

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 22nd January, 2020

10.00 am

**Council Chamber, Sessions House, County Hall,
Maidstone**

There will be a training session on Audit Committee Effectiveness at 9.30am for Members of the Committee.





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 22nd January, 2020, at 10.00 am
Council Chamber, Sessions House, County
Hall, Maidstone

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

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

Membership (12)

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 (Green Party) (1): Mr M E Whybrow

Independent Member
of the Governance
and Audit Committee
(1) Dr D A Horne

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. Membership

To note the appointment of Dr David Horne as the Independent Member of the Committee.

3. Substitutes
4. Declarations of Interest in items on the agenda for this meeting
5. Minutes - 3 October 2019 (Pages 1 - 6)
6. Dates of future meetings
Thursday, 23 April 2020
Tuesday, 21 July 2020
Thursday, 8 October 2020
Thursday, 21 January 2021
Friday, 23 April 2021
7. Committee Work and Member Development Programme (Pages 7 - 12)
8. Review of Corporate Governance (Pages 13 - 14)
9. Corporate Risk Register (Pages 15 - 74)
10. Review of KCC's Risk Management Policy and Strategy (Pages 75 - 94)
11. Treasury Management Six Month Review (Pages 95 - 108)
12. Internal Audit Progress Report (Pages 109 - 156)
13. Counter Fraud Update (Pages 157 - 162)
14. External Audit Progress Report and Sector Update (Pages 163 - 176)
15. Other items which the Chairman decides are urgent
16. Motion to exclude the public

That under Section 100A of the Local Government Act 1972 the public be excluded 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)

17. Exempt Minutes - 3 October 2019 (Pages 177 - 178)
18. Internal Audit Progress Report - Financial Audit (Pages 179 - 182)

EXEMPT ITEMS

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

Benjamin Watts
General Counsel
03000 416814

Tuesday, 14 January 2020

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.

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KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 3 October 2019.

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

ALSO PRESENT: Miss S J Carey and Mr P J Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr J Idle (Head of Internal Audit), Mr J Flannery (Principal Auditor), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager), Mr L Manser (Insurance Manager), Mrs A Beer (Corporate Director of People and Communications), Mr B Watts (General Counsel), Mr M Rolfe (Trading Standards Manager (East)) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

41. Minutes - 24 July 2019
(Item 4)

RESOLVED that the Minutes of the meeting held on 24 July 2019 are correctly recorded and that they be signed by the Chairman.

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

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member Development programme following best practice guidance in relation to Audit Committees. He explained that the Reviews of the Terms of Reference and the Code of Corporate Governance would be reported to the Committee in January 2020 following the County Council's review of the Constitution.

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

43. Internal Audit Progress Report
(Item 6)

- (1) The Head of Internal Audit introduced the report on the status of delivery against the Internal Audit Plan 2019/20, gave summaries of completed audit reviews, an update on the resources position of the service. His report also set out revisions to the Internal Audit Plan 2019/20 and an update on issue Implementation status.
- (2) The Committee agreed that in future, Corporate Directors should be asked to provide a written statement in respect of actions which had not been implemented.
- (3) RESOLVED that:-
 - (a) subject to (2) above, the report for the period 1 April to 9 September 2019 be noted for assurance; and
 - (b) the revisions to the Internal Audit Plan be endorsed.

44. Counter Fraud Update
(Item 7)

- (1) The Counter Fraud Manager provided an update on Counter Fraud activity undertaken for the period April to August 2019, including reported fraud and irregularities. He also described the proactive Counter Fraud work delivered and planned for 2019/20.
- (2) RESOLVED that the report be noted for assurance.

45. External Audit Annual Letter 2018/19
(Item 8)

- (1) Mr Paul Dossett and Ms Tina James from Grant Thornton UK LLP were present for this item in order to introduce the Annual Audit Letter, providing a summary of the most important findings from the external audit work undertaken in the 2018/19 audit year.
- (2) Mr Dossett replied to a question from Mr Whybrow on the objections to the 2016/17 accounts (Minute 19/32). He said that comments on Grant Thornton's provisional views had been received from objectors together with additional documentation. These were now being considered confidentially as part of a *quasi-judicial* process. It was expected that an update would be ready to be reported to the Committee meeting in January 2020.
- (3) RESOLVED that the report be noted for assurance.

46. External Audit Progress Report and Sector Update
(Item 9)

(1) Mr Paul Dossett from Grant Thornton UK LLP introduced the report which gave an update on progress in delivering its responsibilities to the County Council as its external auditors. He drew the Committee's attention to the Tony Redmond Review of public audit arrangements which was due to be published in early 2020. This report would examine the effectiveness of local authority financial reporting and audit regimes.

(2) Mr Dossett also reported that a new Code of Audit Practice was due to be published by April 2020. This Code would focus on Value for Money arrangements and propose criteria on financial sustainability, governance, economy, efficiency and effectiveness.

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

47. Report on use of covert investigative techniques surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2018 and 31 March 2019
(Item 10)

(1) The Head of Kent Scientific Services introduced a report outlining work undertaken by KCC Officers on surveillance, the use of covert human intelligence sources (CHIS) and access to telecommunications data governed by the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2018/19 business year. He explained that most of this activity had been Trading Standards – related.

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

48. Updated Scheme of Delegations
(Item 11)

(1) The Chief Accountant introduced the updated Scheme of Financial Delegation. This had been revised to align with the new staffing structures and responsibilities of Strategic Procurement and Commissioning.

(2) RESOLVED that the updated Scheme of Financial Delegation be recommended for approval by the County Council.

49. KCC Annual Customer Feedback Report 2018/19
(Item 12)

(1) The Corporate Director – People and Communications provided a summary of the complaints, comments and complaints received by the Council during 2018/19. This included statistics relating to customer feedback received by the Council and a sample of complaints considered by the Local Government Ombudsman.

(2) The Committee asked for future reports to include greater detail on customer feedback.

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

50. KCC Insurance Overview
(Item 13)

(1) The Insurance Manager provided a summary of insurance activity for the 2018/19 financial year.

(2) In response to a question from the Chairman, the Insurance manager agreed to consider whether, how and at what stage Local Members for constituents facing flooding insurance claims could be involved in the process.

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

51. Treasury Management Update
(Item 14)

(1) The Treasury and Investments Manager gave a summary of Treasury Management activity in the current financial year up to the end of July 2019.

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

EXEMPT ITEMS

(Open access to Minutes)

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

52. Exempt Minutes - 24 July 2019

(Item 17)

RESOLVED that the Exempt Minutes of the meeting held on 24 July 2019 are correctly recorded and that they be signed by the Chairman.

SUMMARY OF EXEMPT MINUTE 53

(Where access to that Minute remains restricted)

53. Kent Superannuation Fund - Oral report

(Item 18)

1 The Head of Internal Audit and the General Counsel reported the latest position in respect of scrutiny and oversight of the Superannuation Fund's investment activity.

2 The Committee agreed to note the report and to receive a further update at its next meeting.

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By: David Brazier, Chairman of Governance and Audit Committee
Jonathan Idle, Head of Internal Audit

To: Governance and Audit Committee – 22nd January 2020

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

Current Work Programme

3. Appendix 1 shows the latest programme of work for the Committee, up to April 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 year.
4. Following agreement with the Chair of the Committee, a previously agreed Agenda Item, entitled "Update on Savings Programme / Transformation Programme, has been omitted from the Work Programme.

Member Development Programme

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

6. Before the start of today's meeting, Members received a presentation on Assessing the Audit Committee's Effectiveness, a paper on which will be added to the agenda for the April meeting.

Recommendations

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

Jonathan Idle
Head of Internal Audit (03000 417840)

Committee Work Programme

Appendix 1

Category Item	Owner	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20
Secretariat						
Minutes of last meeting	Andrew Tait	✓	✓	✓	✓	✓
Work Programme	Jonathan Idle	✓	✓	✓	✓	✓
Member Development Programme	Jonathan Idle	✓	✓	✓	✓	✓
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			✓		
Annual report on 'surveillance' activities carried out by KCC	Mark Rolfe			✓		
Corporate Governance						
Annual review of Terms of Reference of G & A	Jonathan Idle Ben Watts				✓	
Annual review of the Council's Code of Corporate Governance	Benjamin Watts		✓		✓	
LATCo Policies and Governance Structures (when required)	LATCO Board or originating Directorate				✓	
Review of Anti-Money Laundering Policy	Zena Cooke					✓
Audit Committee Effectiveness	GAC Chair					✓

Committee Work Programme

Appendix 1

Category Item	Owner	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20
Internal Audit and Counter Fraud						
Internal Audit and Counter Fraud Progress Report	Jonathan Idle	✓		✓	✓	✓
Schools Audit Annual Report	Yvonne King		✓			
Internal Audit and Counter Fraud Annual Report	Jonathan Idle		✓			
Internal Audit Strategy and Annual Plan	Jonathan Idle	✓				✓
Review of the Anti-Fraud and Corruption Strategy (part of plan report)	Jonathan Idle	✓				
External Audit (provided by Grant Thornton)						
External Audit Update	Paul Dossett	✓	✓	✓	✓	✓
External Audit Findings Report/Value for Money and Annual Audit Letter	Paul Dossett		✓	✓		
Pension Fund Audit Findings Report	Paul Dossett		✓			
External Audit Certification of Claims and Returns Report	Paul Dossett	✓				✓
Effectiveness of Internal and External Audit Liaison	Paul Dossett				✓	
External Audit Plan	Paul Dossett	✓				✓
External Audit Pension Fund Plan	Paul Dossett	✓				✓
External Audit Fee letter and / or procurement arrangements	Paul Dossett				✓	
External Audit Fraud, Law & Regulations & Going Concern Considerations	Zena Cooke	✓				✓
Financial Reporting						
Statement of Accounts & Annual Governance Statement	Zena Cooke / Cath Head		✓			
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: Ben Watts, General Counsel
To: Governance and Audit Committee – 22nd January 2020
Subject: **REVIEW OF CORPORATE GOVERNANCE**
Classification: Unrestricted

Summary: This report provides an update on the work that is planned for the coming months relating to corporate governance.

FOR NOTING

1. Over the past year there have been a number of significant changes to the Council's governance. Improvements have been made to the Council's constitution, learning has been implemented from a range of audit reports and the experiences in other Councils have been reflected in changes to our governance.
2. The General Counsel has worked with the Chairman of the Governance and Audit Committee, the Head of Paid Service, the Corporate Director of Finance and the Head of Internal Audit to discuss and identify future changes to the governance of the Council and the support to this Committee.
3. As part of those changes, the Governance and Audit Committee has appointed an independent Member to support the objectives of the Committee. The Chairman of Governance and Audit, the Head of Internal Audit and the General Counsel have met the new independent Member on a number of occasions in recent weeks and recognise the benefit of his input into a range of planned activities that might otherwise have come to this Committee for approval.
4. The terms of reference for the Governance and Audit Committee are due for review by the General Counsel and the Head of Internal Audit. The annual review of Corporate Governance is also due for completion and report.
5. It is recognised that there is merit in adopting a different approach to both of these activities and specifically involving the new independent Member to benefit from his experience in other authorities. Similarly, the training activity planned before this meeting will provide an opportunity for standing Members of this Committee to provide their thoughts at this iterative stage.
6. It is therefore proposed that the Head of Internal Audit and General Counsel will provide a report on both of these subjects to the next meeting of Governance and Audit Committee having involved Members as indicated at paragraph five above.
7. The General Counsel had also committed to provide an update to Members in relation to the Annual Governance Statement for 2020. Members will recall that this was to look at the process adopted by officers to build the assurance statement that is signed by the Leader and statutory officers as part of the publication of the annual accounts.

8. The Head of Internal Audit has shared an approach that he used in other authorities and discussed the benefits of that different way of gathering information to build the Annual Governance Statement. This is being added to the elements that have served us well in recent years to improve our AGS that Members of this Committee will receive in July 2020. The General Counsel and the Head of Internal Audit are now working with statutory officers on finalising the process before discussing with Corporate Management Team and subsequently issuing.

Recommendations

9. It is recommended that Members **NOTE** the activities that are ongoing to improve the Council's governance.

By: Roger Gough, Leader of the Council
David Cockburn, Corporate Director Strategic &
Corporate Services and Head of Paid Service

To: Governance and Audit Committee – 22nd January 2020

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 considered. It was last presented to Cabinet on 2nd December 2019.
- 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 main changes to the register since last presented to Cabinet are summarised below:

2.3.1 New Risks

- CRR0046 – Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – implementation of Kent Local Area SEND Written Statement of Action. At last year's refresh, a directorate SEND risk was escalated to the corporate risk register, covering concerns relating to High Needs funding and adequacy of support for children with SEND. However, given the severity of both elements of the risk, it has been split into two corporate risks. Therefore, risk CRR0044 is now more tightly focused on the High Needs Funding risk, while this risk concentrates on the practice elements.
- CRR0047 – Maintenance and Modernisation of KCC Estate: While there has been significant investment in parts of our property estate over time, there continues to be strain on the Authority's capital budget due to ongoing demands for additional statutory and discretionary spend. As our property assets age, it is becoming increasingly challenging to ensure that they continue to be maintained to a sufficient standard, so that they remain safe, avoid significant business disruption, and are fit-for-purpose, in terms of supporting new ways of working and meeting our environmental objectives.
- CRR0048 – Fraud and Error: In any organisation, particularly a large and complex organisation such as KCC, there is an inherent risk of fraud and / or errors that result in financial loss for the council. The Counter-Fraud team is conducting further proactive work with directorates, raising awareness and assisting services with fraud risk assessments. While a number of controls are in place, complacency must always be guarded against, and a corporate risk has been created to ensure visibility, particularly until the current tranche of organisation-wide work has been completed and reviewed, to ensure any key areas of risk are identified, assessed and proactively managed.

2.3.2 Changes to risk ratings for existing risks

- CRR0002 – Safeguarding – protecting vulnerable adults: This risk has been reassessed from a 'high' rating of 20 to a 'medium' rating of 15 after review by the Corporate Director and her Directorate Management Team. This reflects the confidence in controls in place and is now at the same level as the children's safeguarding risk.
- CRR0039 – Information Governance: This risk has been raised from 'medium' to 'high' in the light of the increasing obligations and implications caused by the adoption of the Data Protection Act 2018 and the General Data Protection Regulation. Improved reporting procedures and awareness have led to increasing numbers of reported data breaches across the organisation which, in addition to the continued high risk to data security posed by cyber threats, means the overall risk is now considered "high". As part-mitigation, the Council is investigating options to optimise automated controls where appropriate, as well as reviewing methods for recording and identification of patterns or trends.

- CRR0016 – Delivery of new school places is constrained by capital budget pressures and dependency on the Education and Skills Funding Agency. This risk remains ‘high’ and has been raised from a score of 16 to 20, to reflect uncertainty due to ongoing debate with the Department for Education regarding the revised Basic Need funding formula and the lack of a confirmed Basic Need allocation for 2021/22.
- CRR0040 – Financial, Governance and Service Delivery risks associated with KCC’s Local Authority Trading Companies. The risk has been re-titled to more accurately reflect the risk events, while the level of risk has come down slightly, from a score of 12 to 9, to reflect confidence in the risk mitigations so far. The risk will be subject to further review once implementation of holding arrangements for KCC’s companies is finalised.
- CRR0042 – Post-Brexit border systems, infrastructure and regulatory arrangements. Given recent national developments, the risk now focuses on the potential for the future relationship between the UK and EU to not be agreed by the end of the implementation period in December 2020 and consequent KCC impacts. The likelihood aspect of the risk score has been listed as ‘possible’ at this stage, although the level of risk will be regularly reviewed throughout the year.
- CRR0004 – Civil Contingencies and Resilience. The level of risk has been reassessed and given a risk rating of 20, up from 16. This is due to the impact score being revised from 4 ‘serious’ to 5 ‘major’, to reflect the fact that a consequence of the risk could be, “Potential increased harm or loss of life if response is not effective.” This links to a wider review of all corporate risks to ensure that any consequences relating to serious harm to people are listed first and attract a maximum impact score of 5 out of 5.

2.3.3 Risks removed from the corporate register

- CRR0013 – Delivery of in-year savings within agreed budgets. The financial environment continues to be challenging, requiring continued savings to be made and no room for complacency. However, ensuring the council delivers its budget each year is essentially a ‘business as usual’ task, with well established, robust monitoring and reporting mechanisms in place that enable mitigating action to be taken when necessary. While this risk is to be removed, the medium-term financial and operating environment risk (CRR0009) remains on the register as a ‘high’ rated risk.
- CRR0041 – Maintaining a healthy and effective workforce. KCC’s workforce makes a vital contribution to the delivery of the Council’s strategic outcomes, through its energy, commitment and hard work and staff across the organisation need to be healthy, motivated and have the right skills to help the organisation to develop. To reflect this importance, there are a number of approaches and tools in place to engage staff and support their wellbeing and resilience. The council’s comprehensive staff survey asks several questions relating to capacity and wellbeing, and while there will be variations across the organisation, the overall KCC picture has been positive. Therefore, rather

than continue with a generic risk such as this, it is felt that the focus should be on risks flagged at directorate or divisional / service level that are more specific, with further analysis to be conducted to highlight any patterns or trends that require a corporate response. It should also be noted that workforce related risks and issues are embedded within several existing corporate risks i.e. recruitment and retention of qualified social workers etc.

- CRR0011 – Embedding KCC’s strategic commissioning approach and consistency of commissioning standards. This risk was originally added to the corporate risk register several years ago as the Authority announced its intention to become a strategic commissioning authority and set out a list of 10 commissioning principles that have been adopted. While there are still packages of work in progress, i.e. to fully embed consistent commissioning standards, this is becoming ‘business as usual’ work and more value can be added by monitoring and corporate oversight of any more specific risks at directorate or divisional / service level.
- 2.4 Several risks have also been updated as part of usual practice, to reflect contextual changes, new controls or new risk owners. For instance, CRR0005, Implementation of Local Care and Prevention agenda in Kent has been significantly revised to take account of the latest health and social care landscape.
- 2.5 While not formally entering onto the Corporate Risk Register at this stage, conversations with CMT and Cabinet also covered risks and opportunities associated with the environment agenda; as well as ensuring safe working environments for staff - areas that will be explored in more detail as the corporate register evolves. It is also possible that a strategic risk relating to markets, where they are not capable of meeting KCC requirements in terms of cost and / or quality could be added, subject to further analysis.
- 2.6 This corporate risk register refresh has taken place against a backdrop of significant uncertainty at national level and a number of these risks will require revisiting in the coming weeks, as the new Government progresses its agenda and matters of relevance to our corporate risks move forward.
- 2.7 Out of the nineteen risks 11 are currently rated as ‘high’ and 8 rated as ‘medium’, which is the same overall position as last year. All risks have mitigating actions in place that aim to achieve a target residual rating of ‘medium’ or ‘low’.
- 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 2019/20 have been requested from action owners and will be reported in the next Quarterly Performance Report presented to Cabinet on 23rd March 2020.
- 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.
- 3.4 Assurance Mapping – The Internal Audit and Corporate Risk functions are collaborating to map what assurances exist against existing controls listed for the council's corporate risks, with benefits to include highlighting any gaps in assurance or potential duplicative work. This will help guide future audit planning and ensure that the listed controls are effective mitigations that support the risk ratings stated.

4. Recommendations

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

Report Author:

Mark Scrivener
Corporate Risk Manager
mark.scrivener@kent.gov.uk

Relevant Director:

David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance
David.whittle@kent.gov.uk



KCC Corporate Risk Register DRAFT

FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE ON 22/01/2020

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 2019
CRR0001	Safeguarding – protecting vulnerable children	15	15	↔
CRR0002	Safeguarding – protecting vulnerable adults	15	15	↓
CRR0003	Access to resources to aid economic growth and enabling infrastructure	16	12	↔
CRR0004	Civil Contingencies and Resilience	20	15	↑ (Impact re-assessed)
CRR0005	Development of Integrated Care System (ICS) / Integrated Care Programmes (ICPs) in Kent and Medway NHS system	12	8	Revised Risk
CRR0006	Resourcing implications arising from increasing complex adult social care demand	20	15	↔
CRR0007	Resourcing implications arising from children’s services demand	15	12	↔
CRR0009	Future financial and operating environment for local government	20	12	↔
CRR0014	Cyber-attack threats and their implications	16	12	↔
CRR0015	Managing and working with the social care market	20	15	↔
CRR0016	Delivery of New School Places is constrained by capital budget pressures and dependency upon the Basic Need allocation and the Education and Skills Funding Agency (ESFA)	20	12	↑
CRR0039	Information Governance	16	8	↑
CRR0040	Financial, governance and service delivery risks associated with KCC’s Local Authority Trading Companies	9	4	↓
CRR0042	Post-Brexit border systems, infrastructure and regulatory arrangements	15	12	↓
CRR0044	High Needs Funding shortfall	20	12	↔
CRR0045	Effectiveness of governance within a Member-led Authority	10	5	↔

CRR0047	Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – response to Written Statement of Action	20	10	NEW
CRR0048	Maintenance and modernisation of the KCC estate	16	12	NEW
CRR0049	Fraud and Error	12	6	NEW

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

** 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.

Likelihood & Impact Scales					
Likelihood	Very Unlikely (1)	Unlikely (2)	Possible (3)	Likely (4)	Very Likely (5)
Impact	Minor (1)	Moderate (2)	Significant (3)	Serious (4)	Major (5)

