentation on the further development of the effectiveness of the Governance and Audit Committee and highlighted several areas where the Committee could consider improvements in line with recommended good practice. The Committee requested a formal report back and recommendations on the options.

Proposals

2. In 2018 CIPFA updated its Position Statement on Audit Committees and therefore it is sensible to compare how we compare with this and recommended good practice. In addition there have been other sector developments such as associated governance issues arising from the recent Northamptonshire inspectors report.
3. In summary the proposed changes can be divided between technical changes and wider ranging structural and procedural ones. If approved they will need appropriate amendments to the terms of reference and constitution of the Committee.

Technical Changes

- **Specific Recommendation to approve the Annual Governance Statement (AGS)**
4. An AGS is required by law and reports publicly on the effectiveness of governance and control. It should be reviewed for its accuracy before being signed by the Leader and Head of Paid service. This review should be undertaken by the G&A Committee. In reviewing the AGS the Committee should be satisfied that :
 - a) It properly reflects the risk environment and agreed actions to mitigate against risks
 - b) The statement demonstrate how governance supports the Council's objectives
 - c) The statement is supported by a sound assurance framework

- d) The statement correlates with the opinion of the Heads of Internal Audit and External Audit
5. Within the G&A papers the AGS sits with the annual report and accounts and there is a general recommendation each year to approve them. However, there is currently no specific recommendation relating to reviewing or approving AGS. Whilst the Committee has the opportunity to consider the AGS as part of the general recommendation, a specific recommendation is considered best practice.
- **Constructing an Annual Report to Full Council**
6. It is normal good practice that an Audit Committee should provide an annual report on its activities to Full Council outlining the activities undertaken by the Committee during the year and the outcomes / assurances received. In KCC's case this has grown in importance since the formal reporting of G&A minutes to Council ceased. As such there is now no formal reporting of G&A activities to full Council. A similar situation was highlighted in the recent inspector's report of Northamptonshire CC where Members outside their audit committee were considered to be unaware of the concerns and activities of that Committee. Construction of an Annual Report would address this issue and be in line with good practice.

Structural and Procedural Changes

- **Management Representation at Audit Committee**
7. Although there is challenge to management at forums such as CMT and Corporate Board when internal audit outcomes are discussed, currently there is no formal arrangement requiring management representation at the G&A Committee, in particular when considering internal audit reports with "limited" or "no" assurance. This can therefore result in a lack of transparency in relation to management actions and also limits the Committee's ability to hear directly from those accountable for agreeing and implementing management actions.
8. The introduction of management attending G&A to provide a greater level of transparency and scrutiny is considered good practice and could be implemented from the new municipal year.
- **Appointment of an Independent Member**
9. Another area cited as CIPFA recommended good practice for public sector audit committees is to consider the appointment of an independent member. From our surveys approximately a third of Council's now have independent members on their audit committees. The advantages of having an independent member on the Committee are considered to be:
- a) Greater levels of apolitical independence
 - b) Bridging certain skills gaps and expertise
10. An example person specification from another authority is attached in Appendix A.
11. If the principle of an independent member is agreed, further work would be undertaken in conjunction with the Monitoring Officer to establish an effective proposed recruitment and selection process, clearly setting out their role and remit and the period of their term. The outcome of the work undertaken would be presented to the next Committee for formal consideration and approval.

Annual confidential meetings with the Heads of Internal and External Audit

12. In line with good practice the Head of Internal Audit has direct and unfettered access to both the Chair and Vice Chair and the Committee more generally. The HoIA can and does provide independent and off the record briefings. There is the option to consider a more informal confidential meeting with the Committee on an annual basis. This approach is more common in the private and third sector rather than the public sector as they do not have the additional safeguards in place in the public sector, such as the statutory officer roles.
13. If the Committee would like to consider an annual confidential meeting, further work will be undertaken to establish more fully what the benefits are, and these would be presented to the next committee for formal consideration and approval.

Summary

14. The proposals set out in this report are intended to further improve the G&A Committee's role and remit in line with recommended best practice. Some of the proposals are technical in nature and could be agreed and implemented without requiring further work. The proposals relating to the appointment of an independent member and an annual confidential meeting will require further work which will be brought back to the next meeting..

Recommendations

15. Members are asked to agree the following:
- a) The introduction of a specific recommendation to approve the AGS
 - b) The introduction of an annual report from the G&A Committee to full Council
 - c) The introduction of management representation at G&A Committee to respond to "limited" or "no" assurance reports and areas of material concern or poor performance
 - d) For further work to be undertaken to establish the benefit of:
 - i) the appointment of an independent member
 - ii) the introduction of an annual, informal, confidential meeting with the Head of Internal Audit and External Auditors
16. If recommendations (a) to (c) are approved the Committee Terms of Reference and the Constitution will need to be revised.

Appendices

Appendix 1 – Person specification for independent audit committee Member

Robert Patterson
Head of Internal Audit
(03000 416554)

Appendix 1

Independent Audit Committee Member

Background

xxxxxx Council operates an Audit Committee that is accountable directly to Council, whose role is to:

- provide the Council with independent:
 - assurance of the adequacy of the risk management framework and the internal control environment
 - review of its governance, risk management and control frameworks.
- oversee:
 - the financial reporting and annual governance processes
 - internal audit and external audit, helping to ensure effective relationships exist and efficient and effective assurance arrangements are in place.

The full Terms of Reference for the Audit Committee is attached at Appendix 1.

It operates in compliance with the Chartered Institutes of Public Finance and Accountancy's (CIPFA) good practice guidance "Audit Committees, Practical Guidance for Local Authorities and Police, 2013 Edition.

Duties and Responsibilities / Time Commitment

To attend Audit Committee meetings as and when required. The Committee normally meets four times a year, on a Wednesday, in the evening starting at 6.30 pm, in March, June, September and January. Meetings last between 2 to 3 hours and you would also need to allow for some preparation time.

To attend training events as required which are also usually held in the evening and last approx. 2 hours.

To contribute to the annual performance assessment of the Audit Committee should this be undertaken, which would also last approx. 2 hours.

To actively promote good governance, risk management and control in the delivery of the Council's functions.

To be an independent source of support for Council Audit Committee members regarding how it should operate, what its remit covers and what supportive challenge should be provided in response to reports presented to it.

Knowledge and Skills

The ideal candidate for the position of Independent Member of the Audit Committee will have:

- extensive experience of working with or being a member of an Audit Committee
- a financial or audit type background and appropriate experience of financial management
- a good understanding of governance, risk management and control
- integrity, objectivity, discretion and the ability to make decisions
- an ability to analyse complex information, question, probe and seek clarification so to come to an independent and unbiased view

- experience of working in or with large, complex organisations with an understanding of the political environment that local authorities operate within
- good interpersonal and communication skills.

You should not:

- have been a member or employee of the Council at any time during the last 5 years
- be a relative or close friend of a member or officer of the Council
- be engaged in any party political activity
- have any criminal convictions or be an un-discharged bankrupt
- have any significant business dealings with the Council.

Remuneration

This is a voluntary position.

The Independent Members Allowance is £1,084 per annum.

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By: Peter Oakford, Deputy Leader and Cabinet Member for Finance and Traded Services
Zena Cooke, Corporate Director Finance

To: Governance and Audit Committee – 23 January 2019

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2018-19**

Classification: Unrestricted

Summary: To present a review of Treasury Management Activity 2018-19 to date

FOR DECISION

INTRODUCTION

1. This report covers Treasury Management activity for the 6 months to 30 September 2018 and developments in the period since up to the date of this report.
2. If agreed by members this report will 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 2018-19 was approved by full Council on 20 February 2018.
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.

GOVERNANCE

6. The Corporate Director Finance is responsible for the Council’s treasury management operations and day to day responsibility is delegated to the Head of Finance (Policy, Planning & Strategy) / Head of Finance (Operations) and Treasury and Investments Manager. The detailed responsibilities are set out in the Council’s Treasury Management Practices.
7. The Treasury Management Advisory Group (TMAG) which is a sub-committee of Cabinet has been established to work with the Officers on treasury management. The group consists of the Cabinet Member for Finance and Traded Services, Deputy Cabinet Member for Finance and Traded Services, Chairman Policy and Resources Cabinet Committee, Chairman Superannuation Fund Committee, Liberal Democrat Finance spokesman and a Labour Group Representative. The

agreed terms of reference are “The Treasury Management Advisory Group will be responsible for advising the Cabinet and Corporate Director Finance on treasury management policy within KCC’s overarching Treasury Management Strategy”. TMAG meets the requirement in the CIPFA TM Code for a member body focussing specifically on treasury management. TMAG meets half yearly and members of the group receive detailed information on a weekly and monthly basis.

8. Council will agree the Treasury Management Strategy and receives annual and half yearly reports on treasury management activity. Governance and Audit Committee receives annual and half-yearly reports and makes recommendations to County Council. It also receives quarterly updates.

EXTERNAL CONTEXT

Economic Background

9. The UK’s progress negotiating its exit from the European Union, together with its future trading arrangements, has continued to be a major influence on the Council’s treasury management activity in 2018/19.
10. UK Consumer Price Inflation (CPI) remained steady during the period with October up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England’s November Inflation Report.
11. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly from a low of 4.0%, its lowest on record, to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pressure on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little affect on consumer spending.
12. The rise in quarterly GDP growth to 0.6% in the September quarter from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in the March quarter. At 1.5%, annual GDP growth continues to remain below trend.
13. Following the Bank of England’s decision to increase the Bank Rate to 0.75% in August, no changes to monetary policy have been made since. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
14. While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Concerns over trade wars continue to drag on economic activity.

Credit outlook

15. The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.
16. The Bank of England has released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

LOCAL CONTEXT

17. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

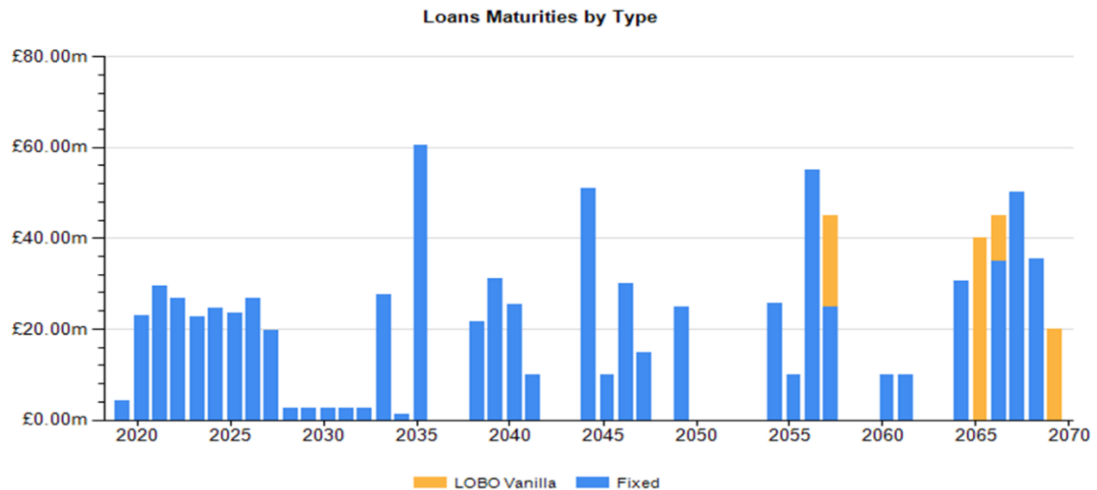
BORROWING STRATEGY

18. At 30 November 2018 the Council had total debt outstanding of £911.3m, a reduction of £31.33m from the balance as at 31 March 2018. Outstanding loans at 30 November are summarised in the table below.

Borrowing Position

	30/3/2018 Balance £m	2018/19 Movement £m	30/11/2018 Balance £m	Average Rate %	Years to final maturity
Public Works Loan Board	472.28	21.00	493.28	5.03%	16.99
Banks (LOBO)	150.00	-60.00	90.00	4.15%	45.21
Banks (Fixed Term)	320.32	7.67	327.99	3.97%	35.85
	942.60	-31.33	911.27	4.56%	26.56

19. The maturity profile of KCC's outstanding debt is as follows:



20. The Council’s chief objective when borrowing has been to strike 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.
21. In keeping with these objectives no new borrowing was undertaken other than as part of the restructure of the LOBO portfolio and in respect of the Council’s replacement streetlighting project. £19m of existing loans were allowed to mature without replacement.
22. With short-term interest rates remaining much lower than long-term rates, KCC has considered it to be more cost effective in the near term to use internal resources or borrowed short term loans instead. The Council’s strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
23. KCC continues to hold LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.
24. During the period an assessment by Arlingclose (the council’s advisors) of KCC’s LOBO portfolio identified restructuring opportunities with RBS likely to achieve substantial value from a negotiated settlement with the bank. The risks and benefits including restructuring savings were assessed and in October the Council successfully negotiated the prepayment of its 3 RBS loans with a principal value of £60m as follows:

Prepaid RBS LOBO loans

Start date	End date	Yrs to mty	Principal	Coupon	Disc rate	Premium	Redemption Amount
			£m	%	%	£m	£m
10/8/11	10/8/57	38.85	25.0	3.83	2.95	5.1	30.1
10/8/11	10/5/58	40.0	25.0	3.83	2.94	5.2	30.2
30/1/09	30/1/69	50.33	10.0	3.95	2.90	12.8	12.8
		41.19	60.0	3.85		13.1	73.1

25. Taking account of advice from Arlingclose the prepayment was financed using a combination of a £40m 15-year EIP (Equal Instalment of Principal) loan from the PWLB at 2.21%, and cash balances. As a result of this change the Council was able to reduce the average interest rate payable on its borrowing and reduce its long-term debt exposure.
26. This funding arrangement using cash balances was deemed to represent the best balance between risk and reward. The combination of lower interest rate payments on debt partially offset by loss of investment income/cost of short-term borrowing is expected to deliver a net revenue saving of £400k to £500k per annum.

INVESTMENT ACTIVITY

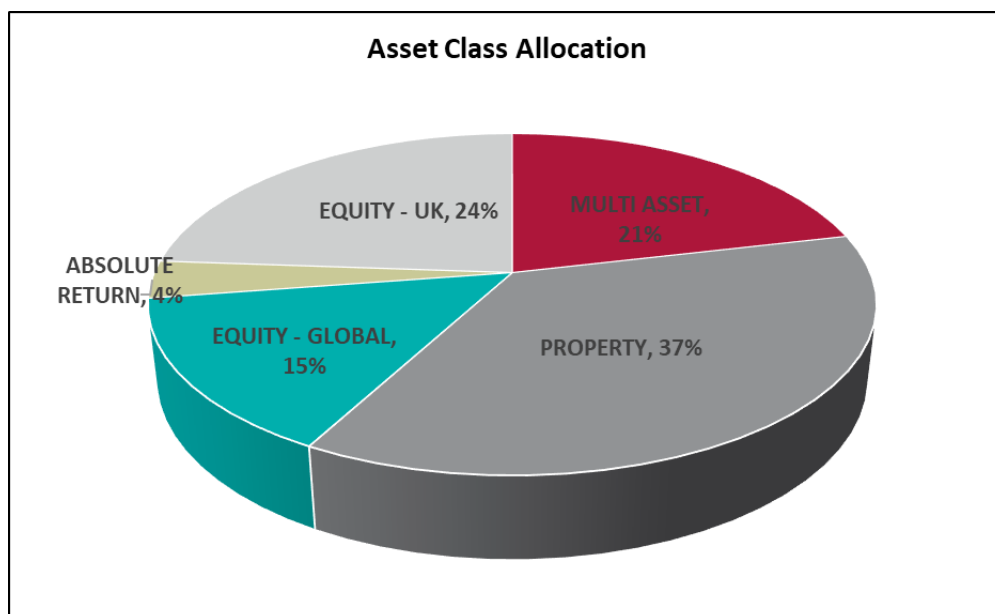
27. The Council holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During the period the Council's investment balance ranged between £274m and £434m due to timing differences. The investment position is shown below.

Investment Position

	31.3.18 Balance £m	2018 Movement £m	30.11.18 Balance £m	30.11.18 Rate of Return %	Days to maturity	Average Credit Rating
Money Market Fund	79.8	23.6	103.4	0.63	1	A+
Fixed Deposit	17.1	8.2	25.3	0.84	180	AA-
T Bill		10.0	10.0	0.73	179	AA
Covered Bond	64.5	14.8	79.3	1.02	930	AAA
Icelandic Recoveries o/s	0.4	0.0	0.4			
Equity	2.1	0.0	2.1			
Internally managed cash	163.9	56.6	220.5	0.82	368	AA
Strategic Pooled Funds	113.8	26.9	138.3	4.02		

Cashplus / Short term Bond Funds	20.0	-20.0	0.0			
External Investments	133.8	4.5	138.3	4.02		
Total	297.7	61.1	358.8	2.18		

28. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
29. In furtherance of these objectives and given the increasing risk and low returns from short-term unsecured bank investments the Council has continued to diversify into more secure and/or higher yielding asset classes as set out in its Treasury Management Strategy Statement for 2018-19.
30. The Council's £138.3m of externally managed pooled funds generated an average total return of 2.18%, comprising a 4.02% income return which is used to support services in year, and -1.57% of capital losses. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. In light of their performance and the Council's latest cash flow forecasts, investment in these funds has been increased with a further £10m invested in a Kames Capital multi asset fund in early December.
31. A breakdown of the external investments by asset class is as follows



32. A detailed schedule of KCC's investments as at 30 November 2018 is attached in Appendix 1. This schedule is circulated to members of the Treasury Management Advisory Group (TMAG) every Friday.

33. The Ministry of Housing, Communities and Local Government (MHCLG) consulted in July on statutory overrides relating to the introduction of the IFRS 9 Financial Instruments accounting standard. KCC responded arguing that the adoption of IFRS 9 as proposed could add unwarranted volatility in the General Fund, and hence impact unnecessarily upon Council Tax or service expenditure. The MHCLG then announced in November that it has accepted the arguments made and decided to introduce a statutory override that while requiring IFRS 9 to be adopted in full, requires fair value movements in pooled investment funds to be taken to a separate reserve instead of the General Fund. MHCLG has also committed to keep the override in place for at least five years and to review this in to March 2023. The override will apply to all collective investment schemes, and not just to pooled property funds as suggested in the consultation.

FORECAST OUTTURN

34. It is anticipated that there will be an underspend against the net debt costs budget for the year of £0.6m as a result of higher dividends and interest receipts and the net impact of debt restructuring. Average cash balances during the year are forecast to be £351m earning an average return of 2.2%. The forecast average rate of debt interest payable in 2018-19, taking account of the cost of the premium paid on the restructure, is 4.7%, based on an average debt portfolio of £927m.

COMPLIANCE

30. The Corporate Director Finance reports that the treasury management activities undertaken during the period complied with the Council's Prudential Indicators for 2018-19 set as part of the Council's Treasury Management Strategy. Details can be found in Appendix 2.

RECOMMENDATION

31. 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 2018

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount	Interest Rate	End Date
Fixed Deposit	Thurrock Borough Council	£10,000,000	0.90%	31/05/2019
Fixed Deposit	Thurrock Borough Council	£10,000,000	0.95%	30/08/2019
Fixed Deposit	Debt Management Account Deposit Facility	£5,350,000	0.50%	03/12/2018
Treasury Bill	DMO	£9,963,533	0.73%	28/05/2019
Total UK Bank Deposits		35,313,533		

Money Market Fund	Aberdeen Sterling Liquidity Fund	£14,962,953	0.42% (variable)	n/a
Money Market Fund	Deutsche Managed Sterling Fund	£14,991,935	0.73% (variable)	n/a
Money Market Fund	Federated (PR) Short-term GBP Prime Fund	£14,997,736	0.50% (variable)	n/a
Money Market Fund	HSBC Global Liquidity Fund	£14,991,497	0.84% (variable)	n/a
Money Market Fund	Insight Liquidity Funds PLC	£13,535,199	0.68% (variable)	n/a
Money Market Fund	LGIM Sterling Liquidity Fund	£14,992,189	0.73% (variable)	n/a
Money Market Fund	SSgA GBP Liquidity Fund	£14,957,206	0.67% (variable)	n/a
Total Money Market Funds		£103,428,714		
Equity and Loan Notes	Kent PFI (Holdings) Ltd	£2,135,741		n/a
Icelandic Recoveries outstanding	Heritable Bank Ltd	£366,905		n/a

1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Bank of Montreal	£5,006,029	1.06%	17/04/23
Fixed Rate Covered Bond	Bank of Nova Scotia	£4,990,619	0.88%	14/09/21
Fixed Rate Covered Bond	Canadian Imperial Bank of Commerce	£5,039,704	0.98%	10/01/22
Fixed Rate Covered Bond	Coventry Building Society	£3,003,110	1.03%	17/03/20
Fixed Rate Covered Bond	Leeds Building Society	£5,579,421	0.63%	17/12/18
Fixed Rate Covered Bond	Leeds Building Society	£2,043,411	2.03%	17/12/18
Floating Rate Covered Bond	Leeds Building Society	£1,514,308	1.19%	17/12/18
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	1.20%	01/10/19
Floating Rate Covered Bond	Lloyds	£2,503,295	1.02%	27/03/23
Floating Rate Covered Bond	Lloyds	£2,504,397	1.01%	27/03/23
Floating Rate Covered Bond	Lloyds	£1,401,029	1.00%	18/07/19
Floating Rate Covered Bond	Lloyds	£5,007,765	1.01%	27/03/23

Appendix 1

Floating Rate Covered Bond	National Australia Bank	£3,001,889	1.10%	10/11/21
Floating Rate Covered Bond	Nationwide Building Society	£4,505,430	1.04%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society	£5,588,843	1.03%	12/04/23
Floating Rate Covered Bond	Santander UK	£3,397,332	0.65%	14/04/21
Floating Rate Covered Bond	Santander UK	£5,010,484	0.97%	05/05/20
Floating Rate Covered Bond	Santander UK	£5,003,472	1.10%	16/11/22
Floating Rate Covered Bond	Santander UK	£3,752,534	1.01%	13/04/21
Floating Rate Covered Bond	Toronto-Dominion Bank	£5,450,707	1.26%	01/02/19
Total Bonds		£79,303,779		

Total Internally managed investments	£220,548,672
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2. Externally Managed Investments

Investment Fund / Equity		Market Value at 30 November 2018 £	12 months return to 30 November 2018	
Fund Name	Asset Class		Income %	Total %
CCLA - Diversified Income Fund	Multi asset	4,979,931	0.79	0.39
CCLA – LAMIT Property Fund	Property	50,546,043	3.91	4.31
Fidelity Multi Asset Income Fund	Multi asset	24,505,940	3.31	-0.33
M&G Global Dividend Fund	Equity - global	10,580,732	2.98	5.60
Pyrford Global Total Return Sterling Fund	Absolute return	4,906,058	2.31	0.10
Schroder Income Maximiser Fund	Equity - UK	23,607,427	6.70	3.17
Threadneedle Global Equity Income Fund	Equity - global	9,789,200	3.53	0.62
Threadneedle UK Equity Income Fund	Equity - UK	9,400,149	3.85	0.09
Total External Investments		138,315,480	4.02	2.45

3. Total Investments

Total Investments	£358,864,152
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2018-19 Monitoring of Prudential Indicators as at 30 November 2018

1. Estimate of capital expenditure (excluding PFI)

Actuals 2017-18	£188.249m
Original estimate 2018-19	£295.449m
Revised estimate 2018-19	£205.906m

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

	2017-18	2018-19	2018-19
	Actual	Original Estimate	Forecast as at 30.11.18
	£m	£m	£m
Capital Financing requirement	1,322.493	1,373.692	1,296.719
Annual increase/reduction in underlying need to borrow	-39.901	45.406	-25.774

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 2017-18	12.96%
Original estimate 2018-19	12.01%
Forecast 2018-19	11.86%

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 2018-19

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

	Prudential Indicator	Position as at 30.11.18
	£m	£m
Borrowing	1,003	875
Other Long-Term Liabilities	271	263
	<hr/> 1,274	<hr/> 1,138

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

	Prudential Indicator	Position as at 30.11.18
	£m	£m
Borrowing	1,038	911
Other Long-Term Liabilities	271	263
	<hr/> 1,309	<hr/> 1,174

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 Council. The revised limits for 2018-19 are:

	Authorised limit for debt relating to KCC assets and activities	Position as at 30.11.18	Authorised limit for total debt managed by KCC	Position as at 30.11.18
	£m	£m	£m	£m
Borrowing	1,043	875	1,078	911
Other long-term liabilities	271	263	271	263
	<hr/> 1,314	<hr/> 1,138	<hr/> 1,349	<hr/> 1,174

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 Strategy Statement. Compliance has been tested and validated by our independent professional treasury advisors.

