

# **GOVERNANCE AND AUDIT COMMITTEE**

**Tuesday, 21st July, 2020**

**10.00 am**

**Online**







## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Tuesday, 21st July, 2020, at 10.00 am**  
**Online**

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

#### **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

In response to COVID-19, the Government has legislated to permit remote attendance by Elected Members at formal meetings. This is conditional on other Elected Members and the public being able to hear those participating in the meeting. This meeting of the Committee will be streamed live and can be watched via the Media link on the Webpage for this meeting.

#### **UNRESTRICTED ITEMS**

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

1. Introduction
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes - 22 January 2020 (Pages 1 - 6)
5. Committee Work and Member Development Programme (Pages 7 - 12)

6. Draft Statement of Accounts TO FOLLOW
7. Treasury Management Annual Review 2019/20 (Pages 13 - 26)
8. External Audit Findings for Kent Superannuation Fund TO FOLLOW
9. External Audit Update and Audit Plan for KCC Superannuation Fund (Pages 27 - 66)
10. Internal Audit Progress Report (Pages 67 - 92)
11. Counter Fraud Update (Pages 93 - 142)
12. Policy Reviews (Pages 143 - 176)
  - (a) Anti-Money Laundering Policy
  - (b) Anti-Bribery Policy
  - (c) Anti-Fraud and Corruption Strategy
13. Internal Audit Annual Report and Opinion 2019/20 (Pages 177 - 216)
14. Internal Audit and Counter Fraud Plan 2020/21 (Pages 217 - 256)
15. Corporate Risk Register (Pages 257 - 320)
16. Fraud Law and Regulations and Going Concerns Considerations TO FOLLOW
17. Other items which the Chairman decides are urgent
18. 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.
19. Internal Audit Progress Report - Audit Summaries (Pages 321 - 332)

### **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

**Monday, 13 July 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.*



## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 22 January 2020.

**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 G Cooke, Mr D Farrell, Mrs S V Hohler, Dr D Horne, Mr H Rayner and Mr M E Whybrow

**ALSO PRESENT:** Mrs M E Crabtree

**IN ATTENDANCE:** Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr J Flannery (Principal Auditor), Mr C Ratcliffe (Principle Auditor), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Mr D Whittle (Director of Strategy, Policy, Relationships and Corporate Assurance), Mr M Scrivener (Corporate Risk Manager) and Mr A Tait (Democratic Services Officer)

### UNRESTRICTED ITEMS

**1. Membership**  
*(Item 2)*

The Committee welcomed Dr David Horne as its Independent Member.

**2. Minutes - 3 October 2019**  
*(Item 5)*

RESOLVED that subject to the deletion of the first reference to “complaints” in Minute 49, the Minutes of the meeting held on 3 October 2019 are correctly recorded and that they be signed by the Chairman.

**3. Dates of future meetings**  
*(Item 6)*

The Committee noted the following future meeting dates:-

Thursday, 23 April 2020;  
Tuesday, 21 July 2020;  
Thursday, 8 October 2020;  
Thursday, 21 January 2021; and  
Friday, 23 April 2021.

**4. Committee Work and Member Development Programme**  
*(Item 7)*

- (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 Committee dates given should refer to the years 2020 and 2021 rather than 2019 and 2020. He asked the Committee to note that there would be an additional item on Audit Committee Effectiveness at the April 2020 meeting.
- (2) The Head of Internal Audit agreed to circulate the appropriate CIPFA Guidance in response to Members' questions on appropriate Audit Committee training.
- (3) The Committee asked for future editions of the Work Programme to identify the "Officer responsible" rather than the "Owner."
- (4) RESOLVED that subject to (1) to (3) above, approval be given to the forward Committee Work Programme and Member Development Programme as set out in the report.

**5. Review of Corporate Governance**  
*(Item 8)*

- (1) The General Counsel gave an update on the work planned for the coming months relating to corporate governance. He explained that a more detailed report would be presented to the Committee in April 2020. He agreed to Members' requests for this to include a register of the Informal Groups that currently existed.
- (2) RESOLVED that the ongoing activities to improve the Council's governance be noted.

**6. Corporate Risk Register**  
*(Item 9)*

- (1) The Corporate Risk Manager presented the Corporate Risk Register to the Committee together with an overview of the changes since it had last been presented and an outline of the ongoing process of monitoring and review.
- (2) Members of the Committee asked for a training session on the Risk Toolkit. They also asked for this session to include discussion of alternative methods for measuring risks.
- (3) Members of the Committee questioned the removal of Risks CRR0041 (Healthy and Effective Workforce) and CRR011 (Strategic Commissioning) from the Register and suggested that the Committee should be consulted before any Risk was removed in future.
- (4) RESOLVED that:-
  - (a) the assurance provided in relation to the development, maintenance and review of the Corporate Risk register be noted together with the

Committee's wish to be consulted before any Risk is removed from the Risk Register; and

- (b) a training session be arranged on the Risk Toolkit.

**7. Review of KCC's Risk Management Policy and Strategy**  
(Item 10)

(1) The Director of Strategy, Policy, Relationships and Corporate Assurance presented the annual review of the County Council's Risk Management Policy and Strategy. He replied to Members' questions by saying that Divisional Risks were considered by the Corporate Management Team.

(2) RESOLVED that approval be given to the Risk Management Policy and Strategy for the coming year.

**8. Treasury Management Six Month Review**  
(Item 11)

(1) The Treasury and Investments Manager presented a review of Treasury Management activity for the year 2019-20 to date.

(2) RESOLVED that subject to corrections being made to the End Dates in the table at Appendix 1 of the report, the report be endorsed for submission to the County Council.

**9. Internal Audit Progress Report**  
(Item 12)

(1) Mr R H Bird informed the Committee that his pension fund held investments in the LF Woodford Equity Income Fund. He would therefore not speak on the substance of the Audit into Pension Investment Governance.

(2) Mrs M E Crabtree informed the Committee that she held investments in the LF Woodford Equity Investment Income Fund and would therefore not comment on the Audit into Pension Investment Governance.

(3) The Head of Internal Audit introduced the report on the status of delivery against the Internal Audit Plan 1919/20 and gave summaries of completed audit reviews, together with an update on the resources position of the services. His report also gave an update on issue implementation status.

(4) The Head of Internal Audit's report contained an Information Governance Assurance Map for the first time. This was received with approval, although the Committee asked for acronyms to be identified in future reports.

(5) The General Counsel informed the Committee that a report on the Combined Member Grant Scheme would be presented to Selection and Member Services Committee in the light of the Audit Opinion given.

(6) The General Counsel replied to points made during discussion of this item by saying that consideration was being given to the question of whether a discrete sound recording could be made of Exempt items in future. He added that there would be benefits in doing so, but also significant potential detriments.

(7) RESOLVED that:-

(a) the Internal Audit Progress Reported for the period 1 April 2019 to 10 January 2020 be noted; and

(b) the revisions to the Internal Audit Plan be endorsed.

**10. Counter Fraud Update**  
*(Item 13)*

(1) The Counter Fraud Manager reported on Counter Fraud activity undertaken during the period September 2019 to November 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.

**11. External Audit Progress Report and Sector Update**  
*(Item 14)*

(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.

(2) The Corporate Director of Finance undertook to provide Mr Whybrow with the details of the objection to the 2016-17 audit of accounts and the reply from Grant Thornton as well as the cost to KCC.

(3) 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 paragraphs 5 and 6 of Part 1 of Schedule 12A of the Act.)*

**12. Exempt Minutes - 3 October 2019**  
*(Item 17)*

RESOLVED That the Exempt Minutes of the meeting held on 3 October 2019 are correctly recorded and that they be signed by the Chairman.

**13. Internal Audit Progress Report - Financial Audit**  
*(Item 18)*

(1) The Head of Internal Audit reported the audit on Imprest Accounts and Cash Balances. This had revealed significant issues around procedure and process.

(2) The Corporate Director of Finance informed the Committee that she had taken direct oversight of the audit. It was aimed to close all KCC's Imprest Accounts within 6 months and, wherever appropriate, replace them with more technologically advanced systems. Updates on progress would be presented to future meetings of the Committee.

(3) RESOLVED that the report be noted.

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

To: Governance and Audit Committee – 21<sup>st</sup> July 2020

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

Classification: Unrestricted

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

## **FOR DECISION**

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### **Introduction and background**

1. 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. Reviews of the effectiveness of the Governance and Audit Committee and also, its Terms of Reference remain outstanding and, consequently, the Work Programme may be amended during 2020-21.

### **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. Since the previous Committee in January 2020, there has been training sessions with members in respect of the Annual Accounts.
7. Further training and development for the Committee will be arranged in 2020-21.

### **Recommendations**

8. 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	Jul-20	Sep-20	Oct-20	Jan-21	Apr-21
<b>Secretariat</b>						
Minutes of last meeting	Andrew Tait	✓		✓	✓	✓
Work Programme	Jonathan Idle	✓		✓	✓	✓
Member Development Programme	Jonathan Idle	✓		✓	✓	✓
<b>Risk Management and Internal Control</b>						
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			✓		
<b>Corporate Governance</b>						
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					✓
Review of Bribery Policy	Ben Watts					✓
Audit Committee Effectiveness	GAC Chair			✓		

## Committee Work Programme

## Appendix 1

Category Item	Owner	Jul-20	Sep-20	Oct-20	Jan-21	Apr-21
<b>Internal Audit and Counter Fraud</b>						
Internal Audit 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					✓
Counter Fraud Annual Report	James Flannery	✓				
Counter Fraud Progress Report	James Flannery			✓	✓	✓
Review of the Anti-Fraud and Corruption Strategy (part of plan report)	James Flannery					✓
<b>External Audit (provided by Grant Thornton)</b>						
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					✓
<b>Financial Reporting</b>						
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		✓			



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 – 21 July 2020

Subject: **TREASURY MANAGEMENT ANNUAL REVIEW 2019-20**

Classification: Unrestricted

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Summary: To report a summary of Treasury Management activity in 2019-20

**FOR DECISION**

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**INTRODUCTION**

1. 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). At Kent County Council half yearly reports are made to the County Council and quarterly updates are provided to the Governance and Audit Committee. Members of the Treasury Management Advisory Group (TMAG) also receive monthly updates.
2. The Council's Treasury Management Strategy for 2019-20 was approved by full Council on 14 February 2019.
3. 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.
  - a) Reports on the implications of treasury decisions and transactions;
  - b) Gives details of the outturn position on treasury management transactions in 2019-20;
  - c) Confirms compliance with its Treasury Management Strategy, Treasury Management Practices and Prudential Indicators.
4. When this report is agreed by this committee it will go forward to full council.

**EXTERNAL CONTEXT**

5. The UK's exit from the European Union and future trading arrangements, had remained one of the major influences on the UK economy and sentiment during 2019-20. The Brexit deadline was finally extended to 31 January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

6. At the beginning of 2020 the global economy was entering a period of slower growth. Then coronavirus swiftly changed everything. In response to the spread of the virus and the sharp increase in those infected, Central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.
7. The Bank of England which had held policy rates steady at 0.75% through most of 2019-20, moved in March to cut bank rates to 0.25% from 0.75% and then swiftly brought them down further to the record low of 0.1% which has been maintained since.
8. The UK government also introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK. The nationwide lockdown in late March effectively shut down almost the entire UK economy and these measures have continued with only some easing of restrictions at the end of May and into June.
9. GDP growth contracted by 2.2% in Q1 (Jan-Mar) 2020 pushing the annual growth rate down to -1.6%. The lockdown only came into force on 23rd March, and the markets are braced for a dire set of growth data for Q2. In April UK GDP fell 20.4% month-on-month. On the back of the 5.8% month-on-month fall in March, this means economic output fell by 25% compared to its pre-coronavirus peak in February 2020.
10. Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. The measures implemented by central banks and governments have helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile.
11. In March sterling touched its lowest level against the dollar since 1985. Gilt yields fell substantially with 5-year yields falling to 0.26% on 31 March. The 10-year and 20-year yields fell to 0.4% and 0.76% over the same period. 1-month, 3-month and 12-month LIBID rates dropped to 0.61%, 0.72% and 0.88% respectively over the 12 months to 31 March. Rates have continued to fall with the 10-year gilt yield falling to 0.14% by the end of June and 1-month, 3-month and 12-month bid rates averaged 0.04%, 0.28% and 0.44% respectively over the 3 months.

## **LOCAL CONTEXT**

12. 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 strategy continues to be to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.
13. At 31 March 2020 the Council's useable reserves and working capital amounted to £537m. The Council used £156m of its reserves to fund capital spend rather than borrow from 3rd parties leaving £381m available for investment, a decrease on 2019 of £74m.
14. Since the onset of the Covid-19 crisis and the resultant economic uncertainty officers with the assistance of Arlingclose, the council's treasury advisor, have been closely monitoring the council's cash balances as well as its debt and investment portfolios.

## BORROWING UPDATE

15. On 9 October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.
16. The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields, available from 12 March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.
17. The consultation titled "Future Lending Terms" invites key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.
18. The consultation closes on 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021-22 and officers intend to respond to the consultation.

## BORROWING STRATEGY

19. At 31 March 2020 the council held £883.82m of loans, a reduction of £22.38m from 31 March 2019 as part of its strategy of funding previous year's capital programmes. The year-end borrowing position and the year-on-year change are shown in the table below.

### Borrowing Position

	31/03/2019	2019-20	31/03/2020		
	Principal Balance £m	Movement £m	Principal Balance £m	Average Rate %	Weighted Average Life (yrs)
Public Works Loan Board	490.94	-17.67	473.28	4.97%	16.21
Banks (LOBO)	90.00	0.00	90.00	4.15%	43.88
Banks (Fixed Term)	325.26	-4.71	320.55	4.09%	34.48
<b>Total Long-term borrowing</b>	<b>906.20</b>	<b>-22.38</b>	<b>883.82</b>	<b>4.57%</b>	<b>25.66</b>

20. The council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period

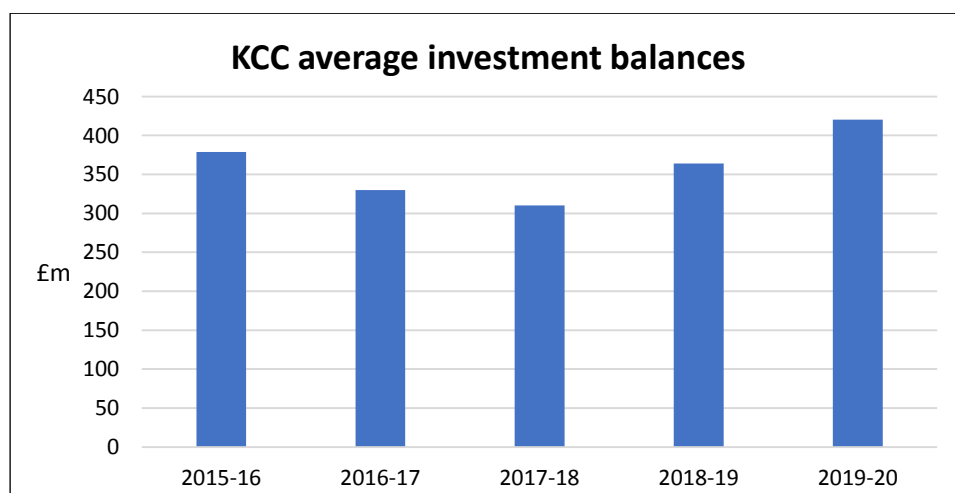
for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective.

21. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs and the council's Treasury Advisor, Arlingclose has assisted it with this 'cost of carry' and breakeven analysis. The council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
22. The council continues to hold £90m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as 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.
23. A final £0.4m was drawn of the loans agreed specifically to fund improvements to Kent's street lighting under the government's energy efficiency loans programme while £12m of the Salix Finance Ltd loan principal advanced had been repaid as at 31 March 2020. At 31 March 2020 the council had borrowed the total £40.6m funding agreed of which £30.6m has been an interest free loan provided by Salix Finance Ltd.

## **TREASURY INVESTMENT ACTIVITY**

24. KCC holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During 2019-20 the council's average investment balance was £422m. Balances fluctuated during the year falling at the year end to £381m although this balance was higher than anticipated as the result of the receipt in March of grants to cover COVID -19 costs and business rate compensation.

### Average investment balances 2015 – 20



25. At 31 March 2020 the council held some £87.1m in its NatWest call account and in Money Market Funds with same day access to cover urgent payments and enhance the council's liquidity.
26. During the year £30m was invested in strategic pooled funds using the proceeds of maturing treasury bills and at 31 March 2020 the value of the council's investments in pooled funds was £157.3m, 41% of its total cash.



27. The year-end investment position and the year-on-year change are shown in the table below.

	31-Mar-19	2019-20	31-Mar-20		
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	£m	£m	£m	%	
Bank Call Accounts	2.4	28.0	30.4	0.50	A+
Money Market Funds	92.9	-36.2	56.7	0.42	AA-
Local Authorities	65.0	-15.0	50.0	0.90	AA-
Treasury Bills	52.4	-52.4	0		AA
Covered Bonds	90.4	-5.5	84.9	1.09	AAA
Equity	2.1	-	2.1		
<b>Internally managed cash</b>	<b>305.2</b>	<b>-81.1</b>	<b>224.1</b>	<b>0.80</b>	AA
<b>Strategic Pooled Funds</b>	<b>150.0</b>	<b>+7.3</b>	<b>157.3</b>	<b>4.71</b>	
<b>Total</b>	<b>455.2</b>	<b>-73.8</b>	<b>381.4</b>	<b>2.42</b>	

28. Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
29. During 2019-20 the council added to its holdings in the CCLA LAMIT property fund, the Kames diversified income fund and made a new investment in the Investec diversified income fund.
30. The progression of credit risk and return metrics for KCC's investments are shown in the extract from Arlingclose's quarterly investment benchmarking in the table below.

#### Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM (days)	Rate of Return
31.03.2019	3.02	AA	31%	381	2.25%
31.03.2020	3.02	AA	39%	349	2.42%
Similar LAs	3.83	AA-	41%	644	1.55%
All LAs	4.03	AA-	56%	20	1.23%

31. Details of the council's investment position at 31 March 2020 are reported in Appendix 1.
32. KCC has invested £180m in externally managed pooled (bond, equity and property) funds. These are strategic long-term investments where the objectives are regular revenue income and long-term price stability with short-term security and liquidity being

lesser considerations. During the year these funds generated an income return of £7.6m, (4.71%) which is used to support services in year.

33. The Authority is invested in bond, equity, multi-asset and property funds. As a result of considerable global market volatility during the Covid-19 crisis we saw falls in the capital values of the underlying assets which were reflected in the 31 March fund valuations, with every fund registering negative capital returns over 12 months to March. Several March-end dividend details are awaited, but early calculations suggest that, despite decent income returns in 2019-20, these funds will post negative total return over the one-year period due to the capital component of total returns.
34. Trading in the CCLA property fund was also suspended during March based on advice from the fund's valuer that an accurate fund price cannot be calculated and CCLA's duty to treat customers fairly. The unrealised capital losses in equity income funds were especially large.
35. These unrealised capital losses will not have an impact on the General Fund. The council has adopted accounting standard IFRS 9 in full however MHCLG has implemented a statutory override which requires fair value movements in pooled investment funds to be taken to a separate unusable reserve instead of the General Fund. The override will be in place for at least five years until 31 March 2023.
36. Decisions to invest in these funds have been made taking account of advice from Arlingclose. Arlingclose monitor their performance and provide monthly updates for the council. Because these funds have no defined maturity date but are available for withdrawal after a notice period their performance and continued suitability in meeting KCC's investment objectives are regularly reviewed. These strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates.
37. Details of the externally managed pooled funds are shown in the following table.

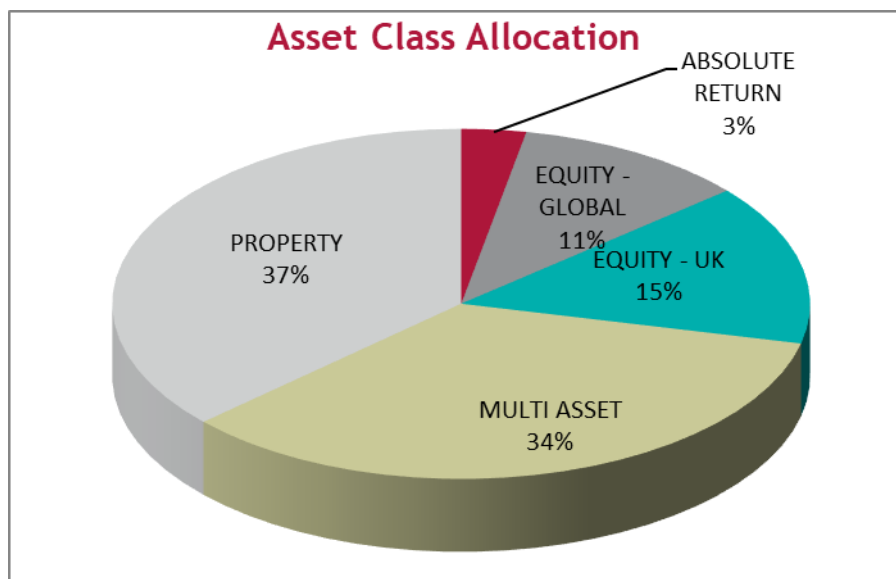
#### Externally Managed Investments

Investment Fund	Market Value at 31 Mar 2019	New investment	2019-20 Movement in market value	Market Value at 31 Mar 2020	12 months return to 31 Mar 2020	
	£m	£m	£m	£m	Income	Total
CCLA - Diversified Income Fund	5.0		-0.4	4.6	3.70%	-5.28%
CCLA – LAMIT Property Fund	50.8	10.0	-2.9	57.9	3.80%	-0.83%
Fidelity Global Multi Asset Income Fund	25.5		-1.8	23.7	5.03%	-1.60%
Investec Diversified Income Fund		10.0	-0.8	9.2	1.58%	-6.44%
Kames Diversified Monthly Income Fund	10.4	10.0	-3.5	16.9	3.52%	-13.53%
M&G Global Dividend Fund	10.6		-2.0	8.6	3.40%	-15.86%
Pyrford Global Total Return Sterling Fund	5.0		-0.3	4.7	1.84%	-2.60%

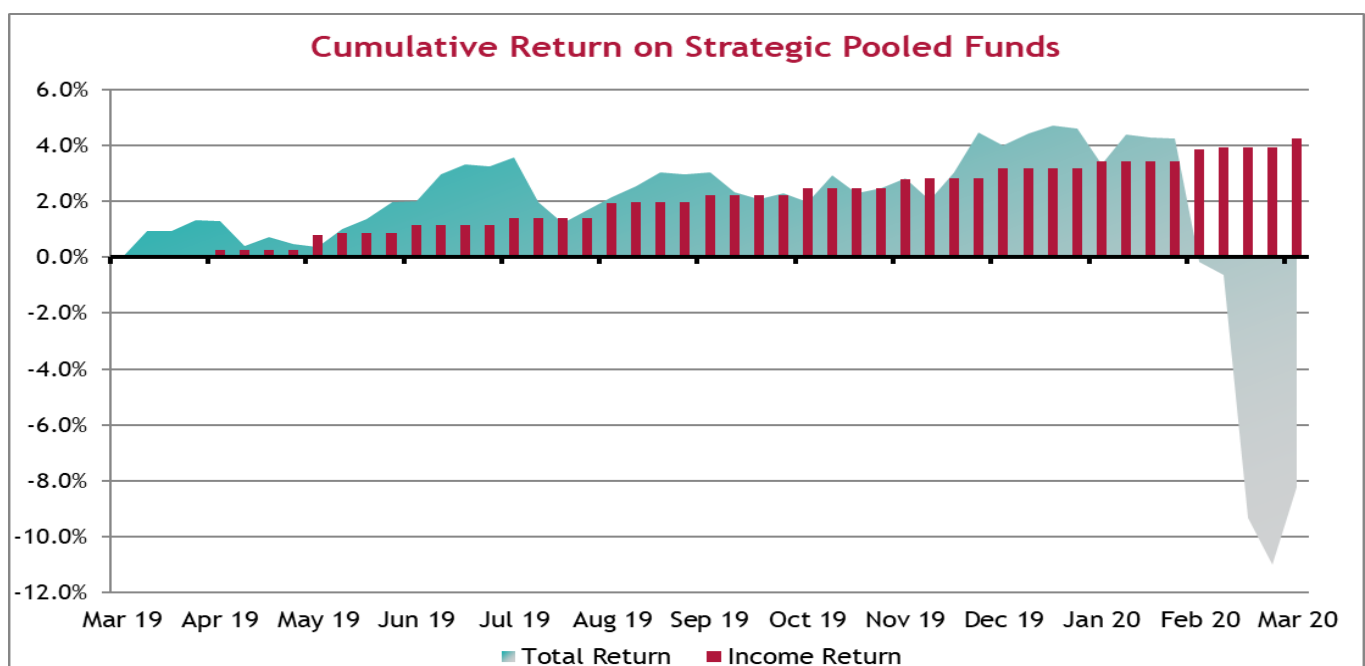
Schroder Income Maximiser Fund	23.6		-7.8	15.8	7.63%	-25.61%
Threadneedle Global Equity Income Fund	9.8		-1.4	8.4	3.41%	-10.31%
Threadneedle UK Equity Income Fund	9.3		-1.7	7.6	4.44%	-14.24%
<b>Total Externally Managed Investments</b>	<b>150.0</b>	<b>30.0</b>	<b>-22.7</b>	<b>157.3</b>	<b>4.71%</b>	<b>-8.04%</b>

38. Since the end of March 2020 the strategic pooled funds have recovered some of their capital losses as the financial markets have rebounded. At 30 June the market value of the portfolio was £163.9m.