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 in a complex and challenging environment. e.g. the challenge of recruiting and retaining suitably experienced and qualified permanent staff.	Failure to fulfil statutory safeguarding obligations. Failure to meet the requirements of the “Prevent Duty” placed on Local Authorities.	Incident of serious harm or death of a vulnerable child. Serious impact on vulnerable people. Impact on ability to recruit the quality of staff critical to service delivery.	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.		Serious operational and financial consequences. Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.	Responsible Cabinet Member(s): Sue Chandler, Integrated Children’s Services Richard Long, Education and Skills Mike Hill (Lead Member for PREVENT)	Target Residual Likelihood Possible (3)	Target Residual Impact Major (5)	
This risk links to the demand for children’s services risk (CRR0007).						
Control Title					Control Owner	
Consistent scrutiny and performance monitoring through Divisional Management Team, “Performance, Challenge and support” meetings and audit activity					Sarah Hammond, Director of Integrated Services (Children’s Social Work Lead) / Matt Dunkley, Corporate Director, CYPE	
Kent Safeguarding Children Multi-Agency Partnership (KSCMP)_arrangements in place, replacing the previous Kent Safeguarding Children Board.					Matt Dunkley, Corporate Director CYPE (KCC	

	representative on Executive Board) / David Whittle, Director SPRCA
New KSCMP arrangements include a Scrutiny and Assurance Framework.	David Whittle, Director SPRCA
“Section 11” audit conducted periodically to provide assurance that relevant agencies and individuals are co-operating to safeguard children and promote their welfare, with feedback and follow-up.	Mark Janaway, Performance and Programme Manager, KSCMP
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 People and Communications
Multi-agency public protection arrangements (MAPPA) in place	Kevin Kasaven, Assistant Director Safeguarding and Quality Assurance
Extensive staff training – Integrated Children’s Services are rolling out a new practice framework	Sarah Hammond, Director of Integrated Services (Children’s Social Work Lead) / Stuart Collins, Director Integrated Services (Early Help and Preventative Services Lead)
Children’s Assurance Board established to give assurance to the rest of the council, including safeguarding arrangements. Now includes review of qualitative audit information and triangulates with quantitative picture.	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
KCC cross-directorate PREVENT group meets regularly and ensures the PREVENT duty is embedded across the organisation. Regular updates are provided to the Corporate Management Team	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, identifies themes and patterns for accountable managers to respond to and provides challenge.	Kevin Kasaven, Assistant Director, Safeguarding and Quality Assurance
Practice Forums being introduced into each area to offer support for Practitioners, bring case examples and cover key themes	Kevin Kasaven, Assistant Director, Safeguarding and Quality Assurance.
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 welfare concerns and where other agencies have been involved with the family. Awareness raising taking place with other practitioners	Keith Abbott, Director 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	Kevin Kasaven, 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)
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
Embedding of new multi-agency safeguarding children arrangements including Scrutiny and Assurance Framework	David Whittle, Director SPRCA / Matt Dunkley Corporate Director, CYPE	March 2020 (review)
Approval and launch of new adolescent risk management process	Stuart Collins, Director Integrated Services (Early Help and Preventative Services lead)	December 2019
'Deep dive' activity to investigate vacancy rates for staff that reflects factors such as maternity leave.	Sarah Hammond, Director of Integrated Services (Children's Social Work Lead)	December 2019
Further development of Kent & Medway PREVENT action plan with colleagues in Medway Council	Nick Wilkinson, Prevent and Channel Strategic Manager	March 2020 (review)
Agree appropriate level of resource to enable effective delivery of the new Kent Safeguarding Children Multi-Agency Partnership arrangements	David Whittle, Director SPRCA	March 2020

Risk ID	CRR0002	Risk Title	Safeguarding – protecting vulnerable adults			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults, in a complex and challenging environment e.g. challenges relating to demand for services and consistent quality of care in the provider market.	Failure to fulfil statutory obligations. Failure to meet the requirements of the “Prevent Duty” placed on Local Authorities.	Incident of serious harm or death of a vulnerable adult. Serious impact on vulnerable people. Serious impact on ability to recruit the quality of staff critical to service delivery.	Penny Southern, Corporate Director Adult Social Care and Health (ASCH)	Possible (3)	Major (5)	
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.		Serious operational and financial consequences. Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.	Responsible Cabinet Member(s): Clair Bell, Adult Social Care and Public Health Mike Hill (Lead Member for PREVENT)	Target Residual Likelihood Possible (3)	Target Residual Impact Major (5)	
In addition, the Government’s “Prevent Duty” requires the Local Authority to act to prevent people from being drawn into terrorism.						
This risk links to the demand risk (CRR0006).						
Control Title			Control Owner			
Dedicated safeguarding team in place with countywide overview			Julie Davidson, Head of Adult Safeguarding			
Multi agency public protection arrangements in place			Julie Davidson, 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, 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, Head of Adult Safeguarding
Kent and Medway Safeguarding Adults Board Learning and Development Competence Framework is reviewed annually	Julie Davidson, Head of Adult Safeguarding
New framework for safeguarding practice developed as part of the new ASCH operating model	Julie Davidson, Head of Adult Safeguarding / Divisional Directors

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 is due to 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 and meet KCC's statutory duties.</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 housing 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): Mike Whiting, Economic Development</p> <p>Michael Payne, Highways & Transport</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			Katie Stewart, Director Environment Planning & Enforcement (EPE)			

Teams across the Growth, Environment and Transport directorate work with each individual District on composition of local infrastructure plans including priorities for the CIL and Section 106 contributions, to articulate needs for the demands on services	David Smith, Director Economic Development / Katie Stewart, Director EPE	
Single Monitoring System (SMS) is used to track individual s106 planning obligations from the Council's initial request for developer contributions through to the issue of invoice for payment.	Economic Development / EPE	
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 its Local Industrial Strategy 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	
Local Transport Plan 4 produced and approved by County Council	Tom Marchant, Head of Strategic Planning & Policy	
KCC has responded to the Government's 'Strengthened Local Enterprise Partnerships' review	David Smith, Director Economic Development	
Action Title	Action Owner	Planned Completion Date
Engage with stakeholders to draw up an agreed Enterprise & Productivity Strategy 2018-2050	David Smith, Director Economic Development	March 2020
Respond to consultation on Government's UK Shared Prosperity Fund when available	David Smith, Director Economic Development	TBC – once consultation has been launched.
Work with LEP partners to implement new LEP arrangements arising from the 'Strengthened Local Enterprise Partnerships' review as appropriate, including contributing to the development of a Local Industrial Strategy	David Smith, Director Economic Development	April 2020
Refresh of Growth and Infrastructure Framework	Katie Stewart, Director EPE	March 2020 (proposal sign-off) March 2021 (completion)
Re-establishment of an infrastructure funding group, covering areas such as local plans, management of planning applications etc.	Tom Marchant, Head of Strategic Planning & Policy	February 2020

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 implications of a 'no-deal' Brexit.	Failure to deliver suitable planning measures, respond to and manage these events when they occur. Critical services are unprepared or have ineffective emergency and business continuity plans and associated activities. Lack of resilience in the supply chain hampers effective response to incidents. Focus on 'no-deal' Brexit contingency planning means less opportunity to progress other aspects of emergencies and resilience agenda.	Potential increased harm or loss of life if response is not effective. Serious threat to delivery of critical services. Increased financial cost in terms of damage control and insurance costs. Adverse effect on local businesses and the Kent economy. Possible public unrest and significant reputational damage. Legal actions and intervention for failure to fulfill KCC's obligations under the Civil Contingencies Act or other associated legislation.	On behalf of CMT: Barbara Cooper, Corporate Director Growth, Environment & Transport (GET) Responsible Cabinet Member(s): On behalf of Cabinet: Mike Hill, Community & Regulatory Services Susan Carey, Environment	Likely (4) Target Residual Likelihood Possible (3)	Major (5) Target Residual Impact Major (5)	
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 place for the wider health sector to protect the local population from risks to public health	Andrew Scott-Clark, Director of 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	Lisa Guthrie, KCC Manager, Kent Resilience Team
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	Andrew Cole, Head of ICT Strategy and Commissioning
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	Katie Stewart, 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 / Katie Stewart, Director EPE
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	Katie Stewart Director EPE
Updated and expanded Duty and Recovery Director rota introduced	Katie Stewart, Director EPE
KCC Business Continuity Management Policy and overarching Business Continuity Plan in place, underpinned by business continuity plans at service level	Katie Stewart, 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	Katie Stewart, 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	Katie Stewart, 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	Katie Stewart, Director EPE	
Kent Resilience Forum Local Authorities Emergency Planning group's mutual aid arrangements with District Councils and other councils across the region undertaken	Lisa Guthrie, KCC Manager, Kent Resilience Team	
KCC services have reviewed business continuity arrangements, taking potential no-deal Brexit scenarios into consideration (cross-reference to CRR0042), with coordination via Directorate Resilience Groups	Service Managers / Directorate Resilience Chairs	
KCC has a Major Emergency Plan that is refreshed regularly	Tony Harwood, Resilience and Emergencies Manager	
Action Title	Action Owner	Planned Completion Date
Continued preparations for implications of potential no-deal Brexit, including reviewing the post-event multi-agency approach to 'Recovery' phase that is led by KCC, supply chain implications etc.	Barbara Cooper, Corporate Director GET	January 2020 (review)
Implement a work programme to deliver Kent County Council compliance with the Radiation (Emergency Preparedness and Public Information) Regulations 2019, including amendments to the Dungeness Offsite Emergency Plan	Tony Harwood, Resilience and Emergencies Manager	May 2020
Review of Kent Resilience Forum Local Authorities Emergency Planning group's mutual aid arrangements with District Councils and other councils across the region	Fiona Gaffney, Head of Resilience and Emergency Planning and Kent Resilience Team Manager (KCC)	February 2020

Risk ID	CRR0005	Risk Title	Development of ICS/ICP in Kent and Medway NHS system			
Source / Cause of Risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The Kent & Medway NHS system is under significant pressure with increasing levels of demand driving across financial deficits across commissioner and provider budgets, placing pressure on the Kent & Medway NHS system control total.	Failure to develop more partnership and aligned health & social care services and commissioning at both ICS and ICP level places pressure on system finances and hinders highest possible quality of care.	Further deterioration in the financial and service sustainability of health and social care services in Kent and Medway.	Penny Southern, Corporate Director Adult Social Care & Health (ASCH)	Possible (3)	Serious (4)	
In response the NHS in Kent and Medway forming an Integrated Care System (ICS) with 8 CCGs merging to form the basis of the System Commissioner, above four ICPs (Integrated Care Partnerships) and 42 PCN's (Primary Care Networks).	Development of four ICP generates additional demand/work on strategic leadership of KCC, particularly in ASCH and Public Health which has significant opportunity costs, including impact on business as usual activity.	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	
The policy intent of structural reform is to deliver better strategic planning and delivery of health and social care services at place-based community level and shift from acute to primary and community level services.	Multiple ICP's leads to differences in form, function and relationships between ICPs and the ICS and/or KCC which increases system complexity and leads to variation which increase costs/risks.	Legal challenge/judicial review of decisions and decision-making framework for joint decisions.	Andrew Scott-Clark, Director Public Health	Unlikely (2)	Serious (4)	
The relative roles and responsibilities between the proposed ICS and the emerging ICPs in Kent is still under development. The final legal structure and functional responsibilities of ICPs is still	System complexity leads to failure to meet statutory duties around the sufficiency of the care market, care quality and safeguarding.	Social care and public health priorities not sufficiently factored into/shaping emerging ICS/ICP plans and priorities, weakening integrated approach.	Responsible Cabinet Member(s): Roger Gough, Leader of the Council			
		Focus on structural changes workstreams prevents more agile improvements/joint	Clair Bell, Adult Social Care and Public Health			

under development and may require primary legislative change. Regulators (CQC / Ofsted) increasing review health and care services and the commissioning/performance of those services and 'system' level.	Lack of understanding within KCC of NHS policy and regulatory environment; and vice versa, lack of understanding of local authority legislative, policy and democratic environment in NHS.	working being undertaken. Reputational damage to either KCC or NHS or both in Kent. Adverse outcome from CQC local system review.
Control Title	Control Owner	
Health Reform and Public Health Cabinet Committee provides non-executive member oversight and input of KCC involvement in the STP	Ben Watts, General Counsel	
Senior KCC political and officer representation on the System Transformation Executive Board and System Commissioner Steering Group	Penny Southern, Corporate Director ASCH Andrew Scott-Clark, Director Public Health Vincent Godfrey, Strategic Commissioner	
Senior KCC level officer representation on the East Kent, West, North and Medway & Swale ICP Development Boards	Penny Southern, Corporate Director ASCH	
County Council agreed framework for KCC engagement within the STP	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	
Public Health Leadership for the STP Prevention workstream	Andrew Scott-Clark, Director Public Health	
Working through KCC Public Health partnership with the Kent Community Healthcare Foundation Trust (KCHFT) to ensure Public Health improvement programmes are linked and delivered alongside Local Care through Primary Care Networks and other primary care providers (e.g. community pharmacy)	Andrew Scott-Clark, Director Public Health	
Action Title	Action Owner	Planned Completion Date

Review appropriate level of KCC representation at subject specific ICP boards once the governance has been finalised in each ICP.	Penny Southern, Corporate Director ASCH	April 2020 (review)
Implementation of Adult Social Care and Health whole system Programme of change to deliver social care outcomes in a more efficient and sustainable way.	Penny Southern, Corporate Director ASCH	May 2020 (review)

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. Legal challenge resulting in adverse reputational damage to the Council. Financial pressures on other council services.	Penny Southern, Corporate Director Adult Social Care and Health (ASCH)	Likely (4)	Major (5)	
This is all to be managed against a backdrop of public sector funding restraint, 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.			Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
Adult social care services are part of a complex system to meet needs, which requires the whole system to work cohesively.			Clair Bell, Adult Social Care and Public Health	Possible (3)	Major (5)	
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 and existing service users, promoting self-management to reduce dependency		Andrew Scott-Clark, Director 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. Set out in Kent Integration and Better Care Fund plan.		Penny Southern, Corporate Director ASCH
New operating model for Adult Social Care and Health, including Promoting Wellbeing approach to help manage demand		Penny Southern, Corporate Director ASCH
Action Title	Action Owner	Planned Completion Date
Development of a Whole System Programme of Change - conduct a whole system assessment across Adult Social Care & Health (ASCH) to future-proof the services facing these challenges.	Helen Gillivan, Head of Business Delivery Unit, ASCH	April 2020 (review)

Intensive focus on ensuring early help to reduce the need for specialist children's support services	Matt Dunkley, Corporate Director CYPE	
'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, Kent Safeguarding Children Multi-agency Partnership	
The Children's Social Work budget has been adjusted to compensate for additional demand	Cath Head, Head of Finance (Operations)	
Relationships with London Councils allow us to understand / test their intentions on an individual site basis regarding any large-scale potential purchasing of land.	Debra Exall, Strategic Relationships Advisor	
Action Title	Action Owner	Planned Completion Date
Implementation of Change for Kent Children programme – phase 2	Matt Dunkley, Corporate Director, CYPE	April 2020 (review)
Examination of re-referrals following social work assessments that led to no further action, to develop greater understanding of the nature of this type of demand	Sarah Hammond, Director Integrated Children's Services (Social Work lead)	December 2019

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>Uncertainty over the funding settlement beyond 2020-21 in the absence of Spending Review. Whilst some aspects of the revenue budget and medium term financial plan can be predicted with reasonable accuracy (particularly spending pressures, tax base, full year effect of current year savings and savings already identified in existing plan) the uncertainty over the funding settlement means that there are a wide range of scenarios regarding the unfunded gap. Some of the scenarios would require the council to make substantial savings in order to balance the budget posing a significant risk to the council's financial sustainability and robustness of reserves.</p> <p>The uncertainty also applies to services funded via ring-fenced specific grants. Of particular concern is the special educational needs and disability (SEND) provision funded by the Dedicated Schools Grant (DSG). The high needs block of DSG has not kept pace with the substantial increase in demand for SEND (see</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>Delays and uncertainty surrounding Spending / Fair Funding reviews impacts on KCC's medium term financial planning.</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 (Section 151 Officer)</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>	

<p>CRR0044) despite additional injections savings resulting is deficit accruing on DSG spending.</p> <p>The uncertainty also applies to capital expenditure funded by grants. In particular, if the basic need grant is insufficient to provide the number of school places identified in the commissioning plan the authority may not have capacity to incur additional borrowing costs to make up for the shortfall.</p>	
Control Title	Control Owner
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process, including stakeholder consultation	Zena Cooke, Corporate Director Finance (Section 151 Officer)
Processes in place for monitoring delivery of savings and budget as a whole	Zena Cooke, Corporate Director Finance (Section 151 Officer)
KCC Strategic Statement 2015-2020 and annual report outline key strategic outcomes that the Authority aims to achieve during this period	Roger Gough, Leader of the Council
KCC Quarterly Performance Report monitors key performance and activity information for KCC commissioned or delivered services. Regularly reported to Cabinet	Rachel Kennard, Chief Analyst
Ongoing oversight of implications relating to proposed Local Authority pension fund changes	Nick Vickers, Head of Financial Services
Financial analysis conducted after each budget statement	Dave Shipton, Head of Finance (Policy, Strategy and Planning)
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, Head of Finance (Policy, Strategy and Planning)	June 2020 (review)
Engage with Government for a fair-funding needs formula for Grant distribution and tariffs/top ups under business rate retention	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	June 2020 (review)
Ensure appropriate response to Government Spending Review 2020	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	September 2020
Assess impact of and respond to social care green paper	Penny Southern, Corporate Director ASCH	TBC – once paper is available
Assess implications arising from design of the UK Shared Prosperity Fund (cross-reference to CRR0003)	David Smith, Director Economic Development	TBC – once consultation is launched
Lobby Government for appropriate funding for KCC to cover the impacts of Brexit e.g. new burdens imposed.	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	December 2019 and ongoing
Lobby Government regarding High Needs funding concerns	Dave Shipton Head of Finance (Policy, Strategy and Planning)/ Matt Dunkley, Corporate Director CYPE	June 2020 (review)
Development of new KCC Strategic Statement 2020-2025, recognising the challenging environment and setting out refreshed strategic priorities.	David Whittle, Director SPRCA	March 2020

Risk ID	CRR0014	Risk Title	Cyber-attack threats and their implications			
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 People and Communications</p> <p>Responsible Cabinet Member(s):</p> <p>Peter Oakford, Finance, Corporate and Traded Services</p> <p>Shellina Prendergast, Communications, Engagement and People</p> <p>Roger Gough, Leader</p>	<p>Likely (4)</p> <p>Target Residual Likelihood</p> <p>Possible (3)</p>	<p>Serious (4)</p> <p>Target Residual Impact</p> <p>Serious (4)</p>	

Control Title	Control Owner
Systems are configured in line with best practice security controls proportionate to the business information being handled. Systems are risk assessed and reviewed to ensure compliance is maintained	Kathy Stevens, ICT 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 / Rebecca Spore, Director Infrastructure / All Managers
Electronic Communications User Policy, Virus reporting procedure and social media guidelines in place	Andrew Cole, Head of ICT Strategy and Commissioning
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	Kathy Stevens, Compliance and Risk Manager
Messages to encourage increased awareness of information security amongst staff are being 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
A Cyber incident response and management policy has been developed which strengthens the responsibilities and accountabilities across the Authority	Kathy Stevens, ICT Compliance and Risk Manager

Changes and additions to security controls remains an on-going theme as the Authority updates and embraces new technologies.	Andrew Cole, Head of ICT Strategy and Commissioning
Action Title	Action Owner
Planned Completion Date	
Liaise with service partners / providers to ensure clarity regarding support available and respective responsibilities to address data breaches should they occur	Kathy Stevens, ICT Compliance and Risk Manager
Implementation of action plan in response to findings of independent cyber-security and resilience review	Andrew Cole, Head of ICT Strategy and Commissioning
	TBC – once reviewed by Corporate Information Governance Group

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.	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.	Inability to obtain the right kind of provider supply at affordable prices.	Significant numbers of care home closures or service failures.	Responsible Cabinet Member(s): Clair Bell, Adult Social Care and Public Health Roger Gough, Leader of the Council				
	Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.						
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				Rachel Kennard, Chief Analyst			
Regular engagement 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 review the capacity of the Home Care market with a view to developing a strategy to ensure market coverage	Clare Maynard, Head of Commissioning Portfolio – Outcome 2 and 3	
Ensuring contracts have indexation clauses built-in, managed through contract monitoring	Kieran Hannan, Strategic Commissioning	
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)	
Older Person's accommodation strategy refreshed, which analyses demand and need and sets the future vision and direction for accommodation to support vulnerable Kent residents alongside the Adult Social Care Strategy – Your Life, Your Wellbeing.	Penny Southern, Corporate Director ASCH	
Phase 1 of Care and Support in the Home Services contract live, combining homecare and community based supporting independence services. This has reduced the number of care packages being placed off contract	Tracey Schneider, Commissioning Manager	
Ongoing work to improve maturity of the market	Vincent Godfrey, Strategic Commissioner	
Action Title	Action Owner	Planned Completion Date
Community Support Market Position Statement being refreshed, to inform market shaping, oversight and sustainability	Simon Mitchell, Interim Commissioner	March 2021
Implementation of phase 2 of the Care in the Home Services refresh, bringing the various Discharge services and Supported Living Services under the Care in the Home Umbrella.	Tracey Schneider, Commissioning Manager	April 2020
Commissioning of Disability and Mental Health Residential Care services, including consideration of changes to current sleep-in arrangements. Procurement stages align with phase 2 of the Care in the Home Services contracts	Paula Watson, Senior Commissioner	April 2020

Analytical work is being conducted on assessments and reviews in adult social care to help inform key commissioning activity

Rachel Kennard, Chief Analyst March 2020 (review)

Risk ID	CRR0016	Risk Title	Delivery of New School Places is constrained by capital budget pressures and dependency upon the Basic Need allocation and 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 (see risk CRR0003) 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>There is still uncertainty regarding the 2021/2022 Basic Need allocation, which means that the</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 must 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>Very Likely (5)</p>	<p>Serious (4)</p>	
			Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
			<p>Richard Long, Education and Skills</p>	<p>Likely (4)</p>	<p>Significant (3)</p>	

council will need to enter into contracts without certainty over future funding.	
Control Title	Control Owner
The Kent Commissioning Plan contains the forecast expansion numbers and locations. A school expansion programme has been mapped, costed and kept under review	Keith Abbott, Director Education Planning and Access
The school expansion programme is under member scrutiny and review by relevant Education and Property 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/Katie Stewart, Director Environment, Planning and Enforcement
A bid has been made for extra funding under the priority school building programme Phase 2	Keith Abbott, Director Education Planning and Access
Negotiations have taken place with District Councils regarding allocation of contributions	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
Lobbying continues - meetings with senior officials from the ESFA and civil servants to outline and evidence the risks and issues	Keith Abbott, Director of Education, Planning and Access / Rebecca Spore, Director of Infrastructure	January 2020 (review)

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, including disposal of data under the Data Protection Act 2018, which is particularly challenging given the volume of information handled by the authority on a daily basis.	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	Likely (4)	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.	Responsible Cabinet Member(s):	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.	Roger Gough, Leader	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.	Shellina Prendergast, Communications, Engagement and People			
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 People and Communications	
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
Investigate the costs and benefits of introducing additional information governance controls utilising capabilities of Microsoft Office 365	David Whittle, Director SPRCA/Ben Watts, General	January 2020

Counsel

Review methods of recording data breaches and identification / analysis of trends