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

The Council has determined the following upper limits for 2018-19

Fixed interest rate exposure	100%
Variable rate exposure	50%

These limits have been complied with in 2018-19.

8. Upper limits for maturity structure of borrowings

	Upper limit	Lower limit	Position as at 30.11.18
	%	%	%
Under 12 months	10	0	0.47
12 months and within 24 months	10	0	2.52
24 months and within 5 years	15	0	8.83
5 years and within 10 years	15	0	10.96
10 years and within 20 years	20	5	13.94
20 years and within 30 years	25	5	19.09
30 years and within 40 years	25	10	17.67
40 years and longer	30	10	26.52

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

Indicator	£250m
Actual	£218m

By: Susan Carey, Customers, Communication and Performance
David Cockburn, Corporate Director Strategic & Corporate Services and Head of Paid Service

To: Governance and Audit Committee – 23rd January 2019

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary:

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

FOR ASSURANCE

1. Introduction and background

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

2. Corporate Risk Register

2.1 The latest version of the Corporate Risk Register is attached at appendix 1. It has been refreshed to reflect key themes arising from meetings with individual Corporate Management Team, Cabinet Members and Directorate Management Teams during the autumn. Comments arising from presentation of corporate risks to Cabinet Committees and the Governance & Audit Committee during the year have also been taken into account. It was presented to Cabinet on 3rd December 2018.

2.2 The meetings during the autumn demonstrated a strong consensus on what are seen as the main risks for KCC, 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 registers or the corporate risk register, which would indicate that the current risk management process is robust. However, as always, the context of the risks continually changes, and as a result the corporate risk register has been revised to reflect the points made.

2.3 The Corporate Risk Register contains nineteen risks. Changes since the register was last reported to Governance & Audit Committee in July 2018 are summarised as follows:

- CRR0004 Civil Contingencies and Resilience: The current risk rating has been increased due to the continued uncertainty surrounding potential implications of a 'no-deal' Brexit scenario and the potential for Brexit contingency planning to detract focus from other, more 'routine' exercising of controls.
- CRR0005 Implementation of Local Care and Prevention agenda in Kent: Previous concerns relating to broader governance have been addressed and it was felt that the focus of the risk should be narrowed to concentrate on the opportunity risks of implementing Local Care and the Prevention agenda with partners. The level of risk for this re-scoped risk has been assessed as 'medium' at this stage.
- CRR0007 Resourcing implications arising from children's services demand: The risk has been more specifically defined to relate to demand challenges, with further integration of services for children (the 'Change for Kent Children' programme) seen as part-mitigation for the risk.
- CRR0008 Potential implications associated with significant migration into Kent: This risk concentrated on potential bulk placements of vulnerable households into the county, which can then have significant impacts in localities, including increasing demand for KCC services. While the risk still exists, there have been no bulk placements since 2016, so it has been taken off as a specific standalone risk and fed into the CYPE demand risk CRR0007. This action can be reversed if intelligence suggests that the level of risk is increasing again.
- CRR0009 Future financial and operating environment for local government: The level of risk had previously been reduced slightly due to additional social care monies received from Government but has been revised back up from 16 to 20 as we await details of the Government's Spending Review in mid-2019 as well as the outcome of the fair-funding review.
- CRR0016 Delivery of new school places constrained by capital budget pressures and dependency of the Education and Skills Funding Agency: The current rating has reduced slightly as amendments to the Kent Commissioning Plan are made in response to issues arising and contingency arrangements are made as required in specific parts of the county, although it is still high.
- CRR0039 Information Governance: For the past 18 months the risk related to implementation of General Data Protection Regulations (GDPR). While there will still need to be emphasis on embedding the relevant systems and processes, the risk has reverted to a general information governance one.
- CRR0041: Maintaining a healthy and effective workforce. The current level of risk was raised, although this was largely based on anecdotal evidence. The level of risk is now being reviewed taking into account the results of the recent comprehensive staff survey. While further analysis is being conducted,

headline results show positive responses to questions in the 'resources and workload' and 'my wellbeing' sections that would suggest that a medium risk rating is appropriate.

- NEW RISK - High Needs funding and Special Educational Needs and Disabilities (SEND). Concerns were raised on several occasions and consequently, this risk has been escalated from the CYPE directorate register due to its significance.
 - NEW RISK – Effectiveness of governance within a Member-led Authority: Over the past 12-18 months there have been numerous warnings from local authorities, auditors and professional bodies regarding the parlous state of local government finances, with the first section 114 notice in 20 years issued earlier this year. This brings into sharp focus the criticality of robust council governance.
- 2.4 Potential risk: Challenges relating to management and maintenance of KCC's estate and community assets were raised on several occasions in the context of demands on the capital budget, although there are clearly other aspects to be considered such as health & safety. Further analysis of directorate and divisional risk registers is being undertaken to see whether there is cause to introduce a corporate risk based on aggregated exposure.
- 2.5 Conversations with Risk Owners have included discussion about 'target' residual levels of risk. In particular, how realistic several of them were considering the complex nature of some of the risks; what level of control it is possible for us as a council to exert due to dependencies on other stakeholders at a local and national level; and the cost of mitigation. As a result, the target residual risk rating has increased for several risks:
- CRR0006: Resourcing implications arising from increasing adult social care need.
 - CRR0013: Delivery of in-year savings within agreed budgets.
 - CRR0015: Managing and working with the social care market.
 - CRR0042: Post-Brexit border systems, infrastructure and regulatory arrangements.
- 2.6 Risk Connectivity – linked to the point above, the refresh this year has again highlighted the connectivity between our corporate risks. For instance:
- CRR0009 (financial and operating outlook for local government) is the broad medium-term risk that underpins much of our corporate risk profile and limits options to mitigate by financial means.
 - Our high risks relating to demand for children's services and adult social care are key factors to take into consideration in relation to our safeguarding risks.
 - Our cyber-attack risk would have information governance and business continuity related implications.
- 2.7 Out of the nineteen risks 11 are currently rated as 'high' and 8 rated as 'medium', which compares with 10 'high' rated risks last year. All risks have mitigating actions in place that aim to achieve a target residual rating of

'medium' or 'low', with the exception of CRR0042 that has a number of factors outside of the Authority's control.

- 2.8 Further details of these risks, including controls and mitigating actions, are contained in appendix 1.
- 2.9 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 2018/19 have been requested from action owners and will be reported in the next Quarterly Performance Report presented to Cabinet on 25th March 2019.
- 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 risks, allowing for discussion of these with the relevant Risk Owners and responsible Cabinet Members.
- 3.3 The Internal Audit function uses the register as a source of information to inform its audit plan for the coming year.

4. Recommendations

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

Report Author:

Mark Scrivener
Corporate Risk Manager
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Relevant Director:

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

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 2018
CRR0001	Safeguarding – protecting vulnerable children	15	15	↔
CRR0002	Safeguarding – protecting vulnerable adults	20	15	↔
CRR0003	Access to resources to aid economic growth and enabling infrastructure	16	12	↔
CRR0004	Civil Contingencies and Resilience	16	12	↑
CRR0005	Implementation of Local Care and Prevention with Health partners in Kent	12	8	**
CRR0006	Resourcing implications arising from increasing complex adult social care demand	20	15	↔ (target increased)
CRR0007	Resourcing implications arising from children’s services demand	20	12	↔
CRR0009	Future financial and operating environment for local government	20	12	↑
CRR0011	Embedding KCC’s strategic commissioning approach and consistency of commissioning standards	9	6	↔
CRR0013	Delivery of in-year savings within agreed budgets	9	4	↔ (target increased)
CRR0014	Cyber-attack threats and their implications	16	12	↔
CRR0015	Managing and working with the social care market	20	15	↔ (target increased)
CRR0016	Delivery of new school places is constrained by capital budget pressures and dependency on the Education and Skills Funding Agency	16	12	↓
CRR0039	Information Governance	12	8	↔
CRR0040	Opportunities and risks associated with KCC’s Local Authority Trading Companies	12	4	↔
CRR0041	Maintaining a healthy and effective workforce	12	8	↑
CRR0042	Post-Brexit border systems, infrastructure and regulatory arrangements	20	16	↔ (target increased)

CRR0044	High Needs Funding and adequacy of support for children with SEND	20	12	NEW
CRR0045	Effectiveness of governance within a Member-led Authority	10	5	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.

** Context of the risk has been changed, hence direct comparison of score not applicable.

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	CRR0001	Risk Title	Safeguarding – protecting vulnerable children			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Council must fulfil its statutory obligations to effectively safeguard vulnerable children.	Ability to fulfil statutory obligations affected by demand for services exceeding capacity and capability, or adequacy of management and operational practice.	Serious impact on vulnerable people.	Matt Dunkley Corporate Director Children, Young People and Education (CYPE)	Possible (3)	Major (5)	
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.	Failure to recruit and retain suitably experienced and qualified permanent staff.	Impact on ability to recruit the quality of staff critical to service delivery.		Target Residual Likelihood	Target Residual Impact	
This risk links to the demand for children's services risk (CRR0007).	Failure to meet the requirements of the "Prevent Duty" placed on Local Authorities.	Serious operational and financial consequences.	Responsible Cabinet Member(s): Roger Gough Children, Young People and Education Mike Hill (Lead Member for PREVENT)	Possible (3)	Major (5)	
		Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.				
		Incident of serious harm or death of a vulnerable child.				
Control Title				Control Owner		
Consistent scrutiny and performance monitoring through Divisional Management Team, District 'Deep Dives' and audit activity				Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)		
Independent scrutiny by Kent Safeguarding Children Board				Independent Chair Kent Safeguarding Children Board		
Manageable caseloads per social worker and robust caseload monitoring. Social work vacancies monitored with action taken to address as required				Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)		

Active strategy in place to attract, recruit and retain social workers through a variety of routes with particular emphasis on experienced social workers	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)/ Amanda Beer, Corporate Director Engagement, Organisational Design & Development (EODD)
Multi-agency public protection arrangements in place	Risthardh Hare, Interim Assistant Director Safeguarding and Quality Assurance
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	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead) / Stuart Collins, Director Integrated Services (Early Help and Preventative Services Lead)
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	Matt Dunkley, Corporate Director, CYPE
Prevent Duty Delivery Board (chaired by KCC) oversees the activity of the Kent Channel Panel, co-ordinating Prevent activity across the County and reporting to other relevant strategic bodies in the county (including reporting route to the Kent Safeguarding Children Board)	Penny Southern, Corporate Director, Adult Social Care and Health (ASCH)
Kent Channel Panel (early intervention mechanism providing tailored support to people who have been identified as at risk of being drawn into terrorism) in place	Nick Wilkinson, Prevent and Channel Strategic Manager
Multi-agency risks, threats and vulnerabilities group focuses on PREVENT, gangs, Modern slavery, human trafficking and online safeguarding matters	Nick Wilkinson, Prevent and Channel Strategic Manager
Safeguarding and Quality Assurance Unit conducts audits, reviews of practice and provides challenge	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)
Education Safeguarding Team in place	Claire Ray, Principal Officer Education Safeguarding, The Education People
A revised Elective Home Education policy approved that includes interaction with children where there are	Keith Abbott, Director

welfare concerns and where other agencies have been involved with the family. Awareness raising taking place with other practitioners	Education Planning & Access/ Scott Bagshaw, Head of Admissions & Transport	
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	Risthardh Hare, Interim Assistant Director Safeguarding and Quality Assurance	
Multi-agency Crime and Sexual Exploitation Panel (MACSE) provides a strategic, county-wide, cross-agency response to Child Sexual Exploitation	Matt Dunkley Corporate Director, CYPE (KCC lead)	
Three year PREVENT training strategy being rolled out. Staff intranet site dedicated to Prevent. Information also available on KCC website	Nick Wilkinson, Prevent and Channel Strategic Manager	
Integrated practice model in place	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead) / Stuart Collins, Director Integrated Services (Early Help and Preventative Services Lead)	
Detailed understanding of requirements for Joint Targeted Area Inspections	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)	
Kent and Medway Gangs Strategy 2018-21 outlines the multi-agency approach to ending the criminal exploitation of vulnerable children and adults by gangs	Stuart Collins, Director Integrated Services (Early Help and Preventative Services lead)	
Action Title	Action Owner	Planned Completion Date
Preparation for new multi-agency safeguarding arrangements in response to Children & Social Work Act requirements	Matt Dunkley, Corporate Director CYPE / David Whittle, Director SPRCA	April 2019 (review)

Risk ID	CRR0002	Risk Title	Safeguarding – protecting vulnerable adults				
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	Target Residual Likelihood	Target Residual Impact
<p>The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults.</p> <p>The change from ‘safeguarding alerts’ to ‘safeguarding enquiries’ has led to a significant increase in the number of safeguarding concerns received. There has also been an increase in domestic abuse referrals.</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>This risk links to the demand risk (CRR0006)</p>	<p>Ability to fulfil statutory obligations affected by demand for services exceeding capacity and capability; adequacy of practice; or quality of care in the provider market.</p> <p>Failure to meet the requirements of the “Prevent Duty” placed on Local Authorities.</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>Penny Southern, Corporate Director Adult Social Care and Health (ASCH)</p> <p>Responsible Cabinet Member:</p> <p>Graham Gibbens, Adult Social Care and Public Health</p> <p>Mike Hill (Lead Member for PREVENT)</p>	<p>Likely (4)</p> <p>Possible (3)</p>	<p>Major (5)</p> <p>Major (5)</p>		
Control Title			Control Owner				
Dedicated safeguarding team in place with countywide overview			Julie Davidson, Interim Head of Adult Safeguarding				
Multi agency public protection arrangements in place			Julie Davidson, Interim Head of Adult Safeguarding				
Kent & Medway Safeguarding Adults Board in place with key agencies. The Board is on a statutory footing following implementation of the Care Act			Penny Southern, Corporate Director ASCH				
Consistent scrutiny and performance monitoring through divisional management teams, ‘deep dives’ and audit activity			Divisional Directors / Julie Davidson, Interim, Head of Adult Safeguarding				

Regular reporting on safeguarding takes place for Directors and elected Members to allow for scrutiny of progress	Penny Southern, Corporate Director ASCH	
Quarterly Safeguarding Directorate Management Team provides additional dedicated focus to the issue	Penny Southern, Corporate Director ASCH	
Prevent Duty Delivery Board (chaired by KCC) oversees the activity of the Kent Channel Panel, co-ordinating Prevent activity across the County and reporting to other relevant strategic bodies in the county	Penny Southern, Corporate Director ASCH	
Multi agency risks, threats and vulnerabilities group focuses on PREVENT, gangs, modern slavery, human trafficking and online safeguarding matters	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) in place	Nick Wilkinson, Prevent and Channel Strategic Manager	
Three year PREVENT training strategy approved by the Corporate Management Team	Nick Wilkinson, Prevent and Channel Strategic Manager	
Capability framework for safeguarding and the mental capacity act introduced	Julie Davidson, Interim Head of Adult Safeguarding	
Kent and Medway Safeguarding Adults Board Learning and Development Competence Framework is reviewed annually	Julie Davidson, Interim Head of Adult Safeguarding	
New framework for safeguarding practice developed as part of the new ASCH operating model	Julie Davidson, Interim Head of Adult Safeguarding / Divisional Directors	
Action Title	Action Owner	Planned Completion Date
Commission independent audits of case files across all client categories to complement internal reviews and audits	Julie Davidson, Interim Head of Adult Safeguarding	March 2019

Risk ID	CRR0003	Risk Title	Access to resources to aid economic growth and enabling infrastructure			
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<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.</p> <p>At the same time, Government funding for infrastructure is limited and competitive and increasingly linked with the delivery of housing and employment outputs.</p> <p>A UK Shared Prosperity Fund will replace EU structural funds, with further clarity to be provided on how to access, and links with Local Enterprise Partnerships (also being reviewed) and the development of Local Industrial Strategies.</p>	<p>Inability to secure sufficient contributions from development to support growth.</p> <p>Funders do not recognise Kent priorities for investment.</p> <p>Lack of resources to continuously shape and determine bids.</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 (GET)</p> <p>Responsible Cabinet Member(s): Mark Dance, Economic Development Mike Whiting, Planning, Highways, Transport & Waste</p>	<p>Likely (4)</p> <p>Target Residual Likelihood Possible (3)</p>	<p>Serious (4)</p> <p>Target Residual Impact Serious (4)</p>	
Control Title			Control Owner			
Growth and Infrastructure Framework for Kent and Medway published, setting out the infrastructure needed to deliver planned growth			Stephanie Holt-Castle, Interim Director Environment Planning & Enforcement (EPE)			
Environment Planning & Enforcement and Economic Development teams working with each individual District			David Smith, Director			

on composition of infrastructure plans including priorities for the CIL and Section 106 contributions, from which gaps can be identified	Economic Development / Stephanie Holt-Castle, Interim Director EPE	
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	
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	
KCC is actively engaged in preparation of local plans across Kent and Medway, responding to all consultations	Tom Marchant, Head of Strategic Planning & Policy	
Local Transport Plan 4 produced and approved by County Council	Tom Marchant, Head of Strategic Planning & Policy	
Organisation Development plan is targeting gaps in resources to support bids.	GET Directorate Management Team	
KCC has responded to the Government's 'Strengthened Local Enterprise Partnerships' review	David Smith, Director Economic Development	
Action Title	Action Owner	Planned Completion Date
Contribute to refresh of Strategic Economic Plan	Barbara Cooper, Corporate Director Growth, Environment and Transport	January 2019
Engage with stakeholders to draw up an agreed Enterprise & Productivity Strategy 2018-2050	David Smith, Director Economic Development	February 2019
Respond to consultation on Government's UK Shared Prosperity Fund	David Smith, Director Economic Development	December 2018
Work with LEP partners to implement new LEP arrangements arising from the 'Strengthened Local Enterprise Partnerships' review as appropriate	David Smith, Director Economic Development	April 2019

Risk ID	CRR0004	Risk Title	Civil Contingencies and Resilience			
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Council, along with other Category 1 Responders in the County, has a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood and impact of major incidents and emergencies. This includes responses associated with the Government's Counter-terrorism Strategy (CONTEST) 2018. Ensuring that the Council works effectively with partners to respond to, and recover from, emergencies and service interruption is becoming increasingly important in light of recent national and international security threats, severe weather incidents, threats of 'cyber attacks' and uncertainties around implication of a 'no-deal' Brexit.	<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 resilience in the supply chain hampers effective response to incidents.</p> <p>Focus on 'no-deal' Brexit contingency planning means less opportunity to progress other aspects of emergencies and resilience agenda.</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: Barbara Cooper, Corporate Director Growth, Environment & Transport (GET)</p> <p>Responsible Cabinet Member(s): On behalf of Cabinet: Mike Hill, Community & Regulatory Services</p>	<p>Likely (4)</p> <p>Target Residual Likelihood Possible (3)</p>	<p>Serious (4)</p> <p>Target Residual Impact Serious (4)</p>	
Control Title				Control Owner		
Legally required multi-agency Kent Resilience Forum in place, with work driven by risk and impact based on Kent's Community Risk Register. Includes sub-groups relating to Health and Severe Weather				Mike Overbeke, Head of Public Protection (for Kent Resilience Team Activity)		
The Director of Public Health works through local resilience fora to ensure effective and tested plans are in				Andy Scott-Clark, Director of		

place for the wider health sector to protect the local population from risks to public health	Public Health
Management of financial impact to include Bellwin scheme	Cath Head, Head of Finance (Operations)
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	Fiona Gaffney, Head of Resilience and Emergency Planning and Kent Resilience Team Manager (KCC)
On-going programme of review relating to ICT Disaster Recovery and Business Continuity arrangements. ICT resilience improvements are embedded as part of the ICT Transformation Programme	Rebecca Spore, Director of Infrastructure
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 over the short term	Stephanie Holt-Castle, Interim Director Environment Planning & Enforcement (EPE)
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	Andrew Scott-Clark, Director Public Health
Emergency planning training rolled out at strategic, tactical and operational levels. KCC Resilience Programme in place to deliver further training opportunities and exercises regularly conducted to test different elements of KCC emergency and business continuity arrangements with partners	Stephanie Holt-Castle, Interim Director EPE
Updated and expanded Duty and Recovery Director rota introduced	Stephanie Holt-Castle, Interim Director EPE
KCC Business Continuity Management Policy and overarching Business Continuity Plan in place, underpinned by business continuity plans at service level	Stephanie Holt-Castle, Interim Director EPE
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	Penny Southern, Corporate Director ASCH