39. A breakdown of the external investments by asset class is as follows:



40. The following chart tracks the returns earned on the pooled funds over the 12 months to end March 2020.



## FINANCIAL OUTTURN

41. The Council's total investment income for the year was £10.4m, £2.42% on funds held. The above benchmark return reflects the investment in the pooled and spread of cash investments as detailed in the table at paragraph 25 above. KCC also received dividends on the equity held in Kent PFI Holding Co Ltd of £452,000.

## COMPLIANCE WITH TREASURY MANAGEMENT INDICATORS

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

### Treasury Management Indicators

43. The Council measures and manages its exposures to treasury management risks using the following indicators.
44. **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 31/03/2020	Target	Complied
Portfolio average credit rating	AA	AA	Yes

45. **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 31/03/2020	Target	Complied
Total cash available within 3 months	£137m	£110m	Yes

46. **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 31/03/2020	Upper Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	660k	£10m
One-year revenue impact of a 1% <u>fall</u> in interest rates	-£900k	-£10m

47. **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:

	<b>Actual 31/03/2020</b>	<b>Upper limit</b>	<b>Lower limit</b>	<b>Complied</b>
Under 12 months	3.42%	100%	0%	Yes
12 months and within 5 years	11.43%	50%	0%	Yes
5 years and within 10 years	6.44%	50%	0%	Yes
10 years and within 20 years	20.13%	50%	0%	Yes
20 years and within 40 years	32.43%	50%	0%	Yes
40 years and longer	26.15%	50%	0%	Yes

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.

48. **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:

	<b>Actual</b>	<b>Limit</b>	
<b>Price risk indicator</b>	<b>31/03/2020</b>	<b>2020/21</b>	<b>2021/22</b>
Principal invested beyond year end	£244m	£300m	£300m

## RECOMMENDATION

49. Members are asked to agree the report and recommend that it is submitted to County Council.

**Alison Mings**  
**Treasury and Investments Manager**  
[Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)  
**Ext: 03000 416488**

## Investments as at 31 March 2020

## 1. Internally Managed Investments

## 1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Fixed Deposits	Thurrock Borough Council	10,000,000	1.07%	29/05/2020
Fixed Deposits	Thurrock Borough Council	10,000,000	0.81%	30/04/2020
Fixed Deposits	Rotherham Metropolitan Borough Council	10,000,000	0.78%	23/04/2020
Fixed Deposits	Royal Borough of Windsor and Maidenhead	5,000,000	0.95%	30/04/2020
Fixed Deposits	Royal Borough of Windsor and Maidenhead	10,000,000	0.95%	07/05/2020
Fixed Deposits	Royal Borough of Windsor and Maidenhead	5,000,000	0.85%	27/07/2020
<b>Total Local Authority Deposits</b>		<b>50,000,000</b>		
Call Account	National Westminster Bank plc	30,000,000	0.50%	
<b>Total Call Account Funds</b>		<b>30,000,000</b>		
Money Market Funds	Federated Short-term Sterling Prime Fund GBP KCC	10,539,332	0.50%	
Money Market Funds	SSgA GBP Liquidity Fund (Stable NAV)	8,141,258	0.36%	
Money Market Funds	HSBC Sterling Liquidity Fund	15,931	0.51%	
Money Market Funds	LGIM Sterling Liquidity Fund 4 KCC	13,909,691	0.40%	
Money Market Funds	Insight Liquidity Funds PLC	8,229	0.27%	
Money Market Funds	Aberdeen Liquidity Fund (Lux) KCC	14,994,401	0.42%	
Money Market Funds	Deutsche Managed Sterling Platinum	9,058,682	0.40%	
<b>Total Money Market Funds</b>		<b>56,667,527</b>		
<b>Equity and Loan Notes</b>	Kent PFI (Holdings) Ltd	<b>2,135,741</b>		n/a
<b>Icelandic Recoveries outstanding</b>	Heritable Bank Ltd	<b>366,905</b>		n/a

## 1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal £	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,600,813	1.71%	20/12/2024
Fixed Rate Covered Bond	National Australia Bank - Bonds	4,978,564	1.35%	10/11/2021
Fixed Rate Covered Bond	Leeds Building Society Bonds	4,205,404	1.29%	17/04/2023
Fixed Rate Covered Bond	Santander UK - Bonds	3,265,748	0.65%	14/04/2021
Fixed Rate Covered Bond	Bank of Nova Scotia Bonds	4,993,773	0.88%	14/09/2021
Fixed Rate Covered Bond	National Australia Bank - Bonds	3,001,265	1.10%	10/11/2021
Floating Rate Covered	TSB Bank - Bonds	2,503,355	1.54%	15/02/2024

Bond				
Floating Rate Covered Bond	Lloyds - Bonds	2,502,197	0.78%	27/03/2023
Floating Rate Covered Bond	Lloyds - Bonds	2,502,932	0.77%	27/03/2023
Floating Rate Covered Bond	Nationwide Building Society - Bonds	3,998,458	1.42%	10/01/2024
Floating Rate Covered Bond	Lloyds - Bonds	4,500,000	1.31%	14/01/2022
Floating Rate Covered Bond	Australia and New Zealand Banking group - bonds	3,000,000	1.39%	24/01/2022
Floating Rate Covered Bond	Santander UK - Bonds	2,002,697	1.40%	12/02/2024
Floating Rate Covered Bond	Nationwide Building Society - Bonds	4,503,916	0.98%	12/04/2023
Floating Rate Covered Bond	Bank of Montreal - Bonds	5,004,352	0.98%	17/04/2023
Floating Rate Covered Bond	Santander UK - Bonds	3,751,268	0.94%	13/04/2021
Floating Rate Covered Bond	Lloyds - Bonds	5,005,178	0.77%	27/03/2023
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,024,430	0.96%	10/01/2022
Floating Rate Covered Bond	Santander UK - Bonds	5,002,383	0.97%	16/11/2022
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,585,820	0.97%	12/04/2023
Floating Rate Covered Bond	Santander UK - Bonds	5,001,724	0.89%	05/05/2020
<b>Total Bonds</b>		<b>84,934,287</b>		

<b>Total Internally managed investments</b>	<b>£224,104,461</b>
---------------------------------------------	---------------------

## 2. Externally Managed Investments

<b>Investment Fund</b>	<b>Market Value at 31-Mar-20 £</b>
CCLA - Diversified Income Fund	4,569,342
CCLA – LAMIT Property Fund	57,880,302
Fidelity Global Multi Asset Income Fund	23,702,249
Investec Diversified Income	9,198,620
Kames Diversified Monthly Income Fund	16,899,833
M&G Global Dividend Fund	8,568,332
Pyrford Global Total Return Sterling Fund	4,712,633
Schroder Income Maximiser Fund	15,768,778
Threadneedle Global Equity Income Fund	8,440,787
Threadneedle UK Equity Income Fund	7,587,704
<b>Total External Investments</b>	<b>157,328,584</b>

## 3. Total Investments

<b>Total Investments</b>	<b>£381,433,045</b>
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## GLOSSARY

### Local Authority Treasury Management Terms

<b>Bond</b>	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
<b>CET 1</b>	Core equity tier 1 - the purest form of capital for a financial institution, which is available to absorb losses while it remains a going concern, usually expressed as a ratio to risk weighted assets.
<b>CFR</b>	Capital Financing Requirement. A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
<b>Covered bond</b>	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
<b>CPI</b>	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee, measured on a harmonised basis across the European Union
<b>FTSE</b>	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
<b>GDP</b>	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
<b>IFRS</b>	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
<b>IMF</b>	International Monetary Fund
<b>LOBO</b>	Lender's Option Borrower's option
<b>MMF</b>	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
<b>Monetary Policy</b>	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
<b>MPC</b>	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
<b>MRP</b>	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
<b>Municipal bond</b>	Bond issued or guaranteed by local authorities.
<b>Municipal bond</b>	Company that issues bonds in the capital market and lends the proceeds back to local

<b>Agency</b>	authorities. The bonds are guaranteed by the local authorities
<b>Pooled Fund</b>	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
<b>Prudential Code</b>	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code
<b>PWLB</b>	Public Works Loan Board – a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
<b>REIT</b>	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
<b>Share</b>	An equity investment, which usually also confers ownership and voting rights
<b>Short-term</b>	Usually means less than one year

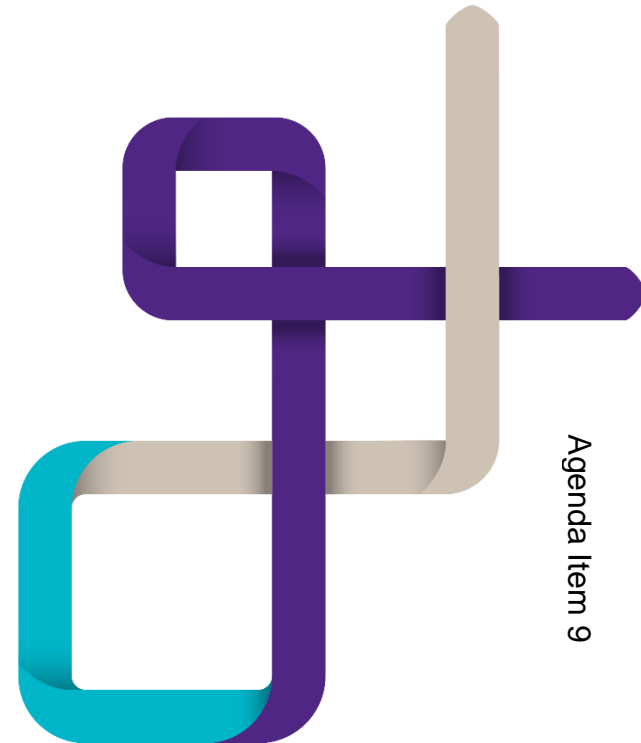
# External Audit Plan

*Year ending 31 March 2020*

Kent County Council

May 2020

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Agenda Item 9

# Contents

# DRAFT



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

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent County Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## Group Accounts

The Authority is required to prepare group financial statements that consolidate the financial information of:

- Invicta Law Limited
- Kent HoldCo Limited and its subsidiaries:
  - Kent County Trading Limited (parent company of Commercial Services Trading Limited, Commercial Services Kent Limited, Kent Top Temps Limited, CES Holdings Limited, and Hampshire & Kent CS LLP)
  - GEN2 Property Limited
  - EDSECO Limited
  - Cantium Business Solutions Limited
  - East Kent Opportunities LLP

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings
- Valuation of net pension fund liability
- Management override of controls
- Covid-19

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £35m (PY N/A) for the group and £34m (PY £43m) for the Authority, which equates to 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.7m (PY £2.15m).

# 1. Introduction & headlines

# DRAFT

<b>Value for Money arrangements</b>	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:
	<ul style="list-style-type: none"> <li>• Overall Financial Position – Medium Term Financial Plan</li> <li>• Woodford Equity Income Fund</li> </ul>
	<p>We have reviewed our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19 but we have enhanced the work we will carry out in respect of the risk identified in our audit plan in respect of financial sustainability.</p>
<b>Audit logistics</b>	<p>Our interim visits will take place in January and March and our final visit is currently planned to start in July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £151,062 (PY: £128,862) for the Authority, subject to the Authority meeting our requirements set out on page 17.</p>
<b>Independence</b>	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..</p>

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## 2. Key matters impacting our audit

DRAFT

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Kent County Council has an excellent track record of budgetary discipline, but the task of staying in budget will be increasingly challenging and you have increased council tax by 2.99% as part of your Medium Term Financial Plan. At November 2018, the Authority was forecasting an overspend of £1.9m but expected to reduce this by the end of the year

At a national level, the government continues its negotiation with the EU over Brexit. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

In addition, COVID 19 is likely to have an impact on the Council's 2020/21 budget. Government has pledged support already but it will take time to understand the wider impact on all councils.

#### Financial reporting and audit – raising the bar

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 more robust testing as detailed in Appendix A.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

### Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Corporate Director of Finance and is subject to PSAA agreement.

## 2. Key matters impacting our audit

DRAFT

### Factors

#### Implementation of IFRS 16 - Leases

IFRS 16 Leases was due to be implemented under the Code of Practice on Local Authority Accounting from 2020/21. In light of Covid-19, this has been deferred to 2021/22 however disclosures relating to the potential impact will be required in the 2019/20 financial statements under current requirements.

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#### Production of group accounts

The Authority will be producing group accounts for the first time and this will present a challenge in terms of the logistics of collating and consolidating the information including liaising with the subsidiaries finance teams, and the consolidation itself including aligning the accounting policies of the subsidiaries to the Authority and the identification of intragroup transactions and balances.

#### COVID 19

The COVID 19 global pandemic is impacting how people work. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales.

### Our response

#### Implementation of IFRS 16 – Leases

We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 – Leases from 1 April 2021 as required under IAS 8.

#### Production of group accounts

We have identified the production of group accounts for the first time as a risk to the audit and will liaise with the finance team to understand the process they are following to ensure completeness and accuracy of consolidated figures.

#### COVID 19

Since early March, we have been liaising with members of your finance team to discuss how we can work together effectively to deliver the audit despite the restrictions on unnecessary physical interaction. All of our staff are set up to work remotely and we use a variety of tools to communicate and share information such as Microsoft Teams and Inflo.

We have reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

We will communicate with management as the situation develops and provide further communications to the Authority as necessary.



### 3. Group audit scope and risk assessment

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In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Kent County Council	Yes		We have detailed the risks for the audit of this entity on pages 8 to 11	Full scope UK statutory audit performed by Grant Thornton UK LLP
Invicta law Limited	No		None	Analytical review performed by Grant Thornton UK LLP.
Kent HoldCo Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Cantium Business Limited	No		None	Analytical review performed by Grant Thornton UK LLP
EDSECO Limited	No		None	Analytical review performed by Grant Thornton UK LLP
GEN2 Property Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Kent County Trading Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Commercial Services trading Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Commercial Services Kent Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Kent Top Temps Limited	No		None	Analytical review performed by Grant Thornton UK LLP
Hampshire & Kent CS LLP	No		None	Analytical review performed by Grant Thornton UK LLP
CES Holdings Limited	No		None	Analytical review performed by Grant Thornton UK LLP
East Kent Opportunities Limited	No		None	Analytical review performed by Grant Thornton UK LLP

#### Key changes within the group:

- During the year a new entity was purchased into the group, CES Holdings Limited

#### Audit scope

- Audit of the financial information of the component using component materiality
- Analytical procedures at group level

## 4. Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk	Group and Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Kent County Council, mean that all forms of fraud are seen as unacceptable</li> </ul>	Therefore we do not consider this to be a significant risk for the Authority.
Management over-ride of controls	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

# DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling revaluation)	Group and Authority	<p>The Authority revalues its land and buildings on a rolling four-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> <li>• Consider the implications of Brexit on the valuations of the Authority's asset portfolio</li> <li>• Consider the implications of Covid-19 on the valuations of the Authority's asset portfolio</li> </ul>

# Significant risks identified

# DRAFT

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of the pension fund net liability</b>	<b>Group and Authority</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. This will include assurances over how the implications of Covid-19 on the valuations of the fund's asset portfolio</li> </ul>

# Significant risks identified

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	Group and Authority	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <p>Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</p> <p>Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</p> <p>Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</p> <p>Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence</li> </ul>

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

## 5. Other risks identified

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Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Production of consolidated group accounts</b>	<b>Group only</b>	<p>This the first year that the Authority is producing group accounts, although the subsidiaries have been in place for a number of years.</p> <p>The Authority will have to ensure it has sufficient processes in place to ensure the completeness and accuracy of data it receives from the group companies and is able to identify and eliminate intragroup transactions and balances.</p> <p>There will also be challenges to the timetable for the production of group accounts as the companies have traditionally worked to a later deadline than the Authority.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Gain an understanding of the Authority's process for producing group accounts</li> <li>• Review the consolidation process applied to the prior year figures that the finance team intend to produce in early 2020</li> <li>• undertake sufficient audit work to have assurance over the completeness and accuracy of the consolidated figures</li> </ul>

## 6. Other matters

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### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

## 7. Materiality

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### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

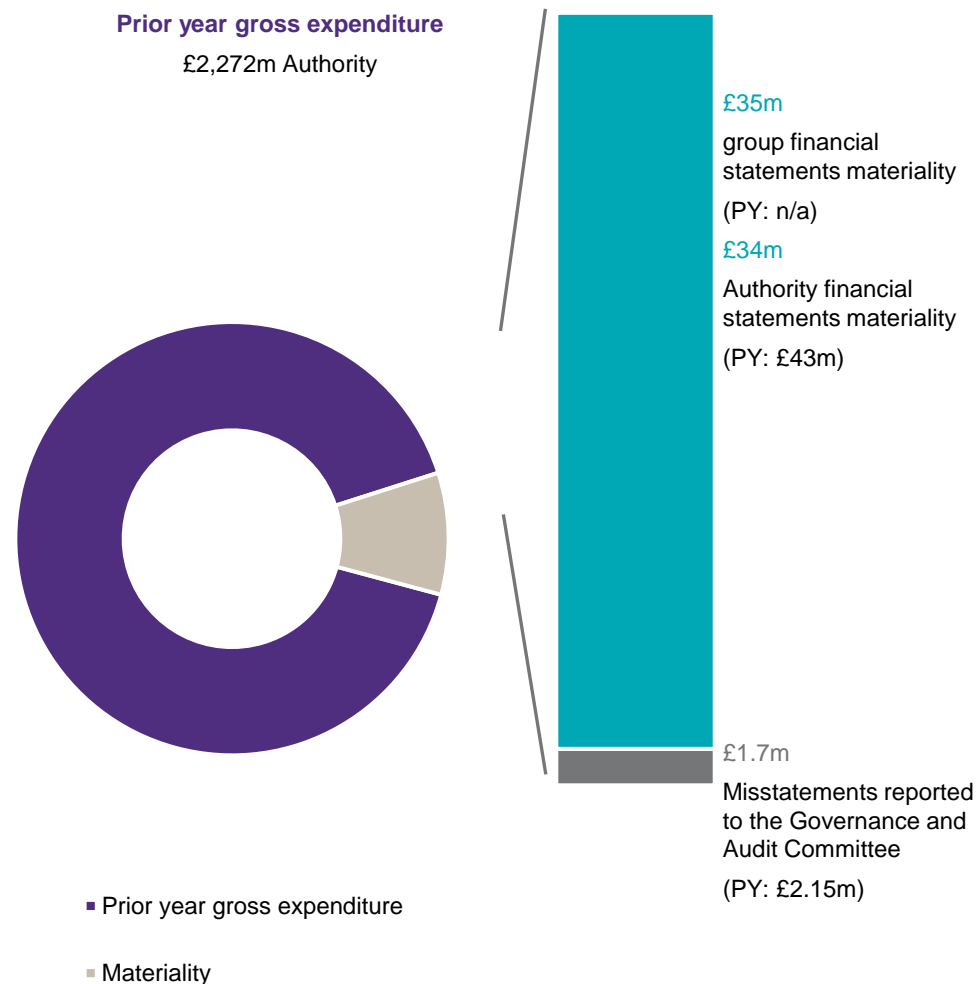
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £35m (PY: n/a) for the group and £34m (PY: £43m) for the Authority, which equates to 1.5% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for Senior officer remuneration and related party transactions.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.7m (PY: £2.15m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.





## 8. Value for Money arrangements

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### Background to our VFM approach

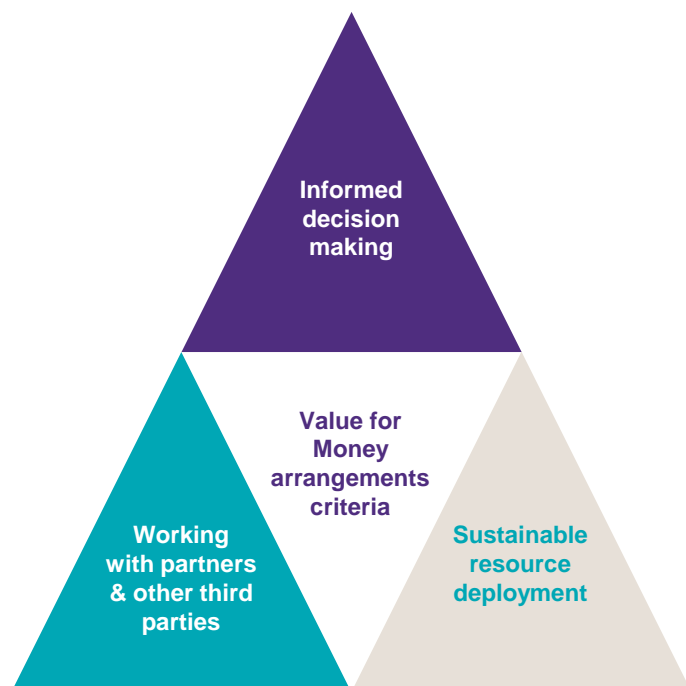
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:

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### Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



#### Overall Financial Position – Medium Term Financial Plan

You have a strong track record of delivering to your budgeted spend at the year end. However as at Month 8 you were anticipating a outturn deficit pressure of £1.9m for the reported year. There is a requirement for a considerable level of savings of the life of the Medium Term Financial Plan (MTFP).

In response to this risk we will:

- Review the assumptions behind the latest MTFP
- Review savings plans and revenue generating schemes.
- Discuss your plans and outcomes with management, as well as reviewing how finances are reported to Councillors
- discuss with management the expected impact of Covid-19 on the budget and measures that are being taken to mitigate the risk to provision of services



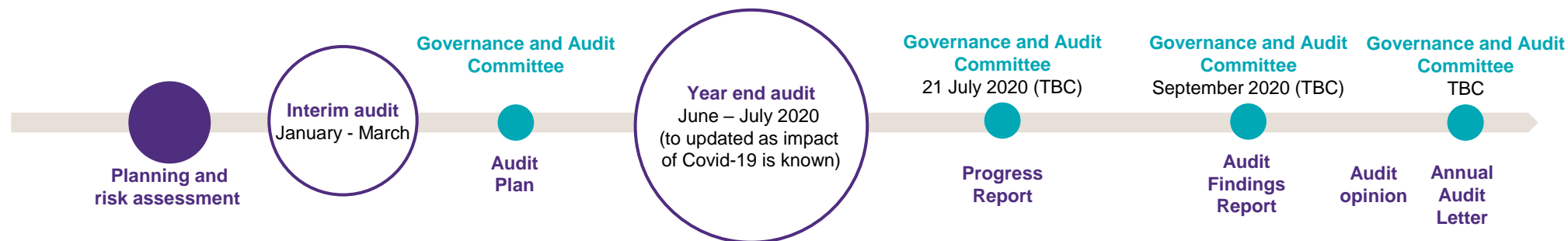
#### Woodford Equity Income Fund

Kent County Council is the administering authority for Kent Pension Fund which holds investments in the above fund. We will review the accounting for the movements on the investment in the fund, the management assessment of the year end valuation and any related disclosures.

We will discuss with management and the internal auditors the progress made against the Internal Audit recommendations.

## 9. Audit logistics & team

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### Paul Dossett, Key Audit Partner

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Authority.



### Tina James, Audit Manager

Responsible for overall audit management, quality assurance of audit work and output and liaison with the Authority.

### Tosin Orekoya, Audit Incharge

Tosin will lead the onsite team and will be the day to day contact for the audit. Tosin will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Tosin will undertake the more technical aspects of the audit, coach members of the team and review the team's work.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# 10. Audit fees

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## Planned audit fees 2019/20

Across all sectors and firms, the 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. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director Corporate Finance and is subject to PSAA agreement.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£155,925	£128,862	£151,062
<b>Total audit fees (excluding VAT)</b>	<b>£155,925</b>	<b>£128,862</b>	<b>£151,062</b>

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

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## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Scale fee</b>	120,062	
<b>Increased challenge and depth of work</b>	6,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits – as outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling
<b>Materiality</b>	4,000	
<b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b>	4,000	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
<b>PPE Valuation – work of experts</b>	9,500 (including use of an auditor's expert)	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore engaged our own audit expert and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.  We estimate that the cost of the auditors expert will be in the region of £5,000 and the increase includes the estimated fee payable to the auditor's expert.
<b>New standards / developments</b>	3,000	Additional work will be required for IFRS16 implementation and corresponding disclosure required in 19/20 under IAS8  The impact of changes in ways of working and requirements of the Code due to Covid-19 will result in additional work
<b>Group consolidation</b>	4,000	The Authority will be producing group accounts for the first time in 2019/20 and this will require additional work to audit the consolidation and in order to have sufficient assurance over the information from subsidiaries for material misstatement.
<b>Revised scale fee (to be approved by PSAA)</b>	<b>151,062</b>	

# 11. Independence & non-audit services

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## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified/ No other services were identified.