Ben Watts, General Counsel

March 2020

Risk ID	CRR0040	Risk Title	Financial, governance and service delivery risks associated with KCC's Local Authority Trading Companies (LATCos)			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<p>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.</p> <p>As with any new company start up, there will also be risks to be managed.</p> <p>With the increased number of wholly-owned companies, 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.</p> <p>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</p>	<p>Expected financial dividends not met or return on investment takes longer than planned to achieve.</p> <p>One or more company acts in a way that does not fit with KCC's values.</p> <p>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.</p> <p>Insufficient quality of service from company to KCC 'client'.</p>	<p>Additional pressures on Council budget.</p> <p>Reputational damage.</p> <p>Companies may not be able to take advantage of commercial opportunities if decision-making is restricted.</p>	<p>Ben Watts, General Counsel</p> <p>Zena Cooke, Corporate Director Finance (Section 151 Officer)</p> <p>Responsible Cabinet Member(s):</p> <p>Peter Oakford, Finance, Corporate and Traded Services</p>	<p>Possible (3)</p> <p>Target Residual Likelihood</p> <p>Unlikely (2)</p>	<p>Significant (3)</p> <p>Target Residual Impact</p> <p>Moderate (2)</p>	

trading companies.		
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	Diane Trollope, Head of Engagement and Consultation	
KCC's Group Audit function conducts audits for KCC-owned companies	Francesca Chivers Audit Manager	
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	Peter Oakford, Cabinet Member for Finance, Corporate and Traded Services / Ben Watts, General Counsel / Zena Cooke, Corporate Director Finance (Section 151 Officer)	
Action Title	Action Owner	Planned Completion Date
Finalise implementation of holding arrangements for KCC's companies	Ben Watts, General Counsel	March 2020

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 agreement on the future relationship between the UK and the EU is not reached by the end of the 'implementation period' leading to immediate third country status for the UK after 31 st December 2020.	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	Possible (3)	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 Brock and other mitigations for port delays.	Responsible Cabinet Member(s): Michael Payne, Highways & Transport	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)	
	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 Hill, Community & Regulatory Services			
	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	Significant long-term detrimental impact on county's economic competitiveness, attractiveness for inward investment and quality of life for Kent residents.				

infrastructure to support post-Brexit border arrangements.	
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.	Barbara Cooper, Corporate Director GET
KCC membership and support to the Kent Resilience Forum	Mike Overbeke, Head of Public Protection
Operation Fennel strategic plan in place	Barbara Cooper, Corporate Director GET (KCC lead)
KCC involvement in Operation Fennel Strategic and Tactical Groups (multi-agency planning groups for potential disruption at Port of Dover and Eurotunnel). KCC to chair Strategic Group as arrangements revert back to planning phase.	Barbara Cooper, Corporate Director GET (KCC lead)
KCC contribution to multi-agency communications in the 'response' phase, and leadership of communications in the 'planning' and 'recovery' phases	Christina Starte, Head of Communications
KCC cross-directorate Resilience Forum reviews latest situation regarding Brexit preparedness	Stephanie Holt-Castle, Interim Director Special Projects
KCC Brexit Lead Officer appointed, as key liaison with Government departments for Brexit planning.	Barbara Cooper, Corporate Director GET
KCC services are continually reviewing business continuity arrangements, taking potential no-deal Brexit scenarios into consideration (cross-reference to CRR004), with coordination via Directorate Resilience Groups	Service Managers / Directorate Resilience Group Chairs
Funding secured via Government Depts for direct impact costs of Brexit in the county	Barbara Cooper, Corporate Director GET

Action Title	Action Owner	Planned Completion Date
KCC continues to make a case for further funding from the Ministry of Housing, Communities and Local Government (MHCLG) and Department for Transport (DfT) for direct impact costs of Brexit in the county.	Barbara Cooper, Corporate Director GET	January 2020(review)
Continued preparations for implications of potential no-deal Brexit, including reviewing the post-event multi-agency approach to 'Recovery' phase that is led by KCC, supply chain implications etc. (cross-reference to CRR0004).	Barbara Cooper, Corporate Director GET	January 2020 (review)

Risk ID	CRR0044	Risk Title	High Needs Funding shortfall			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
The pressure on the High Needs budget within Kent has been identified as the highest revenue budget risk. The demand for Special Educational Needs and Disability (SEND) support is rising and at a much faster rate than the school age population, and the Council's Dedicated Schools Grant (DSG) budget is overspending on the High Needs Block and has already accrued a deficit on the DSG reserve.	Inability to manage within budget going forward. Inability to reduce accumulated deficit on Dedicated Schools Grant reserve.	Continued funding of deficit on the DSG reserve by net surplus balances in other reserves becomes unsustainable, impacting on the financial resilience of the Council. Impact on support for children with SEND (cross reference to CRR0047).	Matt Dunkley, Corporate Director CYPE	Likely (4)	Major (5)	
Corresponding pressure on some of KCC's non-DSG SEND related budgets e.g. SEN Home to School Transport, is also being experienced.			Responsible Cabinet Member(s): Richard Long, Education & Skills	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)	
Consequently, meeting the needs of children and young people with SEND within available resources is becoming ever more challenging.						
The ability to forecast costs in future years is difficult.						
The Department for Education (DfE) is introducing tighter reporting requirements on local authorities who have a deficit in their DSG account.						

Control Title	Control Owner	
Continual lobbying of Government on two matters; increased funding in both the short and medium term, and structural changes to government policy to help reduce the demand i.e. via County Council Network, Association of Directors' of Children's Services. Includes provision of evidence of the impact of the High Needs pressures on the quality of education children receive, schools, other providers and the Local Authority.	Roger Gough, Leader of the Council and /Richard Long, Cabinet Member Education & Skills / Matt Dunkley, Corporate Director CYPE	
KCC conducted a review of provision of pupils in mainstream schools with High Needs, introducing changes aiming to ensure the number of High Needs pupils in mainstream schools does not contribute to the current budget pressures.	Janice Venn, Finance Business Partner / Keith Abbott, Director of Education Planning and Access	
Specific top up funding rates provided for SEND pupils placed in mainstream schools for eligible children and young people, agreed with Schools' Funding Forum.	Janice Venn, Finance Business Partner / Keith Abbott, Director of Education Planning and Access	
Block payment arrangement negotiated with Further Education colleges for 2018-19 and 2019-20. For this early confirmation and certainty in funding colleges are expected to absorb inflationary pressures and provide support to any growth in the number of post 16 young people with High Needs.	Janice Venn, Finance Business Partner / Keith Abbott, Director of Education Planning and Access	
Action Title	Action Owner	Planned Completion Date
Implementation of SEND Written Statement of Action to better address the relationship between learner need, outcomes, provision and cost. Including: <ul style="list-style-type: none"> - Building capacity and an inclusive ethos in mainstream schools to improve teaching and confidence in supporting more children with higher levels of need. - Tighter commissioning arrangements to drive down the cost of placements in Independent Non-Maintained Special Schools 	Matt Dunkley, Corporate Director CYPE	March 2020 (review)
Further develop block payment funding arrangements with Further Education colleges, in order to provide stability in High Needs funding to both parties	Janice Venn, Finance Business Partner	April 2020 (review)

As required by the DfE, a recovery plan is to be produced (if accumulated DSG reserve deficit balance exceeds 1% of total DSG allocation) outlining how KCC can bring in-year spending in line with in-year funding, and fully repay the accumulated deficit on the DSG reserve account. To be presented to the Schools' Funding Forum and approved by the Council's Section 151 Officer

Keith Abbott, Director of Education Planning and Access / Zena Cooke, Corporate Director Finance (Section 151 Officer).

May 2020

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>KCC's constitution explicitly references its Member-led / Officer managed demarcation, which consequently 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>Professional / statutory officers failing in their duty to provide robust professional advice needed by Members to effectively discharge their member leadership role, or unwillingness of elected Members to appropriately consider advice from professional / statutory officers.</p> <p>Over reliance on informal governance arrangements and</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>Roger Gough, 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>	

political group meetings to direct officers and make decisions outside of formal statutory decision-making and scrutiny arrangements.

Policy options regarding the service offer of the Council are not adequately or appropriately considered within the budget development/approval process.

Failure of the governance structures of the council (Cabinet, Cabinet Committee, Full 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.

Control Title	Control Owner
Strategic Statement agreed by County Council and published setting out medium-term objectives and priorities of the Council	Roger Gough, 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 (Section 151 Officer)
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 People and Communications	
Appropriately detailed and timely financial monitoring reports considered by Cabinet and Cabinet Committees	Zena Cooke, Corporate Director Finance (Section 151 Officer)	
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 (Section 151 Officer)	
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	
Informal governance arrangements authorised by the KCC Constitution have been published on KNet, as a practical guide for how officers work with elected Members to help them support effective decision making for our service users, residents and communities.	David Whittle, Director SPRCA	
New operating standards for KCC officers that support KCC's constitution published on KNet, signposting officers to essential policy information and additional guidance on specific topics, to help officers discharge their responsibilities effectively.	David Whittle, Director SPRCA	
A single Strategic Delivery Plan for KCC has been developed	David Whittle, Director SPRCA	
Action Title	Action Owner	Planned Completion Date
Further amendments to KCC's Constitution	Ben Watts, General Counsel	May 2020
Review of informal governance arrangements	David Whittle, Director SPRCA	March 2020

Review of KCC Operating Standards	David Whittle, Director SPRCA	March 2020
Ongoing review of effectiveness of Cabinet Committees and consideration of alternative arrangements	Roger Gough, Leader / Ben Watts, General Counsel	June 2020 (review)

Risk ID	CRR0047	Risk Title	Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – implementation of Kent Local Area SEND Written Statement of Action			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Kent in early 2019, to judge the effectiveness of the area in implementing the disability and special educational needs reforms set out in the Children and Families Act 2014.	Insufficient improvement in areas identified within set timescales.	Adverse impact on outcomes for vulnerable young people. Dissatisfaction from families. Potential for legal action if statutory time limits or processes are not met.	Matt Dunkley, Corporate Director CYPE	Likely (4)	Major (5)	
While a number of strengths were identified, a number of weaknesses and areas of concern were raised.			Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
In response to these concerns a programme has been identified across both KCC and Clinical Commissioning Groups to implement the changes and improvements required.			Sue Chandler, Integrated Children's Services	Unlikely (2)	Major (5)	
The programme is being delivered against a challenging backdrop of significant increases in demand and a shortfall in High Needs funding (see risk CRR0044).						
Control Title			Control Owner			
0-25 Health and Wellbeing Board is the strategic board for children's services that oversees delivery of these services in Kent			Matt Dunkley, Corporate Director CYPE (KCC lead)			

SEND Improvement Board established, to ensure collaborative working across education, health and social care, to have a strategic overview of services and drive the operational workstreams that have been developed to address each area of significant weakness	Matt Dunkley, Corporate Director CYPE (KCC lead)	
SEND Change for Kent Children Board in place, with responsibility for coordinating activity and tracking progress across the five identified workstreams in the Written Statement of Action	Keith Abbott, Director of Education Planning and Access	
Action Title	Action Owner	Planned Completion Date
Kent Joint SEND vision to be finalised in conjunction with parents, which will be used to guide the actions within the Written Statement of Action and development of the new SEND strategy.	Matt Dunkley, Corporate Director CYPE (KCC lead)	December 2019
Development of a local area SEND Strategy in collaboration with partners, which goes beyond the Written Statement of Action to enable sustained improvement and transform Kent's SEND offer	Keith Abbott, Director of Education Planning and Access	July 2020 (review)
In collaboration with partners, implement the Kent Written Statement of Action, covering five key workstreams relating to: -Parental engagement and co-production -Inclusive practice and the outcomes, progress and attainment of children and young people. -Quality of Education, Health and Care Plans -Joint commissioning and governance -Service provision	Keith, Abbott, Director of Education, Planning and Access / Head of SEN Assessment and Placement / Rachel Jones, Director of Acute Strategy and Partnerships (NHS)	March 2020 (review)
Inform Government-commissioned review into support for children with SEND	Matt Dunkley, Corporate Director CYPE / Keith Abbott, Director Education Planning and Access.	Ongoing

Risk ID	CRR0048	Risk Title	Maintenance and modernisation of KCC Estate			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
While there has been significant investment in parts of our estate over time, there will never be enough funding available to satisfy all aspirations relating to modernisation of our estate. It is becoming increasingly challenging to ensure that all of our property assets are maintained to a sufficient standard, so that they are safe and fit-for-purpose. As parts of our estate age (e.g. some of our schools and our corporate headquarters), maintenance and / or modernisation costs will increase, and will be sub-optimal in terms of our environmental footprint and supporting new working practices. Ongoing investment to maintain and modernise our estate continues to compete with the other priorities to protect frontline services from effects of public sector funding restraint. Property asset considerations need to be viewed as part of a strategic picture alongside technology and people strategies and the appetite for change tested.	Insufficient investment in KCC estate to ensure it remains safe and fit-for-purpose.	Business interruption due to increasing level of reactive / emergency repairs required, or parts of the estate decommissioned (in whole or partially) if deemed unsafe. Adverse impact on achievement of environmental targets. Adverse impact on opportunities to rethink current working practices and adopt new ways of working. Impact on staff morale and productivity.	On behalf of CMT: Rebecca Spore, Director of Infrastructure Responsible Cabinet Member(s): Peter Oakford, Finance, Corporate and Traded Services	Likely (4)	Serious (4)	
				Target Residual Likelihood	Target Residual Impact	
				Possible (3)	Serious (4)	

Control Title	Control Owner	
Service Asset Utilisation Board reviews how service strategies align with use of assets and potential for changes	Barbara Cooper, Corporate Director GET	
Safety factors associated with our assets are given priority during the budget setting process.	Zena Cooke, Corporate Director Finance (Section 151 Officer)	
An annual programme of planned preventative maintenance is undertaken at KCC sites by the relevant Facilities Management contract partners	Vikram Bhatia, Infrastructure Commissioning	
Property commissioning function takes a 'hands on' approach to building compliance management	Vikram Bhatia, Infrastructure Commissioning	
Action Title	Action Owner	Planned Completion Date
Revisit KCC's Property Asset Strategy, reviewing the principles and ensuring an effective locality offer matched to need, in the context of financial constraints	Rebecca Spore, Director of Infrastructure	February 2020 (review)
Development of rolling 3-year Condition Programme in order to gain a clearer picture of long-term backlog of works	James Sanderson, Strategic Capital Programme Manager	March 2020 (review)
Consolidated lifecycle plan to be developed for properties	Lifecycle Programme Manager	March 2020 (review)

Risk ID	CRR0049	Risk Title	Fraud and Error			
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
As with any organisation, there is an inherent risk of fraud and/or error that must be acknowledged and proactively managed. It is critical that management implements a sound system of internal control and demonstrates commitment to it at all times, and that investment in fraud prevention and detection technology and resource is sufficient. This includes ensuring that new emerging fraud/error issues are sufficiently risk assessed.	Failure to prevent or detect significant acts of fraud or error from either internal or external sources.	Financial Loss. Reputational damage.	Zena Cooke, Corporate Director Finance (Section 151 Officer)	Possible (3)	Serious (4)	
			Responsible Cabinet Member(s):	Target Residual Likelihood	Target Residual Impact	
			Peter Oakford, Finance, Corporate and Traded Services	Unlikely (2)	Significant (3)	
Control Title				Control Owner		
Anti-fraud and corruption strategy in place and reviewed annually				James Flannery, Counter-Fraud Manager		
Systems of internal control which aim to prevent fraud and increase the likelihood of detection				Corporate Management Team/Statutory Officers		
Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.				Jonathan Idle, Head of Internal Audit		
Training and awareness raising is conducted periodically				James Flannery, Counter-Fraud Manager / Amanda		

		Beer, Corporate Director People and Communications
Preventing Bribery Policy in place, presenting a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010		James Flannery, Counter-Fraud Manager
Whistleblowing Policy in place for the reporting of suspicions of fraud or financial irregularity		James Flannery, Counter-Fraud Manager
KCC is part of the Kent Intelligence Network (KIN), a joint project between 12 district councils, Medway Council, Kent Fire & Rescue and Kent County Council which analyses and data matches financial and personal information to allow fraudulent activity in locally administered services to be detected more proactively within Kent		Nick Scott, Operations Manager, Kent Intelligence Network / James Flannery, Counter-Fraud Manager (KCC lead)
An agreed Memorandum of Understanding is in effect with partners (District Councils, Police and Fire Service) outlining the minimum standards expected to be applied by collection authorities (District Councils) to address fraud and error relating to council tax and business rates. Additional work jointly funded to identify and investigate high risk cases based on each authority's share of the tax base.		Dave Shipton, Head of Finance (Policy, Strategy and Planning)
Action Title	Action Owner	Planned Completion Date
Review levels of proactive and reactive counter-fraud work to ensure an optimum balance and address the impact of the scale of referrals received upon the team's ability to deliver preventative work and proactive fraud work, which returns savings and other benefits to the Council	James Flannery, Counter-Fraud Manager	TBC
Fraud risk assessments have been developed by the Counter-Fraud team and are being considered by service directorates to aid awareness and facilitate appropriate mitigations.	Directorate Management Teams	March 2020 (review)
Review existing arrangements for segregation of duties, with focus on high risk areas e.g. commissioning/procurement	James Flannery, Counter-Fraud Manager	March 2020 (review)

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By: Roger Gough, Leader of the Council
David Cockburn, Corporate Director for Strategic & Corporate Services and Head of Paid Service

To: Governance and Audit Committee – 22nd January 2020

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. 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 July 2019, HM Treasury and Government Finance Function released a significantly updated version of its “*Orange Book: Management of risk – Principles and Concepts*”. The Corporate Risk Team shall review this document as part of its work plan for the coming year, with a view to incorporating any suitable elements into the next iteration of the Policy and Strategy.

2. Recommendation

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

Relevant Director:

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

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Contact Officer:

Mark Scrivener

Corporate Risk & Assurance Manager

Mark.scrivener@kent.gov.uk

Appendix 1

Risk Management Policy & Strategy 2020-23

POLICY OWNER:

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

Mark Scrivener
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Review Process:

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

1 Introduction

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

1.2 By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit & 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 ~~The rising cost of providing services due to Additional demographic, legislative and market spending demands and pressures, allied with –and ongoing public sector/local government~~ 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 increased utilisation of productivity tools, digitalisation and automation where appropriate. ~~venturing into more commercial approaches and income generating activities.~~

4.2 The risk management framework is an integral element of KCC's governance and internal control arrangements~~The Council's move towards a Strategic Commissioning Authority requires reviewing of the Council's governance arrangements, including the risk management framework, and which must will~~ evolve as the Authority evolves. This ~~–includesrequires~~ 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 governance and internal control arrangements, 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 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 [and control](#) 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;

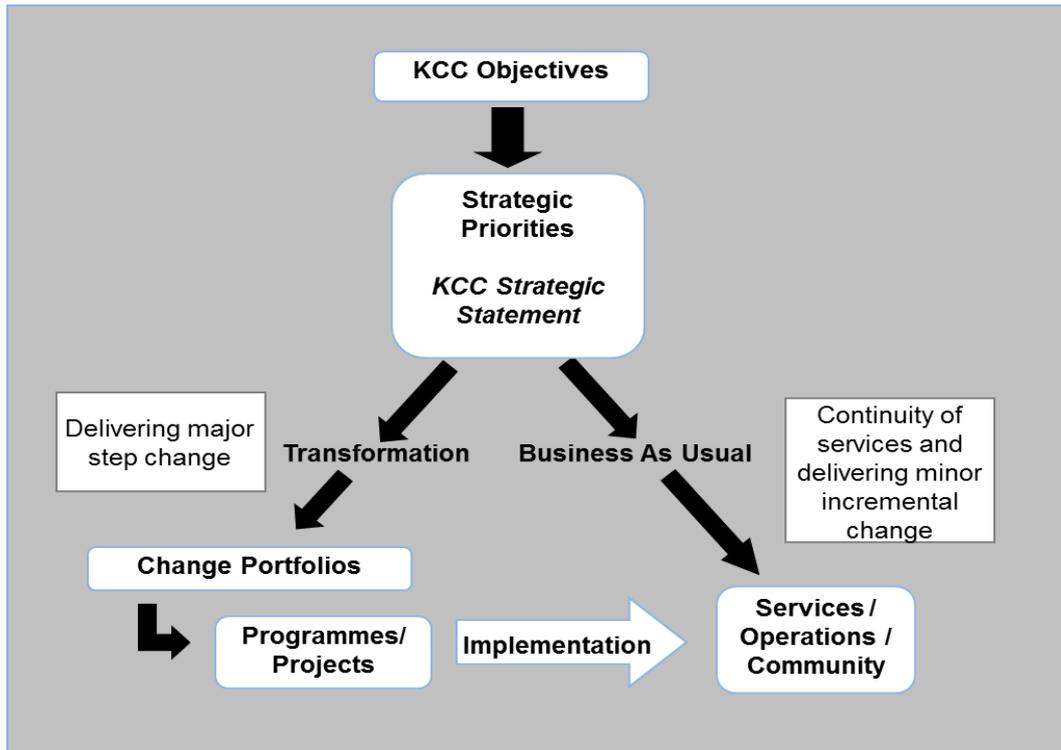
- 'Business as usual' - the day to day management of operations and services to agreed service levels and performance; and
- Transformation – managing the development and implementation of key step-changes that will deliver our objectives and priorities.

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.

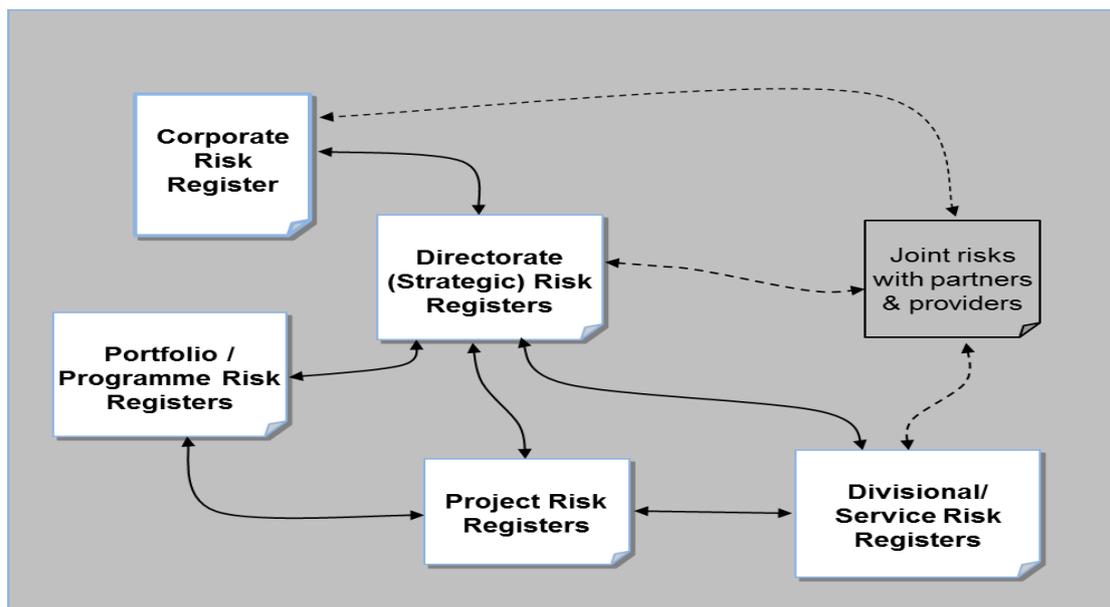
- **Operational / Service / Contract** – where we are exposed to risks that could affect our control and ability to successfully and continually deliver commission services forte our customers.