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	
Ongoing development of a counter-terrorism local profile	Nick Wilkinson, Prevent and Channel Strategic Manager	
Quality Assurance approach introduced for business continuity plans to emphasise service accountability. This includes the testing of interdependencies between KCC business continuity plans and those of 3 rd parties	Stephanie Holt-Castle, Interim Director EPE	
Fire Safety Guidance provided by KCC reviewed and updated	Flavio Walker, Head of Health & Safety	
Local procedures have been and are being continually reviewed and refined for occasions the national threat level increases to critical. This includes an update of the Corporate Business Continuity Plan	Stephanie Holt-Castle, Interim Director EPE	
New approach to Business Continuity Governance arrangements implemented, to enable increased focus on directorate issues and complement KCC's cross-directorate Resilience group	Fiona Gaffney, Head of Resilience and Emergency Planning and Kent Resilience Team Manager (KCC)	
Kent Resilience Forum Local Authorities Emergency Planning group's mutual aid arrangements with District Councils and other councils across the region undertaken	Fiona Gaffney, Head of Resilience and Emergency Planning and Kent Resilience Team Manager (KCC)	
Action Title	Action Owner	Planned Completion Date
Exercise the procedures for a move in national threat level	Stephanie Holt-Castle, Interim Director EPE	March 2019
Respond to any issues arising from most recent audit of KCC Business Continuity arrangements	Corporate Management Team	February 2019
Building resilience into Multi-agency recovery structures for a longer time response	Stephanie Holt-Castle, Interim Director EPE	March 2019
KCC services to review business continuity arrangements, taking potential no-deal Brexit scenarios into consideration (cross-reference to CRR0042)	Service Managers	February 2019

Risk ID	CRR0005	Risk Title	Implementation of Local Care and Prevention with Health partners in Kent			
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The health & social care 'system' is under extreme pressure to cope with increasing levels of demand and financial constraints.	Failure to maximise opportunities for appropriate health & social care integration and ensure changes achieve maximum benefit.	Further deterioration in the financial and service sustainability of Health and Social Care system in Kent and Medway.	Penny Southern, Corporate Director Adult Social Care & Health (ASCH)	Possible (3)	Serious (4)	
National government policy for integration of health and social care as part of how to meet these challenges.	Pressures within the acute health sector result in repercussions for social care and threaten successful implementation of joint working arrangements.	Additional budget pressures transferred to social care as system monies are used to close acute and primary care service gaps.	Vincent Godfrey, Strategic Commissioner	Target Residual Likelihood	Target Residual Impact	
NHS national policy is for health commissioners and providers to come together and develop place-based plans. KCC is part of the Kent and Medway Sustainability and Transformation Partnership (STP) and this partnership will evolve to form an integrated care system (ICS).	Improved Better Care Fund monies earmarked for social care geared to addressing pre-determined NHS targets and priorities.	Legal challenge/judicial review of decisions and decision-making framework for integrated decisions.	Andrew Scott-Clark, Director Public Health	Unlikely (2)	Serious (4)	
Integration can only happen at local level around GP clusters.	Performance issues in the Health Sector have knock-on implications for KCC.	Social care and public health service priorities determined by NHS, not KCC.	Responsible Cabinet Member(s): Paul Carter, Leader of the Council			
It is important that KCC understands the opportunities and challenges of an ICS and also the upcoming NHS 10 year plan and social care Green Paper.	Failure to meet statutory duties around the sufficiency of the care market, care quality and safeguarding.	Capitated provider contracts dominated by NHS budgets and targets.	Catherine Rankin, Strategic Commissioning			
Care Quality Commission now conducts reviews of health and social care 'systems' to find out how services are working together to care for people aged 65 and over.	Opportunity cost from spending time and resources on STP and system design which is subject to change from NHS England.	Focus on STP and ICS workstreams prevents more local and agile improvements/joint working being undertaken.	Graham Gibbens, Adult Social Care and Public Health			
	Lack of understanding within KCC of NHS policy and regulatory environment; and					

	<p>vice versa, lack of understanding of local authority legislative, policy and democratic environment in NHS.</p> <p>Erosion of long-term working relationships between NHS and local government.</p> <p>Reputational damage to either KCC or NHS or both in Kent.</p> <p>Adverse outcome from CQC local system review.</p>
Control Title	Control Owner
KCC has a designated Cabinet Member Portfolio for Health Reform and Cabinet Member for Strategic Commissioning	Paul Carter, Leader of the Council
Local Care Implementation Board in place	Paul Carter, Leader of the Council
Regular internal STP co-ordination meetings chaired by the Leader	Paul Carter, Leader of the Council
Establishment of a Health Reform and Public Health Cabinet Committee to provide non-executive member oversight and input of KCC involvement in the STP	Ben Watts, General Counsel
Senior KCC political and officer representation on the STP Programme Board	Penny Southern, Corporate Director ASCH Andrew Scott-Clark, Director Public Health
Senior KCC level officer representation on the East Kent ICS, and emerging West, North and Medway ICS	Penny Southern, Corporate Director ASCH
Senior KCC level officer representation across STP workstreams	Penny Southern, Corporate Director ASCH Andrew Scott-Clark, Director Public Health
KCC STP Secretariat established to manage and monitor ongoing engagement and activity	Penny Southern, Corporate Director ASCH

County Council agreed framework for KCC engagement within the STP – ongoing monitoring and control taking place through STP Secretariat	Penny Southern, Corporate Director ASCH	
A joint KCC and Medway Health and Wellbeing Board for STP related matters/issues has been established	David Whittle, Director SPRCA	
KCC has appointed an elected Member to the STP non-executive oversight group	Paul Carter, Leader of the Council	
Public Health Leadership for the STP Prevention workstream	Andrew Scott-Clark, Director Public Health	
Action Title	Action Owner	Planned Completion Date
Engagement with the new NHS Strategic Commissioner for Kent and Medway and alignment of strategic commissioning intentions with KCC Strategic Commissioner	Vincent Godfrey, Strategic Commissioner	January 2019 (review)
Delivery of the Adult Social Care and Health Local Care Implementation Plan	Penny Southern, Corporate Director ASCH	March 2019 (review)
Assess NHS 10-year plan and impact on the STP	David Whittle, Director SPRCA	January 2019
Public Health advice to new Service Commissioning Board as per KCC statutory requirement	Andrew Scott-Clark, Director Public Health	January 2019
Delivery of Kent and Medway STP Prevention Plan	Andrew Scott-Clark, Director Public Health	March 2019 (review)
10 year plan and Kent JSNA/Case for Change	Andrew Scott-Clark, Director Public Health	August 2019

Risk ID	CRR0006	Risk Title	Resourcing implications arising from increasing complex adult social care demand			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
Adult social care services across the country are facing growing pressures. The cost of adult social care services in Kent continues to increase due to the complexity of presenting need, including increasing numbers of young adults with long-term complex care needs.	Council is unable to manage and resource to future demand and its services consequently do not meet future statutory obligations and/or customer expectations.	Customer dissatisfaction with service provision. Increased and unplanned pressure on resources. Decline in performance.	Penny Southern, Corporate Director Adult Social Care and Health (ASCH)	Likely (4)	Major (5)	
This is all to be managed against a backdrop of reductions in Government funding, implications arising from the implementation of the Care Act, increases in Deprivation of Liberty Assessments, impacts associated with reducing budgets of partner agencies and longer-term demographic pressures.		Legal challenge resulting in adverse reputational damage to the Council. Financial pressures on other council services.	Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care and Public Health	Target Residual Likelihood Possible (3)	Target Residual Impact Major (5)	
Adult social care services are part of a complex system to meet needs, which requires the whole system to work cohesively.						
Control Title				Control Owner		
Regular analysis and refreshing of forecasts to maintain the level of understanding of volatility of demand, which feeds into the relevant areas of the MTFP and the business planning process				Penny Southern, Corporate Director ASCH		
Continued support for investment in preventative services through voluntary sector partners				Penny Southern, Corporate Director ASCH / Vincent Godfrey, Strategic Commissioner		
Public Health & Social Care ensures effective provision of information, advice and guidance to all potential				Andrew Scott-Clark, Director		

and existing service users, promoting self-management to reduce dependency	Public Health/ ASCH Divisional Directors	
Best Interest Assessments (BIA) training package delivered as part of a rolling programme twice yearly	Julie Davidson, Interim Head of Adult Safeguarding	
Continual review and monitoring of demand in relation to Deprivation of Liberty assessments (DoLs) with external resources brought in as necessary. Increased data cleansing has led to an improved overview of backlog cases	Julie Davidson, Interim Head of Adult Safeguarding	
Targeted use of additional social care monies received from Government, investing in services which evidence suggests will have the greatest impact	Penny Southern, Corporate Director ASCH	
Action Title	Action Owner	Planned Completion Date
Implementation of Kent Integration and Better Care Fund plan	Penny Southern, Corporate Director ASCH	December 2018 (review)
Embedding of new operating model for Adult Social Care and Health, including Promoting Wellbeing approach to help manage demand	Penny Southern, Corporate Director ASCH	April 2019 (review)
Agree approach for utilisation of additional social care monies for 2018/19	Penny Southern, Corporate Director ASCH	January 2019

Risk ID	CRR0007	Risk Title	Resourcing implications arising from Children's Services demand			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
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, a marked increase in children with Special Educational Needs and Disabilities (SEND) and policy/legislative changes.	High volumes of work flow into Early Help and Preventative Services (EHPS) and Specialist Children's Services (SCS) leading to unsustainable pressure being exerted on them (recognising seasonal spikes such as end of term).	Children's services performance declines as demands become unmanageable.	Matt Dunkley, Corporate Director CYPE	Likely (4)	Major (5)	
At a local level KCC is faced with particular 'pressure points' in several districts.	Failure to maximise opportunities offered by integration of EHPS and SCS where appropriate.	Failure to deliver statutory obligations and duties or achieve social value.	Responsible Cabinet Member(s): Roger Gough Children, Young People and Education	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)	
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.		Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources.				
The Council needs to remain aware of London Boroughs, utilising higher per-capita funding and large capital/reserve budgets to procure sites in Kent to ease their overspends on housing/homelessness, due to potential demand implications.		Ultimately an impact on outcomes for children, young people and their families.				
Control Title			Control Owner			
The Early Help and Preventative Services Programme is working to ensure that vulnerable families can access the right support through intensive work in Early Help Units and Step Down Panels, open access			Stuart Collins, Director Integrated Services (Early Help)			

services or through targeted casework		and Preventative Services Lead)
Intensive focus on ensuring early help to reduce the need for specialist children's support services		Matt Dunkley, Corporate Director CYPE
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, Director Integrated Services (Early Help and Preventative Services Lead)
Kent Safeguarding Children Board 'threshold' document outlines the criteria required by partners when making a referral and have been working with partners to promote aid appropriate application		Mark Janaway, Programme and Performance Manager
The Specialist Children's Services budget has been increased to compensate for the additional demand		Dave Shipton, Acting Section 151 Officer
Relationships with London Councils which allow us to understand / test their intentions on an individual site basis		David Whittle, Director SPRCA
Action Title	Action Owner	Planned Completion Date
Implementation of Change for Children in Kent programme	Matt Dunkley, Corporate Director, CYPE	April 2019
Implementation of Front Door Integration Project to better manage 'front door' referrals	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)	December 2018

Risk ID	CRR0009	Risk Title	Future financial and operating environment for Local Government			
Source / Cause of risk	Risk Event	Consequence	Risk Owner (s)	Current Likelihood	Current Impact	
<p>The operating environment for local government is likely to continue to change during the coming years, presenting both opportunities and risks for the Council and its partners / service providers.</p> <p>Government funding has continued to reduce, with a number of councils showing signs of financial stress and warning of moves toward a 'minimum service offer', including the issuing of the first section 114 notice for over 20 years.</p> <p>While KCC is not in this position, continuing budget challenges will necessitate difficult policy decisions being made regarding the future of services.</p> <p>The Government's Spending Review in 2019; the Social Care Green Paper; NHS 10-year plan; current uncertainties relating to implications of Brexit and ongoing challenges to secure funding for essential infrastructure to keep pace with housing growth will all affect the operating framework for the Council.</p> <p>Limits on our ability to levy additional council tax without a</p>	<p>Additional unfunded spending demands and continued real-terms funding reductions threaten the financial sustainability of KCC, its partners and service providers.</p> <p>In order to set a balanced budget the council is likely to have to continue to make significant year on year savings. Quality of KCC commissioned / delivered services suffers as financial situation continues to worsen.</p> <p>Insufficient Government Grant available to provide sufficient number of school places.</p>	<p>Unsustainable financial situation, ultimately resulting in s114 notice.</p> <p>Potential for partner or provider failure – including sufficiency gaps in provision.</p> <p>Reduction in resident satisfaction and reputational damage.</p>	<p>On behalf of CMT:</p> <p>Zena Cooke, Corporate Director Finance</p> <p>Responsible Cabinet Member (s): All Cabinet Members</p>	<p>Likely (4)</p> <p>Target Residual Likelihood Possible (3)</p>	<p>Major (5)</p> <p>Target Residual Impact Serious (4)</p>	

referendum are still in place.		
Control Title		Control Owner
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process, including stakeholder consultation		Dave Shipton, Acting Section 151 Officer
Processes in place for monitoring delivery of savings and budget as a whole		Dave Shipton, Acting Section 151 Officer
KCC Strategic Statement 2015-2020 and annual report outline key strategic outcomes that the Authority aims to achieve during this period		Paul Carter, Leader of the Council
KCC Quarterly Performance Report monitors key performance and activity information for KCC commissioned or delivered services. Regularly reported to Cabinet		Richard Fitzgerald, Business Intelligence Manager - Performance
Ongoing oversight of implications relating to proposed Local Authority pension fund changes		Nick Vickers, Business Partner (external funding)
Support being provided to the Leader of KCC in his role as Chair of the County Councils Network (CCN)		David Whittle, Director SPRCA
Financial analysis conducted after each budget statement		Dave Shipton, Acting Section 151 Officer
Engagement with CCN, other local authorities and Government of potential opportunities and issues around devolution and public reform		David Whittle, Director SPRCA
Continued engagement with Government for a fair Basic Need allocation to meet the demand for school places		Keith Abbott, Director Education Planning and Access
Action Title	Action Owner	Planned Completion Date
Work proactively with Government regarding how the new business rate retention scheme can be most effectively implemented	Dave Shipton, Acting Section 151 Officer	January 2019 (review)
Engage with Government for a fair-funding needs formula for Grant distribution and tariffs/top ups under business rate retention	Dave Shipton, Acting Section 151 Officer	January 2019 (review)
Assess implications of the NHS 10-year plan	David Whittle, Director SPRCA	January 2019

Ensure appropriate response to Government Spending Review 2019	Dave Shipton, Acting Section 151 Officer	September 2019
Assess impact of and respond to social care green paper	Penny Southern, Corporate Director ASCH	March 2019

Risk ID	CRR0011	Risk Title	Embedding KCC's Strategic Commissioning approach and consistency of commissioning standards				
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	Target Residual Likelihood	Target Residual Impact
The Authority has developed a strategic commissioning approach, which is a journey in changing the systems, culture and approach the organisation takes to achieving its strategic outcomes. The approach aims to meet the need for comprehensive, professional strategic commissioning advice to all directorates across the Authority and requires a whole council ethos, as well as clarity of responsibility and accountability.	Insufficient management capacity and / or capability in key skill areas to support sustained change. Lack of clarity over which activities can be defined as strategic commissioning as distinct from the specification of service outcomes. Lack of buy-in to whole-council ethos to support the changes required.	Potential to fall short of achieving benefits if changes introduced are not fully embedded.	In collaboration with CMT: Vincent Godfrey, Strategic Commissioner Responsible Cabinet Member: Catherine Rankin, Strategic Commissioning	Possible (3)	Significant (3)	Unlikely (2)	Significant (3)
Control Title				Control Owner			
Senior role of Strategic Commissioner appointed, reporting to the Head of Paid Service, to oversee the delivery of strategic commissioning expertise				David Cockburn, Head of Paid Service			
Building capacity and capability in commissioning is a key area of KCC's Organisation Development action plan				Julie Cudmore, Head of Organisation Development			
Cabinet Member role for Strategic Commissioning created				Paul Carter, Leader of the Council			
Rolling programme of reviews of contract management arrangements for major contracts embedded into Business as Usual and reported on regularly				Vincent Godfrey, Strategic Commissioner			
<i>Commissioning Success:</i> A strategy to improve lives by ensuring every pound spent in Kent is delivering better outcomes for Kent's residents, communities and businesses through successful commissioning developed as part of a co-design process				Vincent Godfrey, Strategic Commissioner			

KCC has established a Strategic Commissioning Division to strengthen commissioning capability, and lead and shape commissioning activity, which has been restructured as a vehicle for achievement of business strategy	Vincent Godfrey, Strategic Commissioner	
Commissioning Standards Framework Group provides strategic oversight and agreement by executive Members and senior professional officers of the proposed minimum standards for strategic commissioning activity throughout the life cycle which will make up the Commissioning Framework	Catherine Rankin, Cabinet Member for Strategic Commissioning	
KCC informal Governance arrangements refreshed to include continued focus on improving quality of commissioning activity	Vincent Godfrey, Strategic Commissioner	
Action Title	Action Owner	Planned Completion Date
Work towards Chartered Institute of Procurement and Supply (CIPS) Excellence accreditation for the organisation	Vincent Godfrey, Strategic Commissioner	October 2019

Risk ID	CRR0013	Risk Title	Delivery of in-year savings within agreed budgets			
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The ongoing difficult public financial 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.	Robust plans to achieve the required savings are not developed in time to enable implementation and realisation of benefits.	Urgent alternative savings need to be found which could have an adverse impact on service users and/or residents of Kent.	On behalf of CMT: Zena Cooke, Corporate Director Finance	Possible (3)	Significant (3)	
KCC has already made significant cost savings and still needs to make significant ongoing year-on-year savings in order to "balance its books".	Plans are not aligned with Cabinet Member priorities.	Potential adverse impact on council transformation plans.	Responsible Cabinet Member(s): Peter Oakford, Finance and Traded Services	Target Residual Likelihood Unlikely (2)	Target Residual Impact Minor (1)	
Control Title			Control Owner			
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process			Dave Shipton, Acting Section 151 Officer			
Process for monitoring delivery of savings is in place, including a Budget Delivery Group to scrutinise progress			Dave Shipton, Acting Section 151 Officer			
Robust monitoring and forecasting of arrangements in place relating to the KCC budget as a whole			Dave Shipton, Acting Section 151 Officer			
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			Dave Shipton, Acting Section 151 Officer			
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			Corporate Directors and			

Committee	Director Group
Continued engagement with the Home Office for a fair settlement for Unaccompanied Asylum-Seeking Children (UASC), particularly Care Leavers	Matt Dunkley, Corporate Director, CYPE
Action Title	Action Owner
Planned Completion Date	
NOTE: Level of risk is expected to decrease during the year by effective operation of existing controls.	