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Kent County Sports Partnership accounts audit	2,750	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,750 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Resolution of objections to prior years statutory accounts	11,000	Self interest Self review	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. The work we do on this and the level of fee is also closely scrutinised and challenged by Public Sector Audit Appointments to ensure that they consider this to be reasonable and consistent at a national level.
<b>Non-audit related:</b>			
CFO insights	11,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

# Appendix A: Audit Quality – national context

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## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.

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# External Audit Plan

*Year ending 31 March 2020*

Kent Pension Fund

May 2020

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# Contents



## Your key Grant Thornton team members are:

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## Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other risks identified
5. Other matters
6. Materiality
7. Audit logistics & team
8. Audit fees
9. Independence & non-audit services

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## Appendix

- A. Audit quality – national context

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

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kent Pension Fund. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance, the Governance and Audit Committee.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

## Significant risks

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Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions (rebutted)
- Management override of controls
- Valuation of Level 3 Investments (Annual revaluation)
- Valuation of Directly Held Property (Level 2 Investment) (Annual revaluation)
- Covid-19

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined materiality at the planning stage of our audit to be £62m (PY £58m) for the Pension Fund, which equates to 1% of your prior year net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £3.1m (PY £2.9m).

## Audit logistics

Our interim visit took place in March 2020 and our final visit is currently planned to take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £37,037 (PY: £24,337) for the Pension Fund, subject to the Pension Fund meeting our requirements as set out on page 14. The reason for the fee increase is also explained on page 15.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

## 2. Key matters impacting our audit

### Factors

#### The wider picture and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures.

The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 18.3% of these but have 74% of the members.

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists.

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#### Governance

The Scheme Advisory Board (SAB) has published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators.

SAB is also consulting on Responsible Investment guidance to assist and help investment decision makers.

tPR continues to apply pressure on pension schemes to improve the quality of scheme member data. The 2019 valuation process will likely have thrown up some data issues (large or small) that need addressing.

### Our response

We will consider whether your financial position leads to material uncertainty about the going concern of the Pension Fund and will review related disclosures in the financial statements.

We will consider the Pension Fund's responses to the SAB initiatives and whether they impact upon our risk assessment.

We will consider the impact of any data issues raised as part of the 2019 valuation on the risks identified as part of our 2019/20 audit.

## 2. Key matters impacting our audit

### Factors

#### Woodford Equity Income Fund

As at 31 March 2019, the Pension Fund held an investment in the Woodford Equity Income Fund with a value of £259m. In June 2019 the fund was suspended and in October 2019 the decision was taken by the Authorised Corporate Director of the fund to wind it up. A first payment from the fund was made in January 2020 with a second payment expected following the sale of the remaining assets in the fund.

Internal Audit carried out a review of the controls around the Superannuation Fund Committee's investment decision making resulting in a 'limited' assurance conclusion. They made a series of recommendations.

#### Financial reporting and audit – raising the bar

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 more robust testing as detailed in Appendix A.

Our work in 2018/19 has highlighted areas where financial reporting, in particular Level 3 and Financial Instrument investment valuations and disclosures, needs to be improved, with a corresponding increase in audit procedures.

#### COVID 19

The COVID 19 global pandemic is impacting how people work. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales.

### Our response

We will review the accounting for the movements on the investment in the fund, the management assessment of the year end valuation and any related disclosures.

We will discuss with management and the internal auditors the progress made against the Internal Audit recommendations.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Corporate Director Finance and is subject to PSAA agreement.

Since early March, we have been liaising with members of your finance team to discuss how we can work together effectively to deliver the audit despite the restrictions on unnecessary physical interaction.

All of our staff are set up to work remotely and we use a variety of tools to communicate and share information such as Microsoft Teams and Inflo.

We have reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

We will communicate with management as the situation develops and provide further communications to the Authority as necessary.

### 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Kent Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Kent Pension Fund.</p>	
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

### 3. Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of Level 3 Investments (Annual revaluation)</b>	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li> <li>• independently request year-end confirmations from investment managers and the custodian</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register</li> <li>• where available review investment manager service auditor report on design effectiveness of internal controls.</li> </ul>
<b>Valuation of Directly Held Property (Level 2 Investment) (Annual revaluation)</b>	<p>The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• independently request year-end confirmations from investment managers and the custodian</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm or investment manager the basis on which the valuations were carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation.</li> <li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records</li> <li>• where available review investment manager service auditor report on design effectiveness of internal controls.</li> </ul>

### 3. Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <p>Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</p> <p>Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</p> <p>Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</p> <p>Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</p> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.



## 4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Actuarial Present Value of Promised Retirement Benefits</b>	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as an other risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Fund's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability;</li> <li>• test the consistency of disclosures with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> </ul>

## 4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Contributions</b>	<p>Contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the Fund's accounting policy for recognition of contributions for appropriateness;</li> <li>• gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls;</li> <li>• agree changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports</li> <li>• test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and</li> <li>• test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.</li> </ul>
<b>Pension Benefits Payable</b>	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;</li> <li>• gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls;</li> <li>• test a sample of lump sums and associated individual pensions in payment by reference to member files;</li> <li>• sample testing over, completeness, accuracy and occurrence of benefit payments</li> <li>• test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.</li> </ul>
<b>Woodford investment</b>	<p>As at 31 March 2019, the Pension Fund held an investment in the Woodford Equity Income Fund with a value of £259m. In June 2019 the fund was suspended and in October 2019 the decision was taken by the Authorised Corporate Director of the fund to wind it up. A first payment from the fund was made in January 2020.</p> <p>We therefore identified a risk with accounting for the movements and the valuation of the fund.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review the accounting for the movements on the investment in the fund, the management assessment of the year end valuation.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

## 5. Other matters

### Other work

The Pension Fund is administered by Kent County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We will consider whether or not the loss of funds related to Woodford Equity Income Fund raises any matter we may want to consider in the context of our statutory duties.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Pension Fund's ability to continue as a going concern" (ISA (UK) 570).

Currently, the accounts of the Pension Fund are expected to be prepared on a going concern basis. We will review management's assessment of the going concern assumption and any material uncertainties, and evaluate the disclosures in the financial statements.

## 6. Materiality

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

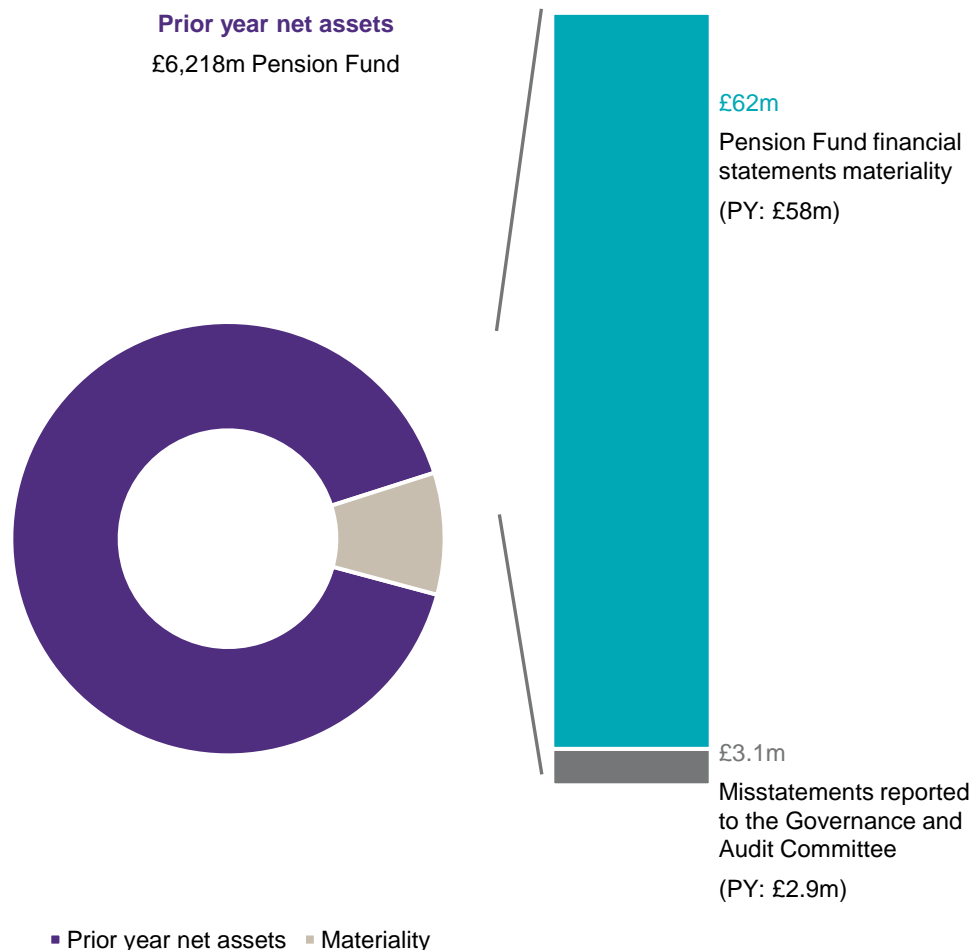
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £62m (PY £58m) for the Pension Fund, which equates to 1% of your prior year net assets for the year.

We also consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

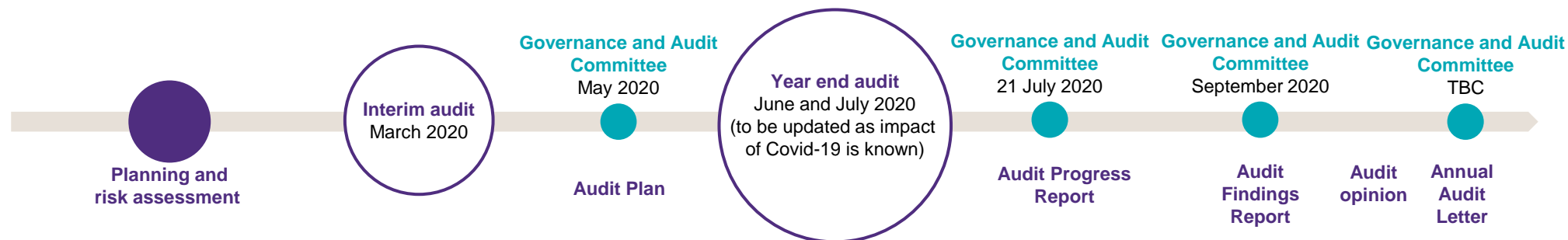
### Matters we will report to the Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £3.1m (PY £2.9m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.



## 7. Audit logistics & team



### Paul Dossett, Key Audit Partner

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Committee.



### Tina James, Audit Manager

Responsible for overall audit management, quality assurance of audit work and liaison with the Committee.

### Tosin Orekoya Audit Incharge

Tosin will lead the onsite team and will be the day to day contact for the audit. Tosin will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

## 8. Audit fees

### Planned audit fees 2019/20

Across all sectors and firms, the 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. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government pension fund financial reporting, in particular, scrutiny of the valuation of hard to value investments needs to be improved. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Corporate Director Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Pension Fund Audit</b>	£30,568	£23,537	£37,037
<b>Assessing the impact of the McCloud ruling</b>		£800	
<b>Total audit fees (excluding VAT)</b>	<b>£30,568</b>	<b>£24,337</b>	<b>£37,037</b>

### Assumptions:

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Audit area	£	Rationale for fee variation
Scale fee	23,537	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Valuation of level 3 investments	1,750	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Directly held property – work of experts	6,750	We have therefore engaged our own audit expert and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin directly held property valuations. The fee increase includes the cost of the auditors expert of £5,000.
Review of Woodford accounting	2,500	The Pension Fund has an investment in the Woodford Equity Income fund which is in the process of being wound up. To date a payment of £138.9m has been announced by the administrators and further payments are possible. We will incorporate review of the accounting for the movements in the fund value and subsequent transactions. Since the fund was put into administration Internal Audit have undertaken a review of the governance arrangements for investments. We will review the outcome of the review and the Fund's response.
Revised scale fee (to be approved by PSAA)	37,037	

## 9. Independence & non-audit services

### Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

### Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following other services were identified.

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Provision of IAS 19 Assurances to Scheme Employer auditors	11,000	As auditor of the pension fund we are required to provide assurance to the auditors of admitted bodies. This is an additional requirement this year in addition to the work required to provide assurance for the pension fund financial statements. As this additional work is to support the IAS 19 for admitted bodies, the Pension Fund will need to determine whether to recharge the cost to these bodies.  £3,000 fixed fee plus £500 per admitted body letter (expected to be 16)	Self-Interest (because this is a recurring fee)  The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,000 in comparison to the total scale fee for the audit of £23,537 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>



# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Pension Fund of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Pension Fund financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 21<sup>st</sup> July 2020

Subject: **INTERNAL AUDIT PROGRESS REPORT**

Classification: Unrestricted

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**Summary:**

This Progress Report details summaries of completed Audit reports between for the period January to July 2020.

**Recommendation:**

**The Governance and Audit Committee note the Internal Audit Progress Report for the period January to July 2020.**

**FOR ASSURANCE**

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**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 10<sup>th</sup> January 2020 – 9<sup>th</sup> July 2020, together with the resulting conclusions, where appropriate.

## **2. Recommendation**

### **2.1 Members are requested to:**

The Governance and Audit Committee note the Internal Audit Progress Report for the period January to July 2020.

## **3. Background Documents**

Internal Audit Progress Report.

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July 2020

**INTERNAL AUDIT PROGRESS REPORT**  
**GOVERNANCE AND AUDIT COMMITTEE**  
**21st July 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 26 summaries of completed work since the previous full Committee in January 2020.
- 1.4 The following areas, usually covered within a Progress Report, are detailed within the Internal Audit Annual Report in a separate agenda item:
  - Analysis of Assurances issued.
  - Plan Status and Delivery.
  - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS).
  - Grant certification; and
  - Issue Implementation status.

## 2. Under the Spotlight!



With each Progress 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 A, for the Committee's information and discussion.

### **A Cross Directorate**

1. Risk Management
2. Savings Plan Delivery
3. Voluntary Sector Contracts

### **B Strategic and Corporate Services:**

1. Infrastructure – Statutory Compliance Follow Up
2. Wireless Network Security (In Exempt Session)
3. Assurance Mapping -ICT – (In Exempt Session)
4. Contact Centre Contract Management (In Exempt Session)
5. Public Health - Sexual Health Spend
6. Information Governance – DPS Toolkit
7. ICT Projects Management – Benefits Realisation
8. LATCo's Client-Side Contract Management (In Exempt Session)
9. Public Health - Clinical Professional Development
10. Payroll

**C Children, Young People and Education:**

1. Care Leavers
2. SEND Follow Up (In Exempt Session)
3. Youth Justice
4. School Themed Review – Business Continuity Planning
5. Schools Financial Services

**D Growth, Environment and Transport:**

1. Non-Household Waste Charging (In Exempt Session)
2. Economic Development Grant Schemes (Village Hall and Community Centres)
3. Developer Contributions Follow Up
4. Highways Term Services Commissioning Programme (In Exempt Session)

**E Adult Social Care and Health:**

1. Customer Care and Complaints Advisory Review
2. Adult Learning Disability Day Services Themed Review
3. ASCH Portfolio Board



### 3. Additional Reviews Post Covid- 19

- 3.1 As discussed at the Governance and Audit Committee Briefing on May 13th 2020, the Internal Audit service promptly reviewed its coverage in April 2020 to provide a supportive approach to the Council as a consequence of the Covid-19 pandemic. This has involved providing advice and assurance in new key risk areas the Council faces and is managing.
- 3.2 Table 1 provides details of such work, which has either been completed or is in progress and is now incorporated within the Internal Audit Plan for 2020-21, which is detailed in a separate Agenda item. Additionally, Table 1 includes other work commenced for 2020-21, such as the review of the Annual Governance Statement Assurance Statements and work to address emerging risks.
- 3.3 Given the details already contained within this report, summaries of completed work will be submitted to the next Committee meeting.

**Table 1 – Post Covid-19- Initial Additional Reviews:**

No.	Audit
1	PPE Distribution
2	Supplier Relief – Policy, Procedures and Application
3	Urgent Payments Process
4	Urgent Payments – Specific Issues
5	ASCH Covid Response Plan
6	Asset Control of Laptops and Other IT Equipment
7	Purchase to Pay
8	Review of Covid-19 Expenditure
9	Business Cases for Urgent / Key Decision
10	Project Kara – Embedded Assurance
11	Annual Governance Statement – Assurances Review
12	Payments Project

## Appendix A – Summaries of Completed Audit Reviews

### A1 - Risk Management

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

Findings were positive overall in relation to the application of the Risk Management Policy. There was generally a good understanding of each of the core components of risk management (identification, assessment, allocation and monitoring). The support provided by the Corporate Risk & Assurance Team was valued and well received by all Officers interviewed.

There was inconsistency, however, in the awareness of risk management training and knowledge of techniques, although both guidance and training are readily available.

#### Key Strengths

- There was good awareness of the key objectives for each service area and what could affect their achievement of these.
- Either separate specific risk registers were in place (project or service specific) or Divisional, Directorate and Corporate risk registers were used by all areas reviewed with one exception.
- There was appropriate awareness of when to escalate risks to Senior Officers (e.g. Corporate Directors) and of various forums where risk is discussed, including Divisional Management Teams.
- Internal Audit were informed that project risks are documented and monitored within the individual project risk registers.
- Where partnerships were in place for our sample of audits, the risks are discussed quarterly.
- Most risks are under regular review or utilise Corporate Risk & Assurance to support and discuss risk if required.
- Internal Audit were informed that risk/ action owners are allocated based on the skills and expertise required.
- Where risks are documented on risk registers, they each have controls/ actions and owners in place which appear reasonable to mitigate/ manage each risk reviewed.

#### Areas for Development

- There was some inconsistency in understanding of risk appetite at a Directorate level and as a Council. However, there is guidance available (Knet - Risk Management page) to support officers in understanding and determining appropriate risk appetites.
- There are varying degrees of risk management training undertaken and awareness of risk management techniques at Manager/ Head of Service level. Again, guidance regarding risk management is available and there is also an e-learning module available should there be any gaps in knowledge.

#### Prospects for Improvement

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

- There is an extensive array of guidance documentation to support risk management.
- The Corporate Risk & Assurance Team support is valued across the Council.
- New Risk Manager posts have been put in place which should allow increased support.

#### Summary of Progress

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

## A2 - Savings Plan Delivery

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

As set out in the Kent County Council Budget Book 2019-20, a total of £44.9m of savings were planned for 2019/20 across the five directorates. A savings monitoring dashboard (BRAG) has been used to track the status of savings plans and this is reported to the Corporate Management Team (CMT). The last BRAG report which covered period up to September 2019 indicated that the savings plans for KCC were mostly on track with the Budget Book for 2019-20.

In addition to issues being flagged via the BRAG monitoring, any savings that are not being delivered (i.e. Red or Amber savings) and are not being offset by alternatives, are highlighted via budget monitoring reports to Cabinet. Cabinet and CMT decide on actions required to address the overall forecast outturn position for the Authority.

Overall, there are controls in place to ensure that savings plan are recorded, tracked and monitored appropriately, however, there are also some gaps and areas of weakness in controls which relate mainly to budget managers accepting responsibility, the effectiveness of feasibility studies, and oversight from the CMT.

### Key Strengths

- Revenue Finance Managers and Finance Business Partners work with Budget Managers from their services and directorates.
- Budget monitoring reports were received by the Cabinet in line with the agreed reporting timetable throughout 2019/20.
- CMT received all BRAG reports promptly, in line with the agreed reporting timetable.

The budget monitoring reports provide appropriate detail about the variances in the budget for each Directorate, with each Directorate is broken down into divisions and any major variances are explained.

- Review of the BRAG update reports from February to September 2019 confirmed that it includes the reasoning behind the classification of savings. The reasoning in the BRAG reports is of adequate detail.
- After September 2019, the narrative in the BRAG update has been linked to the budget monitoring reports for each directorate

### Areas for Development

- Feasibility Studies are not being undertaken in establishing the original savings plans at the start of each year.
- BRAG update reports are discontinued in September each year and savings are not overseen to the same level of scrutiny by CMT thereafter.
- Not all budget managers have accepted responsibility for savings.

### Prospects for Improvement

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

- Finance management have accepted the issues identified by Internal Audit and developed appropriate action plans to address them for 2020/21.

### Summary of Progress

	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	0	0	0

### A3 - Voluntary Sector Grants, Adult Social Care

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

Progress has been made in working with the voluntary sector to convert existing grants into contracts through an 18-month phased transition plan, with the aim of converting all 48 grants into 11 contracts by June 2021. This timescale has since been extended due to the Covid-19 pandemic, with resources being focussed towards supporting services to Kent residents.

A Project Board has been established to analyse the current provision of (grant funded) community-based services and contracts and oversee the work with providers in re-designing the service requirements and moving towards formal contracts. The Project Board will have additional function of monitoring contract performance against agreed KPIs as grant funding arrangements are converted to contracts and will eventually be fully converted into a Contract Management Board.

Our assurance rating of Substantial is based upon the following strengths and areas for development.

#### Key Strengths

- The Voluntary and Community Sector (VCS) Policy details the Council's objective to transform activity across service directorates to ensure that services are responsive to needs, delivering the desired outcomes, offering value for money and supporting a diverse market in Kent.
- The grant framework is outlined within the VCS Policy. The Strategy, Policy & Assurance team is drafting a new grant framework to help the Council ensure that it uses grants appropriately.
- The Strategic Delivery Plan 2019-2022 sets out the Council's long-term objectives relating to the voluntary sector which includes review of voluntary and community sector grants across the Council.

- The first phase of the project was planned for completion in Q1 2020-21, although this has been delayed as a result of Covid-19.
- A quarterly report is submitted to the Adult Social Care Cabinet Committee which outlines the operational plan and progress made towards converting grants into contracts.
- A Project Board has been established to analyse the current provision of (grant funded) community-based services and contracts. Terms of reference for Project Board are in place and the Board meets regularly.
- The Project Board will transition to a Contract Management Board to review performance against contracts on a quarterly basis.

#### Areas for Development

- As contracts are entered into, the role of the Project Board will need to evolve, so that arrangements are put in place to ensure that performance of contracts signed during phases one and two will be monitored until the full Contract Management Board is established at the end of phase three. **See Issue 1**

#### Prospects for Improvement

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

- Governance arrangements, including the ASC Cabinet Committee and the CMT, are in place to oversee the transformation.

#### Summary of Progress

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

## B1 - Property Statutory Compliance Follow-Up

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

Our follow-up work highlighted that there has been significant progress since our original audit, including completing the management action plans for the 2 high priority issues raised. The one medium issue is still in progress with an anticipated completion date of 30<sup>th</sup> March 2020. Both the low risk issues have been fully addressed.

### Key Strengths

- Resultant tasks from Statutory Inspections are being monitored to ensure that they are completed in a timely manner. Dip tests are carried out by KCC Infrastructure staff to ensure Gen2 management of statutory compliance is appropriate.
- All Non-Corporate Landlord (Non-CLL) properties have been identified. A matrix has been developed to track statutory compliance inspections and resultant works.
- Gen<sup>2</sup> procedural notes have been updated and now clearly state the roles and responsibilities of each of the parties involved - KCC, Gen2 and the TFM providers.
- The Fire Safety policy has been reviewed and updated. This policy is included in a 2-year rolling programme of policy reviews.

### Areas for Development

- Legal advice regarding Non-CLL properties has been received and analysed to fully understand the implications for KCC. Tenants who are responsible for statutory compliance are being contacted imminently to make clear what their responsibilities are. The process of contacting tenants and collating responses will take a few months to embed.

### Prospects for Improvement

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

- KCC Infrastructure continues to have a 'hands on' approach to monitoring property statutory compliance.
- Infrastructure had built positive working relationships with Gen<sup>2</sup> which includes regular meetings regarding performance.

### Summary of Progress

Issue	Priority Level	Conclusion from testing
Non-TFM Properties	High	Implemented
Compliance Certificates – Required Resultant Work	High	Implemented
Tenanted Properties – Requirement to notify KCC of Compliance Checks	Medium	In Progress
Policies and Procedures – Version Control	Low	Implemented
Statutory Compliance – Gen <sup>2</sup> Procedural Notes	Low	Implemented

## B5 - Public Health Grant – Sexual Health Spend

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

A review of expenditure from the Sexual Health service found that spend is in line with Public Health grant conditions, with appropriate records retained and expenditure appropriately accounted for. There are processes in place to ensure that where costs are unknown, these are budgeted for, monitored and adjusted where necessary.

However, there are some areas for development around the verification of recharges for out of area GUM Clinic costs and reimbursements to GPs and CCGs for Long Acting Reversible Contraception (LARC) procedures and drug costs as eligible to be reimbursed by KCC.

### Key Strengths

- Analysis and review of sexual health spend found expenditure incurred between April – December 2019 is eligible and in line with conditions of the grant.
- Payments for core contracted costs are in line with agreed payment schedules.
- Appropriate records are retained including invoices and supporting backing data.
- All payments tested were accurate as per invoices and coded and accounted for accurately in Oracle.
- There are processes in place to ensure that where costs are unknown, these are budgeted for based on best estimates and forecast and monitored appropriately.
- Testing of a sample of out of area GUM clinic recharges found all invoices paid related to Kent residents and were supported by backing data.