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

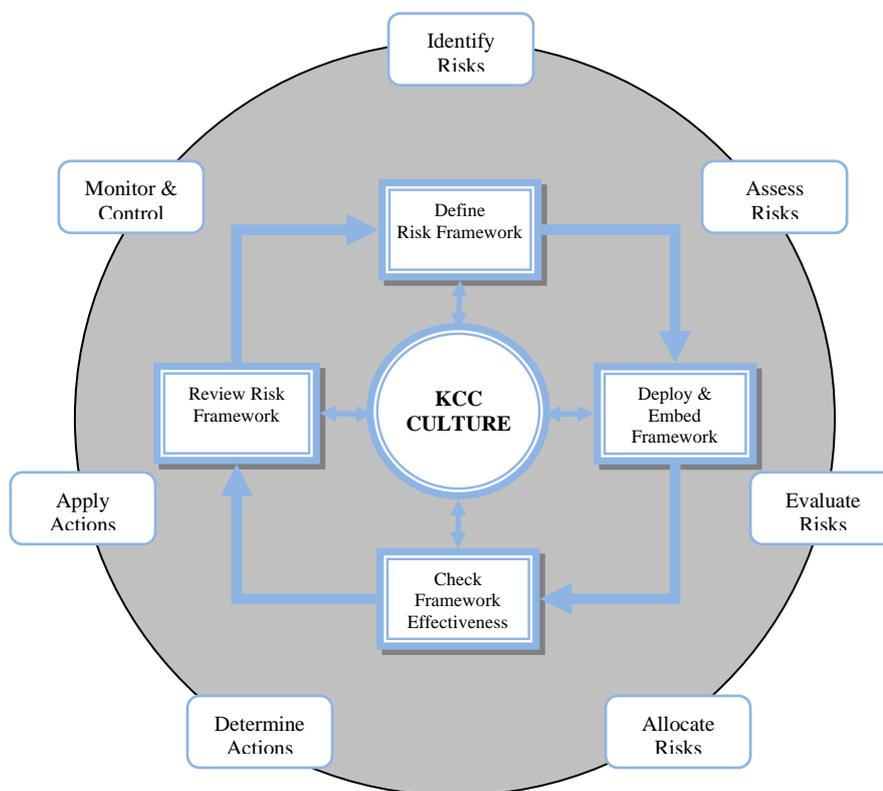
7.1 Responsibility for risk management runs throughout the Council; everyone has a role to play. Staff and managers that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key 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; [CounterAnti-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 [funding restraints](#)~~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](#)

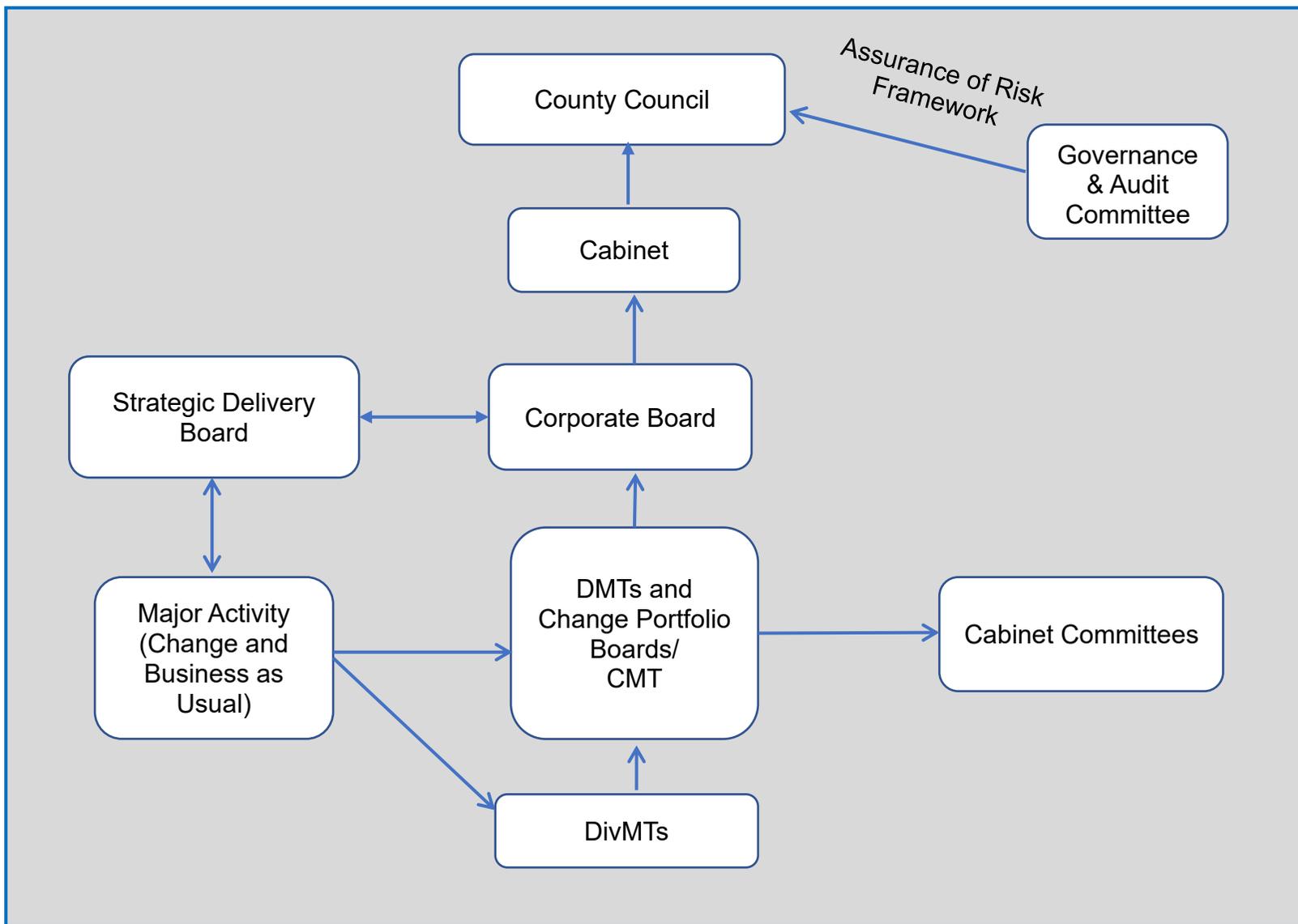
~~Strategy and corporate risks are also to be reported to County Council as part of the Medium Term Financial Plan.~~

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



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 Leader	As portfolio holder for Corporate Risk, 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 (Chief Finance Officer)	Active involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	<p>To ensure the Council manages risks effectively through the Risk Management Policy and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register.</p> <p>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
Service and Infrastructure Commissioning Boards Strategic Delivery Board	<p>Consider significant forthcoming activity and provide advice to decision-makers of risks and how they compare against benefits and cost.</p> <p>Oversees and advises on proposals relating to key council initiatives, considering how well they align with strategic objectives and how benefits compare against cost and risk.</p>
Budget Delivery	Focus on activity that has significant contract management,

Group	budget or delivery risks, providing support and constructive challenge.
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 / Portfolio Management Officers	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 ensure the Council's exposure is at an acceptable level.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
All elected Members and staff members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

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

To: Governance and Audit Committee – 22 January 2020

Subject: **TREASURY MANAGEMENT 6 MONTH REVIEW 2019-20**

Classification: Unrestricted

Summary: To present a review of Treasury Management Activity 2019-20 to date

FOR DECISION

INTRODUCTION

1. This report covers Treasury Management activity for the 6 months to 30 September 2019 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 2019-20 was approved by full Council on 14 February 2019.
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. 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. The Treasury and Investments Manager produces a monthly report for members of the Treasury Management Advisory Group.

EXTERNAL CONTEXT

8. UK Consumer Price Inflation (CPIH) fell to 1.5% year/year in November 2019 from 2.0% in July, below the Bank of England's target. The most recent labour market data for the three months to October 2019 showed the unemployment rate at 3.8% unchanged from the previous quarter while the employment rate was 76.1%, slightly higher than the previous quarter. The 3-month average annual growth rate for pay excluding bonuses dipped to 3.2% while adjusting for inflation real wages were up 1.8%.
9. Quarterly GDP increased by 0.4% in Q3 2019 having contracted by 0.2% in Q2 2019, services and construction provided a positive contribution while agriculture contributed negatively.
10. Politics, both home and abroad, continued to be a big driver of financial markets over the period to end November. The issue of Brexit continued to dominate in the UK. After Boris Johnson became leader of the Conservative party he committed to the UK leaving the EU on 31 October however the date of leaving was then further delayed to 31 January 2020. The global economy is entering a period of slower growth in response to political issues, including the trade policy stance of the US. Some positivity on the trade negotiations between China and the US has however prompted worst case economic scenarios to be pared back.
11. The Bank of England maintained Bank Rate at 0.75% though gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.
12. KCC has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 100 basis points in October 2019. The new margin above gilts is now 180 basis points for certainty rate loans. Early repayment rate margins were unchanged.
13. After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

LOCAL CONTEXT

14. 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.

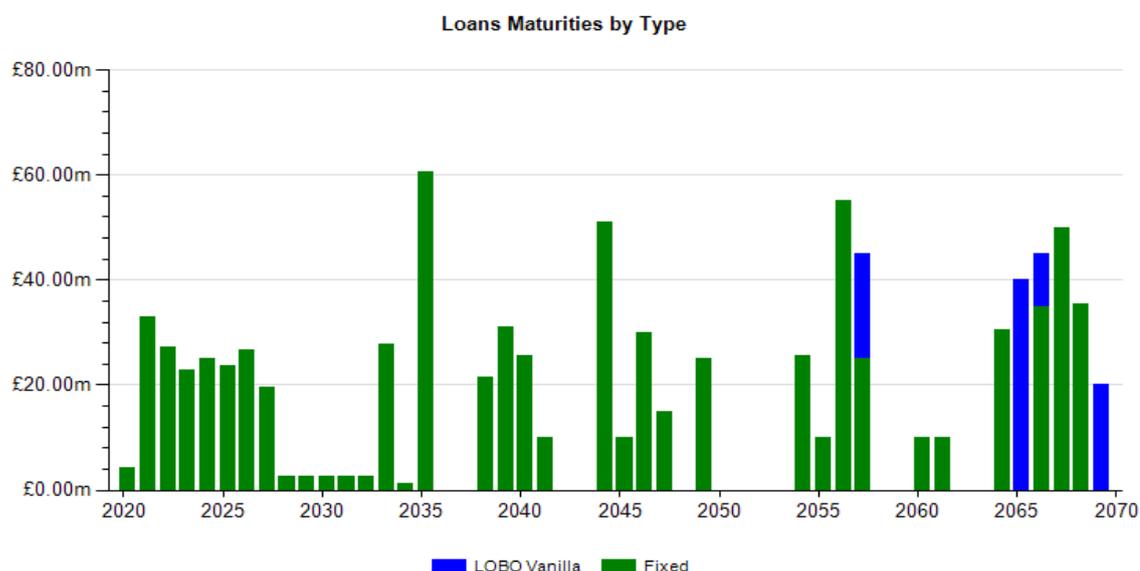
BORROWING ACTIVITY

15. At 30 November 2019 the Council had total debt outstanding of £888m, a reduction of £18.66m from the balance as at 31 March 2019. Outstanding loans at 30 November are summarised in the table below.

	31/03/2019 Balance £m	2019-20 Movement £m	30/11/2019		
			Balance £m	Average Rate %	Value waived Average Life (yrs)
Public Works Loan Board	490.94	-15.33	475.61	4.96%	16.67
Banks (LOBO)	90.00	0.00	90.00	4.15%	44.38
Banks (Fixed Term)	325.26	-3.33	321.93	4.08%	35.61
Total borrowing	906.20	-18.66	887.54	4.56%	26.35

Borrowing Position

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



17. The following table shows the maturity profile of KCC's debt in 5 year tranches.

Loan Principal Maturity Period	Total Loan Principal Maturing	Balance of Loan Principal Outstanding
Opening Balance 30/11/2019		£887,541,233
Maturity 0 - 5 years	£113,502,341	£774,038,892
Maturity 5 - 10 years	£77,060,833	£696,978,059

Maturity 10 - 15 years	£38,700,173	£658,277,886
Maturity 15 - 20 years	£114,668,374	£543,609,512
Maturity 20 - 25 years	£87,009,512	£456,600,000
Maturity 25 - 30 years	£79,800,000	£376,800,000
Maturity 30 - 35 years	£35,700,000	£341,100,000
Maturity 35 - 40 years	£100,000,000	£241,100,000
Maturity 40 - 45 years	£50,600,000	£190,500,000
Maturity 45 - 50 years	£190,500,000	£0
Total	£887,541,233	

18. 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.
19. In keeping with these objectives no new borrowing was undertaken and £15m of existing loans were allowed to mature without replacement.
20. 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.
21. 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.

INVESTMENT ACTIVITY

22. 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 £383m and £538m due to timing differences. The investment position is shown below.

	31/03/2019	2019-20	30/11/2019		
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	£m	£m	£m	%	
Bank Call Accounts	2.0	-2.0	0		
Money Market Funds	92.9	-49.4	43.5	0.71	AA-
Local Authorities	65.0	10.0	75.0	0.89	AA-

Treasury Bills	52.4	-52.4	0		AA
Covered Bonds	90.4	-2.4	88.0	1.12	AAA
Icelandic Recoveries o/s	0.4	-	0.4		
Equity	2.1	-	2.1		
Internally managed cash	305.2	-96.2	209.0	0.95	AA
Strategic Pooled Funds	150.0	19.1	179.9	4.98	
Total	455.2	-66.3	388.9	2.83	

Investment Position

23. 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.
24. 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 2019-20.
25. A detailed schedule of KCC's investments as at 30 November 2019 is attached in Appendix 1. This schedule is circulated to members of the Treasury Management Advisory Group with the monthly TM report.

Benchmarking at 30 September 2019

26. The Council's treasury advisor, Arlingclose, monitors the risk and return of some 130 local authority investment portfolios. The metrics over the 6 months to 30 September 2019 extracted from their quarterly investment benchmarking, per the table below, show that we have marginally reduced the risk within the Kent internally managed funds while maintaining the return and that this risk is lower than that of other local authorities.

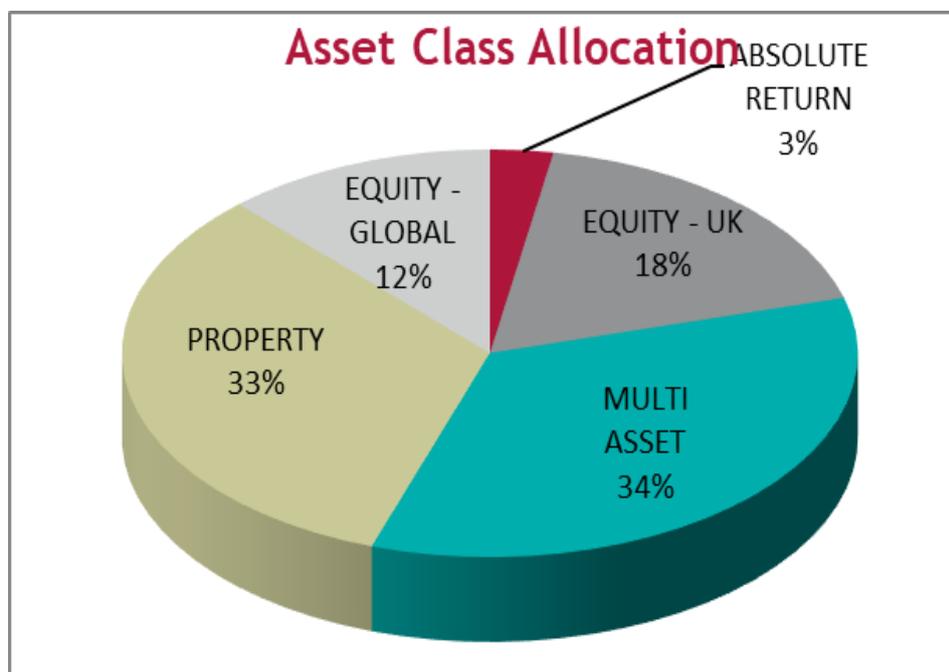
Internally managed investments	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
Kent - 31.03.2019	3.02	AA	31%	381	0.92
Kent - 30.09.2019	2.81	AA	22%	375	0.90
Similar LAs	3.97	AA-	54%	751	0.97
All LAs	4.28	AA-	62%	28	0.83

27. The following table shows that overall KCC's investments are achieving a strong return compared with that of other local authorities.

Strategic Funds at 30.09.2019	Rate of Return %	
	Income only	Total
Kent	4.53	4.23
Similar LAs	3.92	3.50
All LAs	3.68	3.32
Total Investments at 30.09.2019	Income Only	Total return
Kent	2.19	2.09
Similar LAs	1.44	1.30
All LAs	1.34	1.22

Strategic Pooled Funds

28. The strategic investment funds have no defined maturity date, rather they are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Investment in these funds has been increased in 2019-20 in light of their performance and the Council's latest cash flow forecasts.
29. A breakdown of the pooled funds by asset class is as follows:



READINESS FOR BREXIT

30. The scheduled date for the UK to leave the EU is now 31 January 2020 and as this date approaches KCC will ensure there are enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity and that its account with the Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

ACTUAL AND FORECAST OUTTURN

31. Over the 8 months to end November the Council's investments generated an average total return of 2.83%, comprising a 2.55% income return which is used to support services in year, and 0.28% of capital gains.
32. It is anticipated that there will be an underspend against the net debt costs budget for the year of £2.4m as a result of higher dividends and interest receipts. Average cash balances during the year are forecast to be £426m earning an average income return of 2.4%.
33. The forecast average rate of debt interest payable in 2019-20 is 4.58%, based on an average debt portfolio of £875.2m.

COMPLIANCE

34. The Corporate Director of Finance reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

Treasury Management Indicators

35. The Council measures and manages its exposures to treasury management risks using the following indicators.
36. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Actual 30/09/2019	Target
Portfolio average credit rating	AA	AA

37. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Actual 30/09/2019	Target
Total cash available within 3 months	£140m	£110m

38. **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Actual 30/09/2019	Upper Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	-£200k	£10m
One-year revenue impact of a 1% <u>fall</u> in interest rates	-£900k	-£10m

39. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

	Actual 30/09/2019	Upper limit	Lower limit
Under 12 months	0.49%	100%	0%
12 months and within 5 years	12.31%	50%	0%
5 years and within 10 years	8.68%	50%	0%
10 years and within 20 years	17.28%	50%	0%
20 years and within 40 years	34.08%	50%	0%
40 years and longer	27.16%	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

40. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	Actual	Limit		
	30/09/2019	2019/20	2020/21	2021/22
Principal invested beyond year end	£256m	£300m	£300m	£300m

RECOMMENDATION

41. 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 2019

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	Kingston Upon Hull City Council	5,000,000	0.85%	20/12/19
Fixed Deposit	Warrington Borough Council	5,000,000	0.82%	18/12/19
Fixed Deposit	Highland Council	5,000,000	1.05%	06/01/20
Fixed Deposit	Aberdeenshire Council	10,000,000	0.88%	29/10/19
Fixed Deposit	Royal Borough of Windsor and Maidenhead	5,000,000	0.95%	30/04/19
Fixed Deposit	Royal Borough of Windsor and Maidenhead	10,000,000	0.95%	07/05/20
Fixed Deposit	Kingston Upon Hull City Council	5,000,000	0.85%	20/01/20
Fixed Deposit	Thurrock Borough Council	10,000,000	1.07%	29/05/20
Fixed Deposit	Thurrock Borough Council	10,000,000	0.81%	30/04/20
Fixed Deposit	Blackburn with Darwen Borough Council	5,000,000	0.87%	27/02/20
Fixed Deposit	Conwy County Borough Council	5,000,000	0.75%	31/03/20
Total Local Authority Deposits		75,000,000		
Money Market Fund	Aberdeen Sterling Liquidity Fund	12,601,055	0.73%	n/a
Money Market Fund	Deutsche Managed Sterling Fund	10,622,467	0.71%	n/a
Money Market Fund	Federated (PR) Short-term GBP Prime Fund	16,706,362	0.73%	n/a
Money Market Fund	HSBC Global Liquidity Fund	552	0.66%	n/a
Money Market Fund	Insight Liquidity Funds PLC	13,615	0.67%	n/a
Money Market Fund	LGIM Sterling Liquidity Fund	3,493,128	0.70%	n/a
Money Market Fund	SSgA GBP Liquidity Fund	8,915	0.66%	n/a
Total Money Market Funds		43,456,095		
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
Floating Rate Covered Bond	Australia and New Zealand	3,000,000	1.39%	24/01/22

	Banking group			
Floating Rate Covered Bond	Bank of Montreal	5,004,690	1.04%	17/04/23
Fixed Rate Covered Bond	Bank of Nova Scotia	4,993,773	0.88%	14/09/21
Fixed Rate Covered Bond	Bank of Scotland	4,703,496	1.71%	20/12/24
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce	5,027,505	0.95%	10/01/22
Floating Rate Covered Bond	Coventry Building Society	3,001,035	1.01%	17/03/20
Fixed Rate Covered Bond	Leeds Building Society	4,205,814	1.29%	17/04/23
Floating Rate Covered Bond	Lloyds	4,500,000	1.31%	14/01/22
Floating Rate Covered Bond	Lloyds	2,503,420	0.97%	27/03/23
Floating Rate Covered Bond	Lloyds	2,502,563	0.98%	27/03/23
Floating Rate Covered Bond	Lloyds	5,006,040	0.98%	27/03/23
Fixed Rate Covered Bond	National Australia Bank	4,978,564	1.35%	10/11/21
Fixed Rate Covered Bond	National Australia Bank	3,001,266	1.10%	10/11/21
Floating Rate Covered Bond	Nationwide Building Society	4,504,217	1.02%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society	5,586,421	1.00%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society	3,998,847	1.42%	10/01/24
Floating Rate Covered Bond	Santander UK	5,003,488	0.93%	05/05/20
Floating Rate Covered Bond	Santander UK	3,751,521	0.98%	13/04/21
Fixed Rate Covered Bond	Santander UK	3,265,748	0.65%	14/04/21
Floating Rate Covered Bond	Santander UK	5,002,600	1.00%	16/11/22
Floating Rate Covered Bond	Santander UK	2,002,868	1.40%	12/02/24
Floating Rate Covered Bond	TSB	2,503,572	1.54%	15/02/24
Total Bonds		88,047,449		

Total Internally managed investments	209,006,190
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2. Externally Managed Investments

Investment Fund	Book Cost £	Market Value at 30 November 2019 £	12 months return to 30 November 2019	
			Income	Total
CCLA - Diversified Income Fund	5,000,000	5,231,571	3.33%	8.39%

CCLA – LAMIT Property Fund	60,000,000	59,094,964	3.56%	0.54%
Fidelity Global Multi Asset Income Fund (purchased 20 March 2019)	25,038,637	25,990,006	3.36%	7.16%
Fidelity Multi Asset Income Fund (sold 20 March 2019)		0	1.12%	2.92%
Investec Diversified Income	10,000,000	9,999,852	0.30%	0.30%
Kames Diversified Monthly Income Fund	20,000,000	20,982,227	2.51%	7.42%
M&G Global Dividend Fund	10,000,000	11,156,139	3.23%	8.65%
Pyrford Global Total Return Sterling Fund	5,000,000	4,974,449	2.29%	3.68%
Schroder Income Maximiser Fund	25,000,000	22,173,683	7.57%	1.49%
Threadneedle Global Equity Income Fund	10,000,000	10,352,353	3.46%	9.28%
Threadneedle UK Equity Income Fund	10,000,000	9,951,822	4.23%	10.10%
Total External Investments	180,038,637	179,907,065	4.39%	4.98%

3. Total Investments

Total Investments	£388,913,256
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By: Jonathan Idle – Head of Internal Audit and Counter Fraud
To: Governance and Audit Committee – 22nd January 2020
Subject: **INTERNAL AUDIT PROGRESS REPORT**
Classification: Unrestricted

Summary:

This Progress Report details:

- The status of delivery against the Internal Audit Plan 2019/20;
- Summaries of completed audit reviews;
- An update on the resources position of the service;
- Issue Implementation status.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period 1st April to 10th January 2020.