Risk ID	CRR0014	Risk Title	Cyber-attack threats and their implications
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Source / Cause of Risk	Risk Event	Consequence	Risk Owner(s)	Current Likelihood	Current Impact
<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 (within resource constraints), 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>Rebecca Spore, Director Infrastructure</p> <p>Ben Watts, General Counsel and KCC Data Protection Officer</p> <p>Amanda Beer, Corporate Director Engagement, Organisational Design & Development.</p> <p>Responsible Cabinet Member(s): Eric Hotson, Corporate & Democratic Services</p>	<p>Likely (4)</p>	<p>Serious (4)</p>
Control Title				Control Owner	
Systems are configured in line with best practice security controls proportionate to the business information				Kathy Stevens, ICT	

being handled. Systems are risk assessed and reviewed to ensure compliance is maintained	Compliance and Risk Manager	
Staff are required to abide by IT policies that set out the required behaviour of staff in the use of the technology provided. These policies are reviewed on an annual basis for appropriateness	Kathy Stevens, ICT Compliance and Risk Manager	
Continual awareness raising of key risks amongst the workforce and manager oversight	Internal Communications function / Michael Lloyd, Head of Technology Commissioning and Strategy / / All Managers	
Electronic Communications User Policy, Virus reporting procedure and social media guidelines in place	Rebecca Spore, Director Infrastructure	
External reviews of the Authority's security compliance are carried out to maintain accreditation and confirm best practice is applied	Kathy Stevens, ICT Compliance and Risk Manager	
Persistent monitoring of threats, network behaviours and data transfers to seek out possible breaches and take necessary action	Kathy Stevens, ICT Compliance and Risk Manager	
Data Protection and Information Governance training is mandatory and requires staff to refresh periodically. Progress rates monitored regularly	Ben Watts, General Counsel	
Further training introduced relating to cyber-crime, cyber security and social engineering to raise staff awareness and knowledge	Rebecca Spore, Director Infrastructure	
Messages to encourage increased awareness of information security amongst staff are to be communicated to align with key implementation milestones of the ICT Transformation Programme	Diane Trollope, Head of Engagement and Consultation	
Procedures to address data breaches from KCC 'client side' perspective are covered within the Infrastructure business continuity plan	Kathy Stevens, ICT Compliance and Risk Manager	
Monthly updated remediation plans produced for the Director of Infrastructure and Senior Information Risk Owner. Quarterly reporting to the Directorate Management Team	Kathy Stevens, ICT Compliance and Risk Manager	
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	Rebecca Spore, Director of Infrastructure	March 2019
Liaise with service partners / providers to ensure clarity regarding support available and respective responsibilities to address data breaches should	Kathy Stevens, ICT Compliance and Risk Manager	December 2018

they occur

Develop a Cyber incident response policy which strengthens the responsibilities and accountabilities across the Authority

Kathy Stevens, ICT
Compliance and Risk Manager

December 2018

Risk ID	CRR0015	Risk Title	Managing and working with the social care market				
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	Target Residual Likelihood	Target Residual Impact
A significant proportion of adult social care is commissioned out to the private and voluntary sectors. This offers 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. Inability to obtain the right kind of provider supply at affordable prices.	Gaps in the care market for certain types of care or in geographical areas meaning difficulty in placing some service users.	Penny Southern, Corporate Director ASCH, in collaboration with Vincent Godfrey, Strategic Commissioner	Likely (4)	Major (5)	Possible (3)	Major (5)
Factors such as the introduction of the National Living Wage, potential inflationary pressures and uncertainty over care market workforce in light of new settled status arrangements mean that the care market is under pressure.	Significant numbers of care home closures or service failures. Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.		Responsible Cabinet Member(s): Graham Gibbens, Adult Social Care and Public Health Catherine Rankin, Strategic Commissioning				
Control Title				Control Owner			
Opportunities for joint commissioning and procurement in partnership with key agencies (i.e. Health) being regularly explored, including joint work regarding the provision of dementia nursing beds				Vincent Godfrey, Strategic Commissioner			
As part of the Commissioning Success model, Analytics function to ensure good quality data to inform decision making before moving commissioning activity forward				Richard Fitzgerald, Business Intelligence Manager, Performance / Steph Smith, Head of Performance and Information			

Regular meetings with provider and trade organisations	Vincent Godfrey, Strategic Commissioner	
Ongoing Contract Monitoring, working in partnership with the Access to Resources team	Clare Maynard, Head of Commissioning Portfolio – Outcome 2 and 3	
Ongoing monitoring of Home Care market and market coverage. Commissioners and operational managers reviewing the capacity of the Home Care market with a view to developing a strategy to ensure market coverage	Jo Empson, Commissioning Manager, Community Support	
Ensuring contracts have indexation clauses built-in, managed through contract monitoring	Georgina Aplin, Head of Commissioning Support	
KCC is part of local and regional Quality Surveillance Groups that systematically bring together the different parts of the health and care system to share information, identify and mitigate risks to quality, including those relating to care providers	Penny Southern, Corporate Director ASCH (KCC lead)	
Ongoing work to improve maturity of the market	Vincent Godfrey, Strategic Commissioner	
Action Title	Action Owner	Planned Completion Date
Recommissioning of Homecare, Supporting Independence Service and discharge to assess as part of the 'Care in the Home' project	Jo Empson, Commissioning Manager, Community Support	April 2019
Implementation of refreshed Accommodation Strategy, developed with partners and key stakeholders. Need to have Extra Care beds onstream by 2020	Clare Maynard, Head of Commissioning Portfolio – outcome 2 and 3	April 2019 (review)

Risk ID	CRR0016	Risk Title Delivery of New School Places is constrained by capital budget pressures and dependency upon the Education and Skills Funding Agency (ESFA)				
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<p>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.</p> <p>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.</p> <p>Whilst the funding gap identified with the Kent Commissioning Plan has been closed, the delivery of the plan is highly dependent upon securing a number of Free Schools in Kent over the period and that the ESFA complete the Free School projects on time and to an appropriate standard.</p>	<p>The expansion required may not be delivered, meaning KCC is not able to provide appropriate school places.</p> <p>Further upward demand pressures beyond what is forecast.</p>	<p>Some children have to travel much further to attend a school, with a resulting impact on the transport budget.</p> <p>The duty to provide sufficient school places is not met, which may lead to legal action against the council.</p>	<p>Matt Dunkley, Corporate Director CYPE</p>	<p>Likely (4)</p>	<p>Serious (4)</p>	
			Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
			<p>Roger Gough, Children, Young People and Education</p>	<p>Likely (4)</p>	<p>Significant (3)</p>	
Control Title				Control Owner		
<p>The Kent Commissioning Plan contains the forecast expansion numbers and locations. A school expansion programme has been mapped, costed and kept under review</p>				<p>Keith Abbott, Director Education Planning and Access</p>		

The school expansion programme is under member scrutiny and review by relevant Education and Property programme boards/forums/committees	Keith Abbott, Director Education Planning and Access	
CYPE capital monitoring mechanism with Member involvement now created	Education Planning and Access DivMT	
Policy and operations to secure sufficient developer contributions are overseen by Growth and Infrastructure Group	Keith Abbott, Director Education Planning and Access/Stephanie Holt-Castle, Interim 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	Area Education Officers	
Close working with the ESFA and lobbying of the DfE/ESFA, Secretary of State and Kent MPs raising of the issue via the County Councils Network	Keith Abbott, Director Education Planning and Access / Cabinet Member CYPE / Leader of the Council	
Regular meetings with ESFA officials to monitor progress at individual project level and identify ways in which KCC can help progress these projects (Local delivery)	Keith Abbott, Director Education Planning and Access	
Contingency plans for alternative interim accommodation for each Free School project are being developed on a case-by-case basis i.e. temporary expansions to schools to meet immediate pressures, or the allocation of available places within existing schools	Keith Abbott, Director Education Planning and Access	
Action Title	Action Owner	Planned Completion Date
Put forward bids for next wave of selective schools' expansion fund	Keith Abbott, Director of Education	July 2019

Risk ID	CRR0039	Risk Title	Information Governance			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Council is required to maintain the confidentiality, integrity and proper use of data under the Data Protection Act 2018.	Failure to embed the appropriate processes and procedures to meet the new regulations.	Information Commissioner's Office sanction (e.g. undertaking, assessment, improvement, enforcement or monetary penalty notice issued against the Authority).	Ben Watts, General Counsel and Data Protection Officer in collaboration with David Whittle, Senior Information Risk Owner	Possible (3)	Serious (4)	
General Data Protection Regulations (GDPR) came into effect that have introduced significantly increased obligations on all data controllers, including the Council.	Information security incidents (caused by both human error and / or system compromise) resulting in loss of personal data or breach of privacy / confidentiality.	Serious breaches under GDPR could attract a fine of €20m.		Target Residual Likelihood	Target Residual Impact	
There is insufficient resource available to undertake comprehensive oversight / assurance activity that provides assurance on compliance with existing information governance standards.	Council accreditation for access to government and partner ICT data, systems and network is withdrawn.	Increased risk of litigation.	Responsible Cabinet Member:	Unlikely (2)	Serious (4)	
There is a critical dependency on one of the Council's Local Authority Trading Companies (CBS) to support Information Governance compliance for the KCC systems and network.	Cantium Business Solutions prioritises commercial work or does not undertake information governance compliance work in an appropriate and timely fashion.	Reputational damage.	Eric Hotson, Corporate & Democratic Services			
KCC services' requirement for non-standard systems creates vulnerabilities.						
Control Title				Control Owner		
Data Protection Officer in place to act as designated contact with the Information Commissioner's Office				Ben Watts, General Counsel		

Caldicott Guardian appointed with training and support to undertake the role	Penny Southern, Corporate Director ASCH	
Senior Information Risk Owner for the Council appointed with training and support to undertake the role	David Whittle, Director SPRCA	
Corporate Information Governance group to allow for effective management of information governance risks and issues between the DPO, SIRO and Caldicott Guardian	Ben Watts, General Counsel	
Management Guide / Operating Modules on Information Governance in place, highlighting key policies and procedures	Caroline Dodge, Team Leader Information Resilience & Transparency	
A number of policies and procedures are in place including KCC Information Governance Policy; Information Governance Management Framework; Information Security Policy; Data Protection Policy; Freedom of Information Policy; and Environmental Information Regulations Policy all in place and reviewed regularly	Ben Watts, General Counsel	
Staff are required to complete mandatory training on Information Governance and Data Protection and refresh their knowledge every two years as a minimum	Ben Watts, General Counsel / Amanda Beer, Corporate Director EODD	
ICT Commissioning function has necessary working / contractual relationship with the Cantium Business Solutions to require support on KCC ICT compliance and audit	Rebecca Spore, Director of Infrastructure	
Information Resilience and Transparency team in place, providing business information governance support	Caroline Dodge, Team Leader Information Resilience & Transparency	
Privacy notices as well as procedures/protocols for investigating and reporting data breaches reviewed and updated	Caroline Dodge, Team Leader Information Resilience & Transparency	
Action Title	Action Owner	Planned Completion Date
Finalise implementation of any outstanding actions arising from 2016 Information Commissioner's Office (ICO) audit	Ben Watts, General Counsel	January 2019
Refresh of cross-directorate Information Governance Working Group, with key risks and issues raised to the Corporate IG group	Lauren McCann, Principal Solicitor	November 2018
Development of stand-alone Information Governance risk register	David Whittle, Director SPRCA	January 2019

Risk ID	CRR0040	Risk Title	Opportunities and risks associated with KCC's Local Authority Trading Companies (LATCos)			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
KCC has established a number of wholly-owned companies delivering a wide range of professional services that can bring benefits such as a change in culture and a more commercial approach to delivering services; more freedom to invest; the ability to secure new external clients; and the ability to grow the business and return a dividend to the Council as shareholder.	Expected financial dividends not met or return on investment takes longer than planned to achieve.	Additional pressures on Council budget. Reputational damage.	KCC Shareholder Boards	Likely (4)	Significant (3)	
As with any new company start up, there will also be risks to be managed.	One or more company acts in a way that does not fit with KCC's values.	Companies may not be able to take advantage of commercial opportunities if decision-making is restricted.	Responsible Cabinet Member:	Target Residual Likelihood	Target Residual Impact	
With the number of wholly-owned companies increasing, the council has reached a cross-over point where the wider objectives of the shareholder (KCC) is of at least the same importance as the individual needs of the new companies.	Council attempts to manage or run individual companies rather than acting as shareholder to extract the maximum value and benefit for the council in terms of both financial return and delivery of our identified outcomes as the owner of the businesses.		Peter Oakford, Finance and Traded Services	Unlikely (2)	Moderate (2)	
KCC does not make the necessary internal changes / decisions (e.g. internal commissioning arrangements) necessary to support the delivery of the agreed business plans of trading companies.	Insufficient quality of service from company to KCC 'client'.		Supported by: Richard Long, Cabinet Lead for Traded Services			
Control Title			Control Owner			

Governance: shareholder and company boards exist for KCC-owned companies with respective roles, with matters reserved for shareholder decision outlined	Ben Watts, General Counsel	
Cultural and change factors are built into the planning for proposed creation of alternative service delivery models	Julie Cudmore, Head of Organisation Development	
KCC's Group Audit function conducts audits for KCC-owned companies	Robert Patterson, Head of Internal Audit	
Robust business cases developed for proposed new companies, subject to Member and Officer scrutiny – including consideration of market potential, governance arrangements etc.	Relevant Cabinet Member and Corporate Director.	
KCC company governance and ownership reviewed with regular updates given to Policy & Resources Cabinet Committee	Richard Long, Cabinet Lead for Traded Services / David Cockburn, Head of Paid Service / Ben Watts, General Counsel / Dave Shipton, Acting Section 151 Officer	
Action Title	Action Owner	Planned Completion Date
The Council is effecting changes to the constitution and Member scrutiny to support effective oversight and input by Members	Ben Watts, General Counsel	December 2018
Implementation of holding arrangements for KCC's companies	Ben Watts, General Counsel	April 2019 (review)
To develop exit strategies in relation to all businesses from a commissioning and shareholder perspective against various potential outcomes	Relevant commissioners / Share holder Boards	December 2018 (review)
Accommodation solution agreed to support Cantium Business Solutions requirement for co-location of staff as per agreed Business Plan	Rebecca Spore, Director Infrastructure	April 2019

Risk ID	CRR0041	Risk Title	Maintaining a healthy and effective workforce			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
KCC's workforce makes a vital contribution to the delivery of the Council's strategic outcomes, through its energy, commitment and hard work.	Low morale or stress related to organisational change or other factors.	Negative impact on productivity and levels of service.	Corporate Management Team	Possible (3)	Serious (4)	
Staff across the organisation need to be healthy, motivated and have the right skills to help the organisation develop.	Increased sickness levels.					
It is important that this continues through challenging times, with significant change becoming the new reality and further year-on-year efficiencies being required to meet difficult budgetary challenges.	Lack of depth / resilience of key personnel or teams.					
	Increasing demands on staff leads to insufficient capacity.		Responsible Cabinet Member: Eric Hotson, Corporate and Democratic Services	Target Residual Likelihood Unlikely (2)	Target Residual Impact Serious (4)	
Control Title				Control Owner		
Refreshed approach to managing people and performance focusing in particular on regular, high quality conversations between managers and staff and emphasising management accountability and employee engagement				Amanda Beer, Corporate Director EODD		
Annual staff survey (Employment Value Proposition – EVP) builds insight by looking at the perceived balance between what the organisation offers staff and what employees bring to the job				Amanda Beer, Corporate Director EODD		
Wellbeing initiatives and health promotions for staff				Paul Royel, Head of Human Resources (HR) and Organisation Development (OD)		
Arrangements in place for active monitoring and response to absence				Paul Royel, Head of HR and OD		

Employee engagement strategy in place	Paul Royel, Head of HR and OD	
iResilience tools available	Amanda Beer, Corporate Director EODD	
Staff care services provide professional occupational health, counselling (Support Line); coaching and mediation services to help ensure staff are physically, emotionally and mentally well	Mark Scott, Chief Executive Cantium Business Solutions	
Suite of key performance indicators being monitored as early warning indicators e.g. retention, absence	Amanda Beer, Corporate Director EODD	
Directorate Organisation Development groups share best practice and facilitates communication on key OD issues	Julie Cudmore, Head of Organisation Development	
Service redesigns take account of capacity and capability issues ensuring resources are allocated appropriately	Corporate Management Team	
Significant and positive engagement with staff representatives	Paul Royel, Head of Human Resources (HR) and Organisation Development (OD)	
Comprehensive leadership and management training & development offer available	Paul Royel, Head of Human Resources and Organisation Development	
Action Title	Action Owner	Planned Completion Date
Analyse findings from autumn 2018 staff survey, share results and work with CMT to respond accordingly	Amanda Beer, Corporate Director EODD	January 2019

Risk ID	CRR0042	Risk Title	Post-Brexit border systems, infrastructure and regulatory arrangements			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The personnel, procedures, systems and physical infrastructure necessary to provide sufficient capacity and capability for fast and efficient flow of goods and people through the Dover / Continental Ports and Eurotunnel in accordance post-Brexit requirements are not in place as required.	That the 'implementation period' agreed between UK leaving the EU is not enacted leading to immediate third country status for the UK on 29 March 2019.	Significant slowdown in the existing flow of goods and people through the Kent Ports leads to long delays in accessing Dover Ports and Eurotunnel.	Barbara Cooper, Corporate Director Growth, Environment & Transport	Likely (4)	Major (5)	
KCC is reliant on coherent, coordinated governance across Government to aid the Local Authority and partners locally in planning their contingency arrangements.	That the implementation period agreed between the UK and EU is insufficient to develop the personnel, procedures, systems and physical infrastructure in time to support post-Brexit border arrangements.	Temporary closure or permanent changes to all or part of the M20 or M26 to support Operation Stack / Brock and other mitigations for port delays.	Responsible Cabinet Member	Target Residual Likelihood	Target Residual Impact	
	That a customs arrangement between the UK and EU is not agreed and there are delays in the physical transport of people / goods across the border.	Significant reduction in the capacity of the Kent Highway Network, with consequential increase in local and pan-Kent road journey times, impacting on local residents and businesses.	Mike Whiting, Planning, Highways, Transport & Waste	Likely (4)	Serious (4)	
	That the Government does not provide sufficient capital and revenue financial support to departments, agencies, local authorities and other infrastructure stakeholders necessary to address the personnel, procedures and physical infrastructure to support post-Brexit border arrangements.	Significant long-term detrimental impact on county's economic competitiveness, attractiveness for inward investment and quality of life for Kent residents.	Mike Hill, Community Services			

Control Title	Control Owner	
Regular engagement with senior colleagues in relevant Government Departments on the impacts and implications of Brexit on KCC's regulatory responsibilities relating to Trading Standards and the resilience of Kent highways	Barbara Cooper, Corporate Director GET	
KCC membership and co-chair of the Kent Border Planning Steering Group and associated working groups such as Emergency Planning, Infrastructure etc.	Stephanie Holt-Castle, Interim Director Environment, Planning and Enforcement	
Internal KCC co-ordination through a Brexit Co-ordination Group and Informal Members Group	David Whittle, Director SPRCA	
KCC leads and manages the Kent Strategic Freight Forum	Barbara Cooper, Corporate Director, GET	
KCC membership and support to the Kent Resilience Forum Brexit Sub-Group	Fiona Gaffney, Head of Resilience and Emergency Planning	
KCC involvement in Operation Fennel Tactical Group (multi-agency planning group for potential disruption at Port of Dover and Eurotunnel)	Barbara Cooper, Corporate Director, GET (KCC lead)	
KCC response to the Highways England M20 consultation on interim on-highway solution in place for the implementation period endorsed	Stephanie Holt-Castle, Interim Director EPE	
Action Title	Action Owner	Planned Completion Date
Engaging with Government on exercise(s) testing emergency response capability in relation to potential post-Brexit scenarios	Fiona Gaffney, Head of Resilience and Emergency Planning	Ongoing
KCC services to review business continuity arrangements, taking potential no-deal Brexit scenarios into consideration	Service Managers	December 2018
KCC exploring opportunities with the Ministry for Housing, Communities and Local Government (MHCLG) regarding funding for the direct impacts of Brexit in the county	Stephanie Holt-Castle, Interim Director Environment, Planning and Enforcement	February 2019

Risk ID	CRR0044	Risk Title	High Needs Funding and adequacy of support for children with SEND			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<p>The Children and Families Act 2014 introduced significant changes to Specialist Educational Needs (SEN) through the duty to ensure that the views, wishes and feelings of parents are heard, leading to a raising of expectations of parents.</p> <p>The number of Children and Young People with Specialist Educational Needs and Disability (SEND) is rising faster than the underlying growth in population. Kent is now maintaining over 10,500 Education Health and Care Plans (EHCP) which represents a growth of over 40% in the last 4 years. In addition, the incidence of EHCP's being maintained and issued to young people aged 19+ has grown exponentially.</p> <p>The available budget is not enough to address the growth in demand, and the level of DSG High Needs Funding is effectively capped for the next 4 years.</p> <p>KCC needs to address a backlog of over 650 Educational Psychology assessments.</p>	<p>There is a risk that the SEN service within KCC will fail to deliver an acceptable service to parents and children requiring SEN services within Kent, and/or fails to meet statutory time limits for providing support.</p>	<p>Unless processes and practices are reviewed and made to be more efficient and effective, families may fail to receive a supportive, acceptable service from SEN within Kent. Families feel neglected and supported. Ultimately the delivery of such a level of service could lead to legal action if statutory time limits or processes are not met.</p>	<p>Matt Dunkley Corporate Director CYPE</p> <p>Responsible Cabinet Member(s): Roger Gough Children, Young People and Education</p>	<p>Likely (4)</p> <p>Target Residual Likelihood Possible (3)</p>	<p>Major (5)</p> <p>Target Residual Impact Serious (4)</p>	

Control Title	Control Owner	
Continual lobbying of Government to highlight the matter at national level i.e. via County Council Network, Association of Directors' of Children's Services	Paul Carter, Leader of the Council / Roger Gough, Cabinet Member CYPE / Matt Dunkley, Corporate Director CYPE	
Recruitment and Retention arrangements for Educational Psychologists are competitive and enable us to recruit and retain staff in our most critical and demanding roles and teams	Andrew Heather (Principal Educational Psychologist)	
A Special Educational Needs Action Plan has been prepared	Louise Langley (Interim Head of SEN)	
SEN Provision Evaluation Officers now support SEN Teams with ensuring schools have used their best endeavours to seeking Statutory Assessment and the views of schools are considered	Louise Langley (Interim Head of SEN)	
Weekly placement panels implemented for independent school placements (with a view that local provision is preferred).	Louise Langley (Interim Head of SEN)	
CYPE Service Development Team supporting improvements by developing a service development project.	Louise Langley (Interim Head of SEN)	
Action Title	Action Owner	Planned Completion Date
Triage backlog of Educational Psychology assessments and consider priorities. West Kent pilot completed – wider rollout in progress.	Andrew Heather, Principal Educational Psychologist	March 2019
Moderation of EHCP's to ensure compliance to expected standards	Louise Langley Interim Head of SEN	January 2019
Ensure that contracts with independent schools stipulate financial penalties for low or non-attendance of pupils	Louise Langley Interim Head of SEN	April 2019
Increase the numbers of pre-emptive meetings and mediation with parents to seek resolution	Louise Langley Interim Head of SEN	January 2019
Increase mainstream school's capacity to meet SEN provision	Louise Langley Interim Head of SEN	July 2019
Work with the Disabled Children's Service to develop joint pathways into adulthood for post 16 and post 19 SEND young people	Louise Langley Interim Head of SEN	April 2019
For young people with the most severe and complex needs, develop a	Louise Langley Interim Head of	April 2019

process for working with social care and health to support and plan lifespan pathways from year 10 annual reviews onwards	SEN	
Appointment of additional posts to provide additional focus on quality issues and early resolution of complaints	Matt Dunkley, Corporate Director, CYPE	May 2019

Risk ID	CRR0045	Risk Title: Effectiveness of governance within a Member-led Authority				
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<p>The continuation of a challenging financial and operating environment for Local Government (see risk CRR0009) will require difficult policy decisions to be made in a timely manner, which requires continued effective governance and robust internal control mechanisms.</p> <p>At a strongly Member-led Authority such as KCC, this places dependency / risk on the effectiveness of the member governance of the Council. It is crucial that the Council avoids some of the inherent risks such as:</p> <p>Over reliance on informal governance arrangements and political group meetings to direct officers and make decisions outside of formal statutory decision-making and scrutiny arrangements.</p> <p>Policy options regarding the service offer of the Council are not adequately or appropriately considered within the budget development/approval process.</p> <p>Failure of the governance structures of the of the council (Cabinet, Cabinet Committee, Full</p>	<p>Members are unwilling or unable to agree necessary policy (service) decisions to deliver a legally balanced budget and sustainable medium-term financial plan (MFTP).</p> <p>Members agree a budget requiring unrealistic and undeliverable efficiency savings leading to significant in-year overspends.</p> <p>Officers act on direction from members which has no basis in statutory decision making or the Council's constitution.</p> <p>Statutory officers (S151, Monitoring Officer, Head of Paid Service) are required to use their powers to intervene or alert the Council to inappropriate/illegal decision-making.</p>	<p>Decisions challenged under judicial review on the appropriateness of the decision-making within KCC</p> <p>Monitoring Officer / Head of Paid Service statutory report to Council</p> <p>Reputational damage to the Council</p> <p>S114 Notice issued by the S151 Officer</p>	<p>Paul Carter, Leader of the Council</p> <p>David Cockburn, Head of Paid Service</p>	<p>Unlikely (2)</p> <p>Target Residual Likelihood</p> <p>Very Unlikely (1)</p>	<p>Major (5)</p> <p>Target Residual Impact</p> <p>Major (5)</p>	

Council, Scrutiny Committee/Governance & Audit) to provide robust internal and external oversight, scrutiny and challenge of budget options and delivery of agreed MTFP savings programme.