### Areas for Development

- Where out of area GUM clinic recharges are charged by suppliers at a higher rate than the agreed maximum KCC is willing to pay, as outlined in the South East Cross Charging Policy, these are not consistently passed to the Commissioner for approval to pay or a decision to query with the supplier and have, therefore, been paid at the higher rate.
- Costs for LARC procedures should only be reimbursed to GP surgeries where these are for contraceptive reasons. There is currently no process in place to verify that only contraceptive procedures are claimed for by GP surgeries.
- There are a small number of formulaic errors within the Q1 LARC drug cost reconciliation spreadsheets. This has led to an overpayment to 1 CCG of £1240 and underpayments to 6 other CCGs totalling £738.

### Prospects for Improvement

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

- Management have responded positively to the issues raised.
- A review of financial processes within Public Health is currently being undertaken.
- Public Health have good working relationships with the Finance division.

### Summary of Management Responses

	<b>Number of Issues Raised</b>	<b>Management Action Plan Developed</b>	<b>Risk Accepted and No Action Proposed</b>
High Risk	0	0	N/A
Medium Risk	3	3	0
Low Risk	0	0	N/A

## B6 - Data Security & Protection Toolkit Compliance Review

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

There is a clear submission framework which details roles and responsibilities, process, timetable, escalation process, governance arrangements, allocation of assertion owners, process for gathering the evidence and guidance to complete the toolkit. The Council has a good track record of completing previous submissions of the toolkit (previous versions) in a timely manner.

The SIRO, Data Protection Officer (DPO) and Caldicott Guardian all have an oversight role in ensuring that the Council meets the requirements of NHS Digital. The Information Governance Cross Directorate Working Group (IGXDWG) and the Corporate Information Governance Group (CIGG) monitor and report on the progress of the DSP Toolkit submissions. Other oversight activity is via the Corporate Management Team which includes both the DPO and Caldicott guardian.

### Key Strengths

- The SIRO and Deputy SIRO are responsible for the submission of the DSP Toolkit 2019/20.
- An approved submission framework which enables the assignment of roles and responsibility (with deadlines) to assertion owners.
- A Pre-submission Quality Assurance review is undertaken by the SIRO and DPST Lead officer of the evidence submitted by the assertion owners.
- The SIRO and Deputy SIRO actively follow up outstanding evidence/information and responses are monitored.
- CIGG and IGXDWG ensure record of actions is maintained and implemented and oversee the DSP Toolkit submission process.
- Senior management oversight via CMT forms part of the framework of governance for the successful submission of the DSP Toolkit.
- The Council has achieved the PSN Code of Connection certification, which provides exemption from the Technical security aspects of the DSPT.

### Areas for Development

Testing of a sample of 10 assertions (including three new assertions) found that at the time of the audit there were two assertions which had insufficient or incomplete evidence to support the toolkit requirements. These were:

- Action is taken following Confidentiality and Data Protection monitoring/spot checks to ensure that personal data is not shared or used unlawfully.
- The Council did not meet the required 95% pass target for the mandatory training in Data security and protection.

### Prospects for Improvement

- Suitably qualified and experienced SIRO and deputy SIRO in place to assure the quality of evidence submitted by assertion owners.
- The approved submission framework is reviewed annually to incorporate and reflect changes prescribed by NHS Digital.
- The Council managed the DSP Toolkit submission using the Microsoft Teams tool linked to a SharePoint site.
- The Council will have an opportunity to state what actions will be taken to address any incomplete items in an Improvement Plan.
- Beyond the submission of the DSP Toolkit, there is an ongoing process to ensure that the evidence remains current and relevant.

### Summary of Management Responses

	<b>Number of Issues Raised</b>	<b>Management Action Completed</b>	<b>Management Action Plan Developed</b>	<b>Risk Accepted and No Action Proposed</b>
High Risk	0	0	0	0
Medium Risk	0	0	0	0
Low Risk	2	1	1	0



## B7 - ICT Project Management (Benefit Realisation)

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

Although KCC project managers have been appointed for some key strategic projects on an ad hoc basis, this has not been consistent. Project manager roles have been, to date, mainly performed by Cantium staff. A KCC Project and Programme Toolkit has been produced and is supported by Project and Programme Management Minimum Requirements document that reminds users that key requirements should be met.

To date there have not been technical assessments prior to signing-off project proposals created by Cantium - this assessment is key in ensuring compatibility and alignment to ICT strategy for the proposed new system. From the sample of four projects tested – InTune, Mosaic, Cloud Navigator and Upgrade to Windows 10 – it was confirmed there have been no lessons learnt or project closure reports completed.

### Key Strengths

- The Project and Programme Toolkit guides users to follow a checklist in relation to identification of key roles (project managers, project sponsor, key stakeholders) and completion of a data privacy impact assessment.
- A supplementary document to the Toolkit guides users to: define costs and benefits at outset, develop and approve the business case, and reminds users to complete a project closure report.
- The Benefits Realisation Plan Guidance advises users to agree and document benefits in relation to financial, non-financial, tangible and non-tangible, and determine tracking measures.
- The Microsoft web form presents the opportunity to efficiently identify all new system requests and should allow a technical assessment to be performed at the initiation phase going forwards

### Areas for Development

- Oversight of key ICT projects regarding costs, resources, time and progress is limited, with reliance placed on reporting by Cantium to the Project Board.
- Lessons learnt and closure reports were not available for the projects sample tested during the audit.
- Project briefs are not assessed and signed off by the Council's technical Enterprise Architect.
- Key officer training for project management has not been delivered to ICT to date.
- The Project Assurance Board terms of reference has not been formally approved and finalised.

### Prospects for Improvement

- ICT management have already made progress towards introducing strong governance controls, such as establishing the Project Assurance Board and recruiting a technical Enterprise Architect
- The development of the Microsoft web form will allow for improved efficiency in identifying new systems and this should mitigate against the risk of shadow IT and ensure all new applications are captured at the outset.

### Summary of Management Responses

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	1	1	0
Medium Risk	3	3	0
Low Risk	1	1	0



## B9 - Clinical Professional Development – Public Health - DRAFT

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

Overall, there are good controls in place to ensure that the Consultants maintain the high standards required including ensuring achievement of their personal and professional development, good collaboration with groups and sharing of information between consultants and peer groups. However, there are some controls omitted and the implementation of these will strengthen those areas being operated.

### Key Strengths

- All the current Consultants are of 'Good Standing' with their relevant professional body.
- The professionalism of the Consultants allows Public Health to maintain their high standards.
- There is a strong collaboration with other Councils, volunteers, private companies, individuals and peer groups that allows the Consultants to receive relevant information, lead and influence the outcome of any public health issues.
- The Public Health Director and Consultants chair some forums and boards (e.g. Association of Directors of Public Health, Suicide Prevention etc.) and therefore provide leadership to the matter in hand.
- The Council allows Consultants the appropriate time and resource to fulfil their CPD/PDP requirements.
- There is good sharing of information and practice between the Consultants in their Consultants and Specialist meetings where they provide an update on their portfolio to each other; this includes presentations such as workforce planning and feedback on courses / conferences they have attended.

### Areas for Development

- There is no communications plan in place to highlight the five standards for Consultants as they are expected to know and exercise these. The wider Council is not made aware of the expectation of Consultants.
- No formal line manager feedback for personal performance is given to Consultants.
- There is no monitoring of the standards.
- There are no formal key performance indicators.

### Prospects for Improvement

- Re-introducing Public Health Organisation Development will enhance the future workforce planning, and training needs assessment.
- A new terms of reference for this body is being drawn up that prioritises on future skills and behaviours, and workforce development.
- Matrix working by Consultants as some roles overlap can lead to a more effective understanding of the issue and shared results.
- System thinking knowledge will enhance effective workforce planning

**NOTE - An implication of Covid-19 is that CPD compliance requirements have been suspended for 2 years. Consequently, it was mutually agreed that a response to the issues raised is not required from Public Health.**

### Summary of management Actions

	<b>Number of Issues Raised</b>	<b>Management Action Plan Developed</b>	<b>Risk Accepted and No Action Proposed</b>
High Risk	0	NA	NA
Medium Risk	4	See Note above	0
Low Risk	0	NA	NA

**B10 - Payroll**

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

The audit highlighted many strengths. Arrangements for double checking amendments to payroll is based on individual's experience and appear reasonable. Data analytical checks carried out by Internal Audit found no duplicate employees or payments and there is evidence to support that where payroll errors are identified, the necessary corrections are made promptly.

**Key Strengths**

- No duplicate and/ or 'ghost' employees were identified in the KCC payroll.
- A process for detecting duplicate bank accounts is in place.
- No duplicate payments were identified by Internal Audit.
- The process for confirming a new employee is genuine is adequate in design.
- Sample testing found that each employee had been entered onto Oracle accurately following appropriate authorisation.
- Testing of new starters found that none had been paid before commencement of employment.
- Arrangements for actioning amendments to pay such as sickness and maternity to the payroll are adequately controlled.
- There are adequate arrangements in place to ensure that any changes in legislative requirements are reflected in the payroll production.
- There is an appropriate checking regime for data input and changes.
- Internal Audit identified several potential discrepancies with maternity pay however, on investigation it was confirmed that these had been identified and corrected where necessary. The maternity pay process has been improved following a recent payment error.
- There is an adequate suite of exception reporting in place as part of the monthly payroll production.

**Areas for Development**

- Data analytics carried out by Internal Audit found several instances where employees had continued to be paid after leaving KCC. In all cases, this was caused by late notification of the leaving date by their line manager.
- Review of exception reporting carried out as part of monthly pay runs found that there was incomplete evidence held to demonstrate that the checks had been undertaken and how any anomalies had been addressed.
- The exception reporting in place could be further enhanced by identifying wider themes/ trends and be used to inform improvements.

**Prospects for Improvement**

- Evidence demonstrates that where errors are identified resolutions are identified and corrections made as appropriate.
- Positive engagement of Cantium staff throughout the audit.

**Summary of Management Responses**

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

## C1 - Care Leavers

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

There are many examples of care leavers achieving positive outcomes and KCC has demonstrated that they are proactive in engaging with care leavers. The main areas for improvement relate to care leavers' ability to secure suitable accommodation and improving care leavers' awareness of entitlements including access to the Rent Guarantor Scheme.

### Key Strengths

- The service provided Internal Audit with several examples of care leavers who had achieved positive outcomes despite having obstacles/challenges to overcome.
- The service is proactive in engaging with care leavers - e.g. sports day events, picnics, various trips and Christmas events.
- Internal Audit observed a drop-in event where the supportive relationship between the care leavers and the Personal Advisors (PAs) was apparent.
- The achievement of individual care leavers is celebrated by the peer champion training programme and Care Leavers Week.
- The introduction of Specialists to the service has been beneficial in terms of support for both the care leaver and PAs.
- Sample testing identified that all care leavers had been allocated a PA
- In most cases sampled, an up to date Pathway Plan was held which included a safeguarding assessment, promotion of independence and feedback from the care leaver.
- Home visits and 'in touch' records had been completed where expected.
- Case supervision had been performed within or shortly after 91 days.
- An annual care leaver survey is commissioned to determine satisfaction levels and to highlight issues which could inform service improvement.

### Areas for Development

- Internal Audit were unable to locate the Pathway Plans for 2 of the 65 care leavers reviewed.
- Securing suitable accommodation is a real challenge for the care leavers; not all have been successful in this respect.
- The number of care leavers returning to the service is unclear as data has not been entered consistently.
- The 2019 care leaver survey identified that satisfaction with Pathway Plans was mixed and the levels of awareness of schemes and entitlements was variable.
- The Medium-Term Financial Planning process did not include the full cost of the take up of the (Care Leaver) Offer by care leavers. At the time of the audit the Service were forecasting an overspend of £1.5m.
- During the last 6-months there have been 11 new employees. The checklist from each new starter was requested but only 3 were received.

### Prospects for Improvement

- Future funding for some specialist roles and floating support, such as benefits, custody and mental health has recently been secured.
- KCC are developing a specialised NVQ level 4 qualification for PAs.
- The provision of shared accommodation is being reviewed.
- An action plan will be developed by the management team to combine actions from the 2019 Care Leaver Survey and the Internal Audit review.

### Summary of Management Actions

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

### C3 – Youth Justice

#### SUMMARY OF POSITION STATEMENT

	Standard 1 Out of Court Disposals	Standard 2 At Court	Standard 3 in the Community	Standard 4 in Secure Settings	Standard 5 on Transition
Self-Assessment	<b>Good</b>	<b>Good</b>	<b>Good</b>	*Not assessed	*Not assessed
Internal Audit Assessment	Insufficient evidence **	Insufficient evidence**	Insufficient evidence **	N/A	N/A

\*At the time of our review, the narrative for Standards 4 and 5 had been produced but not self-assessed.

\*\* The purpose of this agreed proactive review was to support the service prior to the submission against the standards and consequently the assessment was fully anticipated.

#### SCOPE SUMMARY

The Youth Justice Team were compiling a self-assessment against Youth Justice Board five standards which was due to be submitted to the Youth Justice Board (YJB) at the end of April 2020.

The aim of the audit was to review the strategic (not the operational) self-assessment and work alongside the service to provide assurance on the robustness of this process and the conclusions drawn. Internal Audit reviewed the self-assessment rating, narrative and evidence provided for standards 1 to 3 and the narrative for 4 and 5. In addition to this summary, to add value, detailed commentary on the self-assessment was provided to service managers.

#### KEY FINDINGS

- The Service demonstrated accountability and transparency of areas where they are performing well and those that require improvement.
- Examples of local strategies for partnership working, joint decision making and quality assurance were provided.
- The case audit process was observed to be working well but outcomes had not fed through into the self assessment.
- There was limited reference to the oversight provided by the Board including reporting arrangements and assurance mechanisms.

Much of the evidence provided outlined the systems in place (for example through process documents and templates) but did not demonstrate or evaluate the effectiveness of these processes.

#### CONCLUSION

Internal Audit reviewed the evidence and the narrative to support the self-assessment for standards 1-3 and concluded that currently the evidence provided in its current form is not sufficiently in depth to demonstrate the effectiveness of the systems in place.

Internal Audit provided an analysis of additional evidence required to substantiate the self-assessment.

## C4 - Schools Themed review – Business Continuity Planning

(This review was undertaken pre Covid-19)

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

Internal Audit established that the School Emergency Management Business Continuity Plan (SEMBCP) guidance provides a basis for assisting schools in developing plans to manage emergencies and business continuity incidents however, further enhancements should be made including testing, training, prioritisation and identification of interdependencies between functions. These were found to be notable gaps within each of the school Business Continuity arrangements reviewed. Most schools reviewed also had a lack of assurance whether their information backups had been tested.

### Areas for Development

- In all except one school, training had not been undertaken by key personnel however, schools had not been directed to undertake this as a requirement in SEMBCP guidance.
- For all schools, no testing of the SEMBCP had been undertaken and again this is not detailed as a requirement by the guidance documentation provided to schools.
- Guidance for 'Grab Bags' could be enhanced including consideration of their use at multiple sites and safeguarding their contents.
- Guidance provided to schools requires enhancement as they do not provide details for considering prioritisation or interdependencies between critical functions. Testing found that none of the schools visited had considered this.
- Most schools had not received assurance from their IT provider that backups have been completed successfully and were unable to confirm whether the backups being undertaken were being tested.
- There were some administrative enhancements identified for the SEMBCP which included consideration of how future changes may impact the schools plans and inclusion of stakeholder contact details.

### Key Strengths

- Guidance and templates are available on Kent Education Learning Skills Information (KELSI) which provide a basis to enable schools to develop a SEMBCP.
- All schools had a SEMBCP in place which is based on KELSI guidance and tailored to the school.
- In most schools, the SEMBCP is available in both electronic and hard copy with all members of the SEMT having access to the plan.
- Adequate arrangements are in place regarding plan administration and governance including regular review of the plan and version control.
- All schools had at least one grab bag. Most schools check the contents of their grab bags frequently.
- Most schools have identified critical functions within the SEMBCP which align with the needs of the school.
- For all schools, roles and responsibilities are documented within the SEMBCP and SEMT appear aware of their role if the plan is activated.
- For all schools, evacuation and school closure processes are documented and appear reasonable.

### Prospects for Improvement

- All issues were accepted, and reasonable management actions had been put in place to address the actions.
- The current guidance available provides a good basis to document SEMBCP.

### Summary of Progress

	Number of Issues Raised	Management Action Plan Developed	Risk Accepted and No Action Proposed
High Risk	2	2	0
Medium Risk	1	1	0
Low Risk	0	0	0

## C5 – Schools Financial Services

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

Internal Audit have established that appropriate controls are in place to ensure that every school is visited at least every four years for a compliance audit. Compliance visits follow a consistent approach with a standard workbook used to ensure that adequate testing is carried out at each school, the workbook is reviewed with appropriate frequency to ensure that it remains aligned to the Schools Financial Value Standards. Audit testing confirmed that completed workbooks and reports are subject to moderation by an appropriately qualified and experience member of staff prior to issue of draft reports.

### Key Strengths

- Adequate controls are in place to ensure that each school is visited at least once every four years.
- 100 compliance visits were undertaken in 2019/2020 in line with the statutory requirement in the Service Specification Document between The Education People and Kent County Council.
- A tracker is used to record and monitor progress with the planned visits.
- School visits are booked at least 20 days in advance and schools are provided with comprehensive information ahead of the visit detailing the information and documents that will be required.
- Annual and ad hoc reviews of the workbook are undertaken to ensure that it remains up to date and fit for purpose.
- Sample testing confirmed that the standard workbook was fully completed for schools visited in 2019/20, and findings discussed at the end of the visit.
- For all schools in our sample, moderation had been undertaken by appropriately experienced staff.
- Standard reports are automatically generated from the workbook and include appropriate issues and recommendations. Draft reports are issued within 10 days of the visit to the school.

### Areas for Development

- There is no formal process to escalate when schools do not (or are considered unlikely to) implement recommendations raised in the compliance reports.
- A small number of areas were identified where record keeping was incomplete or could be improved. These included:
  - recording the date of workbook reviews and any changes made to the workbook (to reflect changes in Schools Financial Value Standards).

### Prospects for Improvement

- Management action plans have been agreed for both issues raised.
- Action plans are partially complete for one issue.
- Actions for remaining issues are scheduled for completion by 31<sup>st</sup> August 2020.

### Summary of Progress

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

## D2 - Economic Development Grants Audit

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

Overall, there are controls in place to ensure that village grants are awarded and monitored appropriately. However, there are also some gaps and areas of weakness in controls which relate mainly to the ongoing monitoring of projects funded by the grants, and the evaluation process.

In 2019/20, nine Economic Development Grants were approved to fund Village Hall projects within Kent; one of which was yet to be claimed by the grantee at the time of the audit.

### Key Strengths

- There is comprehensive guidance on Voluntary and Community Sector Grants available on the Council's intranet.
- Eligibility criteria is clearly stated, and there is a detailed application form in place which enables the panel to make well informed decisions for awarding grants.
- The Assessment Sheet document is used as a checklist to record the eligibility checks carried out and make a recommendation to the Cabinet Member.
- All grant instalments claimed for in our sample of grants were found to be appropriate and legitimate, in terms of the project work being carried out.

### Areas for Development

- Evaluation reports are not being received by grantees; therefore, the impact of individual projects is not being evaluated by KCC.
- Internal Audit found various issues relating to eligibility checks of applicants, value for money and the appropriate recording of grant approvals.
- The overall grant scheme for Village Halls and Community Centres are not adequately monitored and evaluated to inform strategic decisions.
- In cases where grant funding was not claimed by grantees, this was not monitored or followed up to establish whether the grant funding was still required.

### Prospects for Improvement

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

- The Director of Economic Development is keen to assess the impact of transforming grant giving into contract awarding. This will enable the control framework to be tightened, in particular regarding the oversight and monitoring of funding

### Summary of Progress

	<b>Number of Issues Raised</b>	<b>Management Action Plan Developed</b>	<b>Risk Accepted and No Action Proposed</b>
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	1	1	0

### D3 – Developer Contributions Follow Up

#### SUMMARY OF IMPLEMENTATION OF RECOMMENDATIONS

Total Issues	Implemented	In Progress	Not Implemented
4	0 (%)	4 (100%)	0(0%)

#### SCOPE SUMMARY

To test whether the four issues identified in the original audit report for Developer Contributions Community Infrastructure Levy (CIL) undertaken in August 2019, have been implemented.

- **Issue 1** - Procedures for optimising developer contributions through the Community Infrastructure Levy (Medium)
- **Issue 2** – Agreement between KCC and CIL Charging Authorities (High)
- **Issue 3** – Capturing lessons from CIL engagement (Medium)
- **Issue 4** – Consulting services about future infrastructure needs (Medium)

#### KEY FINDINGS FROM FOLLOW UP

##### Key Findings:

Although all actions remain open, there is evidence to demonstrate that progress has been made in addressing the issues identified in the previous audit of Developer Contributions (CIL) undertaken in 2018/19.

It is acknowledged that formalising arrangements with Charging Authorities is complex and that there are ongoing challenges as KCC cannot compel Charging Authorities to sign up to any formal agreement.

#### RECOMMENDATIONS STATUS

##### Implemented

✓ None.

##### In Progress:

- Procedures for optimising developer contributions through the Community Infrastructure Levy.
- Agreement between KCC and CIL Charging Authorities.
- Capturing lessons from CIL engagement.
- Consulting services about future infrastructure needs.



## E1 - Customer Care and Complaints Advisory Review – Adult Social Care

### Introduction

In April 2019, the ASCH Customer Experience Team was created; the Customer Care and Complaints Team is part of the Customer Experience Team. The aim of this advisory audit was to assist the new team set up the required processes and procedures to ensure best practice is shared and lessons learned disseminated. This review considered the effectiveness and efficiency of processes and whether there is the right balance in terms of obtaining positive and negative messages when receiving customer feedback.

Audit fieldwork was conducted in September and October 2019 and sample testing covered the period July to September 2019. Consequently, the findings reflect the position at that time. Since completion of fieldwork, the team have advised that they have made several improvements which are reflected in the Progress Made section of this report.

### Key Strengths

#### Feedback Forums

- A whole Council review of Customer Feedback has been carried out which has identified areas for improvement.
- The Kent Adult Social Care 'Have Your Say' comments, complaints and compliments information guide are held on the Kent.gov.uk website.
- The team assisted in the production of national regional good practice guidance in handling complaints.
- The ASCH Customer Care Team is proactive in supporting staff to provide quality personalised responses to complaints.

#### Logging of Customer Feedback

- An objective of the team includes the provision of feedback to the wider organisation with an analysis of themes and trends.
- The Customer Care Team reports to existing forums and will report to the revised management forums.

#### Acceptance of Complaints

- The team is proactive in chasing responses from service departments whilst at the same time being open to putting things right.
- In most cases, a good level of supporting documentation was held, and the response provided was of a high standard; it was personalised and addressed all aspects of the complaint.
- A front sheet/complaints plan had been consistently completed for each complaint providing a summary of the complaint.

#### Lessons Learned & Dissemination of Best Practice

- The team is providing training sessions for managers and investigators on the complaints process, investigating complaints.
- For the sample of LGO cases reviewed, lessons learned had been identified and documented.
- Feedback sessions are being held with each service area management team meetings.

## Areas for Development

### Feedback Forums

- Further encouragement and publicising of the methods for providing customer feedback.

### Logging of Customer Feedback

- There were often long delays between the receipt of a compliment, logging and forwarding to the service.
- It is unclear what steps are taken within the service to celebrate the compliments and share best practice.
- The Customer Care and Complaints Team was not acknowledging receipt of compliments.

### Acceptance of Complaints

- Due to the recent pressures to reduce the backlog of complaints, customers were not being routinely telephoned to discuss their complaint.
- At the time of the audit, the personalised acknowledgement had only been issued within 3-days of receipt in 34% of cases reviewed.
- For the sample of complaints reviewed by Internal Audit, the personalised formal response had only been provided within 20 days for 20% of cases.
- The team regularly has to chase service departments for responses to complaints which makes achieving the deadlines difficult.

### Lessons Learned & Dissemination of Best Practice

- Ten complaints had been upheld or partially upheld. Whilst an apology had been consistently provided, lessons learned were not being consistently logged, and where they had been logged, confirmation of action taken had not been requested.
- Recurrent themes of adverse issues do not currently feed into risk registers.
- At the time of audit fieldwork, 130 tasks were outstanding to chase up whether lessons have been learned and best practice shared.

### Processes & Procedures

- iCasework incorporates an automated workflow system rather than manual e.g. letters and reminders. However, this is not used to its full capacity, as a more person-centred response is preferred, and as a result some of the processes could be more streamlined and efficient.
- Although the Outlook team inbox is triaged for safeguarding and urgent cases, there is no further prioritisation.
- With the workload pressures on the team at the time of the audit, the achievement of deadlines overshadowed the focus on lessons learned.

## Progress Made

Since the audit was undertaken the Team have reported significant progress in several areas (Internal Audit have not had the opportunity to verify).

## E2 – Adult Learning Disability Day Services – Themed Review

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

The Council runs 17 Learning Disability Day Centres, of which three were visited for an Establishment Audit in the year. The resulting audit opinions were:

Establishment	Assurance Level (See Appendix A for definitions)
Milton Hague Community Centre	Substantial
Maidstone House Community Centre	Substantial
The Bridge Community Centre	Substantial
<b>Overall Opinion</b>	<b>Substantial</b>

Across the three Centres that were audited, 21 recommendations were raised, with 9 Medium and 12 Low priority.