FOR ASSURANCE

1. Introduction

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.
- 1.2 This Progress Report provides the Governance and Audit Committee with an accumulative summary view of the work undertaken by Internal Audit in the period of 1st April to 10th January 2020, together with the resulting conclusions, where appropriate.
- 1.3 This is the second Progress Report to the Committee of Internal Audit activity for 2019/20. Progress reports are designed to provide the Committee with a summary of the work completed by the service throughout the year.

2. Recommendation

2.1 Members are requested to:

The Governance and Audit Committee note the Internal Audit Progress Report for the period 1st April to 10th January 2020, including the proposed revisions to the Internal Audit Plan.

3. Background Documents

Internal Audit Progress Report.

Jonathan Idle, Head of Internal Audit

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T: 03000 417840

January 2020



IACF

Improving Outcomes
Creating Value

**INTERNAL AUDIT PROGRESS REPORT
GOVERNANCE AND AUDIT COMMITTEE**

22nd January 2020

1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Governance and Audit Committee and Management with the status of the work carried out by the Internal Audit team for the period up to 10th January 2020.
- 1.4 Additionally, the report provides a revision of the Internal Audit Plan for 2019-20, as well as updates in the following areas:
 - Summaries of completed audit reviews;
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS);
 - Grant certification; and
 - Issue Implementation status.
- 1.5 The full detail of the Internal Audit work completed or in progress in the period 1st April 2019 to 10th January 2020, is provided at Appendix A.

2. Key Messages

- Planned work remains below target at the end of quarter 3, however delivery pace has increased, and a substantial amount of work is in progress;
- 39 grants/ certifications with a total value in excess of £47m have been certified to date;
- The analysis of issue implementation has been updated, highlighting a broadly similar position to 2018-19 for the majority of implementation indicators. There is, however, a slight downward trend in implementation in 2019-20.
- A summary of matters arising for 15 of the completed audit assignments has been provided at Appendix C.

3. Updates

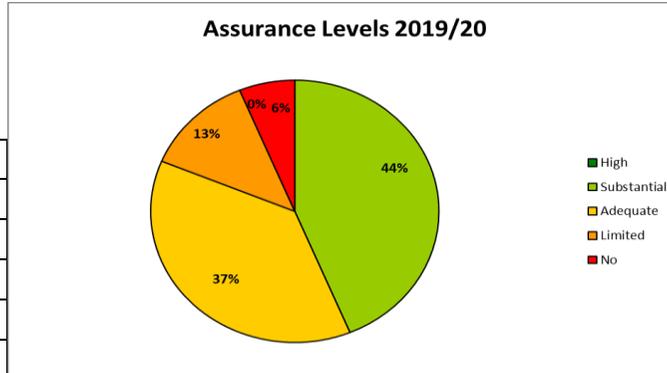
3.1 Internal Audit Plan Status:

Since the previous Committee, delivery has accelerated with a further 15 planned reviews completed to either draft or final reporting stage. A further 32 reviews are either in progress or at planning stage with 10 audits to commence. Although a substantial proportion of the Audit Plan remains to be completed, all reviews have allocated resource and the required coverage for the Annual Head of Internal Audit reporting are planned to be delivered.

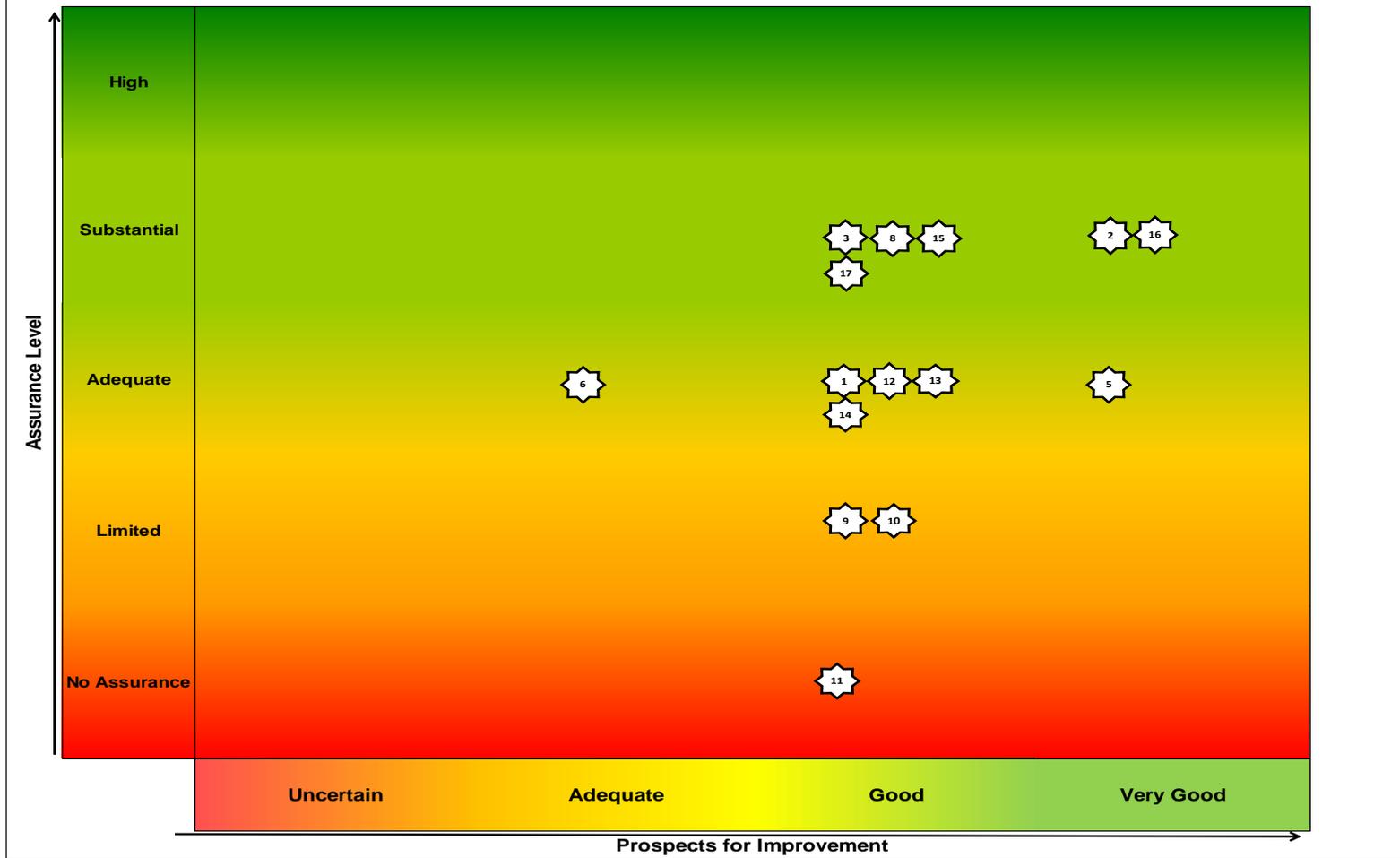
Full details of the status of planned work, for the period of 1st April to 10th January 2020, are provided at Appendix A of this report. A summary of the completed reports is shown in Table 1 below:

Table 1: Summary of Assurance Levels to Date

Assurance Level	No	%
High	0	0%
Substantial	7	44%
Adequate	6	38%
Limited	2	13%
No	1	6%



2019/20 Audit Assurance Levels and Prospects for Improvement of Audits



Audit Opinion October G&A Committee

Audit Opinion January G&A Committee

No	Audit	Assurance	Prospects for Improvement	No	Audit	Assurance	Prospects for Improvement
1	Debt Recovery	Adequate	Good	6	Foster Care	Adequate	Adequate
2	Social Care Recruitment Incentives (18/19)	Substantial	Very Good	7	Carbon Reduction Commitment	Compliant	N/A
3	Home to School Transport (18/19)	Substantial	Good	8	Family Placement Payments	Substantial	Good
4	KRT EU Exit Lessons Learnt Exercise	Substantial	N/A	9	Superannuation Fund	Limited	Good
5	HTW Health & Safety	Adequate	Very Good	10	Respite Overpayments	Limited	Good
				11	Imprest Accounts	No	Good
				12	Data Protection Deep Dive	Adequate	Good
				13	Members Grants	Adequate	Good
				14	ICT - Members ICT	Adequate	Good
				15	ICT - Software Licencing	Substantial	Good
				16	Customer Feedback	Substantial	Very Good
				17	Troubled Families	Substantial	Good

3.2 Grant Certification Work:

To date, the team has audited and certified 39 grant claims/ spot checks and work is currently in progress on 12 further certifications. Collectively the value of the related grants is in excess of £47m. Details of all certifications can be seen at Appendix A. Internal Audit work on grant certification provides an essential service for the Council and although not audit opinion work, it is highlighted that this reflects an increasing commitment of Internal Audit resources.

3.3 Internal Audit Resources:

In accordance with the Public Sector Internal Audit Standards, members of the Committee need to be apprised of relevant matters relating to the resourcing of the Internal Audit function.

As stated at the previous Committee, the positive expansion in recent years of the provision of Internal Audit and Counter Fraud services to in excess of 20 external clients and bodies has not been accompanied by corresponding resources to deliver the very wide range of assurance and governance matters it engages in and to the expectations of its stakeholders and clients on a continual basis.

Short-term resource shortfalls, related to vacancies, are currently being addressed by a combination of additional capacity from a contracted provider, fixed-term, agency and placement recruitments.

The medium-term solution will commence with a review, in 2020-21, to assess options to address the resource and skills requirements of the section with the objective of ensuring the maintenance of the delivery of quality services for the Council and its external clients.

3.4 Revision of Audit Plan:

The Internal Audit Plan must be flexible to ensure that it remains relevant to risks facing the Council throughout the year. The Plan was reviewed in detail at the previous Committee with revisions to it agreed.

Table 2 provides details of further proposed Plan amendments, with reasons for amendments, which reflect changing circumstances. As part of the ongoing review of Internal Audit coverage, assurance is provided that, despite planned revisions, the overall coverage as previously agreed and amended will still ensure that an annual opinion can be formed at the end of the year.

Table 2: Proposed Audit Plan Changes

Ref	Assignment	Addition	Deletion	Amendment	Reason
CAO9	Strategic Commissioning			√	Management request for audit to be carried forward to 20-21 as previous audit issued in June 2019.
RB11	Finance External Funding – LOCASE 2 Grant			√	The Grant Scheme itself has been delayed until 20-21 and. Therefore. audit to be carried forward to 20-21.
ICT01	Access Controls to Personal Data		√		Original intention of the audit was to assure evidence for the DSP (Data, Security and Protection) Toolkit, however this assurance has been separately provided.

3.5 Issue Implementation

3.5.1 Details of the current position on the implementation of actions from Internal Audit reports is set out at Appendix B. This details the implementation status of 71 actions categorised by the assurance level assigned to the original report.

3.5.2 The status of implementation of implementation in Appendix B is summarised in Table 3:

Table 3: Summary of Action Implementation

	Total Number due for implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	14	57	7	30	6	21	1	1	0	5
Total %	-	-	10%	42%	9%	30%	1%	1%	0%	7%

3.5.3 Table 3, therefore, highlights the following key points:

- 90% of high and medium ranked actions have either been implemented or are in progress;
- 93% of high ranked actions have either been implemented or are in progress;
- 89% of medium ranked actions have either been implemented or are in progress;
- 50% of high ranked actions had been implemented;
- 53% of medium ranked actions had been implemented;
- 52% of both high and medium ranked actions had been implemented;
- 43% of high ranked actions were in progress and not fully implemented;
- 37% of medium ranked actions were in progress and not fully implemented; and
- 38% of both high and medium ranked actions were in progress and not fully implemented.

3.5.4 This level of implementation is compared to 2017-18 and 2018-19 in Table 4:

Table 4: Summary of Implementation of Actions 2017-18 to 2018-19:

Indicator	19-20 to date	18-19	17-18
High and Medium Ranked Recommendations Implemented or In Progress	90%	93%	96%
High Ranked Recommendations Implemented or In Progress	93%	100%	91%
Medium Ranked Recommendations Implemented or In Progress	89%	91%	98%
High Ranked Actions Implemented	50%	56%	23%
Medium Ranked Actions Implemented	53%	55%	53%
High and Medium Ranked Actions Implemented	52%	55%	46%
High Ranked Actions in Progress and not Fully Implemented	43%	44%	68%
Medium Ranked Actions in Progress and not Fully Implemented	37%	36%	45%
High and Medium Ranked Actions in Progress and not Fully Implemented	38%	38%	50%

- 3.5.5 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, therefore highlights a broadly similar position to 2018-19 for the majority of implementation indicators. There is, however, a slight downward trend in 2019-20.
- 3.5.6 It is important that the momentum on improvement, which occurred between 2017-18 to 2018-19 is maintained, as stated in the 2018-19 Annual Internal Audit Report, however, and the overall full implementation rate of 52% leaves room for significant improvement.
- 3.5.7 Internal Audit maintain analysis of outstanding recommendations to all Corporate Directorates and Directorate Management Teams and this is utilised in the monitoring and promotion of action implementation.

4. Under the Spotlight!



With each activity report, Internal Audit turns the spotlight on the audit reviews, providing the Governance and Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix D, for the Committee's information and discussion.

A Cross Directorate

1. Respite Overpayment (CYPE/ST)
2. Imprest Accounts and Cash Balances (All Directorates and in Exempt Session)
3. Family Placement Payments (CYPE/ST)
4. Data Protection Deep Dive (CYPE/ST)
5. Information Governance Assurance Map

B Strategic and Corporate Services:

1. Pension Fund Investment Governance – Lessons Learnt Review
2. Customer Feedback
3. Members ICT
4. Software Licensing
5. Combined Members Grant Scheme

C Children, Young People and Education:

1. In House Foster Care
2. Troubled Families

D Growth, Environment and Transport:

1. Carbon Reduction Commitment Energy Efficiency Scheme

E Adult Social Care and Health:

1. Home Care
2. Mosaic System

Appendix A – Internal Audit Plan 2019-20 – Status and Assurance Summary

A. Priority 1 Audits:

Ref	Audit	Status as at 14.01.20	Assurance
CA01	Annual Governance Statement 2018-19	Final Report	Adequate (18-19) -GAC July 19
CA02	Corporate Governance	To Commence	
CA04	Risk Management	In Progress	
CA05	Information Governance – DPS Toolkit	Planning	
CA06	Data Protection – Deep Dive	Final Report	Adequate – GAC Jan 20
CA07	Data Protection and GDPR – Advisory	In Progress / Ongoing	
CA09	Strategic Commissioning	Proposed c/fwd to 20/21	
CA10	(Improving Outcomes and) Achievement of Savings	Planning	
CA11	LATCos- Client-Side Contract management, governance and impact of HoldCo	To Commence	
CA12	HoldCo	In Progress	
CS01	Social Care Client Billing	Planning	
CS02	Debt Recovery and Write-Off	Final Report	Adequate – GAC Oct 19
CS03	Family Placement Payments	Final Report	Substantial – GAC Jan 20
CS04	Imprest Accounts	Final Report	No Assurance – GAC Jan 20
CS05	Schools Financial Services	To Commence	
CS06	Payroll Processing -LATCO Reliance CBS – LATCO Reliance – CBS – (was Level 2)	Planning	
RB01/2	Leadership and Management Strategy/ Kent Manager	To Commence	
RB03	Customer Feedback	Final Report	Substantial – GAC Jan 20
RB04	Agyllis Contract Management	Planning	
RB05/6	Strategic Commissioning – I-Procurement / Indirect Procurement	To Commence	
RB08	Public Health – Sexual Health Spend	Planning	
RB09	Infrastructure – Statutory Compliance Follow Up	Planning	
RB10	Infrastructure – Property Consultants	Planning	
RB11	Finance External Funding – LOCASE 2 Grant	Proposed c/fwd to 20/21	
RB13	Public Health – Clinical Professional Development (was Level 2)	Planning	
RB21	Complaints Process and Outcomes (Adult Social Care)	Draft Report	
RB22	Home Care – Post New Contract	To Commence	
RB23	Mosaic & Finestra -P.I.R.	Part Complete	N/A – Advisory – GAC Jan 20
RB25	DoLs – Progress with Addressing Backlog	To Commence	
RB26	Quality of Adult Social Care (was Level 2)	In Progress	
RB28	Voluntary Sector Contracts (was Level 2)	Planning	
RB31	SEND Follow Up	In Progress	

RB32	Change for Kent Children	To Commence	
RB33	Youth Justice	Planning	
RB34	Foster Care	Final Report	Adequate – GAC Jan 20
RB35	Care Leavers	In Progress	
RB36	Safeguarding Children (Assurance Mapping)	In Progress	
RB37	School Themed Review	In Progress	
RB39	Troubled Families (was Level 2)	Final Report	Substantial – GAC Jan 20
RB40	Business Continuity Planning - Incident Management	To Commence	
RB41	Carbon Reduction Commitment Annual return for KCC	Final Report	Compliant- GAC Jan 20
RB43	Health and Safety Deep Dive	Final Report	Adequate – GAC Oct 19
RB44	Highways Term Services Commissioning Programme	In Progress	
RB45	Non-Domestic Waste Charging	In Progress	
RB46	Developer Contributions (CIL) Follow Up	Planning	
RB47	Kent Resilience Team – EU Exit Lessons Learnt Exercise	Final Memorandum	Substantial – GAC Oct 19
RB48	Companies in which KCC has a Substantial Interest /investment	Planning	
RB56	Economic Development – Grant Schemes (was Level 2)	Planning	
ICT01	Access Controls to Personal Data	Proposed Deletion	
ICT02	Wireless Network Security and Capacity	In Progress	
ICT03	Software Licensing	Final Report	Substantial – GAC Jan 20
ICT04	ICT Change – Business Realisation	To Commence	
ICT05	Members ICT	Final Report	Adequate - GAC Jan 20
CF01	Fraud Awareness /Detection and Prevention	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20
CF02	National Fraud Initiative	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20
CF03	Kent Intelligence Network (KIN)	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20
CF04	Independent Review of Fraud Service	Completed	Update to be provided at GAC April 20
CF05	Proactive Fraud Exercise	In Progress	Separate Agenda Item - GAC Oct 19 / Jan 20
CF06	Investigations	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20

Additional Reviews:			
	Pension Fund Investment Governance - Lessons Learnt Review	Final Report	Limited – GAC Jan 20
	Review of Respite Overpayment	Final Report	Limited – GAC Jan 20
	Assurance Mapping – IT	In Progress	
	Assurance Mapping - ASCH	In Progress	
	Assurance Mapping – Information Governance	Final Report	N/A – GAC Jan 20
	ASCH Transformation	In Progress	
	Contract / Commissioning Standards (previously Contract Management Group)	In Progress	
	Property Board (merged with original RB19)	Planning	
	Adult Social Care and Health – Winter Pressures Spending - Follow Up	In Progress	
	Establishment Audits	In Progress	

B. Work Carried Forward From 2018-19:

Ref	Audit	Status as at 14.01.20	Assurance
1	Home Care	Advisory Memorandum	N/A – Advisory- GAC Jan 20
2	Social Care Recruitment and retention Initiatives Follow Up	Final Report	Substantial – GAC Oct 19
3	Home to School Transport	Final Report	Substantial – GAC Oct 19
4	Combined Members Grant Scheme	Final Report	Adequate – GAC Jan 20