Unwillingness of elected Members to appropriately consider advice from professional / statutory officers and / or professional / statutory officers failing in their duty to provide robust professional advice needed by Member to effectively discharge their member leadership role.

Control Title	Control Owner
Strategic Statement agreed by County Council and published setting out medium-term objectives and priorities of the Council	Paul Carter, Leader of the Council
MTFP and Budget Book agreed by Full Council and support/briefing provided for all political groups by officers on budget development options	Zena Cooke, Corporate Director Finance
Key and significant decision-making process in place for Executive decisions and appropriately published Forward Plan of Executive Decisions	Ben Watts, General Counsel
Transformation plans and/or business cases for strategic change underpinning MTFP shared with non-executive members through Cabinet Committees as part of the executive decision-making arrangements	David Cockburn, Head of Paid Service
Member and Officer codes of conduct in place and robustly monitored and enforced	Ben Watts, General Counsel
Member development and training programme in place and overseen by Selection and Member Services Committee	Ben Watts, General Counsel
Appropriate officer development and training programme in place and overseen by CMT	Amanda Beer, Corporate Director – EODD

Appropriately detailed and timely financial monitoring reports considered by Cabinet and Cabinet Committees	Zena Cooke, Corporate Director Finance	
Appropriate performance reporting of service and corporate performance to Cabinet, Cabinet Committee and Full Council	David Cockburn, Head of Paid Service	
Effective internal audit arrangements in place and robust monitoring arrangements for the delivery of internal audit recommendations to Governance & Audit Committee	Zena Cooke, Corporate Director Finance	
Provision for Chief Officers to seek written direction from Executive Members within the KCC Constitution	Ben Watts, General Counsel	
Annual Governance Statement (AGS) arrangements in place with returns made across both senior and statutory officers	Ben Watts., General Counsel	
Appropriate and effective corporate risk management procedures in place for the Council	David Whittle, Director SPRCA	
Democratic Services appropriately resourced to support effective Committee governance and scrutiny arrangements	Ben Watts, General Counsel	
Action Title	Action Owner	Planned Completion Date
Informal member governance arrangements authorised by the KCC Constitution, jointly agreed by the Head of Paid Service and the Leader and set out published document on KNet	David Whittle, Director SPRCA	December 2018
New 'operating standards' for KCC officers to be published on KNet	David Whittle, Director SPRCA	December 2018
Development of single Strategic Delivery Plan for KCC	David Whittle, Director SPRCA	March 2019
Refresh of the KCC constitution	Ben Watts, General Counsel	April 2019

By: Susan Carey, Customers, Communication and Performance
David Cockburn, Corporate Director for Strategic & Corporate Services and Head of Paid Service

To: Governance and Audit Committee – 23rd January 2019

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

Classification: Unrestricted

Summary:

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

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

FOR DECISION

1. Introduction and background

- 1.1 As part of the Governance & Audit Committee’s terms of reference, KCC’s Risk Management Policy & Strategy is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 The document covers a rolling 3 year period to reflect the medium term nature of the strategy, aligning with the medium term financial planning period. This has not affected the requirement for the Policy & Strategy to be reviewed and approved annually.
- 1.3 Several minor changes have been made to the document as a result of this year’s review, in order to reflect changes to wider organisational strategies or activity that has relevance to this policy and strategy. For ease of reference, these changes have been tracked.
- 1.4 In 2018, the International Organisation for Standardisation reviewed and revised the risk management guidelines (ISO 31000), replacing the 2009 version. The guidance is more strategic and places increased emphasis on both the involvement of senior management and the integration of risk management into the organisation. These factors are already embedded within KCC’s Policy & Strategy and consequently there have not been any changes made as a direct result of the revised guidelines. However, there may be some minor amendments to KCC’s risk management guidance and associated ‘toolkit’ in due course.

- 1.5 The 2018-19 audit of risk management arrangements has recently concluded, focusing on corporate risk processes. This included the processes for reviewing corporate policies and guidance. The audit assurance opinion was 'High' with 'Good' prospects for improvement.

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:

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Risk Management Policy & Strategy 2019-22

POLICY OWNER:

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Review Process:

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

1 Introduction

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

1.2 By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit & 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~~funding restraint means 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. This includes venturing into more commercial approaches and income generating activities.

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~~ requires 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 ~~negative the~~impacts, 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;
- exploring structured approaches to the management of opportunities identified, in order to enhance the likelihood of their achievement.
- embedding risk management into the *Kent Manager* standard and wider Leadership & Management Strategy;
- highlighting and promoting our attitude and approach to risk within KCC's aims and values
- 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 change activity-;
- 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.

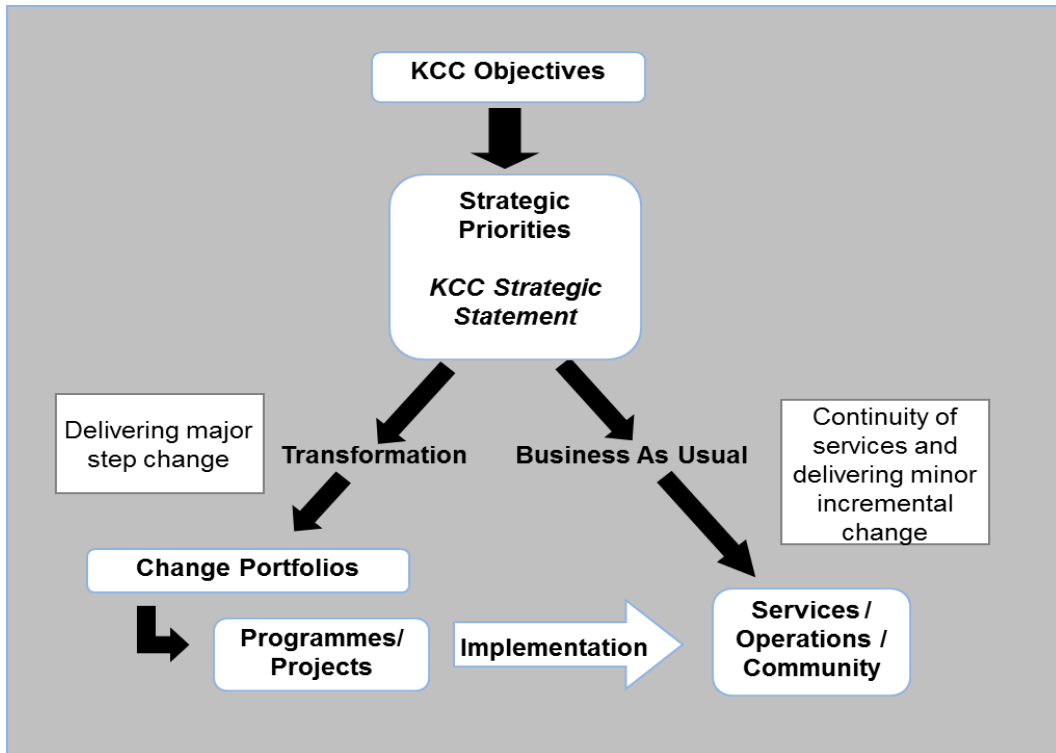
6.2 In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;

- '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;

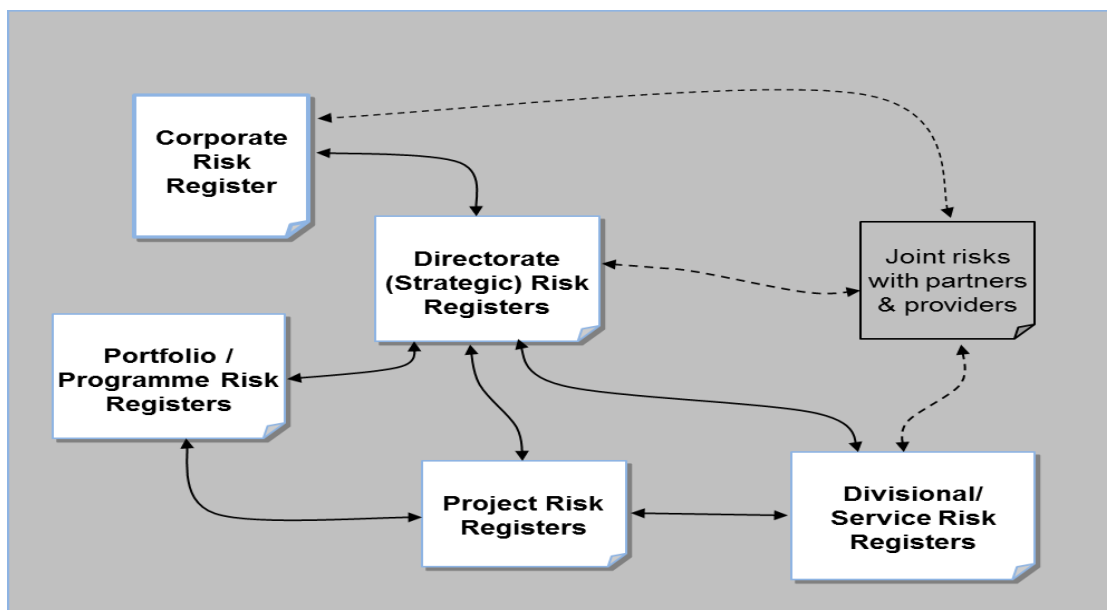
- **Corporate** – where decisions are made that shape our overall mission, strategic priorities and ambitions.
- **Strategic** - where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
- **Programme** – where we are exposed to risks that could affect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

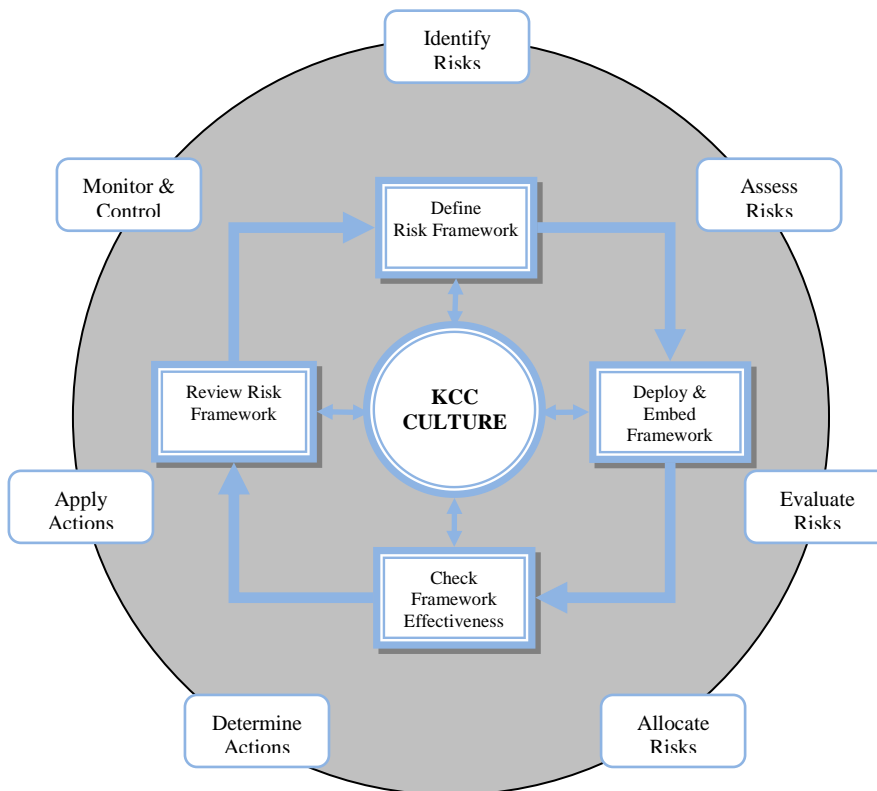
7.1 Responsibility for risk management runs throughout the Council; everyone has a role to play. Staff and managers that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key 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 and Governance; 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 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, appropriately balancing risk against reward, with risks managed in a proportionate manner.

9.2 As local authorities face increasing spending demands and 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 wherever possible, it is important that risks across the Authority are not over-controlled.

9.3 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).

9.4 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 Strategy 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.

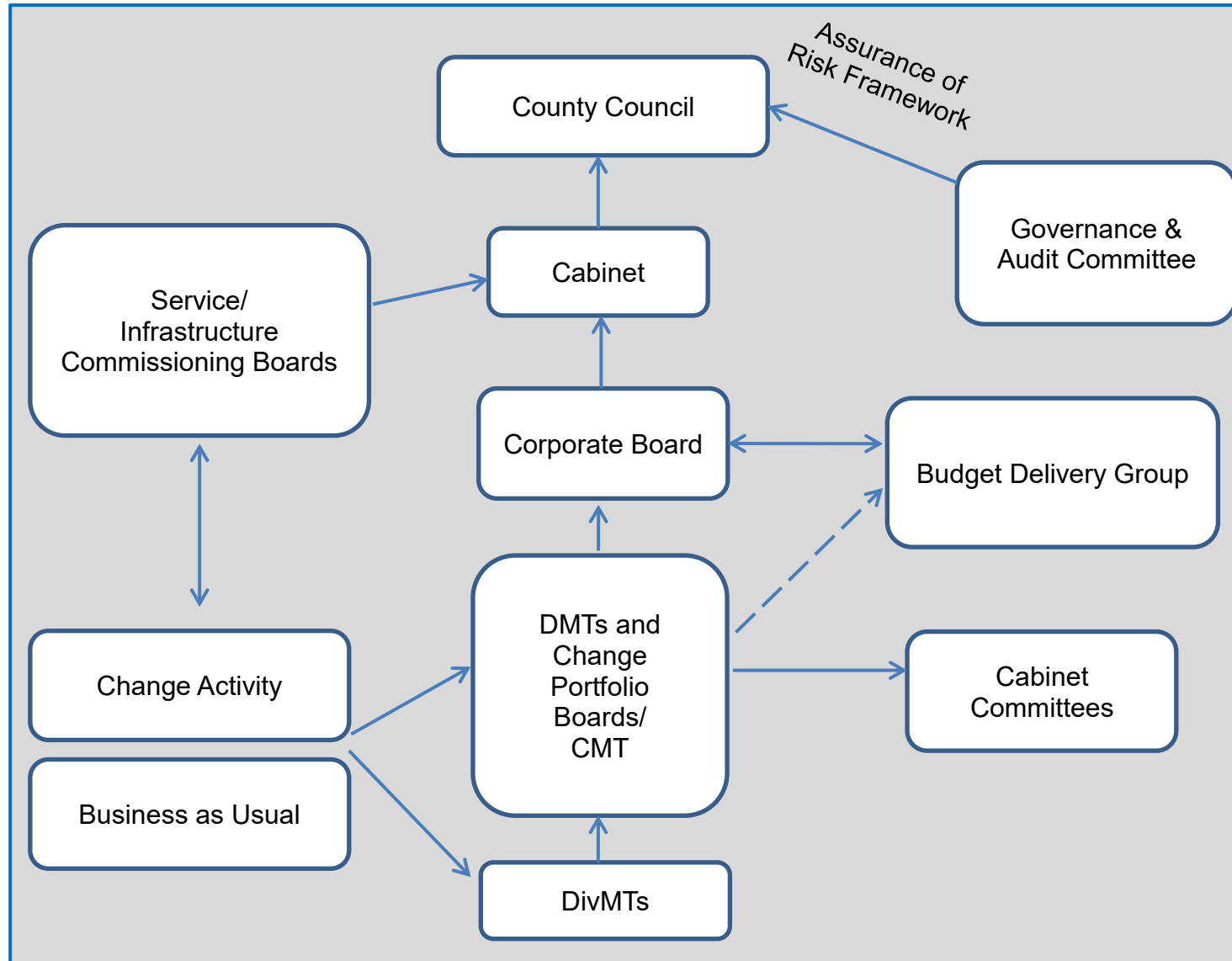
Strategic risks facing the County Council are to be reported to Cabinet Committees annually, alongside the business planning process. The Risk Strategy and corporate risks are also to be reported to County Council as part of the Medium Term Financial Plan.

12 Review of this policy

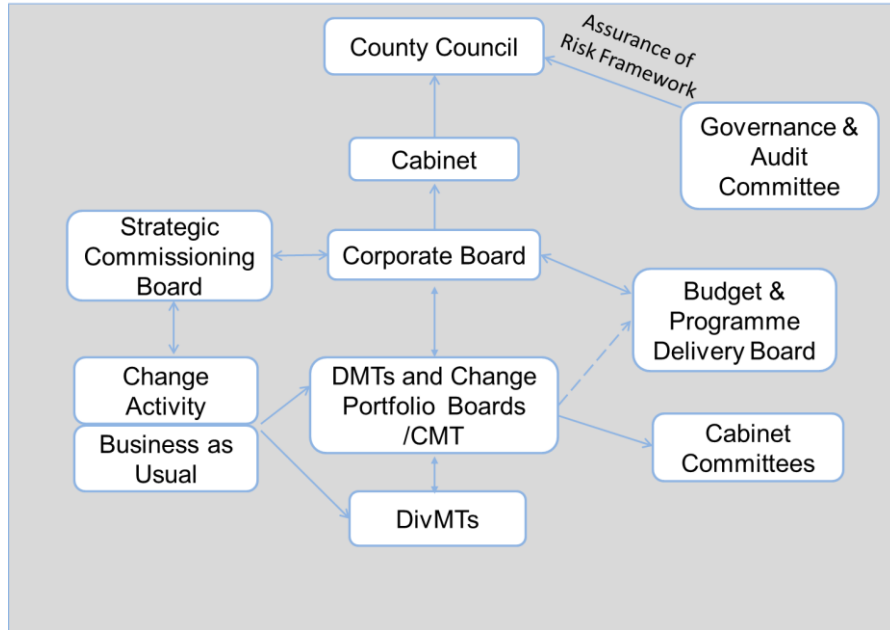
12.1 It is the responsibility of the Governance and Audit Committee to: *‘On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.’* Internal Audit will support their role in assuring its 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



Risk Management Governance Structure



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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 Customers, Communications and Performance	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 <u>(Chief Finance Officer)</u>	Active involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	<p>To ensure the Council manages risks effectively through the Risk Management Policy and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register.</p> <p>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
<u>Service and Infrastructure Strategic Commissioning Boards</u>	<u>Consider significant forthcoming activity and provide advice to decision-makers of risks and how they compare against benefits and cost. Review risks arising from the 'analyse' and 'plan' phases of the commissioning cycle, including those associated with our strategic outcomes; data, customer and market analysis, service specifications and commissioning and procurement plans.</u>

Budget & Programme Delivery Group Board	Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient. Review risks arising from the 'do' and 'review' phases of the commissioning cycle, including <u>Focus on activity that has significant contract management, budget or delivery risks, providing support and constructive challenge. these associated with contract mobilisation, delivery and review and as part of the Board's provider and contract monitoring role.</u>
Change Portfolio / Programme / Project Boards	To ensure that portfolio, programme and project risks are effectively identified and managed and that any impacts on the business that may follow implementation are reported and managed.
Corporate Assurance function	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.
Portfolio Delivery Managers / <u>Portfolio Management Officers</u>	Establish and monitor that clear, effective and proportionate governance is in place for all projects and programmes within change portfolios, including risk management. Ensure that key risks and interdependencies within change portfolios are identified and escalated as appropriate.
Directorate Management Teams (DMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMT)	Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.
Corporate Director Strategic & Corporate Services (Head of Paid Service)	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.
Director, Strategy, Policy, Relationships and Corporate Assurance	Establish the organisational context and objectives for risk management and map the external and internal risk environment. Develop and maintain the risk management policy, strategy, management guidance and support resources.
Corporate Risk Manager	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team. Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk

	within key Council areas and provide guidance, training and support as required.
Corporate Risk Team	Day to day responsibility for developing and co-ordinating risk management across the Council and providing advice, support and training, and contributing to ongoing regular reporting on risk management.
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk.
Directors and Managers	<p>Ensure that effective risk management arrangements are in place in their areas of responsibility to <u>ensure minimise</u> the Council's exposure <u>is at an acceptable level</u>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: Deputy Leader and Cabinet Member for Finance and
Traded Services – Peter Oakford
Corporate Director of Finance – Zena Cooke

To: Governance and Audit Committee – 23 Jan 2019

Subject: Update on Savings Programme

Classification: Unrestricted

Summary: This report asks Members to note the position on the progress towards the 2018-19 and 2019-20 budget savings

FOR ASSURANCE

1. 2018-19

- 1.1 The savings target for the 2018-19 financial year was £50.2m. This is the 8th year that we have had a significant savings target with savings of over £641m being achieved since 2010-11. As each year passes, the savings are more difficult to realise.
- 1.2 The monitoring report that went to Cabinet on the 3 December reported an overspend of £3.8m (excluding asylum), but after Corporate Director adjustments and roll forwards.
- 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 The forecast overspend is spread over a number of services with the largest element reflecting a higher than budgeted demand for children's social care.
- 1.5 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 2018/19. This is based on rigorous and regular budget monitoring and reporting that highlights projected variances and the management action being taken to address those variances. The 'policy' of not adversely impacting on front-line services is under constant review, balancing the need to protect vital services and the need for financial restraint.