### Areas for Development

- A theme surrounding evidence retained for Medication Assessment Reviews.
- For 2/3 Centres, training records were not maintained, and gaps were found in some mandatory and essential training.
- For 2/3 Centres, enhancements were identified to maintaining accurate asset registers.
- The requirement to complete an annual declaration of interests.

### Key Strengths

- Building Security at all establishments is well managed to safeguard users.
- Expenditure approval was in line with KCC's scheme of delegation.
- At 2/3 Centres, fire tests and drills are occurring on a frequent basis with any actions identified through drills recorded and acted upon.
- DBS checks for staff are up to date.
- Personnel, financial and client files are stored securely and all storage cupboards and filing cabinets are locked when not in use.
- An appropriate system in place to record and authorise staffing time.
- All complaints reviewed had been resolved appropriately and in a timely manner.
- Each Centre was clutter free and visibly clean (for health and safety purposes).
- Clear evidence that expenditure is for the benefit of service users.
- Staff aware of data protection requirements, with all 3 Centres visited having secure and appropriate arrangements to retain financial, personnel and client records.

### Prospects for Improvement

- Team Coordinators at the establishments visited have responded positively to the issues raised in their individual audit reports and have either implemented actions immediately or developed appropriate action plans to address them.
- Similar issues re-occur within our establishment audits each year which does not reflect well on wider organisational learning.

## E3 – Adult Social Care and Health Portfolio Board

### Introduction

As part of the 2019/20 Internal Audit Plan, it was agreed that Internal Audit would undertake a review of transformation projects within Adult Social Care and Health Directorate (ASCH). Through discussions with ASCH, it was agreed that Internal Audit should sit on the Portfolio Board which provides oversight for all Directorate projects and provide challenge and assurance on the adequacy and effectiveness of programme governance and risk management.

The objective of the audit was to undertake a watching brief and provide audit input at key milestones of the project using an embedded assurance model. Embedded assurance involves Internal Audit providing an independent view on programme activities, covering a range of key objectives. The key difference in the audit approach is that the assurance is provided throughout the programme lifecycle. It is essentially a critical friend role and Internal Audits involvement in projects from the outset aims to provide on-going assurance that the right controls and processes are in place, are operating effectively and furthermore that there is appropriate reporting of the intended project benefits.

### Findings

A formal assurance opinion was not provided but a Management Letter highlighted the following issues and advice provided by Internal Audit:

- The Portfolio Board has been established to govern all change activity related to ASCH. The Terms of Reference for the Board were reviewed, and Internal Audit raised with the Board several concerns regarding the governance and roles and responsibilities of the group, specifically:
  - Decision Making – The need to provide clarity over where decisions making lies, including the acceptance of business cases, what decisions sit with the board and which need to be approved through Council Governance routes.
  - Performance reporting and monitoring of resources – Detail about the frequency of performance reporting and detail of its content. The requirement for monitoring of resources to be included in this reporting, to ensure the delivery of the programme/projects.
  - Risk – To include more detailed responsibilities of the Board, to ensure identification and assessment of portfolio risks and issues
  - Membership – The high number of attendees, that may affect the ability of the board to achieve its objectives.
- Internal Audit have reviewed several business cases to date including reviews of Direct Payments, Safeguarding, Guru Nanak and Milan day services, Enablement, Assessment and Review and Late Payments. Although points raised are specific to each project, a common theme is regarding the substantiation of figures used in the analysis of activity and cost savings and whether these have been confirmed by relevant information analysts / accountants and whether calculations include costs of implementing change and new processes, as this impacts on the decision making of the Board.
- Timeliness of reporting to the Board was highlighted. Assessment reports for each project were lengthy and often were only published to attendees 2 days prior to Board meetings. In addition, concerns were raised to the expansive content of the portfolios remit regarding the number of projects. Meeting agendas contained significant numbers of projects to review, and make decisions on, which inhibits the ability of the Board to effectively scrutinise and challenge the detail of presentations/reports and increasing the likelihood of projects going wrong from the start by not having achievable objectives.

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 21<sup>st</sup> July 2020

Subject: **COUNTER FRAUD UPDATE**

Classification: Unrestricted

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### **Summary:**

This report details:

- The Counter Fraud activity undertaken for 2019/20, including reported fraud and irregularities.
- To review and comment on the review of Counter Fraud against the Fighting Fraud & Corruption Locally checklist.
- The Counter Fraud Action Plan for in 2020/21 covering reactive and proactive activity.

### **Recommendation: FOR ASSURANCE**

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### **Introduction**

- 1.1 This report outlines Counter Fraud work which has been undertaken in 2019/20 and the Fraud Action plan for 2020/21. 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 Referral rates are a good indication to demonstrate awareness of fraud risks. Irregularity referrals have risen in 2019/20 compared with previous years, this is linked to the pro-active work the Counter Fraud Team have undertaken in key risk areas (in particular, the rolling programme of awareness and support with the District Parking teams in addressing fraud and misuse with the Blue Badge Scheme).
- 1.3 For 2019/20, there were 368 suspected irregularities (Trend analysis shown in below tables) reported to the Counter Fraud Team (compared to 276 in 2018/19). The distribution and characteristics of the irregularities reported to date show that the highest areas of financial risk this year are from abuse of position/ payroll and misuse of social care support paid via a Direct Payment.
- 1.4 Actual fraud losses for 2019/20 was £88,763.80 compared to £95,462.40 for 2018/19. Prevented fraud losses for 2019/20 was £216,237.08 compared to £463,904.00 for 2018/19. Prevented fraud losses will fluctuate depending on the nature of cases referred.

## **Abuse of Position, Payroll and Contract Fulfilment**

- 1.5 There have been 10 cases investigated during 2019/20 compared to 5 in 2018/19 relating to Abuse of Position, Payroll and Contract Fulfilment, which span across all four directorates. These cases are often complex due to the nature of the referral and external factors, they have included investigated cases of:
- False representations of employment history and qualification;
  - False representations of previous convictions;
  - Cash missing (low amount) from amenity funds;
  - Working whilst claiming to be sick;
  - False representations made to claim special leave and sick leave.
- 1.6 The outcomes of these cases have resulted in simple cautions, dismissal for gross misconduct or resignation prior to disciplinary hearings.

## **Direct Payments**

- 1.7 The Counter Fraud Team have been supporting Adult Social Care in a project looking at the way Direct Payments are paid in order to assess and help mitigate the risk of fraud. This project has been placed on hold but is due to recommence during 2020/21.
- 1.8 There have been 15 cases referred during 2019/20 compared to 18 cases in 2020/21, Counter Fraud are of the view that the referral rates in this area is not indicative of the fraud risk, therefore will progress some further proactive work in this area to raise awareness of what fraud is and the red flags in its identification..
- 1.9 The main type of referrals against this fraud risk is where people in receipt of a direct payment either directly, or as a 3<sup>rd</sup> party, spend the money of items outside of their care and support plan.

## **Blue Badges**

- 1.10 Many of the irregularities (277) 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 is risk based and Blue Badge low level fraud and misuse is being addressed through educational warning letters to the badge holder and person misusing the badge. In 2019/20, a total of 160 warning letters were issued, this is in addition to the badge temporarily being removed and on most occasions a Penalty Charge Notice being issued by the District Council when appropriate.
- 1.11 For more serious cases, where the use of stolen badges or those of deceased people occur, then a criminal investigation is progressed. In 2019/20, there were four cases awaiting a revised court date following these being deferred due to lockdown.

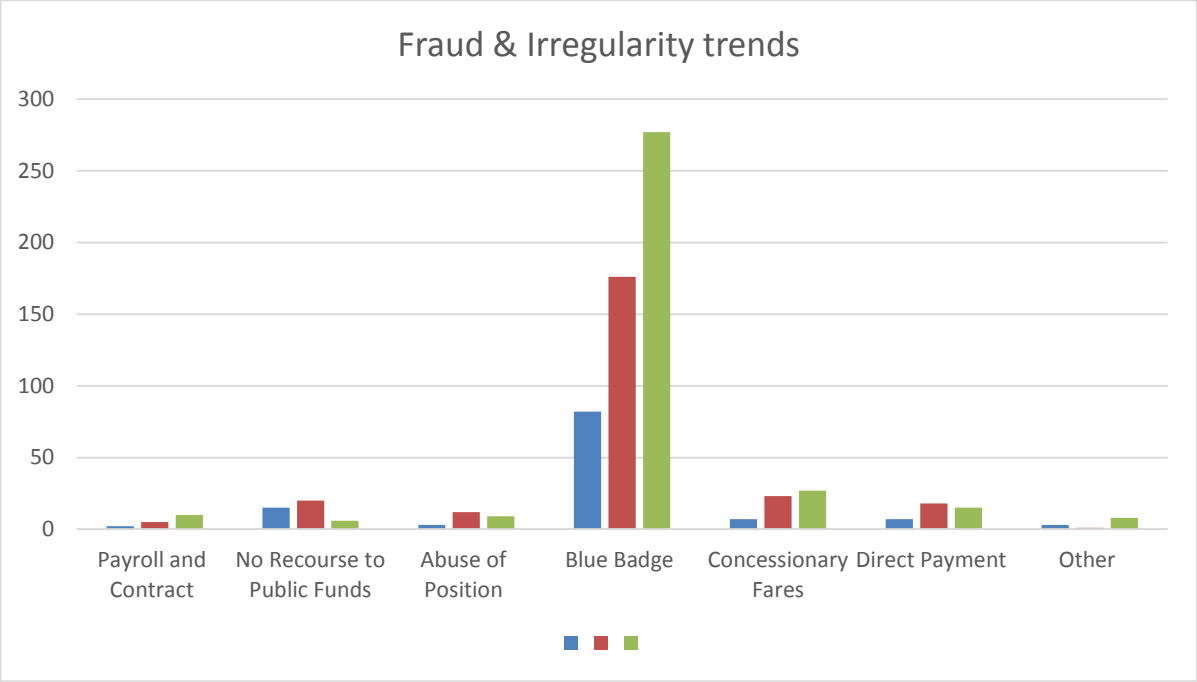
## **Concessionary Fares**

- 1.12 The Counter Fraud Team have replicated the approach used in raising awareness with Parking Enforcement Teams with Bus Operators, with an online reporting form to be used in order to capture key information that has been missing from previous referrals in the past. Further work, however, is needed to improve the quality of referrals and access to evidence held by the bus operators. It is expected to see through further engagement and awareness an increase in referrals in this area once lockdown restrictions are eased.

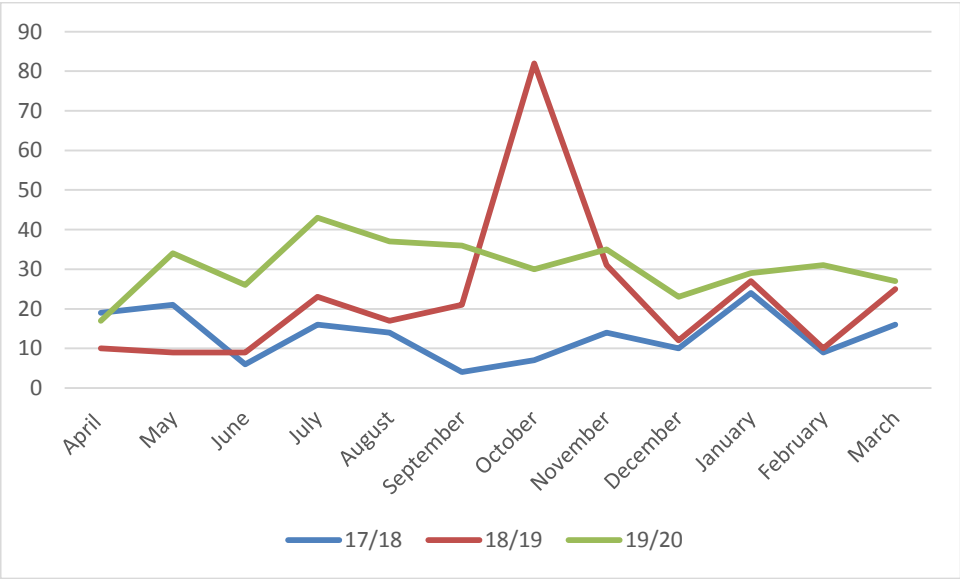
## **Fraud and Irregularity Trends**

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

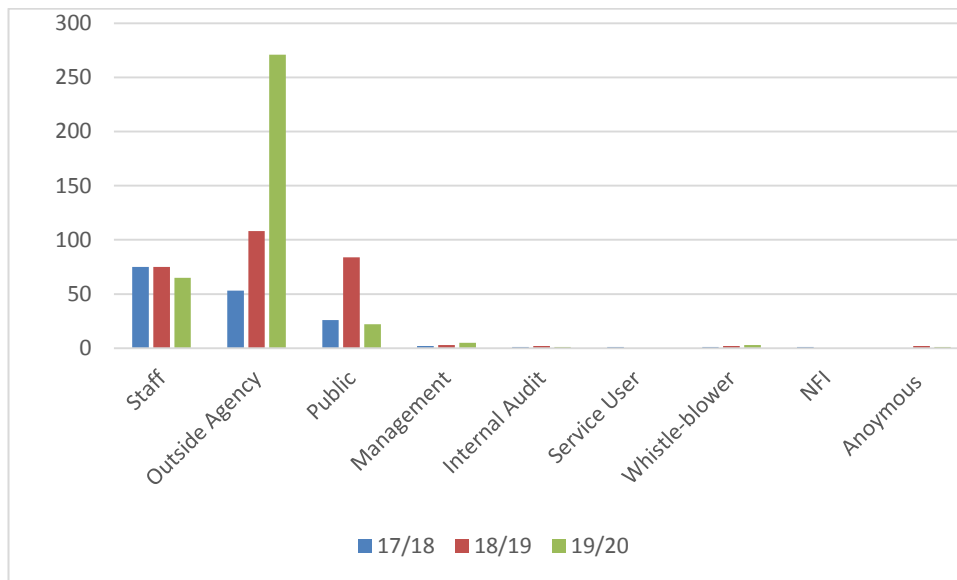
**Table CF1 - Top Seven areas of reported fraud and irregularities over the past 3 years**



**Table CF2 – Number of Irregularities Reported by Month**



**Table CF3 – Referrals by Source**



## Kent Intelligence Network (KIN)

1.14 The KIN continues to provide support to the District/Borough Councils and the results set out below for 2019/20 are testament to the skills and ingenuity of all involved, in particular the County's counter-fraud professionals who are dedicated to combatting fraud and misuse.



1.15 133 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 and consequently, these businesses are now paying business rates.

1.16 The additional business rates revenue generated, £4,733,427, from the identification of these existing properties, of which broadly 9% comes to Kent County Council, is a combination of the



following:

- The total amount of business rates billed for both the current financial year and previous financial years - £1,456,314; and
- A 'loss avoidance' provision of 3 years for each property identified - £3,277,113. This represents future income losses which have been prevented as a result of a property being found.

1.17 The following highlights a couple of the major successes achieved:

- In the district of Sevenoaks, at a Farm, based at Longfield, was originally a standalone referral. Following an investigation, 20 single business units and a storage container were identified, the majority of which were brought into the rating list from 1<sup>st</sup> April 2017. The combined Rateable Value was £122,200 and the total amount of business rates billed was £152,773.
- In the borough of Ashford, a company based in Biddenden, that has been established for over 30 years. Brought into the rating list from 1<sup>st</sup> April 2017 with a Rateable Value of £47,500, this business was billed a total of £68,258.

1.18 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 save £157,075 in commission fees for District/Borough Councils.

1.19 Every billing authority has a separate contract with a software provider that helps to trace absconded council tax/business rates 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.

In 2019/20, District/Borough Councils reinstated the recovery of debt totalling £753,646 attributed to absconded debtors and identified £619,839 in additional Council Tax through the removal of single person discounts. The debt recovery tracing tool was also promoted in the Council and through this, it has now been adopted across Client Financial Services, both by Debt Recovery and also for tracing when invoices are returned as 'gone away'. To date, there have been 300 successful traces.

1.20 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. This initiative has helped to increase New Homes Bonus by £403,200 over 4 years, 20% of which comes to the Council.

1.21 Through a software solution that pools and tags all ratepayer data published by every local authority, the KIN has also identified a number of businesses who should not have been entitled to small business rate relief. The amount of relief withdrawn, £658,284, is the total reclaimed from 97 companies.

1.22 There has been a very high level of performance and delivery of savings in 2019/20 and these achievements were recognised at a national level when the KIN won the Alarm Risk Award for Best Initiative in Combatting Fraud in June 2019. Additionally, it was shortlisted for three other national awards, two of which the results will be announced later on this year.

1.23 The financial returns alone demonstrate the value of the KIN but the benefits are so much more than that, showing how well the Kent authorities and private sector organisations can work together when there is a shared commitment and the impetus to make things happen.

## **Counter Fraud Pro-Active Work**

1.24 The Counter Fraud Pro-Active Work delivered for 2019-20, this included some early pro-active work as we entered lockdown during the end of Quarter four:

- Fraud awareness to the School Governor Forum. This raised awareness to over 100 school governors across Kent;
- Blue Badge Enforcement day in Gravesham to work with Civil Enforcement Officers, this has seen an increase in referrals from the Gravesham area, in particular to the use of stolen blue badges;
- Fraud Culture assessments and workshops with Client Financial Services and a Local Authority Company;
- Supporting the Serious and Organised Crime Project Board;
- Reacting to the COVID-19 lock down by conducting fraud risk assessments as new process and ways of working are adopted;
- Providing a critical friend role to Commercial Services Group and developing a fraud risk assessment to manage the fraud risks associated to a cyber attack;
- Providing guidance and support to Kent schools following an increase in spear phishing and sextortion emails.

## Counter Fraud Resources

1.25 Due to the increase in referrals and continued risk of fraud within KCC and its trading companies, a review of resources identified the need to increase resources. Management agreed a business case, which has resulted in an 0.8 FTE increase in staffing levels to 5.4 FTE working on Counter Fraud Activity. A recruitment exercise is underway which is being managed via virtual interviews.

## Fighting Fraud and Corruption Locally – A Strategy for the 2020s

1.26 Attached at **Appendix A** is the *“Fighting Fraud and Corruption Locally (FFCL) - A strategy for the 2020s”*, produced by Local Authorities for Local Authorities. All members of the Governance and Audit Committee should be aware of and have a good understanding of this strategy document.

1.27 The key themes from the strategy build on the previous strategic approach, and Local Authorities will be able to:

- Develop and maintain a culture in which fraud and corruption are unacceptable;
- Understand the harm that fraud can do in the community;
- Understand their fraud risk;
- Prevent fraud more effectively;
- Use technology to improve their response;
- Share information and resources more effectively;
- Better detect fraud loss;
- Bring fraudsters to account more quickly and efficiently;
- Improve the recovery of losses;
- Protect those at risk.

1.28 In addition to the established Acknowledge, Prevent and Pursue, two additional pillars have been added to the strategy:

- Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.
- Protect - Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. For a local authority, this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

1.29 In light of this new strategy, KCC's Anti-Fraud and Corruption strategy has been updated and a separate paper has been presented to Governance and Audit Committee to agree the new strategy document.

## **Review of Counter Fraud approach**

1.30 The annual review of the Counter Fraud Approach has been undertaken against the FFCL checklist, which can be found at the end of the FFCL document. The checklist is conducted in two parts, firstly a review of how senior stakeholders (Including the Governance & Audit Committee) receive information and their roles and responsibilities. The second part is how the local authority approaches Counter Fraud. The results of this review can be found at **Appendix B**.

1.31 The outcome of this review has identified that KCC already have good practices in place to ensure there are good Counter Fraud Arrangements these include:

- Mechanisms in place to conduct fraud, bribery and corruption risk assessments (although further work is needed to embed these at an operational and project level);
- Reporting of fraud risks to Governance and Audit Committee and the approaches to manage those risks;
- KCC Standards and Code of Conduct promotes probity and propriety;
- Fraud Action Plan (the response plan) to manage the programme of re-active and pro-active work, including prevention and detection activity;
- Vetting of staff to help prevent potentially dishonest employees from being appointed;
- Whistleblowing policy and procedures in place to support staff in raising concerns which includes a route other than line management;
- Allegations of fraud and corruption are risk assessed to ensure resources are sufficiently allocated;
- Collaboration with KCC Internal enforcement teams, Kent & Medway local authorities and Kent Police in managing the risk of fraud;
- Access to specialist staff to support surveillance, computer forensics, asset recovery and financial investigations;
- Counter Fraud Staff are Accredited Counter Fraud Specialists.

1.32 The assessment also identified areas of improvement across the council which includes:

- Better reporting to the portfolio lead on the fraud and corruption risks, and senior stakeholders;
- The completion of fraud risk assessment across the Council at Directorate and Divisional level;
- The need to consult with Counter Fraud Specialists on new policies, strategies and initiatives to help fraud proof these;
- Understand how and ensure contractors sign up to the whistleblowing policy and how this is communicated across their organisation;
- Continue to develop the use of data analytics to help prevent and detect fraud;

## **Counter Fraud Action Plan 2020/21**

- 1.33 As expected, the dynamics of 2020/21 are ever-changing, therefore some of the proactive work has had to be agile in its approach to managing emerging risks. During the first quarter of 2020/21 we have seen a significant increase in spear phishing and sextortion emails hitting all areas of the business, in particular schools.
- 1.34 During quarter 1 we have been proactive in sending out specific alerts to areas across the Council on the fraud risks migrating into a more digital platform. In particular,
- 1.35 Considering the outcome of the review as well as the changing environment that we are working within the Fraud Plan for 2020/21 has been developed which can be found at **Appendix C**.

## **Conclusions**

- 1.36 Referrals are still increasing overall which is a good indication of awareness levels further work is required in key risk areas 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.

## **Recommendations**

- 1.37 The Governance and Audit Committee note the Counter Fraud Update report for 2019/20.
- 1.38 To review and comment on the FFCL Check list.
- 1.39 To review and comment on the Counter Fraud Action Plan for 2020/21.

## **Background Documents**

Appendix A – Fighting Fraud Locally – A strategy for the 2020's

Appendix B – Fighting Fraud Locally – Check List Review

Appendix C – Counter Fraud Action Plan 2020/21

**James Flannery, Counter Fraud Manager**

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July 2020

# Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



# With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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# Foreword

## — Richard Watts

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Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

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**Cllr Richard Watts**

Chair Resources Board, Local  
Government Association  
Leader Islington Council



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# Foreword

## — Mike Haley

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As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

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**Mike Haley**

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

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# Executive Summary

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*Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.*

**By using this strategy local authorities will:**

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

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# *Review of 2016 Fighting Fraud and Corruption Locally Strategy*

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**The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.**

**These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.**

**The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.**

## **Govern**

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

## **Acknowledge**

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

## **Prevent**

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

## **Pursue**

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

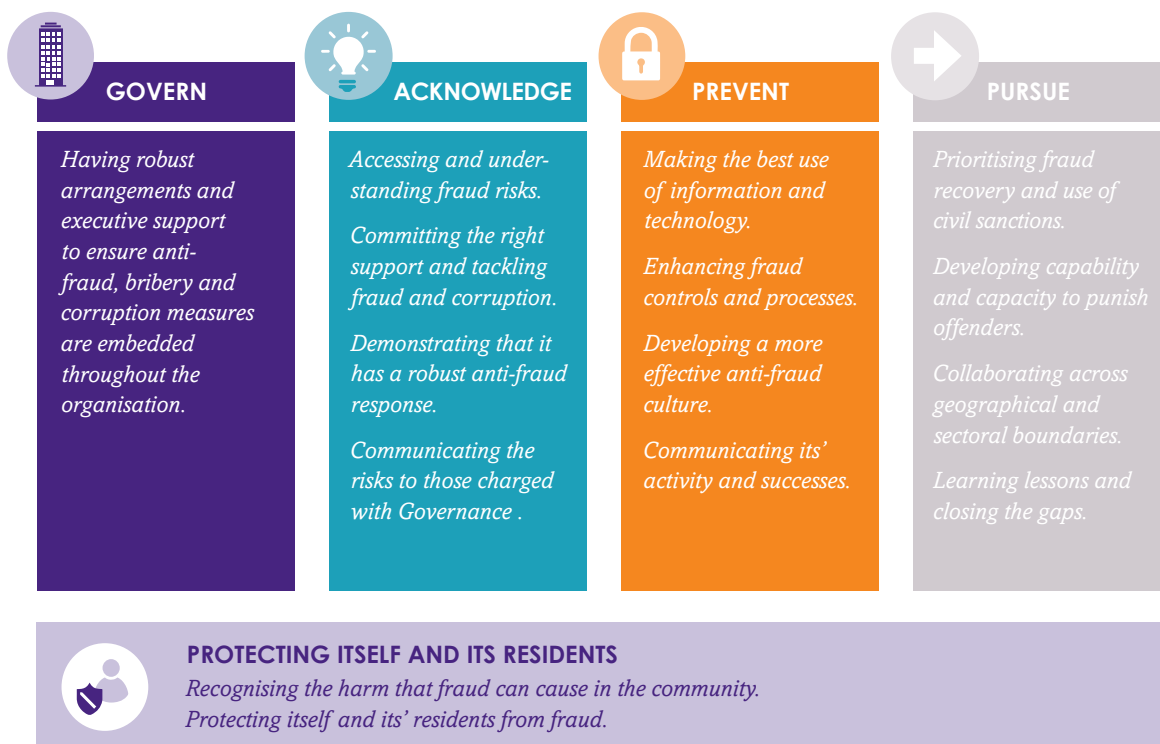
Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

## **Protect**

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

### This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

## Case Study

### Birmingham City Council: Acknowledge Using data to tackle fraud

*In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.*

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

*Trevor Scott, Chief Executive Wealden District Council*

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# Introduction

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*This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.*

*As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.*

*We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.*

*The research for this strategy was carried out by local practitioners and board members.*

*The research was commissioned by the board and was coordinated by the secretariat.*

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## The research consisted of:



### RESEARCH

*Desktop research of publications, legislation, and current activity in the landscape.*



### INTERVIEWS

*Individual interviews and discussions with stakeholders from the counter fraud community.*



### EXPERTS

*Specific interviews with subject matters experts.*



### WORKSHOPS

*Facilitated discussions at FFCL 2019 Conference, thirteen specific workshops across UK and two additional conference workshops*

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The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

### Section 1

#### The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

### Section 2

#### The Strategic Response

Describes the response that is required from local authorities to address the challenges they are facing, identifying the activities necessary in order to achieve the strategic vision.