C. Grant Certifications:

No.	Grant	Status as at 14.01.20
1	DWELL - Empowerment programme enabling patients with type 2 diabetes to access tailored support giving them mechanisms to control their condition and improve their wellbeing.	1 Claim Completed 1 Claim in Progress 1 On the Spot Check Completed
2	Step by Step - Seeking to increase the impact of the internationally evidenced men's sheds programme in particular employment & health outcomes.	1 Claim Completed 1 Claim in Progress
3	TICC - Implementing an integrated community team at a pilot site to work with the principles of Buurtzorg (A Dutch home-care model known for innovative use of independent nursing teams in delivering relatively low-cost care).	1 Claim Completed 1 Claim in Progress
4	PACE - Providing help to unemployed parents into work by improving access to childcare relatively low-cost care.	1 Claim Completed 1 Claim in Progress 1 On the Spot Check Completed
5	EU Interreg BEGIN - An approach to climate resilience for cities that mimics nature's potential to deal with flooding.	2 Claims Completed
6	EU Interreg FRAMES - Assess the impact of and build resilience to flooding and climate change across the health and social care sector in Kent.	2 Claims Completed 1 On the Spot Check Completed
7	EU Interreg Inn2Power - Supporting Kent based companies in the offshore wind sector with internationalisation & market entry	2 Claims Completed

	in mainland Europe.	1 On the Spot Completed
8	EU Interreg ICAReS - Developing a cross border innovation cluster to create the necessary conditions for innovation in the field of remote sensing & advanced data communication & processing	2 Claims Completed 1 On the Spot Check in Progress
9	EU Interreg Green Pilgrimage - Protecting natural & cultural heritage whilst developing jobs & growth along pilgrim routes by developing low impact tourism, digitalisation, pilgrim accommodation & strengthening local traditions.	1 Claim Completed
10	EU Interreg ISE -Protecting natural & cultural heritage whilst developing jobs & growth along pilgrim routes by developing low impact tourism, digitalisation, pilgrim accommodation & strengthening local traditions.	2 Claims Completed
11	EU Interreg PASSAGE - Examining how KCC can make the transition to a low carbon society and low-carbon economy.	1 Claim Completed 1 On the Spot Check Completed
12	EU Interreg PROWATER - Contributing to climate adaptation by restoring the water storage of the landscape via ecosystem-based adaptation measures.	2 Claims Completed
13	EU Interreg SCAPE - Developing landscape-led design solutions for water management that make coastal landscapes better adapted and more resilient to climate change.	1 Claim Completed 1 Claim in Progress 1 On the Spot Check Completed
14	EU Interreg SIE - Evaluating and improving business support services for SMEs specifically related to exporting and internationalisation	1 Claim Completed
15	EU Interreg Triple A - Supporting homeowners to adopt different low-carbon technologies in their homes.	1 Claim Completed 1 Claim in Progress
16	EU Interreg Triple C - Implementing a set of cost-effective actions to reduce flooding and erosion.	1 Claim Completed 1 Claim in Progress 1 On the Spot Check Completed
17	EU Interreg Boost4Health – The Life Sciences Hub for NW Europe	1 Claim Completed
18	EU Interreg Connected Communities – Connected Communities	1 Claim Completed
19	EU Interreg Cool Towns - Spatial Adaptation for Heat Resilience in Small and Medium Sized Cities in the 2 Seas Region	1 Claim Completed
20	EU Interreg H2O - H2O:Source2Seas	1 Claim Completed
21	EU Interreg PATH2 – Perinatal Mental Health	1 Claim in Progress
22	EU Interreg SHIFT - Sexual Health in the Over Forty-Fives	1 Claim in Progress
23	EU Interreg STAR2C s – Short Term Adaption for Long Term Resilience to Climate Change	1 Claim in Progress
24	Department for Transport - Capital Funding Grants – Integrated Transport Block	Completed
25	Department for Transport - Capital Funding Grants – Highways Maintenance Block Needs Element	Completed
26	Department for Transport - Capital Funding Grants - Highways Maintenance Block Incentive Element	Completed
27	Department for Transport - Capital Funding Grants – Pothole Action	Completed
28	Department for Transport - Local Authority Bus Subsidy Ring-Fenced Revenue grant	Completed
29	Innovation and Networks Executive Agency - Connecting Europe Facility - Transport Sector. InterCor grant.	Completed
30	Walmer Bus Service Operating Grant	Completed
31	Department for Transport - Capital Funding Grants – Budget 2018 Additional Highway Maintenance	Completed

Appendix B – Implementation of Agreed Actions



Limited Assurance Reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
		High	Medium	High	Medium	High	Medium	
PCI DSS	19/06/15	1		1*				
Highways Safety/ Crash Remedial Measures	05/12/16	1		1				
Total Limited Audits		2	0	1 1*	0 0	0	0	0



Adequate Assurance Reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
		High	Medium	High	Medium	High	Medium	
Programme Management & Corporate Assurance	07/01/16		1					1

Functions								
Carers Assessments	24/01/17	1		1				
National Driver Offender Retraining Scheme – Phase 2	04/04/17	2		2*				
Members Induction and Training	09/10/17		1		1*			
Young Careers – Contract Management	16/02/18		1		1			
Protection of Property	01/05/18		1		1			
OPPD Day Services Themed Report	14/05/18		1		1*			
Health and Safety	31/05/18	1		1*				

Business Continuity - Adults Social Care and Follow-up	02/07/18		1		1			
Payments Processing	01/11/18		3			3*		
Youth Services - contract Management	06/12/19		3			1 2*		
LD Lifespan Pathway Post Implementation	10/12/18	1	1		1*	1*		
Semi-Independent Accommodation	12/12/18	1			1			
Virtual School Kent	07/01/19	1	7		1	6 1*		
Departmental Governance Review – Adult Social Care and Health	07/01/19		8			2 3*		3
Oracle Application Review	16/01/19	1					1	

IFP and Residential Placements	04/02/19	1	3	1	3			
Recruitment & Pre-Employment Checks	18/02/19	1	5	1	4		1	
Data Protection Act 2018	28/03/19	1	2	1*	1*			
Developer Contributions S106 Planning Obligations	19/08/19	1	4	1	3 1*			
Total Adequate Audits		12	42	6 5*	23 14*	1	1	4



Substantial Assurance Reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
		High	Medium	High	Medium	High	Medium	
Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	06/11/15		1		1*			

Standards and Schools improvement Team	03/01/16		1					1
Children's Centres Themed Review F/up	07/10/16		1		1			
BSC - LATCo Preparations	21/06/18		1		1			
Risk Culture	24/07/18		1		1*			
Troubled Families - Earned Autonomy	28/01/19		1		1			
ICT Cloud Navigation	18/04/19		3		1 2*			
General Ledger	13/05/19		1		1			
Grenfell Action Plan and Management	09/07/19		2		1			

					1*			
Home to School Transport	05/08/19		1		1			
Children, Young People & Education Directorate Governance Review	14/08/19		2		2*			
Total Substantial Audits		0	15	0 0	7 7*	0	0	1

	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
	High	Medium	High	Medium	High	Medium	
Total All Audits	14	57	7 6*	30 21*	1	1	5

Appendix C – Summaries of Completed Audit Reviews

A1 - Respite Overpayment

Audit Opinion	Limited
Prospects for Improvement	Good

Introduction and Reason for Overpayment

The Life Span Pathways System (LPS) is the case management system for disabled people aged 16-25. The system was implemented in 2018. Alongside LPS, an additional install of ContrOCC was completed to handle payments for the Disabled Children’s Service (DCS). The ContrOCC system integrates with LPS to streamline payments to DCS service providers.

At the initial implementation in 2018, of ContrOCC for 16-25 disabled people, payments for respite care were not processed through the system. This led to a backlog of placements. Once placements were put through to ContrOCC for payment, issues with the accuracy of information input to LPS led to an overpayment of £2m being made to a respite provider.

The payment was a result of input error where the end date for a respite service was missed and the service became ongoing. This was compounded by the input being back dated for approximately a year. At the time, there were no exception reports available to the administration team or produced by the Management Information Unit in Children, Young People and Education (CYPE) to support payments through ContrOCC (Adults). This, combined with the lack of any checks of the payment file, prevented the detection of the payment before it was released to the respite provider.

Once notified, amendments were made to LPS. This produced a minus credit note on the payment file on ContrOCC which was uploaded to Oracle. This is how the systems are designed to operate. Operationally, there was no awareness of this and the subsequent effect this would have on future payments.

The repayment of the overpayment was conducted by the Children’s Disability Team (CDT) and received via bank transfer through the cashiers’ team. Crucially, there was no instruction received by Accounts Payable to remove the Credit that had been uploaded to Oracle and no further payments were released.

Additional controls and process changes have been implemented to prevent future overpayments being made due to similarly circumstance. New reports from the system have been developed and live to assist users, and there has also been improved awareness of the end to end processes and review of credit balances by the operational team have been initiated.

There continues to be weaknesses in checks of payment runs, with the input of actual cost information happening separately to management authorisation. Additionally, this initial information suggests exception reports are not being reviewed timely.

Key Strengths

- There are detailed step by step guidance notes that govern the input of service information on the LPS and now to the ContrOCC system. These are available to the relevant staff.
- Roles and responsibilities on LPS and ContrOCC are clear and there are authorisation procedures built into the LPS system.
- Although there will be business as usual overpayments due to the timeliness of information received for input, review of credits on the payment reports did not identify any other significant overpayments due to erroneous input.
- The additional controls and process changes that have been made to LPS/ContrOCC input, are adequate to prevent future overpayments being made due to the same circumstances that led to the overpayment case.
- The Children’s Disability Team in CYPE now receive creditor reports and these are now reviewed, which allows the reclaim of overpayments and increases awareness of credits that sit on CDT providers.

Prospects for Improvement

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

- Controls and processes have been changed in response to the overpayment to the respite provider.
- Roles and responsibilities are clearly defined within processes and workflows in the LPS system.
- Actions are being taken to define responsibilities between Kent County Council and Cantium Business Solutions for prepayment checks.

Areas for Development

- Exception reporting for services has not been available to identify potential incorrect data entry or incorrect payments. There are new reports being released but there is no evidence yet that these being run, and potential errors addressed.
- Although the authorisation step on LPS is automated, the input of actual service cost and the start and end dates happens on ContrOCC after the LPS authorisation and therefore the risk of unauthorised spend remains.
- No further checks have been carried out to ensure no other overpayments have happened.
- Analysis payment reports highlighted 34 payments where variance between payment runs required further consideration. The payments were provided to the operational team, although a response has yet to be received.
- There has been little understanding of the end to end process by each of the process participants. Consequently, this has led to poor communication and the impact of decisions on other parts of the process not being considered.
- There are no accuracy checks made to the payment file before being sent to release payments to suppliers. Cantium Business Solutions have not been commissioned or have access to LPS to conduct such checks.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	2	2	
Medium Risk	1	1	
Low Risk	2	2	

A3 - Family Placement Payments - In-House Foster Care

Audit Opinion	Substantial
Prospects for Improvement	Good

All foster payment testing undertaken during the audit confirmed that payments were correctly calculated and processed accurately and promptly. Exception reports are run weekly before each pay run to prevent avoidable overpayments. Some weaknesses have, however, been identified relating to ContrOCC system access and user access controls. Internal Audit found that the processes to remove access when staff leave or change job roles is not effective and staff within the payments section are able to authorise manual payments that they have entered into the system.

Key Strengths

- There are controls in place to ensure that before staff are granted access to ContrOCC they complete the necessary training course and access authorisation is obtained from their line manager.
- Access to ContrOCC is restricted by username and password in line with the Council's security policy.
- Security breaches are reported appropriately.
- New in-house foster care placements are processed promptly in Liberi, resulting in timely payments to carers.
- The foster payment rates in ContrOCC have been accurately input and match those agreed through the Council's formal decision-making process for 2019/20.
- All payments tested were accurate and based on the agreed rates.
- Exception and payment reports are run, checked and corrective action taken before each weekly pay run is processed.
- Overpayments are identified promptly.
- There is a clear, documented process for recovery of overpayments to foster carers. Instalment plans are no longer offered for repayment of an overpayment, instead the debt is recovered in full from future payments or through raising an invoice.

- Overpayments have been significantly reduced following the introduction of ContrOCC. The automated collection of overpayments from on-going payments also reduces the administration burden of this process.
- Potential irregularities such as a suspected fraud are reported to the counter fraud team.
- Payments made through ContrOCC are reconciled to Oracle at least annually with any errors identified being investigated and rectified.

Areas for Development

- When staff leave or change job roles, their access to ContrOCC is not promptly removed/ changed.
- Staff who have system access rights to enter manual payments through Liberi (which then feed through to ContrOCC) can also authorise their own payments.
- There are no procedure manuals or guides covering the processes for setting up staff on the ContrOCC system.
- Additionally, it was noted that a post implementation review of ContrOCC has not been undertaken. The system is regularly developed and updated, but whilst a user group has been in place there hasn't been a formal ContrOCC Ops Group. This has now been established and met for the first time on 4th November 2019, chaired by Finance.

Prospects for Improvement

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

- Management are sufficiently engaged and willing to address the areas for development.
- The introduction of a ContrOCC Ops Group should provide more robust governance of the system and greater clarity around how it is used, reviewed and developed in the future.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	1	1	N/A
Medium Risk	1	1	N/A
Low Risk	1	1	N/A

A4 - Data Protection Deep Dive

Audit Opinion	Adequate
Prospects for Improvement	TBC

Overall, Internal Audit found that positive steps have been taken towards embedding Data Protection within CYPE. Examples of good practice included the high level of take-up among staff of the up to date Data Protection training within the Directorate and evidence of learning from data breaches and embedding actions to prevent recurrence. There is, however, a high number of data breaches within the Directorate, with CYPE currently accounting for approximately 40% of all KCC Data Breaches in 2019 to date. Additionally, the Record of Processing Activity (ROPA) has not been completed which is a requirement under Data Protection Act 2018 to be documented. This outlines the categories of personal data and the rationale for processing such as statutory obligations for example and can be requested by the Information Commissioner's Office (ICO) should there be a significant Data Breach. There appeared to be a lack of clarity who had been tasked with completion. The absence of a ROPA presented challenges in determining the embeddedness of Data Protection and limited the audit testing that could be undertaken.

Key Strengths

- At the time of audit there was 93% completion of mandatory Data Protection e-learning across CYPE.
- High level Privacy Notices for CYPE Services are published on KCC's website and are accessible to Staff and the Public.
- Reasonable action plans had been put in place for all data breaches reported to the ICO within our sample.
- Retention schedules adequately document CYPE's requirements in respect to retention and destruction of data.
- Data Breaches are well managed with appropriate actions being put in place to address process weaknesses, although the volume of breaches is noted below within the areas for development.

Areas for Development

- The Record of Processing Activity (ROPA) for CYPE was incomplete at the time of audit. Discussions with Officers highlighted that it was not clear who has been tasked with documenting the ROPA.
- The volume of Data Breaches within CYPE is relatively high in comparison to other Directorates and there also appears to be an upward trend in the number assessed as needed to be reported to the ICO.
- Though Privacy Notices are in place, these could be enhanced by aligning to the current CYPE structure.
- Data Protection Impact Assessments (DPIAs) had been completed on a timely basis for the vast majority of projects reviewed, with two exceptions. An audit issue regarding DPIA completion was raised in the 2018/19 audit of Data Protection and action may yet to be embedded, so this has not been raised as an additional issue in this report.
- The vast majority of KCC's Subject Access Requests (SARs) are within CYPE, approximately 78% of those raised in 2019. This has been recognised by CYPE and a dedicated Officer now deals with SARs for Social Work teams and Care Leavers to minimise the impact on frontline services. This is having a positive impact as the average number of days to action a SAR has reduced from 37.9 days (2018) to 31.1 days (2019). Internal Audit was informed that this arrangement is currently being reviewed to further enhance SAR processing across the entirety of CYPE. As this area for development is already being addressed no issue has been raised in this report.

Prospects for Improvement

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

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	1		
Medium Risk	1		
Low Risk	1		

The above assurance map displays KCC's current position regarding assurance for information governance and shows the areas in which gaps exist and future work should be directed. Below are the potential scope areas in which gaps exist in assurance for information governance:

	1 st Line Assessment	2 nd Line Assessment	3 rd Line Assessment	RAG
ROPA	<ul style="list-style-type: none"> There are currently gaps in relation to Record of Processing Activity (ROPA) as this has not been documented. 		<ul style="list-style-type: none"> This had been identified in the recent Data Protection Deep Dive audit undertaken in CYPE. 	
Records Management	<ul style="list-style-type: none"> Records Management Policy is in place however, there are no mechanisms in place to determine if these are adhered to by staff. Similarly, there is a Retention Schedule in place however, no mechanisms that adhered too. 		<ul style="list-style-type: none"> Records management not covered by IA in recent audits. Whilst Retention schedules had light touch review in Data Protection Deep Dive (CYPE) as above the ROPA had not been documented. 	
Technical Risk Assessments	<ul style="list-style-type: none"> Technical Risk Assessments undertaken at 2nd line however, potential resourcing issues in completion. 		<ul style="list-style-type: none"> No Audit Coverage 	
Anonymisation & Pseudonymisation	<ul style="list-style-type: none"> No Coverage in 1st Line and 2nd line for Anonymisation & Pseudonymisation. 		<ul style="list-style-type: none"> Covered in Data Protection 18/19 and therefore sufficient assurance available. 	
DPIA	<ul style="list-style-type: none"> There are gaps in assurance coverage regarding the DPIA processes as though policies and procedures exist there may be issues in undertaking these at the outset of projects. 		<ul style="list-style-type: none"> Covered in Data Protection 18/19 and Data Protection Deep Dive 19/20 and therefore sufficient assurance available 	
Privacy Notices	<ul style="list-style-type: none"> No assurance mechanisms exist to place reliance upon. 		<ul style="list-style-type: none"> Covered in Data Protection 18/19 and Data Protection Deep Dive 19/20 and therefore sufficient assurance available 	<ul style="list-style-type: none">

B1 - Pension Fund Investment Governance (1 of 3)

Audit Opinion	Limited
Prospects for Improvement	Good

On 31 May 2019, at a meeting of the Superannuation Fund Committee (the Committee), the Chairman introduced an additional item for the Committee’s consideration. The Chairman asked the Committee to consider selling the Kent Pension Fund’s (the Fund) investment in LF Woodford Equity Income Fund (WEIF), then valued at about £237 million. In doing so, he brought forward a review scheduled for 21 June 2019.

Although there was publicly available information that would have highlighted WEIF’s liquidity difficulties, this was not collected and made available to the Committee. In the absence of such information, the Committee decided to sell all the Fund’s shares.

KCC’s Finance Function placed the order to sell all the shares. Before the sale was executed the authorised directors of WEIF, Link Fund Solutions (Link), suspended all trading in WEIF’s shares.

Link never reopened WEIF and on 15 October 2019 dismissed the fund manager, Woodford Investment Management Limited, and decided to wind down the fund. At the time of writing, the exact loss to the Kent Pension Fund was unknown, but, at the time of compilation of the Audit Report and based upon the reporting of the Fund value reported to the Superannuation Committee in November 2019, was estimated to be more than £60 million, an amount representing more than 23% of the original investment.

In light of the Fund’s and KCC’s association with the closure of WEIF, Internal Audit conducted a review of the controls around the Committee’s investment decision making. Internal Audit found:

- There is no independent assurance that the Fund’s published Investment Strategy Statement complies with the regulations or meets best practice standards.
- Between June 2018 and September 2019, the published Investment Strategy Statement did not reflect major changes in the Fund’s investment strategy.

- There is an undocumented convention that includes commissioning professional investment advice from the Fund’s independent investment adviser, Mercer. When reviewing the investment in WEIF, however, the Committee did not commission any independent investment advice.
- In advance of the May 2019 Committee meeting, the Chairman had investigated aspects of the investment in WEIF. In doing so, he formulated views about key aspects relating to Woodford Investment Management Limited’s communications and the value of the transfer of assets between WEIF and Woodford Patient Capital Trust. Internal Audit considers that these influential views were not as well-grounded as they should have been. KCC’s Finance Function was aware of the Chairman’s views but did not commission any work to verify, and if necessary, correct them.
- Contrary to the Investment Strategy Statement, the papers for the March 2019 Committee meeting did not include a review of risks at investment manager level, despite heightened concerns about the WEIF investment. Furthermore, the Committee did not maintain an up to date risk register for the Fund.
- The Treasury & Investments Team does not oversee the Fund’s investment managers on a day-to-day basis. This contributed to the situation that when the Committee decided to sell all the shares in WEIF, it was influenced by press reports rather than up-to-date market information about WEIF, which would have provided a more accurate picture.
- In Kent, the remit of the Local Pension Board (LPB) does not extend to considering whether the Committee has effective investment governance arrangements in place, something that The Pensions Regulator identifies as a role for the LPB.

Key Strengths

- There is clarity that KCC, as the administering authority, has fully delegated to the Committee all powers to make investment decisions on behalf of the Fund.
- Committee members consider the Chairman approachable and supportive.
- When supported by commissioned advice, knowledgeable discussion between Committee members is a key source of assurance for Committee members that the Committee is making informed decisions.
- Investment decisions included on the published agenda for Committee meetings are well supported by reports from Officers, commissioned advice from Mercer (investment adviser) & market commentary from investment fund managers.
- After the Committee has decided to invest funds in an asset class, it follows its convention by inviting 2 or 3 leading investment fund managers suggested by Mercer to attend a Committee meeting. Each fund manager is given an opportunity to present their case for why they should be given the mandate. Having won the mandate, the fund manager will be invited to provide updates at Committee meetings once every two years. Between meetings, the Treasury & Investments Team provides the Committee with formal performance updates at four Committee meetings a year.
- Mercer is a firm registered with the Financial Conduct Authority to provide investment advice.
- Mercer won a procurement competition against two other firms to review the Fund's investment strategy and provide the Committee with commissioned ad hoc investment advice.
- The Lead Adviser from Mercer maintains her registration with the Financial Conduct Authority and professional qualifications by providing annual records that her knowledge and understanding of financial matters meets the relevant requirements of the different bodies.
- Committee members have a good understanding of the risk reduction benefits to the Fund from holding a diverse portfolio of investments.
- Where the Committee agrees to reduce risks on the recommendation from Mercer, the changes are well documented in the papers.

Areas for Development

- There is a general lack of awareness of the Terms of Reference for the Committee. There are gaps in the understanding of the Fund's investment strategy, how it is developed and how it is expected to deliver its objectives.
- The Terms of Reference for the Committee are spread across several documents, but there are inconsistencies including different descriptions of the powers and duties delegated to the Committee.
- At an asset class level, there is a continuous cycle of reviewing the investment strategy. In May 2019, when the Committee decided to sell the shares in WEIF, the Investment Strategy Statement was seriously out of date and there was no easy means for Committee members, themselves, to know the status of the investment strategy.
- In September 2019, the Committee approved updated versions of the Investment Strategy Statement and the Governance Compliance Statement without any scrutiny. Changes from the previous versions were not highlighted and there was no assurance sought that the documents complied with regulatory requirements.
- Internal Audit found that the Governance Compliance Statement, the Funding Strategy Statement and the Investment Strategy Statement did not fully comply with statutory regulations and/or with good practice.
- There are a lot of parties engaged in the development and implementation of the Fund's investment strategy, but there is no chart that maps out the roles and responsibilities.
- There is an undocumented set of steps that the Committee follows to make informed investment decision-making. The Committee did not adhere to all these steps when it decided to sell shares in WEIF, in particular, it did not commission investment advice from the Committee's investment adviser.
- The Committee is not supported by an independent investment adviser that proactively engages in Committee meetings.
- The Committee does not receive investment risk updates at investment fund manager level. The papers for the March 2019 Committee meeting did not include a review of risks at investment manager level, despite heightened concerns about the investment in WEIF.