2. 2019-20

- 2.1 The budgeted savings as shown in the draft budget book are £42.9m. This year, the gap has been more difficult than ever to close. Given the above issues, it is imperative that robust and accurate financial monitoring is maintained from the start of the financial year. The process of RAG rating all of the £42.9m is a continuous one, and the latest position on that RAG status will be presented to Council on 14 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 and alternative proposals identified.

3. Recommendation

- 3.1 Members are asked to NOTE for assurance the progress on the 2018-19 and 2019-20 revenue budget savings.

Zena Cooke
Corporate Director of Finance
Ext: 416854

By: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 23rd January 2019
Subject: **INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**
Classification: Unrestricted

Summary: This report summarises the outcomes to date against the 2018/19 internal audit and counter fraud plan as well as tracking management's response to agreed actions from previous audits.

Recommendation: FOR ASSURANCE

Introduction

1. This report, and the enclosed Appendix A, summarises:
 - The key outcomes from completed Internal Audit reviews and counter fraud investigations since October 2018
 - Progress against the 2018/19 Internal Audit Plan, proposed revisions and key performance indicators
 - The results of follow up on actions agreed with management from previous audits
 - Future plans and improvements

Outcomes and opinion

2. From our coverage to date we have concluded that the County Council continues to have **adequate and effective controls and governance processes** as well as robust systems to deter incidences of material fraud and irregularity. We have based this opinion on the following:
3. Positives
 - 45% of systems or functions have been judged with a substantive assurance or better
 - A continuing pattern of general robustness of key financial systems, in this quarter relating to pension contributions and deferred payments
 - High assurance relating to risk management systems
 - Management have acted appropriately and promptly to issues we have raised
 - Good performance in relation to management progressing the implementation of previously agreed actions
 - There have been no incidences of significant fraud, irregularity or corruption
4. Areas for development
 - Inconsistencies in following purchasing procedures across the Council
 - Our review of the Special Educational Needs/Disability assessment and placement (SEND) service resulted in a disappointing outcome with observed difficulties in meeting demands and increasing backlogs not helped by a supporting IT system which is not yet fit for purpose

- A pattern of inaccurate and / or poor-quality data from both our SEND and Virtual Schools Kent audits
 - Mixed outcomes from the post implementation review of the Lifespan Pathway project where the service despite being designed around sound and best practice principles is clearly under stress with high caseloads and has not escaped from legacy issues
5. In making our opinion we also considered the outcomes from our more recent work in previous quarters including the last financial year.
 6. In relation to counter fraud work there have been 214 irregularities reported and investigated since the start of 2018/19 of which 145 have been concluded. The total value of all irregularities reported to us is £384,264 to the end of December 2018. Nearly half of this value relates to false applications for financial support from families claiming to be destitute with no recourse to public funds (NRPF). The other high-volume area is the misuse of Blue Badges where we have increased capacity to manage and resolve these referrals.
 7. In relation to follow up work, a clear positive is that only 3 previously agreed actions (4%) has made no progress and one of these three has been superseded by system changes. A minor note of caution is that there is a greater proportion of actions still in progress rather than completed compared to previous years.

Member challenge

8. In reviewing this report, Members might consider whether:
 - audit findings and outcomes correlate with the interim overall opinion being given
 - the audit judgements against selected corporate risks provide assurance that these risks are being adequately managed
 - management actions and responses are appropriate for the issues raised by audit
 - any areas of poor performance which warrant further review/ call in or follow up by this Committee

Recommendations

9. Members are asked to note:
 - Progress and outcomes against the 2018/19 audit and counter fraud plan
 - Progress by management in implementing previously agreed actions from audits
 - Amendments to the 2018/19 audit plan and future plans for 2019/20.

Appendices

Appendix A - Internal Audit and Counter Fraud Progress Report January 2019

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Kent County Council

Internal Audit and Counter Fraud Progress Report

January 2019

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Internal Audit and Counter Fraud Progress Report

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1.Executive Summary and Opinion

1.1 This report details the cumulative internal audit and counter fraud outcomes for 2018/19 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since October 2018. It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.

1.2 From our work to date we have concluded that Kent County Council has:

- Adequate and effective financial and non-financial controls and governance processes including systems to deter incidences of material fraud and corruption

1.3 Figure 1 (right) maps the outcomes from the completed 2018/19 internal audits to date. Summaries of those audits completed since October are detailed in Annex 1.

1.4 Where audits have identified areas for improvement, management action is agreed. All audits are allocated one of five assurance levels together with four levels of prospects for further improvement, which represents a projected 'direction of travel'. Definitions are included in Annex 3.

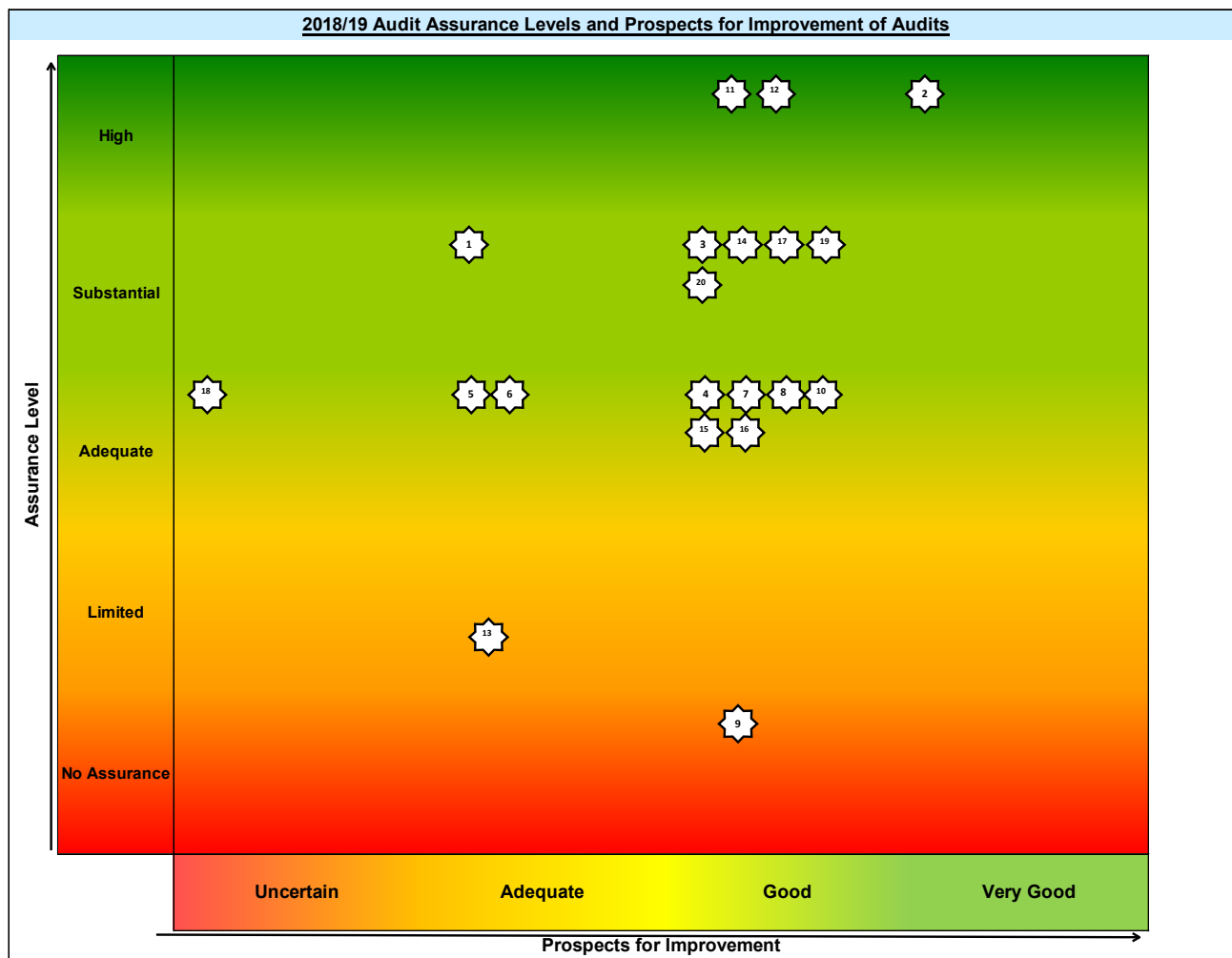


FIGURE 1

1.Executive Summary and Opinion

Audit Opinion October G&A Committee

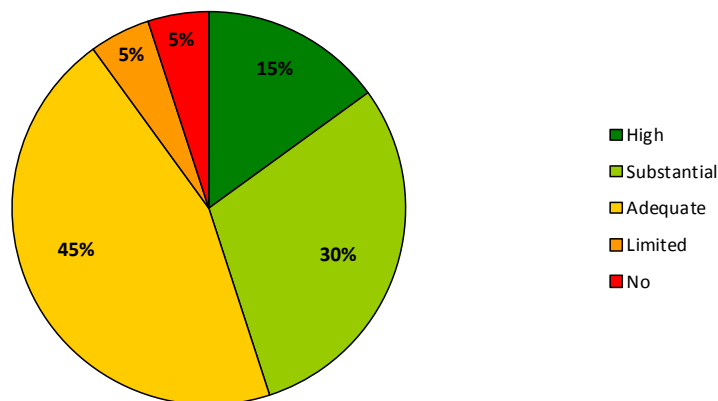
No	Audit	Judgement	Prospects for Improvement
1	Financial Assessments Follow-up	Substantial	Adequate
2	CART Follow-up	High	Very Good
3	Client Financial Affairs	Substantial	Good
4	Recruitment and Pre-Employment Checks	Adequate	Good
5	Coroners Service Financial Controls	Adequate	Adequate
6	Direct Payments - Adults	Adequate	Adequate
7	Youth Services Commissioned Contracts	Adequate	Good
8	Direct Payments - Childrens	Adequate	Good
9	Oakwood	No	Good

Audit Opinion January G&A Committee

No	Audit	Judgement	Prospects for Improvement
10	Payments Process	Adequate	Good
11	Pension Contributions	High	Good
12	Risk Management	High	Good
13	SEND	Limited	Adequate
14	Deferred Payments	Substantial	Good
15	Lifespan Pathway Post Implementation	Adequate	Good
16	Virtual Schools	Adequate	Good
17	Concessionary Bus Fares	Substantial	Good
18	ICT Oracle Application	Adequate	Good
19	Troubled Families *	Substantial	Good
20	ICT SWIFT Replacement	Substantial	Good

* - Audits currently at Draft Report stage.

Assurance Levels 2018/19



Assurance Level	No	%
High	3	15%
Substantial	6	30%
Adequate	9	45%
Limited	1	5%
No	1	5%

1.Executive Summary and Opinion

1.5 The overall outcomes to date have been generally satisfactory with several high-performance outcomes being partly offset by lower assurances in a few areas through inconsistent processes, poor-quality data support and increasing stress in two demand led services that were reviewed: This can be summarised by the following positives and areas for development:

Positives	Areas for Development
<ul style="list-style-type: none">• 45% of systems or functions have been judged with a substantive assurance or better• A continuing pattern of general robustness of key financial systems, (in this quarter relating to pension contributions and deferred payments)• High assurance relating to risk management systems• Good performance in relating to management progressing the implementation of previously agreed actions	<ul style="list-style-type: none">• Inconsistencies found from our payments processing audit in following purchasing procedures across the Council• Our review of the Special Educational Needs/Disability assessment and placement (SEND) service resulted in a disappointing outcome with observed difficulties in meeting demands and increasing backlogs not helped by a supporting system which is not yet fit for purpose• A pattern of inaccurate and / or poor-quality data in both our SEND and Virtual Schools Kent audits• Mixed outcomes from the post implementation review of the Lifespan Pathway project where the service despite being designed around sound and best practice principles is clearly under stress with high caseloads and has not escaped from legacy issues

1.6 In relation to counter fraud work there have been 214 irregularities reported and investigated since the start of 2018/19 of which 145 have been concluded. The total value of all irregularities reported to us is £384,264 to the end of December 2018.












1.7 In addition to the 20 substantive audits that have been completed we have a further 10 audits where material fieldwork is in progress.

1.8 Overall the unit has reviewed systems or activities with a combined spend of an estimated **£844 million** since the start of 2018/19.

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

2.1 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. As such, the following patterns of audits emerge against the County Council's key risks:



RISK: Safeguarding – Protecting Vulnerable Children

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Special Educational Needs and Disability	Limited 		3	4	1
Virtual Schools Kent	Adequate 		1	7	2
Lifespan Pathway Post-Implementation	Adequate 		1	3	0
Troubled Families – Earned Autonomy (Final Draft) (also relates to adult risk below)	Substantial 		0	2 - TBC	0
Children's Allowance Review Team (follow up)	High 		1	3	0
Direct Payments – Disabled Children	Adequate 		1	2	1

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

- 2.2** Our review of the Special Education Needs / Disability Assessment and Placement Service (SEND) resulted in a disappointing outcomes and assurance. We found a service facing difficulty in meeting increased demands and with continual overspending. There are backlogs in caseloads with our testing finding a high proportion of education, health and care plans were outside statutory timescales. The situation is exacerbated by the use of a new 'Synergy' system which is currently not fit for purpose, starting with inconsistent and unreliable data and ending with poor quality assessments. As a positive we found decisions were being made at appropriate levels and all High Needs Funding was appropriately authorised and, with one exception, accurately applied.
- 2.3** Our review of the Lifespan Pathway Service redesign (a project aimed to improve outcomes for young people transitioning to adult services) reflected similar issues. We concluded the redesign had been based on sound principles to achieve best outcomes for young people and that such outcomes have improved in selected areas. However, once again, we found a service under stress due to high caseloads and overspending. We found incomplete assessments for cases sampled (with potential statutory breaches) and a third of the plans reviewed were out of date. The absence of an embedded quality system is also not capturing these issues on a routine basis. Curiously, the departments own post implementation review did not examine whether expected benefits had been delivered.
- 2.4** Several similar issues also occurred in our review of Virtual Schools Kent, particularly in relation to the accuracy and integrity of individual plans. Overall, we found the service has the potential to translate into good educational outcomes for children in care. There were a number of positives ranging from effective attendance tracking through to innovative use of the pupil premium. However, the service needs to improve the quality, content and consistency of the electronic personal education plans (ePEPs). As such it was difficult to gauge outcomes from interventions and the accuracy of ePEP quality ratings were questionable.
- 2.5** In contrast to the above, the assurances received from the Troubled Families audit was positive. The management of the Change for Kent Children programme is good and is on track to deliver against the plan agreed with strategic partners and the relevant government department. Management information is reliable, and cases are subject to ongoing quality assurance. The one area to improve relates to target outcomes which are currently below set levels due to delays in obtaining schools data.

RISK: Safeguarding – Protecting Vulnerable Adults

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Deferred Payments	Substantial 		0	3	2
Client Financial Affairs	Substantial 		0	2	3

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

Direct Payments – Adults	Adequate 	Adequate	0	4	1
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2.6 Deferred payments relate to the actions under the Care Act 2014 and related regulations whereby people in residential care can defer some of the costs of their care through a charge on their property or assets. The current accrued debt value is £5.6 million. We found there are robust controls in place, with appropriate monitoring. Sufficient authorisation, evidence and checks are obtained, and our testing of redemption figures found them to be accurate.

RISK: Evolution of KCC’s Strategic Commissioning Approach

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Youth Services Commissioned Contracts	Adequate 	Good	0	5	4
Oakwood House	No 	Good	5	4	0

2.7 We did not undertake any new audits for this risk area in the period under consideration.

Critical Financial and Corporate Support Systems

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Payments Processing	Adequate 	Good	1	4	2


2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

Pensions Contributions	High 		0	0	2
Recruitment and pre-employment checks	Adequate 		1	5	2
Financial assessments (Follow up)	Substantial 		1	1	0






2.8 The aim of our payments processing audit was to provide assurance over the adequacy and effectiveness of controls over the processing of payments made by the Council including the accounts payable and iProcurement systems. Overall, we found robust controls for the set up and amendment of commercial suppliers on the Oracle system and appropriate controls for new users and leavers, good processes to identify and investigate potential duplicate payments and automated recovery and monitoring of supplier credit balances. Unfortunately, there are inconsistencies across the Council in following set purchasing procedures. Our testing found issues in raising of retrospective orders, manual invoices being inappropriately authorised, large numbers of purchase orders left open and a significant proportion of invoices being paid more than 30 days after the invoice date.

2.9 Our review of pension contributions identified that there are robust controls governing employer contributions into the Kent Pension Fund. The automated processes were verified as being calculated correctly and align to the actuary valuation of the fund.

Audit of Other Activities

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
ICT Oracle Application	Adequate 		1	0	1

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

SWIFT Application Replacement (Draft report)	Substantial 		0	2	0
Concessionary Bus Fares	Substantial 		0	0	2
Risk Management	High 		0	1*	0
CRC Energy Efficiency Scheme	Compliant	N/a	0	0	0
Coroners Service Financial Controls	Adequate 		0	4	0

* 2 additional 'Medium' issues raised were raised however no action is proposed as management have accepted the related risks

2.10 In relation to IT risks we reviewed the Oracle system which runs the main suite of business applications around finance, HR and payroll. Overall there are robust controls including user access controls, data processing and validation routines. The transfer to Cantium Business Solutions has been undertaken appropriately with clear responsibilities and governance for routine issues. For such a key system disaster recovery planning is obviously important but to date no testing has been carried out.

2.11 The Council is replacing the SWIFT adults integrated system which is used to record and monitor the social care services across the County, by a new system called 'Mosaic'. Clearly this is a critical system. The aim of our audit was to test the project governance arrangements. Overall the outcomes from the audit were positive with conformance to good practice governance arrangements, adequate data cleansing, testing and migration. Risk assessments are timely and delays in the system implementation and the impact on dependencies have been effectively mapped and assessed. However, a new implementation date has not yet been set.

2.12 Our review of the central risk management function was particularly positive. There are effective risk management processes in place and in our opinion continued reliance can be placed on the outcomes including the resultant corporate risks.

2.13 The review of concessionary bus pass systems was positive. Appropriate controls exist on the application process, which is user friendly, uncomplicated and provides a quick turnaround time for users. Bulk renewal of applications is well managed, and the fraud risk is lessened with full participation of data matches with the National Fraud Initiative.

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

2.14 As above our annual independent audit of the carbon reduction commitment (CRC) return to the Environmental Agency was completed successfully with no issues or errors identified.

3. Counter Fraud and Corruption

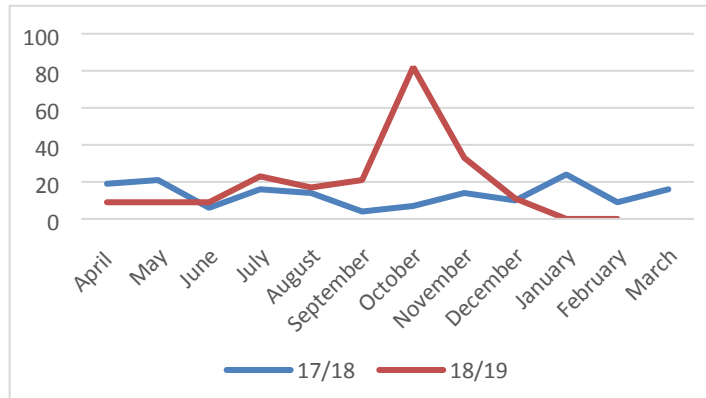
Fraud and Irregularities

3.1 The distribution and characteristics of the 214 irregularities reported to date show that the highest areas of financial risk so far this year are from false applications for financial support from families claiming to be destitute with no recourse to public funds (NRPF) (around £167k) and from misuse of Blue Badges (around £73k).

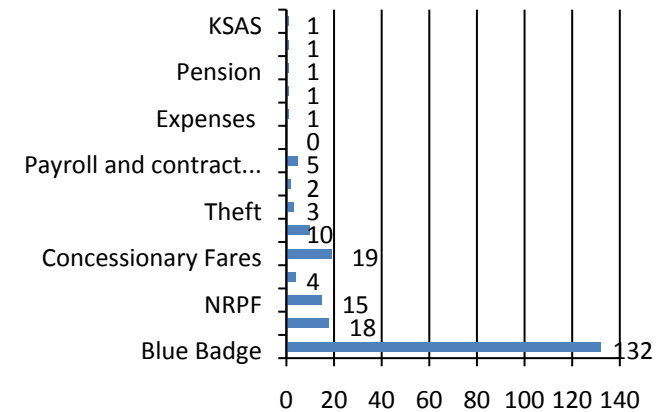
3.2 We continue to actively support Social Care in both areas. For example, counter fraud staff are now regularly accompanying social workers during interviews with families that present as NRPF.

3.3 The majority of the 214 irregularities reported relate to the misuse of the Blue Badge (132) and concessionary fare schemes (19). These types of fraud are low value, high volume activity. We have recently increased our capacity to manage these referrals quickly which is reflected in the increased volume of activity during October and November 2018.