### Section 3

#### Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

### Section 4

#### The Local Response – Appendices

## Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

## Section 1: The Context

### a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

*“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”*

*Economic Crime Plan 2019*



The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

#### Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

## b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

### The Government's Economic Crime Plan 2019

#### *What is economic crime?*

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

*1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:*

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.



## c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

*Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.*

### Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

*Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.*

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

### Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

## Case Study

*An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.*

*He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.*

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

*Recommendation: A working group on powers should be formed.*

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

### Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

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This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

*Recommendation: A working group on incentives should be formed.*

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

### Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

*Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.*

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

### Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

*Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.*

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

*“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.*

*Clive Palfreyman, Executive Director Finance & Resources  
London Borough of Hounslow*

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## d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

### Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

*Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.*

### Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

### Organising ourselves

#### – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

*Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.*

Further recommendations are detailed in the Delivery Plan Annex.

## Case Study

### The first social care fraud prosecuted by Veritau and City of York Council

*Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.*

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

## e) Fraud risk areas

*The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:*

### Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

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“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

*David Hill, Chief Executive South West Audit Partnership*

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*Concessionary travel schemes* – use of concession by ineligible person, including freedom passes

*No recourse to public funds* – fraudulent claims of eligibility

*New responsibilities* – areas that have transferred to local authority responsibility

*Local Enterprise Partnerships* – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

*Immigration* – including sham marriages. False entitlement to services and payments

*Cyber-dependent crime and cyber-enabled fraud* – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

### Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

### Economic Crime Plan 2019

*Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.*



## f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

### Adult care services successful prosecution and repayment in full of fraud loss

*The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.*

*The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.*

*The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.*

*The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.*

*On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.*

*The loss including interest was calculated to be £89,141, which he has paid in full.*

## Case Study

### Collaboration on Protect and Pursue

*A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.*

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

## Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to a focus on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

## Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments and the private sector. They reported a range of difficulties in securing progress to working together.

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to get the police involved in their cases and that they did not receive feedback on cases from crime reporting hotlines.

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

*Recommendations:*

*The external auditor should highlight FFCL and its appendices to the audit committee in the annual report*

*The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.*

*Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.*

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

*Max Thomas, Managing Director Veritau*

## Case Study

### Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

***Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:***

*Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property*

*Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.*

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”



## Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



## Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

## Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

## Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

## Case Study

### Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

**Results so far have been extremely positive for Hertfordshire with over...**

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

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## Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

## Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

### Case Study Pursue

#### Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

## Fighting Fraud and Corruption Locally – embedding the pillars

*Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.*

*DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.*

*Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.*

*A more detailed explanation of these is in the Annexes.*

## The Themes – Six Cs

*The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.*

*Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.*

### The themes are:

**Culture** – creating a culture where fraud and corruption are unacceptable and that is measurable

**Capability** – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

**Capacity** – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

**Competence** – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

**Communication** – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

### Making the business case:

#### Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**The moral case –** fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

## Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

### *The fraud was discovered via a whistleblowing referral to audit services*

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

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## Section 3: Turning Strategy into Action

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### The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

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# Section 4: The Local Response

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## Appendix 1

*What should senior stakeholders do?*

### *The chief executive*

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

### *The section 151 officer*

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

### *The monitoring officer*

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

### *The audit committee*

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

### *The portfolio lead*

***Receives a regular report that includes information, progress and barriers on:***

- The assessment against the FFCL checklist
- Fraud risk assessment and horizon scanning.

## Appendix 2

### *FFCL Checklist*

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
  - register of interests
  - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended



- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
  - prevention
  - detection
  - investigation
  - sanctions
  - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

## Section 4

*The Fighting fraud and Corruption Locally board would like to thank*

*The Fighting Fraud and Corruption Locally board is:*

Charlie Adan – Chief Executive and SOLACE  
 Bevis Ingram – LGA  
 Andrew Hyatt – Royal Borough of Kensington and Chelsea  
 Mike Haley – Cifas and Joint Fraud Taskforce  
 Rachael Tiffen – Cifas and secretariat  
 Suki Binjal - Lawyers in Local Government  
 Colin Sharpe – Leicester City Council  
 Clive Palfreyman – LB Hounslow  
 Trevor Scott – Wealden District Council  
 Alison Morris – MHCLG  
 Mark Astley – NAFN  
 Paula Clowes – Essex County Council  
 Simon Bleckly – Warrington Council  
 Karen Murray – Mazars  
 Paul Dossett – Grant Thornton  
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.



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## *Regional Workshops*

*Around 260 councils attended workshops organised in the following areas:*

East Anglia  
SouthWest, Devon, Plymouth, Cornwall and Devon  
Kent  
London and the South East  
Essex  
Hertfordshire and Home Counties  
Midlands Fraud Group and Chief Internal Auditors and County Networks  
North West Fraud Groups  
Yorkshire Groups  
North East and North Regional Fraud Group

*The Fighting Fraud and Corruption  
Locally board wishes to thank:*

Andrea Hobbs  
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Debbie Dansey  
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Shelley Etherton  
Gary Taylor  
Nick Jennings  
Ken Johnson  
Mark O'Halloran  
Paul Bicknell  
Lauren Ashdown  
Steven Graham  
Matt Drury  
Gillian Martin  
Sara Essex  
Sally Anne Pearcey  
Paula Hornsby  
Rachel Worsley  
Nikki Soave  
Francesca Doman  
Andrew Reeve  
Jason Pengilly  
Paul Bradley  
Professor Alan Doig  
Sean Turley  
Neil Masters  
Dan Matthews  
Scott Reeve  
Corinne Gladstone  
Louise Baxter  
Keith Rosser  
Ben Russell  
Philip Juhasz  
Paddy O'Keefe  
Mark Wilkes

Andrew Taylor  
Neil Farquharson  
Steven Pearse  
Lucy Pledge  
Sheila Mills  
Jamey Hay  
Kerrie Wilton  
Michael Skidmore  
Oliver Day  
Carol McDonnell  
Nici Frost-Wilson

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Rachael Tiffen – Cifas  
Paula Clowes – Essex County Council  
Andy Hyatt – Royal Borough of Kensington and Chelsea

\*\*

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

## **Section 5**

*Glossary and documents*

NAFN – National Anti-Fraud Network  
CIPFA – Chartered Institute of Public Finance and Accountancy  
Cifas – UK's fraud prevention service  
NECC – National Economic Crime Centre  
NCA – National Crime Agency  
MHCLG – Ministry of Housing, Communities and Local Government

ONS: [www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud](http://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud)  
[www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
National Fraud Authority, Annual Fraud Indicator, March 2013  
National Fraud Authority - Good practice publication: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/)  
Economic Crime Plan 2019: [www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
Eliminating Public Sector Fraud: [www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf)  
Smarter Government: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report)  
Local Government Association Counter Fraud Hub: [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)  
Veritau: [veritau.co.uk/aboutus](http://veritau.co.uk/aboutus)  
SWAP Internal Audit Services: [www.swapaudit.co.uk](http://www.swapaudit.co.uk)  
Devon Audit Partnership: [www.devonaudit.gov.uk](http://www.devonaudit.gov.uk)

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## Appendix B – Fighting Fraud and Corruption Locally Strategy Checklist (Appendix 1 & 2 from the FFCL document)

Senior Stakeholders	Checklist Requirement	Counter Fraud Lead Assessment
Head of Paid Services	<p>Ensure that your authority is measuring itself against the checklist for FFCL</p> <p>Is there a trained counter fraud resource in your organisation or do you have access to one?</p> <p>Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?</p>	<p>CMT Report presented the outcome and actions required to be completed, which will be reported further to the Governance and Audit Committee</p> <p>Yes – Four Accredited Counter Fraud Specialists in post to support the organisation, have recruited a fifth person into an AFCS role, with support from an ACFS Apprentice.</p> <p>Standalone Counter Fraud Report sent to G&amp;A committee which covers the work leading on fraud, external audit present at meetings and has access to Counter Fraud Report as a publicly available document.</p>
Section 151 Officer	<p>Is there a portfolio holder who has fraud within their remit?</p> <p>Is the head of internal audit or counter fraud assessing resources and capability?</p> <p>Do they have sufficient internal unfettered access?</p> <p>Do they produce a report on activity, success and future plans and are they measured on this?</p>	<p>Yes – Leader of the Council has Internal Audit &amp; Counter Fraud within their portfolio as per the Constitution.</p> <p>Yes – a review of resources in 2019/20 identified the need to increase resources due to the increasing risk of fraud being committed against KCC and its trading companies.</p> <p>Yes – However there has been some relevant challenge on access by business units to ensure they are compliant with Data Protection Requirements.</p> <p>Reported via G&amp;A Committee which is issued to CMT, this covered current activity, successes and future plans.</p> <p>However, we welcome feedback from both CMT and G&amp;A to ensure that there is external challenge.</p>

The Monitoring Officer	Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?	Yes – Covered in the Counter Fraud Report, training provided to Nov G&A prior to the meeting, covering what fraud is, what are the risks and how we are managing those risks.
	Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?	Yes – Internal Audit and Counter Fraud report directly to Leader of the Council in order to maintain independence.
The Audit Committee	Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work	Yes – Receives a report at every G&A meeting to keep the Committee informed of proactive and reactive work.
	Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured	Yes – statistical information included within the report that measures the fraud risks facing the authority and how resources are allocated, however this may not be as clear as it should be.
	Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud	No – This needs to be established and included in the Counter Fraud Report, will need to enhance the relationship management approach with the Portfolio Holder to ensure there is communication with them on the Counter Fraud activity.
	Should support proactive counter fraud activity	Yes – Comments and feedback during G&A Committee has been to challenge and support the Counter Fraud Team on their activity.
	Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.	Questions and comments received from G&A Committee on the Counter Fraud Report, which includes this review.
The Portfolio Lead	<i>Receives a regular report that includes information, progress and barriers on:</i> The assessment against the FFCL checklist Fraud risk assessment and horizon scanning.	No – Portfolio Lead to be provided of all future Counter Fraud Reports that are going to CMT & G&A Committee.  Action – Ensure Portfolio lead is included in all Counter Fraud Reports and briefed accordingly.

FFCL Check list requirements	Counter Fraud Lead Response
<p>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>Fraud and Corruption risk at a strategic level has been assessed and is reviewed regularly by CMT via the risk management process.</p> <p>Directorate/ Divisional Fraud, Bribery &amp; Corruption risk assessments are within the fraud action plan to embed these across the authority within the risk management framework during 2020/21.</p> <p>Counter Fraud Action plan is in place and is reported to CMT and G&amp;A however this has been delayed to June/ July due to COVID-19.</p>
<p>The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.</p>	<p>Currently the strategic fraud risk has not been updated with the harm that fraud does to the community, this has been raised with the Risk Manager to update the strategic risk.</p> <p>Directorate/ Divisional fraud risk assessments are in progress and are part of the Counter Fraud Plan for 2020/21.</p> <p>Horizon scanning occurs as BAU, with national information obtained from NAFN, CIFAS, Action Fraud, CIPFA.</p> <p>Local liaisons also occur via the Kent Investigating Officers Group and the Southern County Council fraud hub to assess trends at a local level.</p> <p>This activity is captured in the Counter Fraud Action Plan.</p>
<p>There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.</p>	<p>As part of the G&amp;A report this will include the outcome of the review against the checklist.</p>
<p>The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>This has not occurred</p> <p>Action – To include the Fraud Action Plan to ensure the portfolio holder is briefed on the fraud risks and mitigation.</p>

The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources	Terms of Reference for the Governance and Audit Committee covers the requirement for them to ensure that the level of activity is appropriate in terms of fraud risk and resources.
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Revised Anti-Fraud and Corruption strategy in being present to CMT and G&A for review, once done policy will be updated and added to KCC policy library. However, need to establish communication strategy for wider distribution to management.
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	KCC Values and Kent Code are designed to ensure staff act in the best interests of KCC ahead of personal interests.
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Partly – Further work on embedding fraud risks across KCC continues through the 2020/21 action plan.
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Partly – Within the report to CMT there will be a need to strengthen this approach within the strategy that requires new policies, strategies and initiatives to consult with Counter Fraud
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Yes – When prosecutions occur press releases are prepared and issued via the Press Office.
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for	Within the financial regulations there is a requirement for all staff to report financial irregularities to Internal Audit, the Counter Fraud Team monitor these and report up to G&A. This has identified key risk areas for KCC which then feeds into the Counter Fraud Action Plan.

ensuring that this is effective and is reported to committee.	
<p>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> <li>– codes of conduct including behaviour for counter fraud, anti-bribery and corruption</li> <li>– register of interests</li> <li>– register of gifts and hospitality.</li> </ul>	<p>Referral rates by fraud type and directorate are captured to provide an indication of where codes of conduct, register of interests and gifts and hospitality have been breached.</p> <p>However, there is no monitoring on when staff have not completed an annual declaration of interests.</p>
<p>The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</p>	<p>Checks on identification, references and qualifications is conducted as part of the recruitment process to identify any false applications by recruitment managers and HR Services.</p> <p>In addition, for KR16 posts and above enhanced vetting process is conducted by the Counter Fraud Team given the significant budget responsibility of these posts.</p>
<p>Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.</p>	<p>This is included in the Code of Conduct for staff, annual reminders are issued by staff officers of the need to record any offers or acceptance of gifts and hospitality. Additionally, reminders are issued to members by the Monitoring Officer.</p>
<p>There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</p>	<p>Fraud awareness is available through e-learning and face to face training, risk-based approach in place to raise requests for training that are led by Counter Fraud experts.</p> <p>Furthermore, a Counter Fraud Culture product is being offered to management to assess their counter fraud culture to further strengthen awareness and preventative measures.</p>
<p>There is an independent and up-to-date whistleblowing policy which is monitored</p>	<p>Whistleblowing policy is reviewed annually, hotline exists which is managed by Internal Audit.</p>

for take-up and can show that suspicions have been acted upon without internal pressure.	Quarterly returns will be established in future for cases that are reported directly to the directorate.
Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.	This is an area of work that needs to be explored and is part of the Counter Fraud Action plan.
Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	A review of resources was completed in 2019/20 that has led to a business case being created to request additional resources. This looked at the referral rates coming in, the resources required to progress cases that have been risked assessed to progress to investigation and the required proactive work.
There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The Fraud Plan will be presented to July G&A due to the April G&A being cancelled.
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	In place and reported via the Counter Fraud Report.
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	In place via the Financial Regulations, However there has been some relevant challenge on access by business units to ensure they are compliant with Data Protection Requirements.
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed	At present, the information is only captured in the Counter Fraud Report and when prosecutions are successful. Engagement with Communications team will occur to highlight the cases when Internal Fraud Week occurs in November 2020.



by the council's communications team.	
All allegations of fraud and corruption are risk assessed.	The National Intelligence Model is used to assess referrals, this includes a risk assessment which takes into account the length of time the fraud has occur, the potential, actual, prevented and recoverable loss, so that resources are used effectively
The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.	Fraud Action Plan (Response plan)  Includes activity and resources to progress each area.
Asset recovery and civil recovery are considered in all cases.	As part of the investigation plan, asset recovery and civil recovery is a factor investigators have to address during all stages of the investigation.
There is a zero-tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	The Anti-Fraud and Corruption Strategy has a zero tolerance to fraud and requires incidents of financial irregularity to be reported to the HoIA which the CFT monitors, referral rates and outcomes are monitored and reported to G&A a risk assessment is conducted on the cases to determine if suitable for investigation.
There is a programme of proactive counter fraud work which covers risks identified in assessment.	Fraud Action plan includes fraud awareness in key fraud risk areas this is reviewed annually as well as having the ability to be agile to react to emerging risk areas.
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	Within KCC, there is an enforcement group which CTF attends, however only 1 meeting occurred so far, to be addressed via General Counsel who is lead on the enforcement group.  Collaborative working with District authorities occurs through both the Kent Intelligence Network and Kent Investigation Officer Group. Joint working is being progressed with Kent Police and NHS England to look at key fraud risk areas that impact vulnerable adults.

<p>The local authority shares data across its own departments and between other enforcement agencies.</p>	<p>Use of the National Intelligence Model, allows data to be shared with other enforcement agencies on a case by case basis.</p> <p>KCC subscribe to the National Fraud Initiative which collects data from across a number of departments and external agencies to detect fraud occurring.</p> <p>KCC are also a member of the Kent Intelligence Network which is promoting further data sharing activity to support the detection of fraud.</p>
<p>Prevention measures and projects are undertaken using data analytics where possible.</p>	<p>Internal Audit and Counter Fraud have a data analytics strategy, this is in its early stages of development.</p> <p>Further work is needed to further establish this strategy to embed data analytics into preventive measures and projects.</p> <p>Currently Data analytics are used with the business however this has not been mapped out.</p>
<p>The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.</p>	<p>Access to Knowledge hub is in place for all CFT members; however, need to assess the benefit of this as the hub is still in it's early stages of development.</p>
<p>The counter fraud team has access to the FFCL regional network.</p>	<p>CFT has access to the FFCL regional network.</p>
<p>There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.</p>	<p>All staff are ACFS qualified and progressing a case to join the Government Counter Fraud Profession.</p>
<p>The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.</p>	<p>Through work with services and the Combined Audit Knowledge &amp; Experience there is good access to knowledge on how all areas across the local authority operate. Relationship management is in place to help identify any changes in processes/ practices.</p>

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Expertise is in place within CFT as well as access to further specialist support from Trading Standards (Surveillance, Asset Recovery and financial investigations) & ICT security (Computer forensics)

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

As part of the investigation process the investigation report provides management with areas of weaknesses in the control environment with recommendations if required being made to capture management responses.

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## Appendix C – Counter Fraud Plan 2020/21

Risk Area	Activity		Budgeted Days
Payment process Mortality matching on Blue Badge, Concessionary fares	NFI	Coordinate the Council's and its LATCO's participation in the National Fraud Initiative.	20
All risk areas to support the prevention and detection of fraud and corruption	Review Policies, Procedures & Fraud Action Plan: Anti Fraud Strategy Whistleblowing Bribery Code of Conduct	Review each policy annually ahead of the April G&A Committee and ensure that this is presented to CMT and once agreed to be communicated across KCC management via Kmail for managers. To review key procedures that align with policies. To address any areas of development following the Counter Fraud Review against the FFCL Checklist.	10
Social Care financial assessment fraud	Kent Intelligence Network	Actively participate in the Kent Intelligence Network and develop data matching proposals to increase detection of fraud at KCC and across Kent authorities.	20
All risk areas to support the prevention and detection of fraud and corruption	Relationship Management Strategy for Senior Stakeholders - Including Fraud, Bribery and Risk Assessments.	To ensure that key Senior Stakeholders are kept up to date on the fraud risks and mitigation: Leader as Portfolio Holder CMT (In particular, HoPS, Sect 151 and Monitoring Officer) Corporate Directors G&A Directorate/ Divisional Directors to progress Fraud, Bribery and Corruption Risk Assessments, to include  Counter Fraud Report to be provided to Leader, CMT prior to be issued to G&A  Counter Fraud Networking meetings within Kent and nationally.	50

All fraud risk areas faced by schools to support the prevention and detection of fraud	Proactive Fraud Exercise - Schools	Provide Fraud awareness sessions to school finance staff, emerging leaders and governors. Including existing and emerging risks.	20
Blue Badge fraud risk	Proactive Fraud Exercise - Blue Badges	Provide regular attendance at the parking managers meetings to inform them of latest guidance, what's working well what needs improving Provide enforcement awareness sessions to district CEOs.	25
Social Care fraud risks	Proactive Fraud Exercise - Social Care	Review the Financial Abuse tool Kit to support Social Care in identifying and managing financial abuse.	25
Procurement fraud risks	Proactive Fraud Exercise - Commissioning	Work with Commissioning in assessment the fraud risks within the supply chain.	25
All fraud risk areas	Reactive Investigations	To manage and completed investigations.	430
Payment/ procurement fraud risks	Data analytics development - payments	To identify a way to use data analytics to help identify fraud and error within the payments systems.	10
Procurement fraud risks	Data analytics development - procurement card usage	To identify a way to use data analytics to help identify fraud and error within the procurement card system.	15
All fraud risk areas	Covid-19 Fraud risk assessments	To updated COVID-19 Fraud Risk assessments as new threats emerge	10
Payment fraud risks	Supporting Audit on specific audits where there is a fraud risk, through planning, fieldwork and reporting stages as required.	Provide advice and support on key fraud controls in specific audits, support in testing and reporting as required.	45
		Total resource days	705

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee

Subject: **Policy Review:  
Anti-Money Laundering Policy  
Anti-Bribery Policy  
Anti-Fraud and Corruption Strategy**

Classification: Unrestricted

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**Summary:**

This report details:

- Updates to key policies following a review against changes in legislation and guidance

**Recommendation: To agree amendments to the policies****Introduction**

- 1.1 As part of Internal Audit & Counter Fraud corporate service, a review has been conducted against key policies as part of their annual review.
- 1.2 The following provides a summary of changes to each of the policies, with the actual amended policies (with amendments highlighted in yellow) attached as appendixes:

<b>Policy</b>	<b>Key updates</b>
Anti-Money Laundering Policy	<p>Changes owner from Head of Internal Audit to Corporate Director Finance</p> <p>Reduces the financial limits from €15,000 to €10,000 (HMRC are still using euro's)</p> <p>Separates procedural aspects from the policy into an Annex</p> <p>An update to the requirement to report linked cash payments below €10,000 when it is suspect this has been done to fall below the high value limit (€10,000)</p> <p>Allows for electronic ID verification if free from fraud</p> <p>Now includes a list of types of activity that may be affected – This will help Corporate Directors to understand which of their functions are at a greater risk of money laundering so they can act accordingly</p> <p>Now includes a risk assessment which has been assessed as low. However, due the inherent risks of money laundering around property transfers this may need to be revised in the event there is a change in responsibility in property transfers.</p>
Anti-Bribery Policy	<p>Changes owner from Head of Internal Audit to General Counsel</p> <p>Includes an addition to the top-level commitment to ensure relevant resources are available to manage the risk of bribery</p>

No other significant changes to the policy however case law has tested what adequate procedures would be required to defend a case against the corporate offence of failing to prevent bribery, places greater need to ensure bribery risks have been identified and mitigated against.

**Anti-Fraud &  
Corruption Strategy**

Reviewed against the Fighting Fraud & Corruption Locally – A strategy for the 2020's this has seen the following key additions to this strategy:

Updates on the estimated fraud losses within Local Government

Requirement for those charged with governance to ensure there are robust and holistic measures on anti-fraud, bribery and corruption. This has seen additional requirements placed on the roles and responsibilities for Senior Stakeholders.

The need for management to assess the risk of fraud and consult with Counter Fraud Specialists on new policies, strategies and initiatives.

Add Data Protection Policy and Financial Regulations to linked policies.

## **Recommendations**

1.3 To agree the updates to the policies.

**James Flannery, Counter Fraud Manager**

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July 2020



# Anti-Money Laundering Policy

Document Owner	Zena Cooke Corporate Director Finance
Version	Version 5

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	29 Sept 2014	Internal Audit	Governance & Audit Committee	29 Jan 2015
3	16 Oct. 2017	Internal Audit	Governance & Audit Committee	1 Nov 2017
4	05 Sept 2018	Internal Audit	Governance & Audit Committee	24 Oct 2018
5	06 Sept 2019	Internal Audit	Governance & Audit Committee	

## **1. Introduction**

- 1.1. Kent County Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.
- 1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on Kent County Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.
- 1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.
- 1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

## **2. Policy Statement**

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

## **3. Scope of Policy**

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

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

- 4.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.
- 4.2. The following constitute money laundering offences:
- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002).
  - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).
  - Acquiring, using or possessing criminal property (section 329).
  - Doing something that might prejudice an investigation e.g. falsifying a document.
  - Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
  - Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- 4.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.
- 4.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.
- 4.5. **The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 7.1). Failure to do so could lead to prosecution.**

#### **5. Identifying Money Laundering**

- 5.1. There is no clear definition of what constitutes a suspicion of money laundering – common sense will be needed, see Annex 1 for a list of areas

that may be affected. Although you do not need to have actual evidence that money laundering is taking place, mere speculation is unlikely to be sufficient to give rise to knowledge or suspicion. However, if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.