- At Committee meetings, investment risks are not formally reported, tracked and updated.
- Tracking investment decisions back to the sources of investment advice and determining the reliance that the Committee placed on various sources of advice cannot be determined from the minutes of the Committee's meetings.
- The Treasury & Investments Team does not oversee investment fund managers on a day-to-day basis. Consequently, when there were negative press reports about WEIF, the team did not have access to market data that would have provided an accurate picture to the Chairman and other Committee members.
- Committee members informed Internal Audit that they expect Officers to identify material lessons that the Committee has learnt and to share these with the Committee at appropriate times. Relevant lessons are not always brought to the Committee's attention.
- The concentration of knowledge in a small number of Officers is a known risk. In the proposed mitigation there is no mention of how and/or what is being done to ensure that the lessons that key individuals are aware of are documented for sharing with their future replacements.
- The remit of the Local Pension Board is very limited. It does not extend to considering whether effective investment governance arrangements are in place, something that The Pensions Regulator identifies as a role for the board.
- There is limited understanding amongst Committee members about the role, responsibilities and duties of the Local Pension Board.

Prospects for Improvement

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

- All interviewed Committee members positively engaged with the review and expressed willingness to learn lessons and improve the Committee's investment decision-making processes.
- Mercer conducted an extensive review of the Fund's investment strategy in late 2017/early 2018 and proposed three alternatives to the then existing asset allocation, each aimed at securing higher returns with less concentration of risk.
- The Treasury & Investments Team prepares annual business plans that identify proposed investment strategy activities.
- All LPB members will be expected to complete the training in The Pensions Regulator's online toolkit.
- Committee members consider that, when they need investment advice, the Chairman will support the commissioning of the requested advice.
- All Committee members consider that managing the balance between the different classes of assets is a key feature of the Committee's work.
- There is very good awareness across Committee members that the prime objective of the Committee is to ensure that the Fund has the means to meet its liabilities to all its beneficiaries.
- At the September 2019 meeting, the Committee commissioned Mercer to provide risk reviews for each of the equity investment managers at each future Committee meeting.
- The General Counsel and Corporate Director Finance engaged positively with Internal Audit's findings and proposed a suite of management actions intended to close out the areas for development listed above.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	9	9	0
Medium Risk	6	6	0
Low Risk	1	1	0

B2 - Customer Feedback

Audit Opinion	Substantial
Prospects for Improvement	Very Good

The Customer Feedback Policy aligns with the Council's Strategic Objectives and details the standards expected of services when handling customer feedback. Associated with the policy there is an array of procedures and guidance for staff to help them correctly manage customer feedback in the iCasework system.

Overall, the iCasework system facilitates a consistent approach in the Council for the handling of customer feedback and audit testing confirmed that the majority have appropriate timely responses.

It should be noted that this review did not cover the Adult Social Care and Health Directorate, as separate work is on-going to provide support in a review of their customer feedback procedure.

Key Strengths

- There are various routes a customer can use to provide customer feedback – including online or email.
- There are approved procedures for using the iCasework system for the end to end processing of customer feedback. These are available to staff on KNet.
- The iCasework system is a central resource for all services to process and share data in a control manner and to secure customer feedback data in compliance with the Data Protection Act 2018. This system provides real-time information.
- A recent review of the iCasework implementation (including lessons learnt) has been presented to the People and Communications Divisional Management Team.
- Users have received full training in the use of iCasework.
- The responses issued were generally well written and easy to understand.
- The Kent Communications Team is proactive in supporting services through training, offering advice and processing system change control requests.

- The Delivery Manager (who is also the Local Government Ombudsman (LGO) link officer), supports services with their handling of LGO requests/complaints in a compliant manner.
- Services can configure and run reports from iCasework on a monthly, quarterly or weekly basis to support performance and data quality reviews.
- Performance reports covering customer feedback are regularly presented to the Governance and Audit Committee and Customer Feedback performance is discussed at Corporate Management Team meetings.
- The financial year 2018/19 was the first full year of using iCasework and for reporting customer feedback performance to the Governance and Audit Committee. This provides a useful baseline for future reporting.

Areas for Development

- The Customer Feedback Policy does not include reference to the Data Protection Act 2018, or other information such as policy ownership, next review date, version control etc. Similar updates would also enhance the customer feedback procedures documents.
- The iCasework training attendance lists could be improved by adding information such as department, post, type of training attended, training delivery and user profile of attendee.
- There are some inconsistencies in the application of the Customer Feedback Policy and procedures, in particular with the timeliness of responses.
- Officers select the reason for a complaint from a drop-down menu in iCasework, but there are perhaps too many options to choose from, leading to incorrect selection.
- Half of the upheld complaint cases tested had no clear lessons learnt recorded and there were similar omissions for 'partially upheld' and 'not upheld' cases.
- Both the annual and quarterly customer feedback reports presented to the Governance and Audit Committee are rich in quantitative information, but this is not balanced with qualitative information.

Prospects for Improvement

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

- The Delivery Manager is an active champion for promoting the benefits of iCasework across the services and is very knowledgeable and experienced in the area of customer feedback and wider customer services.
- KCC has a representative on the national iCasework user group (hosted by the vendor) and participates in the sharing of good/best practices with other professional practitioners in the field.
- A discussion paper is to be presented to senior management, which proposes the benefits of seeking formal industry standard accreditation for customer services in the Council which includes customer feedback.
- Some services have reported improved efficiencies in handling customer feedback (e.g. reduction in paper-based systems) following the introduction of iCasework.

- The service Customer Feedback group has been disbanded.

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	4	4	0

B3 - Members ICT Review

Audit Opinion	Adequate
Prospects for Improvement	Good

There is overall positive assurance over the security framework to protect the Council's IT network from security breaches, the communication channels between Members and VIP Service Desk and the process for resolving Member ICT issues. While there is a generally sound system of controls, there are a small number of areas of weakness which can put some of the service objectives at risk.

Key Strengths

- The New Member Induction Booklet has been developed for the new joining members. It includes the Usage of Mobile and Smartphones, accessing KCC email from a non KCC PC, ICT Security, and Data Protection Essentials training.
- It was confirmed that all the VIP Service help desk requests for new ICT equipment have to be authorised by the budget holder before issuing the equipment.
- For a sample of ICT Support tickets raised by the Members, it was found that there was an average response time of five hours for service tickets which is in line with the service level agreement with Cantium Business Solutions. This was an average of three hours for high priority service tickets and eight hours for low priority.

- The Strategic Members Development Plan for 2018-2022 aims to ensure every Member has access to the learning and development they need to effectively fulfil their roles – however see Area for Development.
- There is a programme of Personal Development Planning (PDP) to help Members develop the knowledge and skills they require for their current role as well as for their future aspirations.
- A Member Development Steering Group has been established to ensure that development is Member-led and is accountable to the Council, although supported and advised by Council Officers.
- It was observed that access to the active directory is controlled by two-factor authentication using the SMS and email verification codes.
- Cantium Business Solutions have deployed McAfee Virus Scan Enterprise on all the end point devices, servers, Member devices (laptops, tablets, iPhones). Furthermore, devices are disabled from the network if there is inactivity of 60 days.
- Mod.gov is a Members specific application that automatically downloads meeting papers for subscribed committees, supporting the move to reduce use of paper. There is a restricted version of the Mod.gov application to provide users with secure access to internal or restricted meeting papers that are available only on Member iPads.
- Cantium Business Solutions undertakes daily checks on the Member's net (which is available only for members) for any abnormal activity on the network.

Areas for Development

- A variety of ICT training and support is available on request for Members; however, it was found that take-up has been low. There are plans in place to undertake detailed ICT training needs analysis for Members and provide additional support to improve IT skills.
- There is an ICT Acceptable Use Policy in place, but it maybe be useful to have a separate policy focusing on ICT use for Members.

Prospects for Improvement

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

- The Council is working with Cantium Business Solution to migrate from AirWatch to Microsoft Intune to manage mobile devices and end point devices. The Member ICT User Group will be the trial group for rolling out Intune, which is planned to start migration by March 2020. Intune will bring improved functionality to mobile device management.
- Democratic Services and the Member Hub group plan to provide one to one support sessions to Members, including ICT support as necessary.
- There is a Members ICT User Group which was established for Members to raise issues and obtain feedback. This informal group last met before the changes in cabinet posts in October 2019 and has not yet been reconstituted.
- Members continue to raise ICT issues with the VIP service desk and through the Members ICT User Group. Review of the service ticket descriptions indicate that these are recurring problems. Whilst these tickets were resolved within the SLA timescales; more detailed ICT training needs analysis should allow the root causes of these issues to be addressed (e.g. failed login attempts).

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	0	N/A	N/A
Medium Risk	2	2	0
Low Risk	0	N/A	N/A

B4 - Software Licensing Review

Audit Opinion	Substantial
Prospects for Improvement	Good

Cantium Business Solutions is responsible for installing and maintaining software for the Council. The Council obtained a Microsoft Enterprise Agreement (EA) in April 2018 covering the majority of its Microsoft products and this license is valid for three years.

The processes for the control and management of software licenses at the Council were found to be operating effectively. Overall, there are good controls in place to ensure that only authorised software is installed. While there is a general sound system, there are minor areas of weakness which can put some of the system objectives at risk.

Key Strengths

- There is an ICT Asset Management policy in place which sets out roles and responsibilities for the governance and control of ICT assets (including software) required to support KCC's services and facilities.
- The ServiceNow application is used to manage information relating to all software and applications in use across the Council.
- Installation of standard software that is listed on the ServiceNow customer page goes through the Council's procurement process by seeking approval from the budget holder.
- Any non-standard software requests have to be approved by the Council's Compliance and Risk Team (CART) before they can be installed.
- Documented procedures outline the process to be followed to fulfil ServiceNow requests for desktop application software.
- Software is deployed using System Centre Configurations manager (SCCM) or manually by the regional support engineers, remote support engineers and service request team.
- Software in use by the Council is automatically detected by SCCM clients installed on all servers.
- There is a formal documented procedure covering the process for transferring licensed application software between users.

- Microsoft licensing is controlled via the Enterprise Agreement (EA) in operation with a third-party vendor, Bytes.
- The Council works in conjunction with Cantium Business Solutions to review the Microsoft licenses held against users logged on each month and 'true-up' (a flexible model used as part of the EA whereby the Council is required to inventory any new hardware and software products and update their licenses) to ensure that no breaches occur.

Areas for Development

- There is no formal documented procedure/policy for software license management.
- The Council has not listed all required licencing information within the Software inventory and does not have a process in place to review the inventory on a regular basis.

Prospects for Improvement

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

- There is a road map for implementing Applocker, an application whitelisting technology which will be used to specify an index of approved software applications that are permitted to be present and active on a computer system, to protect computers and networks from potentially harmful applications. This will allow the Council to create rules to allow or deny apps from running based on unique identifiers of files and to specify which users or groups can run those apps.
- There is a plan to move the current software licensing structure to a subscription-based environment.
- Implementation of InTune (which is due to be completed in early 2020/21) will allow machines to be tracked against users.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	0		
Medium Risk	2		
Low Risk	0		

B5 - Combined Members Grant Scheme

Audit Opinion	Adequate
Prospects for Improvement	Good

Internal Audit found that for the sample of grants reviewed there was a clear link to KCC strategic objectives, and the application and payment processes had been consistently followed. Payments had been processed on a timely basis and had been appropriately coded. Monitoring information, however, and associated evidence to support that the grant had been spent in accordance with the intended purpose was inconsistent.

The Member Handbook requires update and requires clearer guidance and inclusion of further information for Members to ensure that the guidelines are not open to interpretation. Internal Audit also identified that there is no separate policy regarding the Combined Member Grants Scheme and that training specifically focused on Members Grants is not mandatory.

Key Strengths

- There was a clear link to KCC strategic objectives for the grants sampled.
- For the sample of high value grants tested (greater than £5000), all applications had been approved by the relevant Cabinet Member.
- Guidance available for applicants on the Kent County Council (KCC) website clearly details the application process and the types of organisations and activities that can be supported by the Combined Member Grant Scheme.
- The application form makes provision to capture information regarding the applicant/organisation, the purposes for the grant being requested, previous funding to the applicant/organisation through the Combined Members Grant Scheme and details of any other funding being requested from other sources.
- The application requires applicants to sign a declaration regarding their group/organisation and to agree to the full terms and conditions of the Combined Members Grant Scheme.

- The information requested (if fully completed by the applicant) is adequate to enable further checks to be completed on the applicant/organisation and to enable a decision to be made regarding whether to approve the application.
- Members and Member Hub Support Officers (MHSOs) are required to declare any pecuniary interests on the application form; where Members had declared an interest, the application had been signed by an alternative Member for the area.
- A clear process exists for approving applications for grants; sample testing confirmed that the process is being followed in practice with supporting documentation retained.
- A clear process exists for making grant payments once the acceptance form has been received. Sample testing showed that payments had been made timely to appropriate business/organisation bank accounts and that copies of the acceptance forms and payment authorisation forms are retained.
- Each MHSO is fully aware of grants being processed for the Members in their own areas, the team leader has oversight of all grants being signed off and the Business Support Officer runs checks prior to making payments to ensure that duplicate payments are not made.

Areas for Development

- A policy decision is required on low value grants. The Member Handbook states that “to ensure administrative costs remain commensurate with the size of the grants awarded, the minimum community grant amount is £300”. Sample testing identified 22 individual grants awarded with a value of less than £300.
- There is no specific detail in the application guidance regarding what constitutes a properly constituted group or organisation or the evidence that would be requested to prove the status of the organisation.
- There are insufficient controls in place for the design and application of the monitoring process resulting in monitoring performed not being effective and insufficient evidence being requested and retained.
- Cases were identified where monitoring information received advised that part of the grant had not been spent for the original requested purpose and a request had been made to allocate the funding to another purpose within the organisation. For three cases, no evidence could be identified in the file of the member agreeing to this despite the payment having been made.
- There is no separate policy regarding the Combined Member Grant Scheme.
- The Member Handbook is out of date and requires clearer guidance and inclusion of further information for members to ensure that the guidelines are not open to interpretation e.g. cross district funding, rollovers etc.
- There is no requirement for mandatory training for members on the administration of the Combined Members Grants Scheme.
- Details of projects funded through the Combined Member Grant Scheme are required to be published annually, however search of the Kent County Council website identified that the most recent grant information published is for 2014/2015.
- Internal Audit could not evidence any check in the application and authorisation process to ensure that grants are not being awarded to areas/organisations which are already covered under KCC contracts.

Prospects for Improvement

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

- A working group has been formed to review the Members Grant Scheme Handbook and draft an updated version for approval.
- The new team of MHSOs have now been in post for 10 months and are establishing relationships and dialogue with members.
- Processes have been established for processing applications and are understood and followed by MHSOs.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	4		
Medium Risk	5		
Low Risk	0		

C1 - In-House Foster Care

Audit Opinion	Adequate
Prospects for Improvement	Adequate

There was a consistent understanding of risks and issues across the service and staff interviewed were positive about the future direction of travel. Crucially, there is an appropriate set of measures in place to provide management assurance on the delivery of a safe service and to improve quality where this is required. Significant progress had been made since the last audit in 2015.

Areas for development include weaknesses in communication across departments which are hindering effective working, including in matching, creation of safe care plans and ensuring that the voice of the child is at the centre of the process. Internal Audit (IA) also identified some exceptions regarding placements outside current approvals and with training compliance. The Service is currently facing challenges with a shortage of carers; this was evident in the lack of placement choice available. As a result, the key priorities for the Service are recruitment and retention of carers. Whilst there are actions in place for these issues, it will be important that the service continually reviews the effectiveness of its actions, including the associated resources, and is able to amend strategies where necessary. There was also an emerging tension between the desire to retain carers and the desire to continually improve quality of foster care practice. Careful management will be required to ensure that priorities are appropriate.

Key Strengths

- Significant changes & improvements since the last full Internal Audit in January 2015.
- Strong evidence base for the priorities & objectives in the Business Plan; these had been created using a variety of relevant information including foster carer feedback.
- Actions identified to meet these objectives were in progress.
- Despite a recent restructure, which has inevitably created some initial pressures, staff expressed a positive view of the future direction of the service and there was a common understanding of risks and issues.

- A good training programme for Foster Carers including core training as well as a variety of other options for carers to select courses most relevant to them. Evidence of consultation with carers when developing the programme and constant review of the training programme to ensure continued alignment with need.
- Sample testing confirmed training is reviewed & discussed as part of the Annual Review process; it was also discussed in 25/30 supervisions sampled.
- KPIs demonstrate the service is close to full compliance with the mandatory annual reviews & unannounced home visits (99% and 98% respectively); testing confirmed the underlying source data is robust.
- Annual Review process is robust. The layer of independence provided by the Reviewing Team added value and a greater level of scrutiny to the cases reviewed by IA.
- There was evidence of learning from Serious Case Reviews, including embedded changes to processes and practice.
- Assurance framework was comprehensive, with a variety of tools to provide assurance over the Council's compliance with statutory requirements and quality outcomes.
- There was evidence of LADO oversight for all allegations reviewed, which had also been reported (or were due to be reported) to Panel where appropriate.
- In most cases, management oversight was evident in standards of care issues. Evidence of recent managerial case supervision in 26/30 records sampled.
- A Safe Care Plan was available for 86% of placements sampled.
- Sample testing identified referrals to the Total Placement Service had been quality assured prior to matching commencing and that resultant issues had been addressed.
- IA confirmed that, mostly, discussions had taken place between the social worker & foster carer prior to a match being agreed. As the conversations are not documented, however, assurance cannot be provided that potential gaps in skills or support are discussed and addressed.

Areas for Development

- There were some discrepancies between the Fostering Business Plan and linked plans; there were also no objectives in the Business Plan relating to the new structure or for staff within the service.
- Recruitment and retention, including provision of support for foster carers, are key priorities in the Business Plan. Due to the current difficulties with availability of carers and placements, it will be important that the service continues to review both the actions taken and the available budget to ensure that they are having the desired effect and that changes can be made if required.
- There were some weaknesses in communication between different departments, or between Council officers and carers, which were having a detrimental impact on the service provided.
- The service aims to ensure that the voice of the child is paramount; whilst there was evidence of this, Internal Audit has highlighted some areas where this is not working as well as intended in accordance with the Business Plan.
- Through data matching and analysis Internal Audit found that the training record for approximately 20% of relevant carers did not evidence that they had received First Aid, Safe Care or Child Sexual Exploitation (CSE) training. Further, approximately 30% of relevant carers were not recorded as having received the additional training required in Year 2.
- Internal Audit identified a small number of connected carer placements which were outside regulation and for which the relevant approval, and confirmation that this was in the best interests of the child, was not on file.
- Internal Audit also identified a small number of carers with more children in placement than the usual fostering limit, and carers with placements outside the terms of their approval, where relevant permissions had either been granted late, or had not been granted at all.
- There was no safe care plan on file for a minority of placements tested (14%). There was also no evidence for approximately two thirds of placements tested that the safe care plan had been triangulated with the child's social worker.
- There are appropriate arrangements in place for oversight of allegations, but sharing of themes, outcomes and learning is inconsistent on a county-wide basis.
- Through sample testing of 30 files, Internal Audit identified one exception where a practice issue had been raised as part of an Annual Review but there was no evidence that the Fostering Social Worker had followed this up. There was also no evidence of recent case supervision in 4 cases. Internal Audit discussed these exceptions with Team Managers, and, in our view, they are as a result of recent changes to staffing and structures which, for a period of time, had created additional pressures. Internal Audit has not raised an issue in this regard, as the service is now returning to business as usual and performance information is available to allow managers to review the timeliness of case supervision.

Prospects for Improvement

Our overall opinion of **Adequate** for Prospects for Improvement reflects that whilst internally the Service is in a strong position, with all teams under Corporate Parenting and managers committed to quality of outcomes, the external environment continues to present significant risks and challenges which may impede further progress:

- It was apparent throughout the audit that the lack of available carers is having a significant impact. In 75% of new placements sampled, there was only one choice of placement available to the social worker and many staff interviewed expressed the opinion that there are too many exemptions as a result of no available placements. Whilst there are actions in place to address, this is a national trend and therefore it is not clear the extent to which the Council will be able to influence this.
- Shortage of placements is also not restricted to in-house care; our audit of external placements in 2018/19 highlighted a similar lack of choice. In addition to national shortages in the Foster Care market, the issue in Kent is exacerbated due to the prevalence of external agencies; the Council is in competition with approximately 80 Independent Fostering Agencies (IFAs) in the county when recruiting carers.
- There was, to an extent, an underlying tension between the desire to retain foster carers due to shortage of placements and the desire to improve practice.
- In September, the Service further strengthened arrangements for oversight of allegations through quarterly area meetings consisting of all stakeholders including the LADO, the Children in Care Service Managers and the Assistant Director.
- Staff interviewed were very positive in their approach and outlook.
- There is a culture of continuous improvement which is led from the top and the Service has responded positively to the audit findings.

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	2	2	0
Medium Risk	5	5	0
Low Risk	0	NA	NA

C2 - Troubled Families

Audit Opinion	Substantial
Prospects for Improvement	Good

Broadly the level of claims has been maintained since moving to earned autonomy. Although claims are projected to fall just below the target of 9200, performance is good compared to other local authorities and there are plans to deliver the targeted number by March 2020.

Key milestones set in the MoU have been achieved, and the pilots described have been completed and evaluated. The current MoU is now 2 years old and the transformation programme in Children and Young People directorate has moved on leaving the contents of the MoU out of date.

Key Strengths

- There is a performance framework that covers the key headline outcomes and brings in information from partner organisation. This is provided at a district level.
- The latest iteration shows no indicators that are significantly below target.
- Where indicators are below target there is evidence that actions have been identified to drive improvement.
- Where targets have been found to be unobtainable, changes have been made with the agreement of the Ministry of Housing, Communities and Local Government.
- There is a robust Quality Assurance system in place to check the cases that are to be included in Kent's TF programme target. This includes checks to ensure that duplicate claims are not made.
- The practice development function is now within the remit of the new Safeguarding and Quality Assurance unit. This is directorate wide and ensures integration with practice with other children's services.
- Early Help Units are now included in the Safeguarding and Quality Assurance unit's practice audits, although the first round of findings and identified improvements are yet to be analysed and presented for the first time.

- Although the restructure has led to changes in responsibilities and reporting lines, and subsequently gaps in communication and relationships, this has been identified and addressed. Actions taken include changes to the attendance of the Troubled Families Best Practice Forum.
- Actions from the Troubled Families Best Practice Forum are recorded and followed up at future meetings.
- The Key deliverables set out in the Key Milestones section of the Memorandum of Understanding have been achieved, and evaluation of pilots has led into further transformation workstreams.

Areas for Development

- There are issues with the implementation of a directorate education system. As a result, education data is still awaited which has prevented some cases from being claimed.
- The target of 100% of silver claims being reviewed has not been met. The results of Area Partnership Manager's checks found a significant number (38%) of silver cases reviewed were subsequently deemed to be claimable, meaning there are potential cases not being claimed for which has a detrimental impact on reaching the programme target.
- The content of the existing MoU is largely out of date and needs revising if funding for the Troubled Families Programme is to continue.