Number of Irregularities Reported by Month

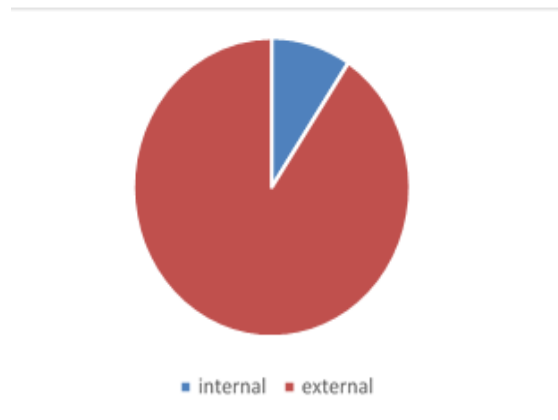


Irregularities by Type 2018/19

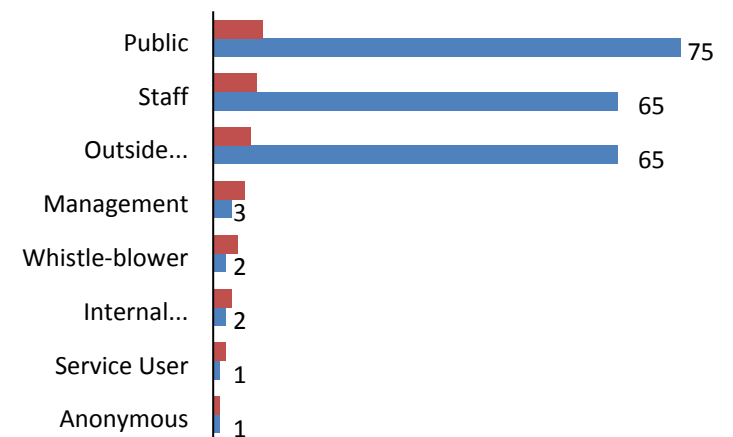


Split between Internal & External Fraud 2018/19

Split between Internal & External Fraud 2018/19



Source of Irregularities 2018/19



3. Counter Fraud and Corruption

Counter Fraud Partnerships with District Councils

Kent Intelligence Network (KIN)

- 3.4** As a reminder, the KIN is a DCLG grant funded Kent-wide cross local authority data analytics collaboration initiated by the Kent Finance Officers Group (KFOG) with the shared objective to detect, prevent and deter fraud and corruption. A grant of nearly £1/2 million was awarded in 2015. The network has been operating since October 2016 and in its initial operations recoveries of £1/4 million matched the grant spend to that date. KCC is the accountable body for these resources and directly project managed it until a board structure representing the Kent Local Authorities was formed last year.
- 3.5** As previously reported, for the past 12 months the project has stalled with the Board deciding against extending the contract with the previous software provider, instead preferring to procure a new system. This issue together with difficulties in recruiting a dedicated project manager has meant that very little data matching has taken place and with little or no benefit accruing to the County Council.
- 3.6** However, a dedicated Operations Manager is now in post and the software that enables data matching between the authorities is now in operation. The first sets of data have been imported from all authorities and data matching will commence and continue throughout 2019. A summary of the results will be reported to future meetings of this Committee.

4. Follow-ups

Follow Ups

4.1 For key follow up work we have continued with the system established several years ago whereby managers initially self-assess the implementation of agreed actions, following which we test check the accuracy of such responses.

4.2 The overall results are again positive as per the table below:

Priority	Actions	Completed	In progress	No action
High	23	6	16	1
Medium	46	24	20	2
Total	69	30 (44%)	36 (52%)	3 (4%)

4.3 The details behind the table are shown in Annex 4. A clear positive is that only 4% of actions have made no progress and one of these three has been superseded by system changes. The two outstanding issues relate to our audit on the use of agencies and IR 35 compliance where we found the engagement of contractors outside C2K mandated arrangements had not been assessed against IR35 and there had been no reconciliation between data sets held between KCC and C2K to ensure completeness and accuracy of deductions. No progress has been made on these issues and management has asked for revised timescales.

4.4 In addition, a minor note of caution should also be raised that there is a greater proportion of actions still in progress rather than completed compared to previous years.

4.5 We have also completed dedicated follow up testing on property income which received a 'no assurance' at the start of 2018; the results from testing have been positive and we have provided an interim report to the Infrastructure Directorate. (The full report will be considered by this Committee in April).

5. Internal Audit and Counter Fraud Enhancements and Resources

5.1 Performance against our targets to the end of August 2018 are shown below. Overall, the inputs, outputs and outcomes are in line with our plans for 2018/19

Performance Indicator	Target	Actual
Outputs		
90% of Priority 1 audits completed (by year end)	56%	40%
20% of Priority 2 audits completed	11%	11%
Draft audit reports issued within agreed date on the engagement plan	60%	46%
No of fraudulent incidents / irregularities recorded	N/A	58
Outcomes		
% of high priority / risk issues agreed	N/a	100%
% of high priority / risk issues implemented	N/a	96%
% of all other issues agreed	N/a	100%
% of all other issues implemented	N/a	96%
Client satisfaction	90%	100%
Value for money / efficiency savings identified	N/a	£1000
Total number of occasions on which a) fraud and b) irregularity was identified	N/a N/a	150 69
Total monetary value of (a) fraud and (b) irregularity that was detected	N/a	£451,625* £33,126
Total monetary value of (a) fraud and (b) irregularity that was recovered	N/a	£73,406 £25,320

* These figures include unsuccessful attempted frauds that resulted in no loss and therefore do not require recovery

6. Work in Progress and Future Planned Coverage

6.1 Annex 2 updates progress against the agreed plan coverage and substantiates the estimation that we are on target to achieve our coverage. The next period up to the April 2019 Governance and Audit Committee includes delivery of the following substantive audits:

- Corporate Values and Behaviours
- Safeguarding (children)
- Data protection including GDPR
- Youth Justice
- Intervention and enablement
- Developer Contributions
- Treasury Management
- Education psychology

6.2 At this time of year, it is appropriate to undertake a re-examination of the 2018/19 plan in relation to its continuing relevance to changing and emerging risks

6.3 One significant amendment has been the postponement of the post implementation audit of the 0-25 project as we understand the revised arrangements have not yet been fully completed. A business continuity planning audit has also been deferred due to the demands of Brexit on the relevant department. Finally, a review of the Agilisys contract has been deferred pending the completion of the current re-negotiations with the contractor.

6.4 As detailed previously, we also have significant workloads across the Council's LATCO's (which are reported to separate Audit Committees)

7. In Conclusion

- 7.1** We are satisfied that 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.
- 7.2** In addition, line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 7.3** We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable challenge and change.

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Special Educational Needs and Disability																	
Audit Opinion	Limited																
Prospects for Improvement	Adequate																
<p>Overall, we have concluded that improvements are required however there are several factors that have had a major impact, e.g. increased demand and pressure from parents due to increased legislative knowledge. It is anticipated that this demand will continue to increase.</p> <p>Key Strengths</p> <ul style="list-style-type: none"> • There are several guidance documents held which are easily accessible detailing the processes associated with SEND. • From sample testing all decisions made to complete a Statutory Assessment had been made at the appropriate level. • The education health and care (EHCP) plans examined had been completed on the standard templates. • All High Needs Funding (HNF) sampled were approved appropriately. • Most payments for High Needs Funding) had been accurately applied. • Independent Placements decisions are now taken to a panel. • Except for 1 case all cases of previous statemented children had an EHCP completed before the deadline of March 2018. • A working group has been established to discuss emerging issues around SEN with an evolving action plan which in place. • Recently a service review has been commissioned assessing what is going well and to identify opportunities for improvement. <p>Areas for Development</p> <ul style="list-style-type: none"> • Review of EHC assessment processes identified issues in data quality, document retention, timescales and completion and QA of Decision Sheets • The data held within Synergy has not been cleansed sufficiently to ensure reliability. • The use of Synergy is not consistent across the 4 areas. • Reporting elements of Synergy is not fully utilised due to data quality. • How EHCPs are recorded in Synergy is not always correct. • Some timescales have not been achieved with regards to the issuing of a final EHC plan within the statutory 20-week timescales. 																	
<ul style="list-style-type: none"> • There is a significant backlog of cases waiting to be allocated and assessed by the Educational Psychologists. • There is a large backlog of annual reviews of EHC plans. • Placement decisions for mainstream/special schools are inconsistent. • Processes are not consistently carried out across the 4 districts. • Some of the processes and forms required to be completed are time consuming and cumbersome. • The storage of data in some areas is triplicated in the form of data held on Synergy, electronic file and a manual file. • Independent placement panel meetings could be enhanced by ensuring that complete and robust information is provided. • Budgets in relation to SEN including HNF are monitored regularly in terms of forecasting but this is not based on real time information. • The checklist used by HNF Officers does not cover all required criteria we also found there to be inconsistency in the level of detail recorded. <p>Prospects for Improvement</p> <p>Our overall opinion of adequate Prospects for Improvement is based on:</p> <ul style="list-style-type: none"> • Since the last audit controls have deteriorated, going from an 'adequate' to 'limited' opinion • A service review has been initiated • There is a national shortage of Educational Psychologists which is impacting on the timely completion of EHCPs. • We found positive improvements to the independent placement process which allows for applications to be scrutinised. <p>Summary of Management Responses</p> <table border="1"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted, and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>3</td> <td>3</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>4</td> <td>4</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> </tbody> </table>			Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed	High Risk	3	3	0	Medium Risk	4	4	0	Low Risk	1	1	0
	Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed														
High Risk	3	3	0														
Medium Risk	4	4	0														
Low Risk	1	1	0														

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Virtual School Kent

Audit Opinion	Adequate
Prospects for Improvement	Good

There are relevant and up to date policies and procedures that have the potential to translate into good outcomes for Children in Care (CiCs). There was effective attendance tracking, good local knowledge about strengths and weaknesses of schools and innovative use of pupil premium plus funding.

The service needs to improve the quality, content and consistency of the ePEPs (personal education plans) . The records are often inconsistent and very high level. We found omissions on educational progress. It was often difficult to gauge outcomes from interventions and the ePEP quality ratings were questionable.

Key Strengths

- The performance of Kent's CiCs has been in line or above national averages for looked-after children in many academic indicators.
- VSK keeps its list of enrolled children up to date.
- VSK has implemented closer monitoring of CiCs in Years 6 and 11.
- There is successful implementation of procedures and processes for close monitoring of attendance.
- The local knowledge about different education establishments that exists within the locality teams is beneficial when identifying the school that is right for CiCs with particular needs.
- VSK's proactive engagement that builds positive working relationships with schools in Kent.
- The regular engagement between the Virtual School Head and key Members and Senior Officers.
- An award programme that rewards the achievements of CiCs of all abilities.
- VSK's positive and proactive support to CiCs through interventions funded under Pupil Premium Plus.
- Participation & Engagement Team promotes a range of opportunities that encourage the active participation of CiCs their education and well-being.

Areas for Development

- Some ePEPs do not record progress against all the child's subjects so may deviate from relevant requirements in the statutory guidance.
- VSK does not ensure that each PEP is effective and high quality, as required in the statutory guidance.
- VSK's quality rating of the ePEPs is inconsistent.
- For a looked-after child attending a school rated 'Requiring Improvement' or 'Inadequate', the evidence that the school will enable the child to make maximum progress should continue to be reviewed to remain valid.
- There is no formal means of registering instances when a child expresses concern about his/her school.
- VSK does not use the information it has to encourage its partners to take prompt steps to initiate the PEP.
- The current PEP system does not have a section that documents discussions around long-term goals and high aspirations for the child.
- There is a lack evidence that interventions funded under Pupil Premium Plus have been monitored and the impacts measured.

Prospects for Improvement

- VSK has a well-developed Service Business Plan for 2018/19.
- The migration to the new ePEP on to Liberi means that all relevant information about a child in care is on one system.
- VSK is helping to formulate a new improved Strength and Difficulties Questionnaire (SDQ).
- Within the new ePEP there will be a field dedicated to recording when a child in care expresses concern about his/her school.

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	7	7	0
Low Risk	2	2	0

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Lifespan Pathway Post-Implementation																	
Audit Opinion	Adequate																
Prospects for Improvement	Good																
<p>Our review confirmed that the Lifespan Pathway service redesign had been based on sound principles and processes are structured around achieving best outcomes. In general outcomes for young people have improved. However, the service is clearly under stress due to high caseloads.</p> <p>Key Strengths</p> <ul style="list-style-type: none"> The Service had carried out a detailed post-implementation review to understand lessons learned, issues and unintended consequences. An action plan was created which has been regularly monitored Risks have been identified and recorded and mitigation is in place Several positive outcomes had been identified through the Service's own review, for example feedback from families and professionals Some benefits had been achieved for example a reduction in complaints due to Transition Processes in design are Care Act compliant, focused on outcomes and centred around the individual There had been improvements in achievement of the majority of 0-18 KPIs the Service issued a questionnaire to all Service Users and most of the responses were positive. It was clear in the majority of cases how the views of the young person had been incorporated into setting outcomes Most plans reviewed were focused on outcomes and there was evidence of progress towards achieving these outcomes Cases tested transferring from 0-15/16-25 teams had up to date reviews There is, in our view, a greater level of management oversight and scrutiny of cases in the 18-25 cohort <p>Areas for Development</p> <ul style="list-style-type: none"> The Service's own post-implementation review did not cover whether expected benefits had been realised Some benefits had not yet been fully realised or insufficient data available to establish achievement 																	
<ul style="list-style-type: none"> The service is currently under strain, staff felt caseloads were too high to fulfil requirements. This was supported by service user feedback. There were significant gaps in assessments on file. One third of Plans reviewed were out of date. We could not find evidence that Plans had not been agreed or shared with the young person in all relevant cases. Both are statutory requirements. Although the Service is struggling with current caseloads, the staffing budget was overspent. Concerns were raised on potential skills gaps in 16-25 Teams. The questionnaire did identify some areas and issues that need to be addressed, e.g. in two teams only 63% stated that they felt listened to. Processes to ensure a smooth transition between the three teams in the Pathway are not fully working as intended. There was no formal quality assurance system for cases in the 18-25 age bracket at the time of the audit. <p>Prospects for Improvement</p> <p>Our overall opinion of Good for Prospects for Improvement is based on the following factors:</p> <ul style="list-style-type: none"> The service is generally self-aware of its strengths, deficiencies and consequently what needs to improve. A comprehensive action plan in response to the issues has been devised Incomplete/missing Plans and Assessments could have been identified by robust QA mechanisms. A detailed case file audit tool has been designed The underlying issue of caseloads in the 16-25 Teams is being addressed. Issue of budget compared to perceived staff shortages needs resolving <p>Summary of Management Responses</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Number of issues raised</th> <th style="text-align: center;">Management Action Plan developed</th> <th style="text-align: center;">Risk accepted, and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Medium Risk</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Low Risk</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>			Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed	High Risk	1	1	0	Medium Risk	3	3	0	Low Risk	0	0	0
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High Risk	1	1	0														
Medium Risk	3	3	0														
Low Risk	0	0	0														

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Troubled Families – Earned Autonomy (Final Draft)

Audit Opinion	Substantial
Prospects for Improvement	Good

Key Strengths

- There is a programme plan in place to deliver the Change for Kent Children programme by April 2019 which aligns to the delivery plan that is set out in the memorandum of understanding (MoU) with partners.
- There is a steering group in place for the programme that is overseeing progress and delivery.
- The programme has analysed the 4 pilots that took place in Kent as well as learning from national data. The outcomes stated align with Troubled Families and Corporate objectives/outcomes
- There is a new Performance framework that links in wider area performance from partner organisations.
- Actions have been discussed and agreed with District Partnership Managers (DPMs) to address any poor performance.
- There is an abundance of performance and individual case information reported at operational level.
- There is a suite of data quality reports.
- Exception reports are at Hub/team/worker level making it is possible to target continual issues. Movement supports the fact that Operational team address issues where possible
- It is positive that the exception report in development has been bought forward due to delays in implementing PowerBI.
- The QA process is the same as the Payment By Results process although it is now an ongoing process and not just focused on claims

Areas for Development

- There are still targets set for Families that meet Troubled Families outcomes. Performance is currently well behind target although there is still Education data to receive which will go some way to addressing this shortfall.
- There is an ongoing Quality Assurance process but the completion of this process by DPMs is not consistent. Cases rated as gold are robust but there is little evidence, yet, that there is sufficient checking by DPMs, and there is not enough justification for cases that were previously not ready for claiming but now are.

Prospects for Improvement

- New data quality reports are being developed and there are plans to resurrect a checklist for DPMs for reviewing cases
- There are plans to further develop the performance framework to include other partner performance measures.
- At the time of the audit evaluation of each workstream has not yet been completed.

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Deferred Payments

Audit Opinion	Substantial
Prospects for Improvement	Good

Overall there are robust controls in place supporting the deferred payments process with some minor areas for development identified.

Key Strengths

- The eligibility criteria set by the 2014 Care Act are applied and sufficient guidance is available to clients to help them understand the process, although this could be enhanced further.
- Applications for deferred payments are reviewed against supporting documentation and eligibility criteria.
- Authorisation in principle is obtained by the Assistant Director prior to an application being progressed and the legal charge is not formally registered until client's financial representative and the Assistant Director have both signed the deferred payment agreement.
- The deferred payments database and Swift are correctly updated with care costs and the Cashiers team are informed of amendments to direct debits once the deferred payment application has been completed.
- Data quality checks are in place to ensure that adjustments have been made for periodic amendments.
- Redemption figures are calculated accurately with invoices issued to service users to collect the deferred payments. There is minimal delay of repayment by the service users.
- Interest automatically calculated in Swift is correct. Where a pre-Care Act client terminates their deferred payment agreement the interest calculations are accurately calculated outside of Swift.

Areas for Development

- It is not clear whether there are any performance indicators in place to ensure timely action occurs when placing charges on.
- The Deferred Payment fact sheet has not been updated to reflect the current charges. Guidance could also be enhanced.
- Staff procedures are in place but do not include the process for adjustments to contributions and the termination of deferred payment agreements.
- There is insufficient detail provided within the description field for invoices to link the legal charges to the relevant deferred payment clients.
- Although a cost analysis was completed to set the administration fee following the introduction of the Care Act, this has not been updated.

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- The service has a proven track record for implementing management action plans.
- Following a restructure, more officers are being trained in the deferred payments process to provide increased resilience.
- Issues raised have been accepted and management action plans developed

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Payments Processing

Audit Opinion	Adequate
Prospects for Improvement	Good

Overall, we found several areas of good practice including robust controls however, we have also identified several areas for development, in particular where staff do not consistently follow purchasing procedures.

Key Strengths

- The set-up of new iProc users are checked for accuracy and access is not granted until staff have completed the necessary E-learning.
- Staff who leave the organisation have their access rights removed.
- There is a robust process in place for checking the authenticity of new commercial suppliers prior to them being set up in finance - Oracle
- Suppliers using the iSupplier portal have all signed KCC's iSupplier terms and conditions of use.
- There is a built-in system check in iProcurement before an invoice is released for payment.
- Changes to supplier bank details are verified as genuine prior to amendment.
- Potential duplicate payments are identified and inaccurate or duplicate payments monitored, there have been minimal instances of this.
- Supplier credit balances are monitored and offset against future payments where possible. Action is taken to recover funds where relevant.
- Payment wizards are appropriately authorised and can only be created and uploaded by designated licensees.
- The AP team completes checks on manual invoices over £50,000 to ensure they have been approved appropriately.

Areas for Development

- Suppliers could charge KCC interest on invoices not paid within 30 days. It is unclear whether these have been appropriately accrued.
- 13% of orders raised from April to August 2018 were retrospective.

- Testing of a sample of manual invoices valued at under £50,000 found 11 of 25 (44%) had been approved by staff who do not have authority.
- No reconciliation between the Oracle Flexfields and iProcurement since Jan '18, several staff members had incorrect authority to approve in iProc.
- There are no system controls in place to ensure iProc vacation rules are assigned to users with the same or higher authorisation limits.
- There are a significant number of purchase orders that are still open on iProc where the date of order was prior to the current financial year.
- Procedure notes relating to use of iProc are not consistently version controlled.

Prospects for Improvement

Our overall opinion of Good for Prospects for Improvement is based on the following factors:

- A task and finish group, including appropriate representatives, has been set up to drive change and streamline processes.
- A Management action plan has been developed to address the issues identified.
- Payments processing is split between KCC and Cantium, making it difficult to gain oversight of the processes however Cantium have been engaged to ensure delivery of the management action plan.
- The Strategic Commissioning Support team are undertaking discovery work to better understand what the Council is buying and who from.

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	4	4	0
Low Risk	2	2	0

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Pensions Contributions																	
Audit Opinion	High																
Prospects for Improvement	Good																
<p>The audit identified that there are robust controls in place to manage the employer contributions to the Kent Pension Fund. There are minor improvements required regarding ensuring procedure documentation is reviewed and kept up to date and that year end reconciliations are completed and signed off for 2017/18.</p> <p>Key Strengths</p> <ul style="list-style-type: none"> • Procedure notes are detailed and contain adequate information. They are kept centrally where they are accessible to relevant staff. • Correct employers pension contributions are received on a monthly basis and coded correctly on the Councils financial systems. Any exceptions/differences in amounts received are picked up in a timely manner and addressed. • The automated creation of contribution Journals each month means there is minimal risk of incorrect amounts or coding. • Calculation of the KPI (percentage of contributions received by 19th of the month) is robust. • The year-end debtor analysis effectively identifies any balances due from each employer. Outstanding balances are investigated, although a few smaller debts have not been addressed for some time. • Bank reconciliations are carried out regularly during the year. Adequate evidence is retained, and each reconciliation is reviewed and authorised • There is a reliable year end reconciliation process in place. • The contributions data and spreadsheets maintained by the team are backed up. • A risk register is maintained by the team - the risks it contains are appropriate and all have adequate mitigating actions against them. • Quarterly reports are submitted to the Superannuation Fund committee which contain accurate and sufficient information. <p>Areas for Development</p> <ul style="list-style-type: none"> • The year-end contributions reconciliation for 2017/18 is not yet complete. Although the risk of inaccurate payments lies with the employer as this will affect future valuations and contribution levels • The procedure notes for the collection and reconciliation of Employer Contributions are have not been reviewed and updated since 2014/15. • There are capacity issues with the document library on Sharepoint. This has affected the storage of employer documentation. <p>Prospects for Improvement Prospects for Improvement have been assessed as Good due to the following factors:</p> <ul style="list-style-type: none"> • There has been little turnover in the team and therefore there is a good level of knowledge and understanding of processes and they are open to way to improve. • There is an awareness of weaknesses and consideration has been made to possible ways to address these. • Issues raised have been accepted and management action plans developed <p>Summary of Management Responses</p> <table border="1"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted, and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>2</td> <td>2</td> <td>0</td> </tr> </tbody> </table>			Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed	High Risk	0	0	0	Medium Risk	0	0	0	Low Risk	2	2	0
	Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed														
High Risk	0	0	0														
Medium Risk	0	0	0														
Low Risk	2	2	0														

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

ICT Oracle Application

Audit Opinion	Adequate
Prospects for Improvement	Good

Overall, we have concluded that there are generally robust systems of controls within and surrounding the Oracle applications including governance, user access controls and data processing. The one area of key concern relates to disaster recovery planning and testing.