5.2. Examples of money laundering activity include:

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

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

5.4. If the person(s) concerned use trusts or offshore funds for handling the proceeds or settlement of a transaction, then the reasons for this should be questioned.

5.5. Care should be exercised and questions asked where:

- A third party intermediary becomes involved in a transaction;
- The identity of a party is difficult to establish, or is undisclosed;
- A company is used where the ultimate ownership of the company is concealed or difficult to verify; and/or
- A party is evasive about the source or destiny of funds.

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

6.1. The Council is obligated to:

- Appoint a money laundering reporting officer;
- Maintain client identification procedures in certain circumstances;
- Implement a procedure to enable the reporting of suspicions of money laundering;
- Report any cash transactions over €10,000 (or the Sterling equivalent);
- Provide training to officers at risk of being exposed to money laundering;
- Maintain sufficient records.

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

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

**MLRO: Zena Cooke**, Corporate Director of Finance

Email: [zena.cooke@kent.gov.uk](mailto:zena.cooke@kent.gov.uk) Tel: 03000 419205

**Deputy MLRO: Jonathan Idle**, Head of Internal Audit & Counter Fraud

Email: [Johnathan.idle@kent.gov.uk](mailto:Johnathan.idle@kent.gov.uk) Tel: 03000 417840

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

## **8. Further information**

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

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

## **9. Conclusion and Risk Assessment**

- 9.1. The **risk** of Kent County Council service being exposed to money laundering is extremely low. This is assessed due to the low amount of cash Kent County Council receives that are from known cash income sources and low volumes and low amounts of refunds being made. However, the legislation and requirements that have been implemented must be followed. Failure to comply with such legislation and requirements by individuals could lead to prosecution.

## Anti Money Laundering Procedures

### 1. Reporting concerns

- 1.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 2.
- 1.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.
- 1.3. The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.
- 1.4. The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.
- 1.5. The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).
- 1.6. The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently referred to as a suspicious activity report (SAR)). This can be found on the NCA website: [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)

### 2. Identification of Clients

- 2.1. In general, management should ensure that appropriate checks are carried out on new partners, suppliers and contractors in accordance with the Council's existing policies and procedures.

2.2. However, where the Council is carrying out a ‘**relevant business**,<sup>1</sup> and as part of this:

- forms an ongoing business relationship with a client; or
- undertakes a one-off transaction involving payment by or to the client of **€10,000** (or the equivalent in sterling) or more; or
- **cash payments totalling €10,000 or more which appear to have been broken down into smaller amounts so that they come below the high value limit; or**
- it is known or suspected that a one-off transaction (or a series of them) involves money laundering.

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

2.3. Where the ‘relevant business’ is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.

2.4. If the ‘relevant business’ is being provided externally then the following additional checks must be completed:

- Check the organisation’s website and other publically available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details;
- Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation. **This can be obtained through electronic ID verification if it is free from fraud and provide sufficient assurance of the identity of the individual;**
- Enhanced due diligence will be required for any transaction where the organisation is established in a high-risk third country, or where the transaction is complex or unusually large.

2.5. Remember, these additional client identification procedures are **only** required when conducting a ‘relevant business.’

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

### 3. The types of activities that may be affected

3.1. The following table sets out the types of activities that might be suspicious, and how the Council may come across those activities. It is not intended to be exhaustive, and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected
New customers with high value transactions	<ul style="list-style-type: none"> <li>Selling property to individuals or businesses</li> <li>Renting out property to individuals or businesses</li> <li>Entering into other lease agreements</li> <li>Undertaking services for other organisations</li> </ul>
Secretive clients	<ul style="list-style-type: none"> <li>People buying or renting property from the Council who may not want to say what it is for</li> <li>People receiving grant funding who refuse to demonstrate what funding was used for</li> </ul>
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> <li>People paying for Council services who do not provide details about themselves</li> <li>People making odd or unusual requests for payment arrangements</li> </ul>
Illogical transactions	<ul style="list-style-type: none"> <li>People paying in cash then requesting refunds</li> <li>Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council</li> <li>Requests for the Council to pay in foreign currencies for no apparent reasons</li> </ul>
Payments of substantial sums by cash	<ul style="list-style-type: none"> <li>Large debt arrears paid in cash</li> <li>Refunding overpayments</li> <li>Deposits / payments for property</li> </ul>
Movement of funds overseas	<ul style="list-style-type: none"> <li>Requests to pay monies overseas, potentially for "tax purposes"</li> </ul>
Cancellation of earlier transactions	<ul style="list-style-type: none"> <li>Third party "refunds" grant payment as no longer needed / used</li> <li>No payment demanded even though good / service has been provided</li> <li>Sudden and unexpected termination of lease agreements</li> </ul>
Requests for client account details outside normal course of business	<ul style="list-style-type: none"> <li>Queries from other companies regarding legitimacy of customers</li> <li>Council receiving correspondence / information on behalf of other companies</li> </ul>



Extensive and overcomplicated client business structures / arrangements	<ul style="list-style-type: none"> <li>• Requests to pay third parties in respect of goods / services</li> <li>• Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties</li> </ul>
Poor accounting records and internal financial control	<ul style="list-style-type: none"> <li>• Requests for grant funding / business support indicates third party not supported by financial information</li> <li>• Companies tendering for contracts unable to provide proper financial information / information provided raises concerns</li> <li>• Tender for a contract which is suspiciously low</li> </ul>
Unusual property investments or transactions	<ul style="list-style-type: none"> <li>• Requests to purchase Council assets / land with no apparent purpose</li> <li>• Requests to rent Council property with no apparent business motive</li> </ul>
Overcomplicated legal arrangements / multiple solicitors	<ul style="list-style-type: none"> <li>• Property transactions where the Council is dealing with several different parties</li> </ul>

#### 4. Training

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

## Anti Money Laundering Reporting Form

### Your Contact Details

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

Name :	
Role:	
Email:	
Contact Telephone:	

### Main Subject

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

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

### Transaction(s)

Please enter the details of the transactions you think are suspicious

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

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

**Account(s)**

Please enter details of the account(s) used.

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

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

**Associated Subjects:**

If there are any other people you suspect are involved in money laundering, please enter their details below.

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

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

**Linked addresses:**

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

**Reason for Suspicion:**

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

# KENT COUNTY COUNCIL

## ANTI-BRIBERY POLICY

Document Owner	Benjamin Watts General Counsel
Version	Version 5

Version	Reviewed	Reviewer	Approver	Date approved
Original				
4	1 May 2017	Internal Audit	Governance and Audit Committee	1 Nov 2017
5	2 March 2020	Internal Audit	Governance and Audit Committee	

## **1. Introduction**

- 1.1. This policy is introduced to ensure compliance with the Bribery Act 2010. It explains the process through which the Council intends to maintain high standards and to protect the organisation, employees, Members and business partners against allegations of bribery and corruption.
- 1.2. It is the Council's policy to conduct business in an honest and open way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Council attaches the utmost importance to this policy and will apply a "zero tolerance" approach to acts of bribery and corruption by any of its Members, employees, or persons and partners acting on our behalf. Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action and possibly criminal prosecution.

## **2. Policy Statement**

- 2.1. Bribery is a criminal offence. The Council will not pay bribes, or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The Council will not engage indirectly in or otherwise encourage bribery.
- 2.2. The Council is committed to ensuring compliance with the highest legal and ethical standards. The Council will commit to policies and procedures to prevent, deter, and detect acts of bribery. The Council will ensure that anti-bribery compliance is an essential aspect of its governance process and at the core of its business principles. It is an on-going process and not a one-off exercise.

## **3. Objective**

- 3.1. This policy presents a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. It provides the context for the detailed rules, procedures and controls in place. It should provide no room for misinterpretation and will ensure that Members, employees, volunteers and business partners know what is expected of them in preventing bribery.
- 3.2. This policy should be read in conjunction with, and reinforce, other related policies and documents (see paragraph 27). The provisions in these policies and documents should be reflected in every aspect of the way the Council operates. The requirement to act honestly and with integrity at all times is made clear and is fundamental and non-negotiable.
- 3.3. This policy explains the procedures established to prevent acts of bribery and allow any breach to be identified and reported.

## **4. Scope**

- 4.1. This policy applies to all of the Council's activities. The Council requires that all Members (including independent and co-opted Members), employees at all levels and grades, temporary and agency staff, volunteers, contractors, agents, consultants and partners acting on the Council's behalf, comply with the provisions of this policy. The Council will also seek to promote the adoption of reciprocal anti-bribery and corruption measures that are consistent with the Council's policy by joint venture partners and major suppliers.
- 4.2. The responsibility to mitigate the risk of bribery resides at all levels of the Council and includes all directorates. It does not rely solely on the Council's assurance functions.

## **5. Policy Commitment**

- 5.1. The Council commits to:
  - setting out a clear anti-bribery policy and keeping this up-to-date with regular reviews;
  - making all Members, employees and partners aware of their responsibilities to adhere to this policy at all times;
  - providing training, where appropriate, to allow Members, employees and partners to recognise and avoid the use of bribery by themselves or others;
  - encouraging Members, employees and partners to be vigilant and to report any suspicions of bribery;
  - providing suitable channels of communication (e.g. Whistleblowing Procedure) to ensure that sensitive information is handled appropriately;
  - investigating instances of alleged bribery and assisting the police and other authorities in any prosecution;
  - taking action against anybody acting for or on behalf of the Council who is involved in bribery;
  - reporting breaches and suspected breaches of this policy to Members, employees and partners in an open and transparent way; and
  - including appropriate clauses in contracts with suppliers to advise on the Council's approach to the provisions of the Bribery Act 2010.

## **6. The Bribery Act 2010**

- 6.1. The Bribery Act 2010 was introduced to update and enhance English law on bribery. It creates a strict liability corporate criminal offence of failing to prevent bribery. The only defence against this corporate offence is for organisations to have adequate procedures in place to prevent bribery.

6.2 The Act includes four offences:

- Bribing a person to induce or reward them to perform a relevant function improperly;
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly;
- Using a bribe to influence a foreign official to gain a business advantage;
- In relation to a commercial organization, committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions.

6.3 Acts of bribery are intended to influence an individual or organisation in the performance of their duty and for them to act illegally.

6.4 The penalties under the Bribery Act have been raised significantly and are severe. The new corporate offence is punishable with an unlimited fine. An individual guilty of an offence may be liable to imprisonment for up to 10 years or to a fine, or to both.

6.5 The Council accepts that public bodies may be classed as a “commercial organisation” in relation to the corporate offence of failing to prevent bribery. In any event, it represents good governance and practice to have adequate procedures in place to protect the Council, Members, employees and partners from reputational and legal damage. It is in the interests of everybody connected to the Council to act with propriety at all times.



**KENT COUNTY COUNCIL**  
**BRIBERY ACT PROCEDURE**

## 1. Council Procedures on the Bribery Act

- 1.1. The Council will follow the guidance issued by the Ministry of Justice. The actions are intended to be proportionate to the risks faced by the Council and to the nature, scale and complexity of the Council's activities. The actions are expected to provide a defence of "adequate procedures" against any corporate offence. The following steps will be taken:
- 1.2. **Top Level Commitment** – The Corporate Management Team is committed to preventing bribery by persons associated with the Council. A report on the Bribery Act 2010 and the introduction of this policy has been approved by the Corporate Management Team (on 23 August 2011) and the Governance and Audit Committee (on 14 September 2011).
- 1.3. **Risk Assessment** – The nature and extent of the Council's exposure to external and internal risks of bribery will be assessed as part of the Council's risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review.
- 1.4. **Due Diligence** – A proportionate and risk based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the Council's policy and be expected to operate at all times in accordance with such policy.
- 1.5. **Communication** – The Council will ensure that this policy and other related policies and procedures are embedded in the Council's working arrangements through appropriate communication, including training, which is proportionate to the risks the Council faces. The Council's induction programme will include reference to the Bribery Act 2010 and this policy.
- 1.6. **Monitoring and Review** – This policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis. All incidents of bribery or suspected bribery will be reported to the Governance and Audit Committee. An assurance of compliance will be included in the Annual Governance Statement.
- 1.7. In the context of this policy it is unacceptable for persons acting for or on behalf of the Council to:
  - Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
  - give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure

- accept payment from a third party that is known to be, or suspected to have been, offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return
- retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy and
- engage in any activity in breach of this policy

## **2. Gifts and Hospitality**

- 2.1. This policy is not intended to change the requirements of the Council's Gifts and Hospitality policies and procedures. This is contained in the Kent Code and in the Members Code of Conduct in the Council's Constitution. The guidelines clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.
- 2.2. If there is any doubt about whether an invitation or gift should be accepted then the offer should be refused. Each Corporate Director is required to review their respective Gifts and Hospitality registers at least annually. The Corporate Director of Finance and Procurement will ensure that reminders on this subject and the need for officers to complete a Register of Interests form are sent out every year.
- 2.3. The procedures for Members' registers of interest are set out in the Members' Code of Conduct.

## **3. Public Contracts**

- 3.1. Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK) a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. It is understood that there are no plans to amend the 2006 regulations for these to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council will use its discretion as to whether to exclude organisations convicted of this offence and any instances where this is the case will be reported to the Corporate Management Team for a decision.

## **4. Member, staff and partner Responsibilities**

- 4.1. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or acting for or on its behalf. All Members, staff, volunteers and partners are required to avoid activity that breaches this policy. Adherence to the policy is mandatory.
- 4.2. Members, staff, volunteers and partners must:

- Ensure that they have read, understood and comply with the Bribery Act Policy.
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

4.3. In addition to the possibility of criminal prosecution, members of staff who breach the policy will face disciplinary action, which could result in dismissal for gross misconduct.

## **5. Raising a concern**

5.1. Staff are encouraged to raise any concerns with their manager. In addition, the Council has published a Whistleblowing Procedure. This provides information on the courses of action available to report serious concerns (including bribery) in confidence. Members, staff or partners who refuse to accept the offer of a bribe may worry about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

5.2. The Council is committed to ensuring that nobody suffers detrimental treatment through refusing to take part in bribery.

## **6. Review of the Bribery Act Policy**

6.1. It is the responsibility of the Corporate Director of Finance and Procurement to routinely refresh, review and reinforce this policy and its underlying principles and guidelines. All members of staff are responsible for reading and understanding this policy which will also form part of the induction programme.

## **7. Other relevant policies**

7.1. The following policies, procedure documents and codes of conduct should be read in conjunction with the Bribery Act Policy:

- Constitution
- Anti-Fraud and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing Procedure
- Kent Code
- Disciplinary Procedure
- Members Code of Conduct
- Spending the Council's Money

# Anti-Fraud and Corruption Strategy

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## A. Policy Statement

1. Fraud against Local Government is estimated to cost £7.8<sup>1</sup> billion per year. The Government's Economic Crime Plan states the numbers of fraud offences rose by 12% during 2018 to 3.6m constituting a third of all crimes in UK. This is a significant loss and threat to the public purse. To reduce these losses Kent County Council is committed to:

- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
- The prevention of fraud and the promotion of an anti-fraud culture.
- A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
- The investigation of a risk-based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
- The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:
  - **Govern** the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
  - **Acknowledge** the threat of fraud and the opportunities for savings that exist;
  - **Prevent** and detect all forms of fraud;
  - **Pursue** appropriate sanctions and recover any losses;
  - **Protect** itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

### Definition of Fraud

2. The Council defines fraud as 'any activity where deception is used for personal gain or to cause loss to another.' Fraud can be committed in one of three ways:
  - **Fraud by false representation** – Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.

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<sup>1</sup> CIPFA Fraud and Corruption Tracker Summary Report 2019

- **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with or failing to disclose a personal relationship with someone who is applying for a job at the council.
  - **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.
3. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is not true.

### **Definition of Corruption**

4. The Council defines corruption as the abuse of entrusted power for private gain; involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.<sup>2</sup>

### **Current Threats and their Impact**

5. KCC faces a range of fraud and corruption threats and the impact can be significant causing financial loss, reputational damage and harm to service users and the residents of Kent. In the last 12 months the most frequent types of fraud and similar crimes that have impacted on KCC are as follows:
- **Blue Badge Fraud.** This type of fraud causes a financial loss to the wider Kent economy, undermines the public's confidence in the Blue Badge scheme and prevents genuine Blue Badge users from accessing safe, convenient parking. Using the National Fraud Authority's methodology for calculating losses we estimate the Kent economy could be losing as much as £1.3m per year.
  - **False Applications for Financial Support.** The applications are from parents falsely presenting to the Council as destitute and having no recourse to public funds. This type of fraud has been increasing in Kent. It has a direct financial impact on the council. Estimating the losses is difficult, but based on previous allegations we believe this type of fraud could result in losses of £250,000 per year.
  - **Misuse of Direct Payments.** This type of fraud causes financial loss to the Council and undermines the public's confidence in the services provided. The individual values vary significantly depending on need but we estimate misuse could result in losses of £100,000 per year.

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<sup>2</sup> HM Government (2014) UK anti-corruption plan



- **Cyber Crime.** This type of offence can manifest in a number of forms, through ransomware and denial of service attacks, change of bank details on mandates, payroll and requests for urgent payments. We estimate the potential losses could result into £100,000s per year.
- **Procurement Fraud.** This type of fraud occurs throughout a procurement process, from bribery & cartel risks at tendering stage, through to duplicate/ false invoicing, defective/ non-existent goods and false performance reporting.

## Setting the Culture

### B. Standards

6. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following from all employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC.
  - **Selflessness** - Act solely in terms of the public interest.
  - **Integrity** - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
  - **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
  - **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
  - **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
  - **Honesty** - Be truthful.
  - **Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## **Further reading**

7. In addition to this strategy there are a range of policies and procedures that help reduce the Council's fraud risks. These include:

- Anti-Bribery Policy;
- Anti-Money Laundering Policy;
- Whistleblowing Policy and Procedure;
- The Kent Code;
- Disciplinary Policy;
- Financial Regulations;
- Code of Member Conduct;
- Financial Regulations;
- Data Protection Policy.

## **C. Roles and Responsibilities**

### **The Role of Elected Members**

8. As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.
9. This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

### **The Role of Employees**

10. Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.
11. Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.
12. Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies they should also follow the standards of conduct laid down by them.
13. Employees are under a duty to properly account for and safeguard the money and assets under their control/charge.

14. Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.
15. Failure to disclose an interest or the acceptance, or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.
16. Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of this strategy.
17. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

#### **The role of the Head of Paid Services**

18. Ensuring that the authority is measuring itself against the checklist for Fighting Fraud and Corruption Locally and there are sufficient resources to manage the risk of fraud.
19. Ensure the Governance & Audit Committee receives regular reports on the work of those leading on fraud and the external auditor is aware of the reporting.

#### **The role of the Corporate Director of Finance**

20. The Corporate Director of Finance is responsible for developing, reviewing and maintaining an Anti-Fraud and Corruption Strategy and for advising on effective systems of internal control to prevent, detect and pursue fraud and corruption; advising on anti-fraud and anti-corruption strategies and measures; and, ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.
21. Ensuring the Head of Internal Audit is assessing its resources and capability at least annually against the current fraud risks and Counter Fraud staff have unfettered access to people and records to prevent and detect fraud.

### **The Monitoring Officer**

- 22. Ensuring that Members, Governance & Audit Committee and Portfolio leads are aware of Counter Fraud Activity and provide training on Counter Fraud risks and approaches.
- 23. The Counter Fraud Team are independent of processes and reports to Governance & Audit Committee to ensure there is Member scrutiny.

### **The role of the Governance and Audit Committee**

- 24. The Governance and Audit Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.
- 25. Ensuring that the Portfolio lead is up to date and understands the activity being undertaking to Counter Fraud.
- 26. Provide support and challenge to the Counter Fraud Activity being undertaken across the Council.

### **Kent County Council's Commitment**

- 27. Fraud and corruption are serious offences and employees and Members may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected consideration will be given to pursuing criminal sanctions, which may involve referring the matter to the police.
- 28. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss including the costs of the investigation whenever appropriate.
- 29. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will be publicised where it is deemed appropriate. This will include use of the Council's Intranet and releasing press statements immediately after criminal convictions are secured. In addition, the council will promote an anti-fraud culture through fraud awareness campaigns, presentations, training and e-learning.

## **D. Prevention – Capability, Competence & Capacity**

### **Responsibilities of management**

30. The primary responsibility for the prevention and detection of fraud is with management. Management must ensure that they promote an anti-fraud culture and assess the risk of fraud, bribery and corruption. They must ensure appropriate controls are in place to minimise the risk of fraud, for example, this could include establishing procedures, authorisation limits and segregating duties. Management must ensure the controls are operating as expected and are being complied with. They must ensure that adequate levels of checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

31. Management must also ensure that the development of new policies, strategies and initiatives are fraud-proofed by engaging with Counter Fraud Specialists to support the assessment of the fraud risks.

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

32. The Head of Internal Audit and Counter Fraud is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.

33. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

34. The Head of Internal Audit will establish performance measurements for counter fraud activity and will report progress against the performance measurements proactive counter fraud activity and on a quarterly basis to the Governance and Audit Committee.

35. The Counter Fraud Team will provide management with specialist support to assess the risk of fraud, bribery and corruption that it faces through the completion of risk assessments. In particular to the introduction of new policies, strategies and initiatives.

36. Through the completion of proactive and reactive work make recommendations to management on how to strengthen the counter fraud culture and control framework to help prevent and detect fraud.

## **Working with others and sharing information - Collaboration**

37. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. This will include:

- Coordinating our activity with the other enforcement teams across the Council, such as Waste and Trading Standards, to maximise our impact.
- Working in partnership with district, borough and city councils to share intelligence and target our collective resources at the areas at most susceptible to fraud.
- Working with and supporting the Police and other enforcement agencies.
- Working with the Cabinet Office in the development and introduction of the Government Counter Fraud Profession.

38. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the Cabinet Office National Fraud Initiative, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

## **National Fraud Initiative**

39. Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (to the Cabinet Office) for example payroll, pension, and accounts payable (but not limited to these) which is then matched to data held by public and private sector bodies. Enquires are made into any positive matches (e.g. an employee on the payroll in receipt of housing benefit).

## **Training and awareness – Communication**

40. The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.

41. Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.

42. Internal Audit will provide fraud awareness training to risk areas and on request and will publish its successes to raise awareness.

## **E. Detection and Investigation – Capability, Competence & Capacity**

43. The Council is committed to the risk based investigation of all instances of actual, attempted and suspected fraud committed against the Council and the recovery of funds and assets lost through fraud.

44. Any suspected fraud, corruption or other irregularity must be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.

45. Action could include:

- Investigation carried out by Internal Audit staff;
- Joint investigation with Internal Audit and relevant directorate management;
- Directorate staff carry out investigation and Internal Audit provide advice and guidance;
- Referral to the Police.

46. The responsibility for investigating potential fraud, corruption and other financial irregularities within KCC lies mainly (although not exclusively) with Internal Audit. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

## **F. Raising Concerns and the Whistleblowing Policy**

### **Suspensions of fraud or financial irregularity**

47. All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Head of Paid Service or the Monitoring Officer.

48. If a member of the public suspects fraud or corruption they should contact the Head of Internal Audit or Counter Fraud Manager in the first instance. They may also contact the Council's External Auditor, all of whom may be contacted in confidence.

49. The Council's Internal Audit Section can be contacted by telephone on 03000 414500 or by mail to [internal.audit@kent.gov.uk](mailto:internal.audit@kent.gov.uk).

## **Whistleblowing Policy**

- 50. Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.
- 51. The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within KCC, without fear of reprisal or victimisation, rather than over-looking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.
- 52. Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on KNet.

## **G. Conclusion**

- 53. Kent County Council will maintain systems and procedures to assist in the prevention, detection and investigation of fraud. This strategy will be reviewed annually and is available on the Council's Intranet (KNet).



By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 21<sup>st</sup> July 2020

Subject: **INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR 2019-20**

Classification: Unrestricted

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## Summary:

This Annual Report details:

- The overall outcomes and key themes from Internal Audit work undertaken during 2019-20.
- The translation of these outcomes to the resultant annual opinion on the Council's systems of governance, risk management and internal control that is incorporated into the Annual Governance Statement.
- The related performance of the Internal Audit service in delivering this work.

## Recommendation: FOR ASSURANCE

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### 1. Introduction

1.1 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:

- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
- A summary of the audit work from which the opinion is derived;
- Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- A comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and criteria;
- A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
- Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
- Disclosure of any impairments (in fact or appearance) or restriction in scope.

1.2 Accordingly, the Internal Audit Annual Report is prepared and submitted to both the Executive and the Governance and Audit Committee. Additionally, in year update reports have periodically been provided to the Committee and the Executive detailing key issues arising throughout the year.

1.3 The Annual Report includes the following components:

- Purpose and Background;
- Annual Opinion;
- Summary of Internal Audit work undertaken;
- Analysis of Council Implementation of Agreed Actions;
- Conformance with PSIAS;
- Internal Audit Performance;
- Internal Audit Resources; and
- Disclosure on Impairment and Escalation.