Prospects for Improvement

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

- TBC

Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	0		
Medium Risk	1		
Low Risk	1		

D1 - CRC Energy Efficiency Scheme

Audit Opinion	Compliant
Prospects for Improvement	N/A

Internal Audit undertook a review of the 2018/19 Carbon Reduction Commitment (CRC) Energy Scheme return for Kent County Council as part of the agreed annual Audit Plan for 2019/20. The return was submitted by Commercial Services on behalf on the Council on 24 July 2019.

The aim of the audit was to provide assurance on the accuracy of the base data used for measuring carbon usage in relation to the CRC Energy Scheme and the associated calculation of carbon consumption. Management processes put in place were also assessed and the content of the supporting evidence pack was reviewed to give assurance that it is complete, accurate and up to date.

Internal Audit selected a sample of electricity and gas consumption figures for KCC properties and confirmed that the usage data was accurate based on the information held in the energy database (SystemLink). The data supporting the Feed-In-Tariff Scheme was also tested and found to have been accurately compiled and reported. In addition, it was confirmed that the data extracted from Systemlink and used for the annual return conformed with the requirements and methodology set out in the Environment Agency CRC Guidance.

The CRC return for 2018/19 was completed and submitted to the Environmental Agency via an on-line portal on 24 July 2019 within the required timescales.

Our evaluation of data and supporting documents within the evidence pack confirmed that it adheres to the requirements of the Environmental Agency. The Head of Energy Management at LASER (Commercial Services) is responsible for reviewing and signing off the evidence pack and it was evidenced that this was completed by the deadline of 30 July 2019.

Key Strengths

- The energy consumption base data for the report is accurately and correctly collated in line with Environment Agency guidance.
- Responsibilities are clearly defined and followed.
- The CRC return was accurately produced, reflecting the energy base data.
- The evidence pack adheres to the requirements of the Environment Agency and was reviewed and signed off prior the audit.

No issues or errors were identified.

E1 - Homecare

As part of the 2018/19 Audit Plan, it was agreed that Internal Audit would undertake a review of Home Care. Several significant changes however took place in 2019/20, including the roll-out of Phase One Care and Support in the Home contracts and implementation of the new Case Management system, MOSAIC. Consequently, the audit took the form of an advisory lessons learnt report, as the findings related to previous arrangements.

Issues raised for consideration include periodic review of tolerance levels for matching invoices to services ordered / delivered prior to payment, late payment of invoices (some of which was linked to large numbers of queries raised on invoices) and use of non-framework providers including uplifts.

A further review of Home Care to encompass the new contractual arrangements is scheduled for the current financial year.

E2 - Mosaic

Internal Audit have conducted consultancy and advice to the Swift replacement project. The new case management system was procured, and the project commenced in March 2018. Since the start of the project, Internal Audit have attended the project steering group in an advisory capacity, with the aim of improving governance and risk management for the project. This has included the review of key documentation such as the Term of Reference, project plans, strategies and highlight reports that have been presented to the group.

During the attendance at the project steering group, and consultation with project staff additional advice has been provided, specifically in relation to financial systems and controls, including the development and transition to the new provider portal for the payment of Domiciliary providers, and application of financial authority levels for the procurement of adult social care services.

Through the lifetime of the project there have been numerous key decisions, particularly regarding the delay of the roll out of the new system. Internal Audit advice was provided at each occasion. The Mosaic system went live on 8th October 2019. Prior to the final decision, Internal Audit wrote to both the Corporate Director of Adult Social Care and Health and to the Corporate Director of Finance to ensure the outstanding risk and issues were clearly understood and could be sufficiently considered before the final decision was made.

Mosaic is live although a few outstanding processes and ancillary systems are due to follow before the end of the financial year.

By: James Flannery – Counter Fraud Manager
To: Governance and Audit Committee – 22nd January 2020
Subject: **COUNTER FRAUD UPDATE**
Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for the period September 2019 to November 2019, including reported fraud and irregularities.
- The Proactive Counter Fraud work delivered and planned for 2019/20.

Recommendation: FOR ASSURANCE

Introduction

- 1.1 This report outlines Counter Fraud work which has been undertaken in 2019/20 to date. The report provides:
- An overview of the work of the Counter Fraud Team;
 - details of savings identified through counter fraud activity; and
 - a spotlight on the volume and variety of investigations work that the Counter Fraud Team undertakes and the competing priorities.

Irregularity Referrals

- 1.2 Fraud referrals continue to increase with a 25% increase in the number of reported referrals compared to the same period in 2018/19. There have, however, been no incidences of material fraud, irregularities or corruption discovered or reported during this reporting period.
- 1.3 For the period April 2019 to November 2019, there were 259 suspected irregularities reported to the Counter Fraud Team (compared to 202 for the same period in 2018/19). The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk so far this year are from abuse of position/ payroll and misuse of social care support paid via a Direct Payment.
- 1.4 Potential and actual losses due to fraud or error within No Recourse to Public Funds have reduced significantly since the Counter Fraud Team started supporting CYPE in enhanced financial checks to establish if the person is destitute.
- 1.5 The majority of the 259 irregularities reported relate to the misuse of the Blue Badge and concessionary fare schemes. These types of fraud are low value, high volume activity. The approach to these investigations has been streamlined, freeing up resources to allow for the more serious and complex cases to be progressed.
- 1.6 Between September 2019 to November 2019, a total of 64 cases have been concluded, the total actual loss to KCC was £17,618, with recovery action taking place to recover these funds. The total amount of prevented fraud loss amounts to £44,360 for the same period.

1.7 There are currently 84 cases in progression, one simple caution has been issued for a false representation of a blue badge. One prosecution case has progressed to court, the person failed to attend and an arrest warrant without bail was issued by the court. Further prosecution cases are being progressed and will be reported when there is an outcome. There have been 42 warning letters issued to people for misuse of blue badges (following the confiscation of the badge and issuing of a PCN by a Civil Enforcement Officer).

- 1.8 The types of investigation undertaken during this reporting period include:
- Friends and relatives using deceased people’s blue badges to avoid parking charges;
 - 3rd parties using concessionary bus passes to avoid paying for travel;
 - Clients/ 3rd parties receiving Direct Payments and not spending it on care;
 - Theft of KCC assets;
 - False representation of destitution when apply for No Recourse to Public Funds.

Fraud and Irregularity Trends

1.9 The below tables show trends in reported fraud and irregularities:

Table CF1 - Top Seven areas of reported fraud and irregularities over the past 2 years 8 months

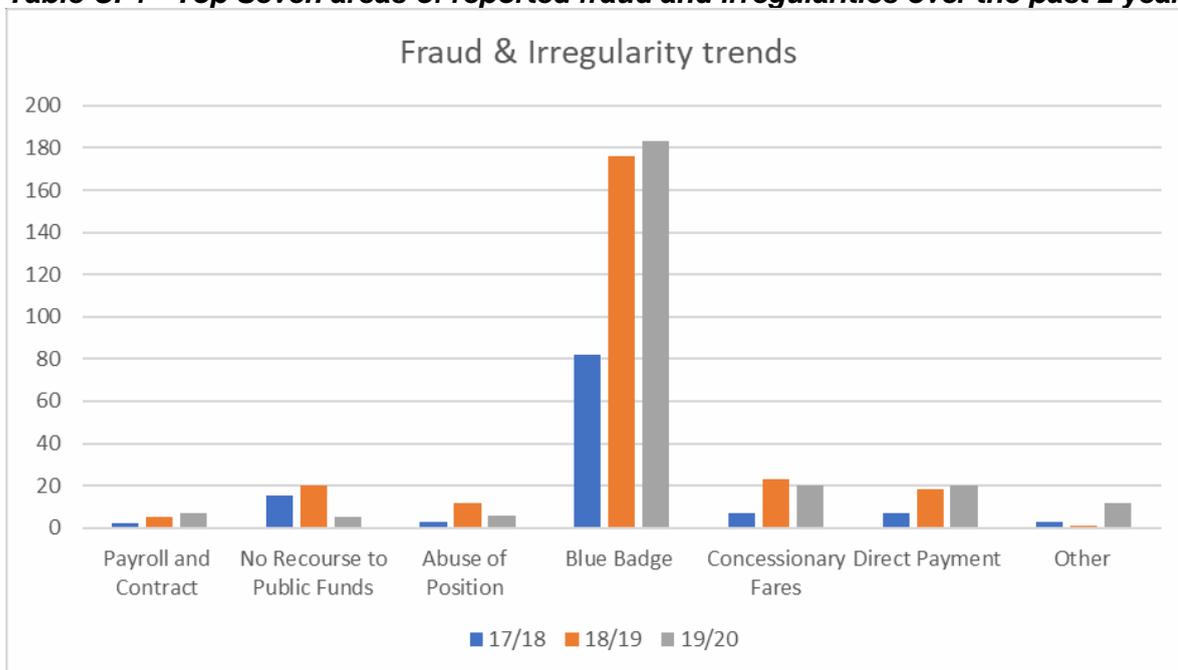


Table CF2 – Number of Irregularities Reported by Month

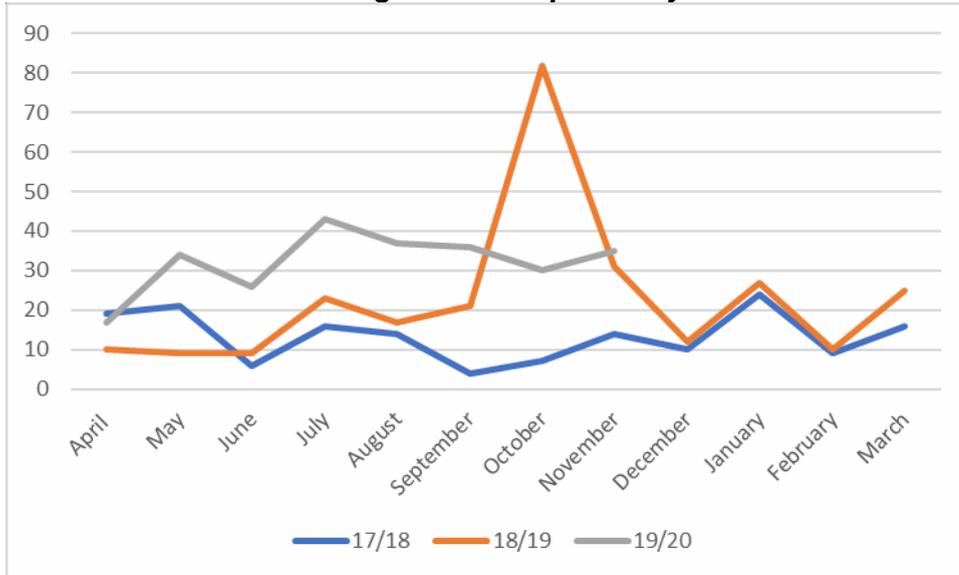


Table CF3 – Referrals by Source

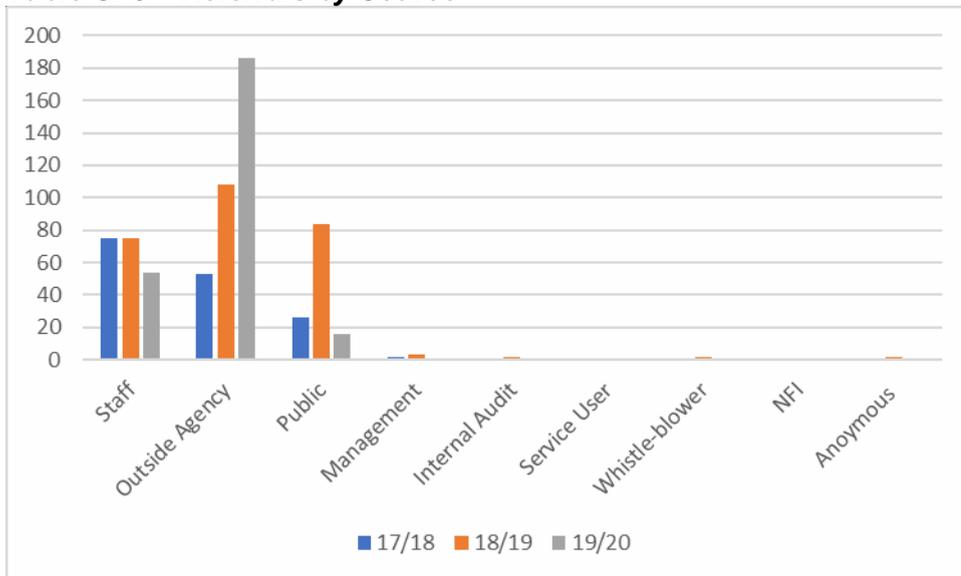
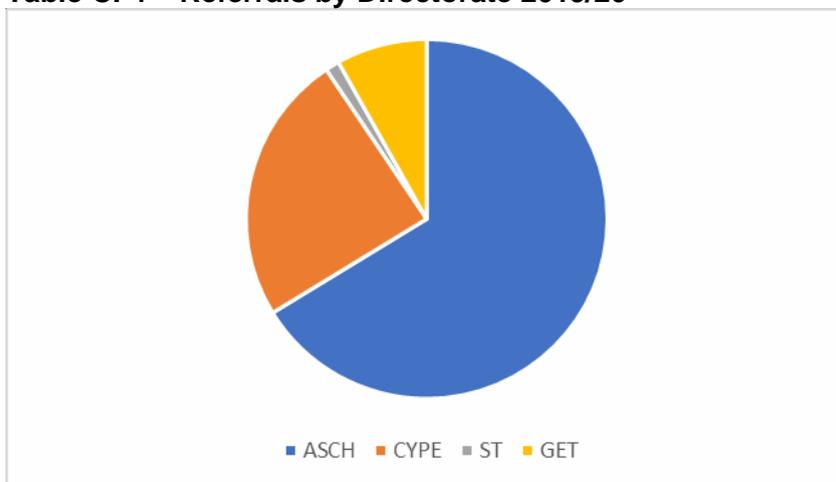


Table CF4 – Referrals by Directorate 2019/20



Kent Intelligence Network (KIN)

1.10 The KIN continues to provide support to the District/ Borough Councils, the below infographic illustrates the achievements since January 2019:



1.11 47 existing business properties have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the liable businesses are now paying business rates.

1.12 The additional business rates revenue generated, £939,252, from the identification of these existing properties, of which broadly 9% comes to the Council, is a combination of the following:

- The total amount of business rates billed for the current financial year;
- The total amount of business rates billed for previous financial years; and

- A 'loss avoidance' provision of 3 years for each property identified. This represents future income losses which have been prevented as a result of a property being found.
- 1.13 The majority of billing authorities currently use a company to help find properties missing from the rating list. This company charges a commission fee for every property found, so because the KIN have picked up these properties before the company concerned has, this has helped to make a saving of £33,504 for District/ Borough Councils.
- 1.14 Every billing authority has a separate contract with a software provider that helps to trace absconded debtors and monitor the validity of council tax single person discounts. Through the KIN, these contracts have been renegotiated to help drive down costs and ensure fairness and transparency in the pricing structure. The revised contracts are for 3 years and this has helped to deliver an overall saving of £362,736 for this period for all Preceptors. From April 2019 to October 2019 District/ Borough Councils have identified £311,908 in additional Council Tax through the removal of Single Person Discounts.
- 1.15 72 properties that were previously classified as long-term empty for council tax purposes have been identified as being occupied through a data-matching exercise involving credit reference agency data. On average, this initiative helps to increase New Homes Bonus by £1,400 per annum - 20% of which comes to the Council.
- 1.16 Through a software solution that pools and tags all ratepayer data published by every local authority, the KIN has identified a number of businesses who should not have been entitled to small business rate relief. The amount withdrawn, £492,683, is the total withdrawn from 89 companies.

Counter Fraud Pro-Active Work

- 1.17 The balance between reactive and proactive Counter Fraud Work continues to be a challenge for the Counter Fraud Team, with a continued rise in reported fraud and irregularities. To assist in the prevention of fraud occurring, in 2019/20 the Counter Fraud Team have delivered so far:
- Fraud awareness to the School Governor Forum. This raised awareness to over 100 school governors across Kent, feedback from governors on the awareness included:
 - *"We shall be more careful when awarding contracts";*
 - *"There was useful information in all the presentations. The fraud prevention presentation was particularly thought-provoking";*
 - *"Very interested with the presentation about Fraud. Will be looking at the procedures we have in place";*
 - *"The fraud awareness presentation was interesting and useful. I have already raised the issue of fraud and risk register at Finance meeting. We will regularly check and review our risk register".*
 - The Counter Fraud Culture Survey results across the Council are supporting teams by enabling them to tailor their training to improve the counter fraud culture within their team.
 - The Counter Fraud Team, along with Counter Fraud Specialists from District/ Borough Councils across Kent, held a workshop with the Fighting Fraud Locally Secretariat. The workshop allowed us as key stakeholders to inform the Governments refresh of the Fighting Fraud Locally Strategy due for release in April 2020.
 - Reviewed KCC's approach to the threat of Serious and Organised Crime against the Home Office Guidance, this high-level review has been reported to the Serious and Organised Crime Project Board to take forward, key recommendations include:

- Training of key staff on what Serious and Organised Crime is and how to identify it;
- Further develop the Counter Fraud Culture work within key risk areas;
- Use of data matching to identify any expose to Serious and Organised Crime Groups;
- Further collaboration with key partners both internally and externally.

The Serious and Organised Crime Project Board has started a more detailed review to further support these initial findings.

1.18 Further planned pro-active work includes:

- Continuing the roll out of the Counter Fraud Culture Survey to set areas to assess culture in preventing and detecting fraud and corruption;
- Developing a business case to match Social Care Financial Assessment data with HMRC data on interest bearing bank accounts;
- Further fraud awareness with School Senior Leaders; and
- Continued engagement with Parking Managers through attendance at the Kent Parking Managers meetings.

Counter Fraud Resources

1.19 With the increasing levels of referrals, staffing resources continue to be under pressure. The employment of an undergraduate on a work placement contract for 44 weeks has commenced. This has enabled support to the team by taking on the administration of referrals. This brings the total resource to 4.6 FTE currently working within the team.

1.20 One of our Accredited Counter Fraud Specialists was successful in their appointment to the Governments Counter Fraud Profession. They have also been awarded a position on the advisory panel as a Local Government Representative. This is not only a good opportunity for the Specialist but for KCC as we will receive insight and best practice as the profession develops.

1.21 Resource levels will be reviewed on an ongoing basis.

Conclusions

1.22 Referrals are still increasing overall with a 25% increase compared to the same period in 2018/19. Currently, some of the lower level cases are not being progressed due to insufficient resources. Fraud Awareness is receiving positive feedback and the culture work is support services in understanding what training is needed to improve their counter fraud culture.

Recommendation

1.23 The Governance and Audit Committee note the Counter Fraud Update report for the period September 2019 to November 2019.

Background Documents

None

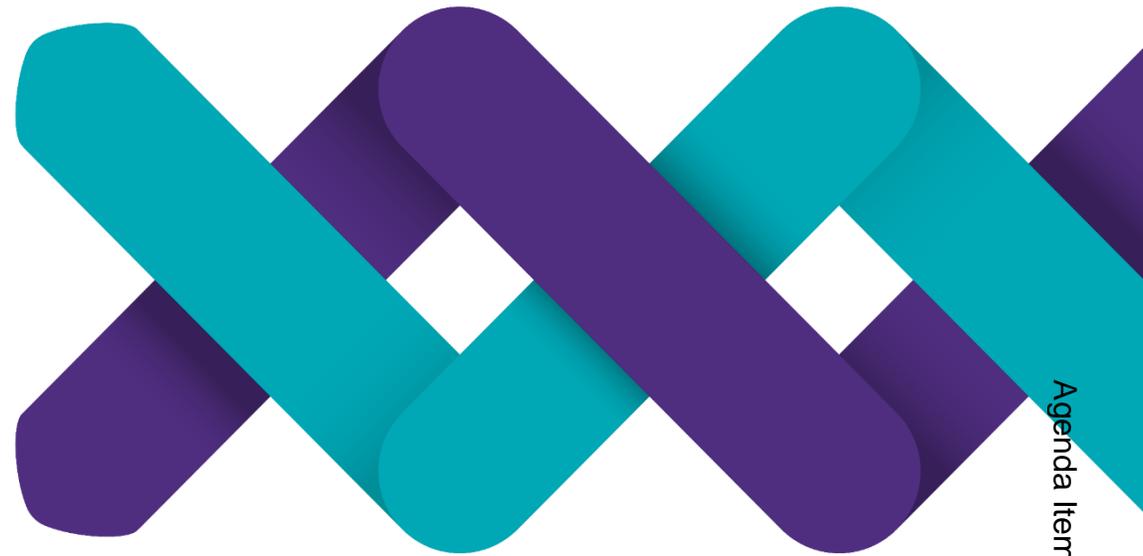
James Flannery, Counter Fraud Manager

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Dec 2019

Audit Progress Report and Sector Update

Kent County Council
Year ending 31 March 2020
Page 163
22 January 2020



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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; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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.grantthornton.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 2020

Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 25 July 2019. We completed our work on your Whole of Government Accounts (WGA) submission in September 2019. Following the closure of the objection from the local authority elector, we issued our certificates for the 2016/17, 2017/18 and 2018/19 financial statements thereby closing the audit on 17 December 2019.

We began our planning for the 2019/20 audit in November and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by end of July 2020.

Value for Money

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 criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the end of July 2020.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 9 for more details.

Progress at January 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2018/19 claim is ongoing.

Meetings

We met with Finance Officers in December as part of our monthly liaison meetings and continue to be in discussions with finance staff regarding emerging developments, such as the production of the group accounts, and to ensure the audit process is smooth and effective. We also met with your Corporate Director of Finance in October.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Governance and Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Governance and Audit Committee.	July 2019	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	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 2019-20 financial statements.	April 2020	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 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Governance and Audit Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

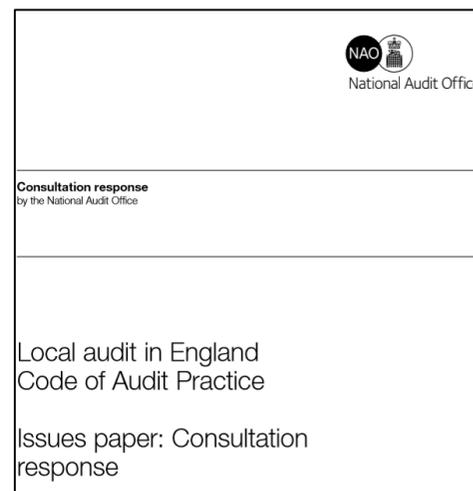
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

Financial Reporting



Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

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The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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