Key Strengths

- Following the conversion of Council's BSC into Cantium Business Solutions, appropriate governance responsibilities have been defined for the Oracle application. The Governance, Authorisation, and Risk Management Overview document details standards and procedures in use and has been updated with the responsibilities of Cantium Business Solutions.
- All new users of the Oracle application are provided with training as part of their induction and refresher training is provided to users as and when it is required.
- The process for authorising new users of the Oracle application has been documented and is appropriately controlled. Users are granted role-based access to the Oracle application, which was validated through our sample testing.
- For user access review on active accounts and their user roles, the Discoverer tool set for Oracle is used to generate regular exception reports and distributed to all the authorising officers to follow up on the exceptions.
- A report is run on a weekly basis to disable users from the system that have had their employment terminated in the HR module or who have not accessed their Oracle user account during the previous 90 days.
- Discoverer reports are run on a monthly basis to validate data input and output from the Oracle application and to reconcile the data processed.
- Backups for the Oracle application are taken on a routine basis and are validated.

- The Oracle application is updated by Cantium Business Solutions annually, with the last update performed in February 2018.
- In accordance with good practice, Oracle contracts are reviewed annually, and this was last carried out in April 2018.

Areas for Development

- There is scope to improve the disaster recovery (DR) plans for the Oracle applications and no testing of the disaster recovery plan has been undertaken. Therefore, the Council cannot be assured that the system could be recovered in the event of an incident or how long it would be before systems were operational again.
- Whilst the Council has backup arrangements in place for Oracle application, there are no documented procedures for these arrangements.

Prospects for Improvement

Our overall opinion of Uncertain for Prospects for Improvement is based on the following factors:

- Management have not yet responded to the issues raised in this report regarding DR testing and have not confirmed the proposed action plan.
- The ERP manager and his team have good knowledge of the configuration and functionality of the Oracle application.
- Good overall awareness of the respective service area Business managers on the usage of the Oracle application.
- All the procedure documents following the ICT team's transformation from the BSC have been reviewed and updated with the responsibilities of Cantium Business Solutions.

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

ICT Swift Replacement (Draft)

Audit Opinion	Substantial
Prospects for Improvement	Good

As part of the 2018/19 Audit Plan it was agreed that Internal Audit would review the project governance arrangements in place for the project to replace the Swift AIS application. The aim of the audit is to provide assurance that there are appropriate controls and robust project management in place to manage the replacement of the Swift AIS application with Mosaic.

Key Strengths

- The project has robust governance arrangements in place and is closely monitored.
- Adequate data cleansing, testing and migration controls are in place.
- Systems requiring interface with Mosaic have been identified and included in testing.
- Project contingency planning has been followed and an exception report was presented to the Project Steering Group in November 2018 to raise issues and present remedial options. It was recommended that the project implementation date is moved to June/July 2019, demonstrating that the project management team have a good awareness of risks. The need for this was accepted by the Steering Group. The Programme Manager has documented the risks and dependencies causing the delay, however the revised implementation date has not yet been formally approved.
- A Mosaic support and recovery contract has been drafted and is currently being reviewed by the Programme Manager.

Areas for Development

- The project highlight reports should be reviewed to enable clearer communication of the position of project milestone achievements and performance against budget.
- Staff access security groups for Mosaic need to be established, configured and reconciled to Swift.

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- Management have engaged with the audit team throughout to project and have a very good understanding of risks and issues.
- Adequate resources have been made available to this project.
- Once fully implemented, Mosaic will be used to drive all payments to care providers with payments triggered by Finestra and interfaced to Mosaic. The systems will always reconcile, and additional reconciliations will not be required as they currently are between Swift and TDM (due to Swift calculating expected payments rather than actual payments).

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Concessionary Bus Passes

Audit Opinion	Substantial
Prospects for Improvement	Good

Overall, we found controls on the application process for concessionary bus passes within GET, the Contact Centre, Libraries and the pass issuing contractor, Euclid Ltd, were operating effectively. There are several methods for applications and the processes and information requirements are minimal in line with the legislation; information on the process is widely available.

It was not possible to obtain data from Euclid Ltd in the required format for analysis without substantial additional cost. However, this did not detract from the audit as the processes and procedures were examined in detail using current data. The introduction of the General Data Protection Regulations in April 2018 required several changes to public documents and the approach to data privacy, some further small changes can be made to these documents to ensure compliance with these regulations.

Key Strengths

- There is good co-operation between Public Transport (GET), Contact Centre, the participating Libraries and where required, the Internal Audit Fraud Section. The process for dealing with fraudulent applications is robust.
- Passes feature in the National Fraud Initiative where they are matched against DWP deaths. These are actioned within GET and removed from the system. The Internal Audit Section received 40 referrals for further investigation.
- There are several ways of applying for passes suitable for all applicants.
- The recent bulk renewal of applications was well managed and controlled.
- The application processes are uncomplicated providing a quick turn-round of applications.
- The issues identified at the previous audit of ENCTS in 2014 have been actioned and improved controls are operating.

Areas for Development

- The procedure manual and process maps have not been reviewed since 2014 and requires regular review to ensure the document is up-to-date.
- The application forms and on-line resources need to be updated to provide consistent information on data retention periods.

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- The Public Transport department is currently working on a procurement for the on-line application portal, data management and printing and issue of cards. Any future contract should seek to improve the access currently available to data by KCC for analysis and review to assist in fraud detection.
- The Public Transport department is considering ways to improve access to the application process for people with disabilities.
- Management and staff were receptive to the issues raised and have developed appropriate action plans.
- Minor areas for improvement to procedures were addressed during the audit as they were identified.

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued October – December 2018

Risk Management													
Audit Opinion	High												
Prospects for Improvement	Good												
<p>Overall the Corporate Risk Team (CRT) continues to maintain adequate guidance to support risk management processes and effective processes to support the Corporate Risk Register (CRR). In our opinion, continued reliance can be placed on the outcomes from these processes, including the resulting corporate risks.</p> <p>Key Strengths</p> <ul style="list-style-type: none"> The CRT have effective processes in place to support CMT in maintaining the CRR. A formal annual review is undertaken of the CRR, with meetings held with each Cabinet and CMT member, before it is collectively discussed at CMT and Corporate Board. The output of this is a refreshed CRR, which is then reported to Cabinet and Governance & Audit Committee and is fed into the Medium-Term Financial Plan. The CRT provide quarterly updates to both CMT and Corporate Board covering any significant changes, and they also attend DMT meetings to help directorates identify, assess and manage their risks. Monthly corporate risk reporting is done throughout the year within the CRT to help them with their analysis of risks. These reports are also sent to the Head of Paid Service. The CRT have trialled thematic reporting to CMT and recently reported on Information Governance and GDPR risks. This enabled the General Counsel's team to work with a directorate and help them better manage their risks and ultimately reduce the risk ratings to reflect a more stable environment. CRT discuss progress with risk owners and update the CRR accordingly, when associated controls and actions are due for update. KNet has a dedicated page for risk management, which includes the Council's Risk Management Policy and Strategy and various guidance. Training and guidance supporting the Council's risk management system JCAD, is provided upon access being granted. <ul style="list-style-type: none"> Risk management e-learning was updated and relaunched in Spring 2018. This has resulted in increased take-up; however no further action is taken as this is not mandatory e-learning. Wider management training on risk is being considered for the Leadership framework. The CRT are coordinating Member and selected officer training from the Council's insurer Zurich Municipal on "current risk exposure and risk appetite for the future". The CRT look at the core risk to the Council through the commissioning of each LATCo and post set-up through client-side arrangements. Once a LATCo is set-up they are responsible for their own risk management arrangements. <p><u>Follow-up of Issues from the Risk Culture audit</u> CRT took a paper to CMT in October 2018 for decisions on the agreed actions. We have reviewed this paper and associated minute and can confirm that one of the three medium risk issues can be closed.</p> <p>Areas for Development</p> <ul style="list-style-type: none"> None identified <p>Prospects for Improvement Our overall opinion of Good for Prospects for Improvement is based on the following factors:</p> <ul style="list-style-type: none"> The CRT continue to maintain adequate and effective practices to support Council wide guidance and support for the CRR. <p>Summary of Management Responses</p> <table border="1"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted, and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Medium Risk</td> <td>3</td> <td>1</td> <td>2</td> </tr> </tbody> </table>			Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed	High Risk	0	n/a	n/a	Medium Risk	3	1	2
	Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed										
High Risk	0	n/a	n/a										
Medium Risk	3	1	2										

Annex 2 – Audit Plan 2018/19 Progress

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Complete			
Financial Assessments Follow up	Complete	October 2018	Substantial / Adequate
Client Financial Affairs	Complete	October 2018	Substantial/ Good
Direct Payments – Adults	Complete	October 2018	Substantial/ Good
Coroners Service – Financial Controls	Complete	October 2018	Adequate/ Adequate
Lifespan Pathway Post-Implementation	Complete	January 2019	Adequate/Good
Special Educational Needs and Disability	Complete	January 2019	Limited / Adequate
Pension Contributions	Complete	January 2019	High/Good
Concessionary Bus Passes	Complete	January 2019	Substantial/ Good
Complete by end January 2019			
Recruitment Controls and Pre-employment Checks	Final Draft	October 2018	Adequate/ Good
Troubled Families – Earned Autonomy	Final Draft	January 2019	Substantial/ Good
Draft Report			
Swift Replacement	Draft Report		
Property Income/K2 System	Draft Report		

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Complete			
Children's Allowance Review Team (CART) Follow up	Complete	October 2018	High/ Very Good
Oakwood (Final to Gen ² Client-Side Report)	Complete	October 2018	No Assurance/ Good
Youth Services – Commissioning and Contract Management	Complete	October 2018	Adequate/Good
Disabled Children – Direct Payments and Managed Services	Complete	October 2018	Adequate/Good
Deferred Payments	Complete	January 2019	Substantial/ Good
Risk Management	Complete	January 2019	High/Good
Payments Processing	Complete	January 2019	Adequate/Good
CRC Energy Efficiency Scheme	Complete	January 2019	Compliant
Complete by end January 2019			
Virtual Schools Kent – Priority 2	Final Draft	January 2019	Adequate/Good
Oracle Application	Final Draft	January 2019	Adequate/ Uncertain (Draft)
Draft Report			
Cloud Navigation – Project Milestone Deep Dive	Draft Report		
Residence Arrangements – IFA and Residential Placements	Draft Report		

Annex 2 – Audit Plan 2018/19 Progress

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Property Statutory Compliance	Draft Report		
In Progress			
Ethical Framework – Values and Behaviours	In progress		
Data Quality – Liberi System	In progress		
Data Protection Act 2018 (incorporating GDPR)	In progress		
Developer Contributions – S106 and CIL	In progress		
Youth Justice – Priority 2	In progress		
Planning			
Strategic Commissioning	Planning		
Intervention and Enablement	Planning		
Education Psychology	Planning		
Ongoing			
Hold Co watching brief – Advisory Priority 2		Ongoing	
CQC/Quality Assurance - Advisory		Ongoing	

Audit	Progress at December 2018	Date to G&A	Overall Assessment
In Progress			
Directorate Governance Review – Children, Young People and Education	In progress		
Home Care	In progress		
Schools Themed Review	In progress		
Safeguarding Children	In progress		
Treasury Management	In progress		
Planning			
Public Health – Partnership with Kent Community Health Foundation Trust	Planning		
Home to School Transport Incl. SEND	Planning		
Commissioner/Provider Relationship - TEP	Planning		
Ongoing			
BDUK Watching Brief – Advisory		Ongoing	
Cloud Navigation – Audit Watching Brief - Advisory		Ongoing	

Annex 2 – Audit Plan 2018/19 Progress

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Swift Replacement Watching Brief - Advisory	Ongoing		
KCC/KMPT Consultancy on review of S75 – Advisory	Ongoing		
Integration of Enablement and Intermediate Care (NHS) - Advisory	Ongoing		
Postponed to later in 2018/19			
Information Security	Postponed to Q4		
Agilisys Contract Management	Postponed new date TBC		
BDUK Voucher Scheme	Postponed to Q4		
Postponed to 2019/20			
Business Continuity Planning	Postponed to 2019/20 due to Brexit impact on resources		
Social Care Client Billing	Postponed to 2019/20 – Replaced by Deferred Payments		
Transformation and Change 0-25	Postponed to 2019/20 in line with implementation of new structure and operating model		
Kent Manager	Postponed to 2019/20 in line with implementation of new process		
Additional			

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Principal Adult Social Worker – Watching Brief - Advisory	Ongoing		
Care Leavers Payments – Advisory	Ongoing		
Purchasing Finance Process – Advisory	Ongoing		
Postponed to later in 2018/19			
Key Decision Process	Postponed to Q4		
Social Care Recruitment Incentives – Follow up	Postponed to Q4		
Cancelled			
Declarations of Interest – superseded by NFI data matches			
Additional			

Annex 2 – Audit Plan 2018/19 Progress

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Remainder of 2018/19 Audit Plan			
Corporate Governance	Q4		
Information Governance	Q4		
Learning the Lessons from LATCos Follow up	Q4		
Schools Financial Services – School Compliance Visits	Q4		
Fire Safety	Q4		
Business Service Centre – Service delivery during change	Q2		
Client-side Relationship Management of Gen ²	Q4		
Libraries Contract Management	Q3		
Education Systems Replacement	Q3		
Software Licensing	Q4		
KCC/BSC Segregation of IT	Q3		

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Remainder of 2018/19 Audit Plan			
Performance Management – Priority 2	TBC		
Strategic Partnerships – Priority 2	TBC		
Customer Feedback – Priority 2	TBC		
General Ledger – Priority 2	TBC		
Consultations – Priority 2	TBC		
Leadership Management Framework – Priority 2	TBC		
DELTA System (e-learning) – Priority 2	TBC		
Succession Planning – Priority 2	TBC		
TCP Revised Approach – Priority 2	Will be undertaken in 2019/20 when the first round of the new process is complete		
Public Health – Clinical Professional Development – Priority 2	TBC		
Infrastructure Commissioning and Contract Management – Priority 2	TBC		

Annex 2 – Audit Plan 2018/19 Progress

Audit	Progress at December 2018	Date to G&A	Overall Assessment
ICT Capacity Planning	Q2		
Quality of Adult Social Care	Q4		
Transformation/Modernising Adult Social Care Services	Q3		

Audit	Progress at December 2018	Date to G&A	Overall Assessment
Redesign 26+ - Priority 2	TBC		
Troubled Families Returns – Priority 2	No longer required		
Foster Care – Priority 2	TBC		
Adoption – Priority 2	TBC		
Care Leavers – Priority 2	TBC		
Highways Contract – Amey – Priority 2	TBC		
Open Plus System – Priority 2	TBC		

Annex 3 – Internal Audit Judgement Definitions



High

Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.

Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.

There are examples of best practice. No significant weaknesses have been identified.



Substantial

Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.



Adequate

Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.



Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective 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 there is a high risk that objectives are not achieved.



No Assurance

Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.

Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved.

Annex 3 – Internal Audit Judgement Definitions

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.

Annex 4 – Follow-ups



Limited assurance reports

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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			
Highways Safety/ Crash Remedial Measures	05/12/16	1		1*						Amber
PCI DSS	19/06/15	1	1	1*	1*					Amber
Member & Officer Expenses	09/08/16	1		1*						Amber
Total Facilities Management – Contract Management	24/11/15		2		2					Green
Total Facilities Management – Help Desk	12/04/16	4		3 1*						Amber
Total Limited Audits		7	3	3 4*	2 1*	0	0	0		

Annex 4 – Follow-ups



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			
Business Continuity	02/07/18		5		2 3*					Amber
Bribery and Corruption Follow-up	03/07/17		1		1					Green
Staff Survey – Response and Actions	11/07/17	1		1*						Amber
Nursery Themed Establishment Report	14/05/18		1		1					Green



Annex 4 – Follow-ups

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			
OPPD Day Services Themed Report	14/05/18	1	1	1*	1*					Amber
Mobile Working	29/01/18		2		2*					Amber
Members Induction and Training	09/10/17	1	1	1*	1*					Amber
Use of Agencies and IR35	15/01/18	1	1			1	1		Action has not been taken to address to date. A revised implementation date has been requested.	Red
Health and Safety	31/05/18	2		1 1*						Amber
Property – Disposal of Assets	11/05/17		3		3					Green

Annex 4 – Follow-ups

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			
Carers Assessments	24/01/17	1	1	1*	1					Amber
Enablement (KEaH) Service	28/07/15	1		1*						Amber
Protection of Property	01/05/18	2	4	1 1*	3 1*					Amber
Young Careers – Contract Management	16/02/18		2		2*					Amber
Elective Home Education	21/08/17	2	4	1 1*	3 1*				Action has been undertaken to address however the issues are now outside of officer control and therefore have been closed.	Amber
National Driver Offender Retraining Scheme – Phase	04/04/17	2	2	2*	2*					Amber

Annex 4 – Follow-ups

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			
2										
Economic Development including Regional Growth Fund	13/06/18	1	1	1*	1					
Young Persons Transport including SEN	28/06/16		1		1*					
Total Adequate Audits		14	30	3 11*	15 14*	1	1	0		

Annex 4 – Follow-ups



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			
Workforce Planning and Talent Management	16/12/16		2		1 1*					Amber
TCP Process	17/11/16		2		1		1			Green
Corporate Purchase Cards	10/05/17		1		1*					Amber
Medium Term Financial Planning	03/01/17		1		1					Green
Apprenticeship Levy	20/03/18		1		1					Green



Annex 4 – Follow-ups

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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			
KCC Payroll	14/11/17		1		1*					Amber
NEET Strategy	24/04/17		1		1					Green
ICES and Telecare Contract Management	12/01/17		1		1					Green
Schools Themed Review	10/05/17		1		1*					Amber
Children's Centres Themed Review F/up	07/10/16		1		1*					Amber
Integrated Community Safety Function	24/07/17		1		1					Green
Total Substantial Audits		0	13	0	7 5*	0	1	0		

Annex 4 – Follow-ups

Other types of engagement including consultancy

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			
Enablement Expenses	19/01/17	1		1*						
Safety Camera Partnership and Speed Awareness	21/11/16	1		1						
Total Other Engagements		2	0	1 1*	0	0	0	0		

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	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
	High	Medium	High	Medium	High	Medium	
Total All Audits	23	46	6 16*	24 20*	1	2	0

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By: Peter Oakford, Cabinet Member for Finance & Traded Services
Zena Cook, Corporate Director of Finance
To: Governance and Audit Committee – 23rd January 2018
Subject: **EXTERNAL AUDIT UPDATE**
Classification: Unrestricted

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

Recommendation: FOR ASSURANCE

Introduction and background

1. In order that the Governance and Audit Committee is kept up to date with the work of Grant Thornton UK LLP, progress reports are written by the external auditor as appropriate.
2. The attached report covers the following areas:
 - Progress for 2018/19
 - Emerging issues and developments

Recommendation

3. Members are asked to note the report.

Robert Patterson
Head of Internal Audit (03000 416554)

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Audit Progress Report and Sector Update

Kent County Council
Year ending 31 March 2019
Page 159
23 January 2019



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Introduction



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This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority.

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

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.

Progress at January 2019

Financial Statements Audit

We have started our planning for the 2018/19 financial statements audit and we carried out our preliminary visits in December 2018 to update our understanding of the systems and control environment in place around the main transactional cycles. We are due to carry out our early testing audit visit in the week commencing 21 January and in early March 2019. These visits will include:

- Review of internal audit reports on core systems;
- Early work on emerging accounting issues (such as the impact of changes in IFRSs), significant estimates and judgements; and
- Early substantive testing of operating expenditure, employee remuneration, grants and other contributions, revenues, manual journals and the existence / ownership of property, plant and equipment.

We will report any findings from our interim audit to you at the April 2019 Governance and Audit Committee alongside presentation of our 2018/19 audit plan.

The deadline for the completion of the 2018/19 audit and issue of our audit opinion is 31 July 2019. We discuss our plan and timetable with officers. The final on site fieldwork will be in early June and we will report our findings in our Audit Findings Report at the July Governance and Audit Committee.

Value for Money Audit

The scope of our work is set out in the guidance issued by the National Audit Office. 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.”

The guidance confirmed the overall criteria 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.”

The three sub-criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January and March and report this to you as part of our Audit Planning Report at the April 2019 Governance and Audit Committee.

We will report our findings in our Audit Findings Report at the July Governance and Audit Committee.

Other areas

Meetings

We hold monthly meetings with key Finance Officers regarding emerging developments and to ensure the audit process is smooth and effective. We also hold quarterly liaison meetings with the Corporate Director of Finance to discuss the Council’s strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. The next event will be the Local Government Chief Accountants Workshop which will be held on 5 February. We will provide details of further planned workshops as the dates are finalised.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	April 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Governance and Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

By: Robert Patterson, Head of Internal Audit
 To: Governance and Audit Committee – 25th January 2018
 Subject: **Effectiveness of Internal and External Audit Liaison**
 Classification: Unrestricted

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

FOR ASSURANCE

Introduction

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

Professional requirements

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

Current practice

6. External Audit's evaluation of Internal Audit has remained positive over recent years and no concerns have been raised in their most recent audit findings reports. Grant Thornton regularly access internal audit reports to help, plan and inform their external audit work – particularly in relation to the core financial

reviews which we have in our annual plan. We assume these reports are of a satisfactory standard, although we do not now receive feedback.

7. In addition, we understand 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.
8. Unfortunately, in the last few years the regular and ad hoc liaison between the two teams to share, discuss and co-ordinate plans now does not take place. Appendix 1 details the 2017 protocol and the majority of procedures in the two top 'blocks' in this document no longer occur in a meaningful way.
9. This is not a situation unique to Kent CC and concerns are being raised at regional levels (via the Kent Audit Group) and nationally. It is assumed that this reduction in liaison is a consequence of the reducing external audit fees.

Conclusion

10. Basic liaison between Internal and External Audit is in place in relation to sharing of internal audit reports and working papers with external audit to help assist in the completion of the statutory audit(s). We understand reliance is placed on the work of Internal Audit by the External Audit team where this is relevant.

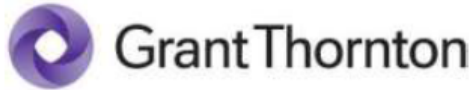
Recommendations

11. Members of the Committee are asked to note this annual update on liaison arrangements between Internal and External Audit for assurance

Appendices

Appendix 1 KCC Internal Audit – External Audit Protocol

Robert Patterson (03000 416554)
Head of Internal Audit



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.

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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