This year, an Annual Counter Fraud Report has been prepared separately, which outlines Counter Fraud activity for 2019-20.

- 1.4 The issues detailed in the attached report have been considered by the Council in the formulation of the draft Annual Governance Statement for 2019-20.
- 1.5 The Governance and Audit Committee's Terms of Reference include ensuring that Internal Audit is effective. Sections 7 of the Annual Report sets out performance information to enable the Committee to continually assess and consider the effectiveness of Internal Audit.
- 1.6 The proposed formal wording for the relevant declaration into the Annual Governance Statement is as per Section 2 within the Annual Report.

## **2. Recommendations**

- 2.1 Members are requested to:

Receive and note this report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 2019-20 Internal Audit work and the resultant '**Adequate**' opinion to the Annual Governance Statement.

## **3. Background Documents**

Appendix A: Internal Audit Annual Report 2019-20

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July 2020



# Kent County Council

Internal Audit Annual Report 2019-20

July 2020

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## 1 Purpose and Background

- 1.1. This Annual Report provides a summary of the work completed by the Internal Audit service during 2019-20.
- 1.2. Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:
- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
  - A summary of the audit work from which the opinion is derived;
  - Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
  - A comparison of the work undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and criteria;
  - A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
  - Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
  - Disclosure of any impairments (in fact or appearance) or restriction in scope.
- 1.3. The purpose of this report is to satisfy these requirements and members are requested to note its content and the Annual Internal Audit Opinion provided.
- 1.4. Additionally, the report highlights key messages and outcomes, issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from work undertaken by Internal Audit.
- 1.5. The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:
- Assurance Opinions from audit assignments;
  - Assessment of audit outcomes against key themes of corporate health (the "Reasonable Assurance" model); and
  - The level of implementation by management of agreed actions to improve internal control and the management of risk.

- 1.6. The “Reasonable Assurance” Model evaluates the outcomes of Internal Audit and Counter Fraud work against the following 8 themes of what a healthy organisation requires to operate effectively.

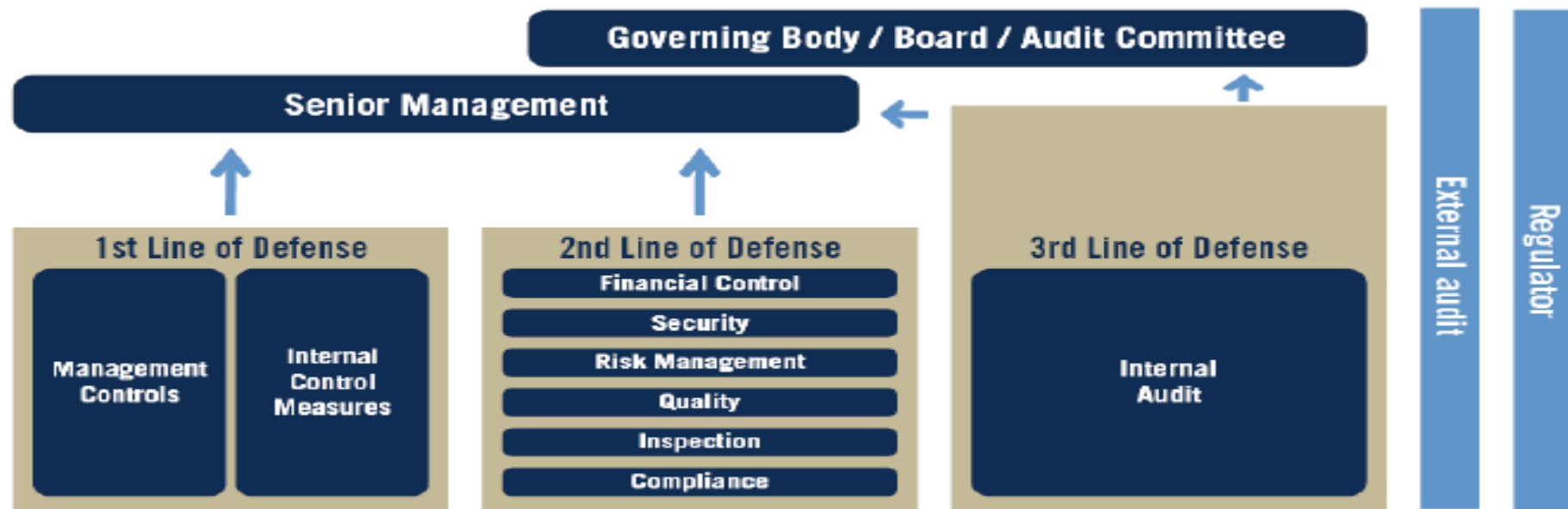
**Figure 1: Reasonable Assurance Model:**



- 1.7. Internal Audit is guided by the Internal Audit Charter, which is reviewed annually. Internal Audit provides an independent and objective opinion on the Council’s control environment through the work based on the Annual Internal Audit Plan agreed by the Governance and Audit Committee.

1.8. The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model:

**Figure 2: Three Lines of Defence Model**



## 2 Annual Opinion

### Overall Assurance and Opinion

- 2.1. Internal Audit concludes that **Adequate** Assurance can be assigned in relation to the Council's corporate governance, risk management and internal control arrangements.
- 2.2. This opinion is principally based upon the evaluation of the findings, conclusions and assurances from the work undertaken by Internal Audit compared to eight key indicators of corporate health, as set out in paragraphs 3.7-3.9. The overall balance of systems or functions assigned a "substantial" assurance or better remained at the same level in 2019-20, with a slight increase in the assigning of "limited" assurance or worse.
- 2.3. It should be emphasised that the assignment of an overall "Adequate" assurance opinion in 2019-20 is not a significant change from the overall opinion in 2018-19, when the assessment for an overall opinion of "Substantial" assurance was marginal. Therefore, the "Adequate" assurance opinion does not reflect a fundamental deterioration in the Council's corporate governance, risk management and internal control arrangements.
- 2.4. The opinion is also based on an improvement in the level of implementation by management of actions to address internal control and risk management issues identified by Internal Audit reports. The momentum on such improvement needs to be maintained, however, and the overall full implementation rate of 62% continues to leave room for improvement.
- 2.5. No incidences of material external or internal fraud have been detected or reported and there was positive external assurance that the Council has effective arrangements in place to manage the risk of fraud.
- 2.6. Areas for further improvement have also been highlighted and reported in the Internal Audit Annual Report and the Council has been receptive to addressing issues raised by Internal Audit.
- 2.7. Internal Audit aims to add value and continues to work with the organisation to improve governance and internal control arrangements via identifying improvements such as suggestions to senior management relating to the Annual Governance Statement process and contribution to key Council groups relating to Information Governance and Covid-19 Recovery. The commitment to working with the Council has been recognised in the Senior Management Survey.
- 2.8. There have been no limitations to the scope of Internal Audit work, but it should be noted that the assurance expressed can never be absolute and as such Internal Audit provides "reasonable assurance" based on the work performed.



### 3 Summary of Internal Audit Work 2019-20

#### Delivery Against the Internal Audit Plan

- 3.1 Appendix 1 details delivery against the 2019-20 Internal Audit Plan including amendments and changes. During the year, several planned audits were cancelled or deferred which enabled audit resources to be moved to high priority audit and advisory work.

#### Assurance Opinions from Audit Assignments

- 3.2 Assurance levels are assigned to completed risk-based audit reviews based on the criteria in Appendix 2. For the 2019-20 Audit Plan, a total of 46 substantive audits were undertaken and the assurance levels assigned are set out in Appendix 3.
- 3.3 Overall 53% of systems or functions have been assigned with “Adequate” assurance or lower with 41% assigned Adequate and 12% assigned Limited or No assurance. This represents a broadly similar performance since 2015-16 but a reduction compared to last year of the assigning of “High” assurance opinions in 2019-20, as illustrated in Table 1 below.

**Table 1: Summary of Assurance Opinions 2015-16 to 2019-20**

Assurance Level	2015-16	2016-17	2017-18	2018-19	2019-20
High	3%	3%	4%	13%	0%
Substantial	39%	35%	38%	33%	47%
Adequate	39%	55%	44%	45%	41%
Limited	19%	7%	12%	7%	9%
No Assurance	0%	0%	2%	2%	3%
<b>Substantial or above</b>	<b>42%</b>	<b>38%</b>	<b>42%</b>	<b>46%</b>	<b>47%</b>

- 3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2019-20 Audit Plan have been reported in Progress reports to the Governance and Audit Committee throughout the year.

## Prospects for Improvement

- 3.5 On the conclusion of each audit assignment, an assessment of the prospects for improvement is provided in the respective audit report. This is based on the criteria set out in Appendix 2.
- 3.6 Overall 91% of systems or functions have been assessed as having good, or better, prospects for improvement. This represents a significant increase on previous financial years 2015/16 to 2018-19, as illustrated in Table 2:

**Table 2: Summary of Prospects for Improvement to 2019-20**

Prospects Category	2015-16	2016-17	2017-18	2018-19	2019-20
Very Good	3%	4%	2%	2%	19%
Good	71%	72%	73%	76%	72%
Adequate	22%	24%	25%	20%	9%
Uncertain	4%	0%	0%	2%	0%
<b>Good or above</b>	<b>74%</b>	<b>76%</b>	<b>75%</b>	<b>78%</b>	<b>91%</b>

## Reasonable Assurance Methodology Analysis

- 3.7 Evaluation of Internal Audit outcomes from audits undertaken utilising the Reasonable Assurance Model (as referred to at paragraph 1.6) provides focus on those audits which assign an opinion on the 8 themes of corporate health. Thus, this analysis forms the key component of the derivation of the Head of Internal Audit Annual Opinion.
- 3.8 In planning to be able to conclude an opinion on the whole risk management, governance and internal control framework, Internal Audit work is assessed around the 8 key lines of enquiry. Internal Audit assessments for each theme is summarised in Table 3:

**Table 3: Audit Outcomes Evaluated on Reasonable Assurance Model**

<b>1. Corporate Governance</b>				<b>2019-20 Assessment: Adequate Assurance</b>
<b>No.</b>	<b>Audit</b>	<b>Opinion</b>	<b>Prospects for Improvement</b>	<b>Summary to Committee</b>
-	Annual Governance Statement Returns	<b>TBD</b>	<b>TBD</b>	TBD
9	Pension Fund Investment Governance	<b>Limited</b>	<b>Good</b>	January 2020
13	Members Grants	<b>Adequate</b>	<b>Good</b>	January 2020
29	Information Governance DSPT	<b>Substantial</b>	<b>Very Good</b>	July 2020
26	SEND Follow-up	<b>N/A</b>	<b>N/A</b>	July 2020
The Audit of Annual Governance Statement Returns remains in progress and therefore Internal Audit cannot provide assurance at this time. Significant changes have, however, been undertaken in the process. The SEND Follow-up found there to be robust governance and oversight arrangement to monitor progress against the written statement of account which was considered when assessing this component.				
<b>2. Risk Management</b>				<b>2019-20 Assessment: Substantial Assurance</b>
<b>No.</b>	<b>Audit</b>	<b>Opinion</b>	<b>Prospects for Improvement</b>	<b>Summary to Committee</b>
3	Home to School Transport	<b>Substantial</b>	<b>Good</b>	October 2019
4	KRT EU Exit Lessons Learn Exercise	<b>Substantial</b>	<b>N/A</b>	October 2019
5	Highways Transportation & Waste – Health & Safety	<b>Adequate</b>	<b>Very Good</b>	October 2019
6	Foster Care	<b>Adequate</b>	<b>Adequate</b>	January 2020
16	Customer Feedback	<b>Substantial</b>	<b>Very Good</b>	January 2020
20	Care Leavers	<b>Adequate</b>	<b>Good</b>	July 2020
31	Risk Management	<b>Substantial</b>	<b>Good</b>	July 2020
32	School Themed Review – Business Continuity Planning	<b>Limited</b>	<b>Good</b>	July 2020
The fundamental consideration in the assessment of this theme was the “Substantial” assurance opinion of the annual review of Risk Management.				
<b>3. Financial Control</b>				<b>2019-20 Assessment: Adequate Assurance</b>
<b>No.</b>	<b>Audit</b>	<b>Opinion</b>	<b>Prospects for Improvement</b>	<b>Summary to Committee</b>
1	Debt Recovery	<b>Adequate</b>	<b>Good</b>	October 2019
8	Family Placement Payments	<b>Substantial</b>	<b>Good</b>	January 2020
9	Pension Fund Investment Governance	<b>Limited</b>	<b>Good</b>	January 2020
10	Respite Overpayments	<b>Limited</b>	<b>Good</b>	January 2020
11	Imprest Accounts and Cash Balances	<b>No</b>	<b>Good</b>	January 2020
19	Non-Household Waste Charging	<b>Adequate</b>	<b>Good</b>	July 2020
24	Economic Development Grant Schemes	<b>Adequate</b>	<b>Good</b>	July 2020
25	Public Health Grant – Sexual Health Spend	<b>Substantial</b>	<b>Good</b>	July 2020
35	Savings Delivery Plan	<b>Adequate</b>	<b>Adequate</b>	July 2020
39	Payroll	<b>Substantial</b>	<b>Good</b>	July 2020
27	Developer Contributions CIL Follow-up	<b>N/A</b>	<b>N/A</b>	July 2020
41	School Financial Services	<b>Substantial</b>	<b>Very Good</b>	July 2020
The follow-up audit of Developer Contributions (CIL) found that whilst all actions remain open, there is evidence to demonstrate that progress has been made in addressing the issues identified in the previous audit of undertaken in 2018-19.				

4. Change Programme and Project Management				2019-20 Assessment: Adequate Assurance
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
17	Troubled Families	Substantial	Good	January 2020
33	ICT Change Project Benefits Realisation	Adequate	Adequate	July 2020
26	SEND Follow-up	N/A	N/A	July 2020
38	Highways Term Services Commissioning Programme	Substantial	N/A	July 2020
40	ASCH Portfolio Board	N/A	N/A	July 2020
Although the nature of the Internal Audit engagement for the ASCH Portfolio Board was not to assign a formal opinion (as the Portfolio Board was placed on hold), significant concerns as to the effectiveness of the governance, roles and responsibilities, the substantiation of supporting documentation utilised in the analysis of activity and cost savings and the likelihood of effective delivery of the very wide-ranging projects identified within the Programme were highlighted. At the time of compilation of this report, an audit relating to Change for Kent Children had not been finalised.				
5. Procurement, Commissioning and Partnerships				2019-20 Assessment: Adequate Assurance
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
4	KRT EU Exit Lessons Learn Exercise	Substantial	N/A	October 2019
23	Agilisys Contract Management	Adequate	Good	July 2020
26	SEND Follow-up	N/A	N/A	July 2020
34	LATCos – Client-side Contract Management	N/A	N/A	July 2020
37	Voluntary Sector Contract – Adult Social Care	Substantial	Good	July 2020
38	Highways Term Services Commissioning Programme	Substantial	N/A	July 2020
The review of LATCos – Client-side Contract Management found that agreed actions had not been completed and are now not expected to be completed until the middle of 2020/21 at the earliest. Additionally, the overall evaluation of this theme also includes an awareness that despite Strategic Commissioning developing a suite of commissioning standards, such as for contract management, they have not been formally adopted, communicated or embedded throughout the Council. Furthermore, Internal Audit is aware that although work in progress relating to there being an effective Contract Register for planning contractual requirements, this was not complete or embedded during 2019-20.				
6. Information Technology and Information Security				2019-20 Assessment: Adequate Assurance
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
12	Data Protection Deep Dive CYPE	Adequate	Good	January 2020
14	Members ICT	Adequate	Good	January 2020
15	Software Licensing	Substantial	Good	January 2020
21	Wireless Network Security and Capacity	Adequate	Good	July 2020
29	Information Governance DSP Toolkit	Substantial	Very Good	July 2020
33	ICT Change – Project Benefits Realisation	Adequate	Adequate	July 2020
Other sources of assurance to support assessment include the Information Governance Assurance and Information Security Assurance Maps.				
7. Asset Management				2019-20 Assessment: Substantial Assurance
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
2	Social Care Recruitment Incentives	Substantial	Very Good	October 2019
5	Health & Safety Deep Dive	Adequate	Very Good	October 2019
18	Property – Statutory Compliance Follow-up	Substantial	Very Good	July 2020
22	Learning Disability Day Services Themed Review	Substantial	Good	July 2020
36	Clinical Professional Development – Public Health	Adequate	Good	July 2020

8. Counter Fraud Arrangements				2019-20 Assessment: Adequate Assurance
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
<p>The review of Counter Fraud has been conducted against the Fighting Fraud &amp; Corruption Locally checklist, as outlined in the Counter Fraud Report for 2019-20, This has taken a more holistic view of how the organisation approaches Counter Fraud rather than just how the Counter Fraud function operates. Given this basis, it is concluded that there are adequate provisions in place across the Council to manage the risk of fraud and corruption.</p>				

3.9 This assessment of Audit outcomes indicates an overall opinion of “Adequate Assurance” as summarised in Table 4:

**Table 4: Audit Opinion based on Reasonable Assurance Model**

No.	Theme	Overall Opinion
1	Corporate Governance	Adequate
2	Risk Management	Substantial
3	Financial Control	Adequate
4	Change Programme and Project Management	Adequate
5	Procurement, Commissioning and Partnerships	Adequate
6	Information Technology and Information Security	Adequate
7	Asset Management	Substantial
8	Counter Fraud Arrangements	Adequate
Overall Assurance Opinion		Adequate

### Strengths and Areas for Development

3.10 The annual review of audit outcomes has highlighted the following key strengths and areas for development:

#### Strengths:

- 47% of systems and functions that were assigned a Substantial Assurance opinion;
- 91% of systems and functions assessed as having good or better prospects for improvement;
- 98% of audit issues raised have been or are being implemented by management;
- Positive levels of assurance in relation to Asset Management and Risk Management systems across the Council; and
- Adequate arrangements in place to manage the risk of fraud.

#### Areas for further development:

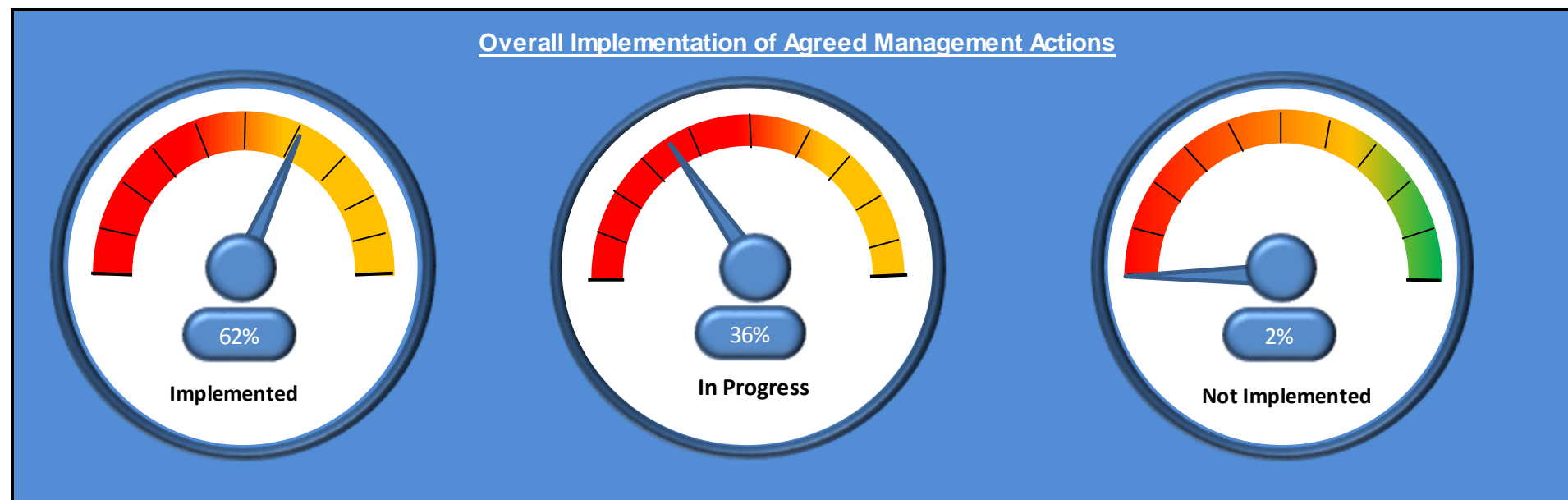
- The need to continue improvements in the full implementation of agreed actions to a level comparable with good practice;
- The assurance over core financial systems has reduced overall, with significant weaknesses identified with Imprest Accounts, Respite overpayment and the governance arrangements for Pension Fund Investments;
- Issues with inconsistencies relating to change programme and project management, despite some areas of good practice being identified in the year; and
- The outcomes from Information Technology and Information Security audits indicate that there is scope for improvement.

## 4 Implementation of Agreed Actions

- 4.1 Details of the year end position on the implementation of actions from Internal Audit reports is set out at Appendix 4. This sets out the implementation status of 89 actions categorised by the age of actions assigned to the original report.
- 4.2 The status of implementation of implementation in Appendix 4 is summarised in Table 5:

**Table 5: Summary of Action Implementation**

	Total Number due for implementation		Implemented		In Progress		Not Implemented	
	High	Medium	High	Medium	High	Medium	High	Medium
<b>Total</b>	21	68	13	42	8	24	0	2
	<b>Total %</b>		62%	62%	38%	35%	0%	3%












\* Not Implemented relates to one issue which is no longer relevant due to changes made in policy and action related to Members Mandatory Training

#### 4.3 The following key points are highlighted:

- 98% of high and medium ranked actions have either been implemented or are in progress;
- 100% of high ranked actions have either been implemented or are in progress;
- 97% of medium ranked actions have either been implemented or are in progress;
- 62% of high ranked actions had been implemented;
- 62% of medium ranked actions had been implemented;
- 62% of both high and medium ranked actions had been implemented;
- 38% of high ranked actions were in progress and not fully implemented;
- 35% of medium ranked actions were in progress and not fully implemented; and
- 36% of both high and medium ranked actions were in progress and not fully implemented.

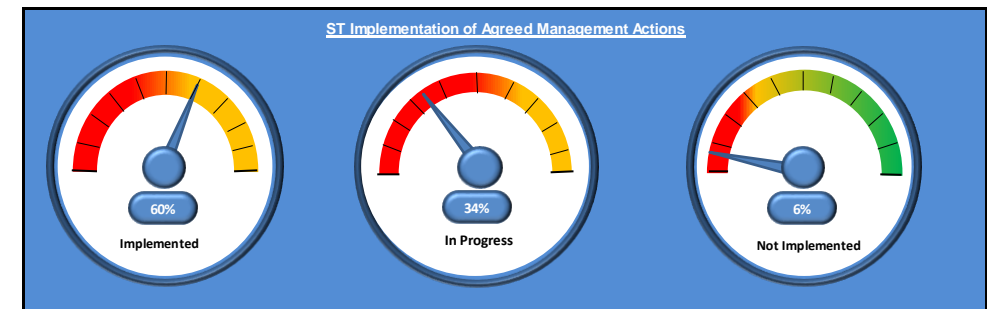
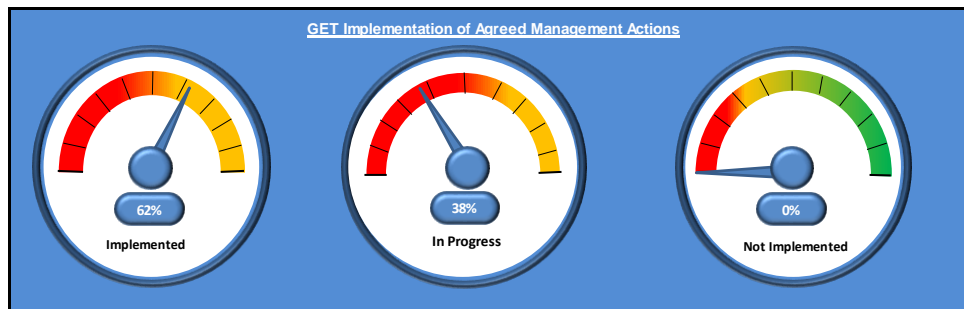
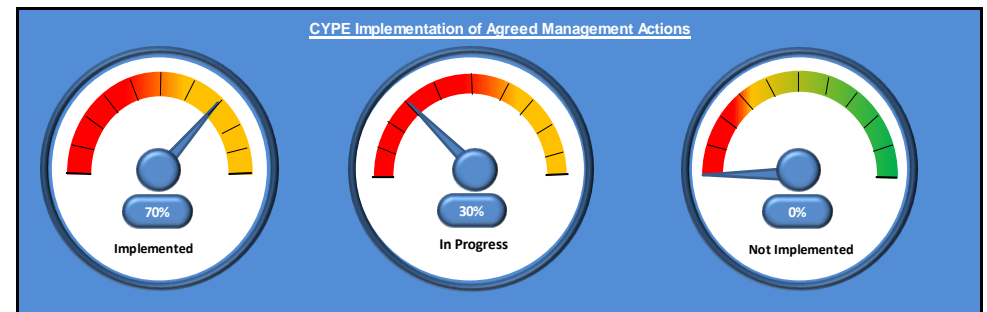
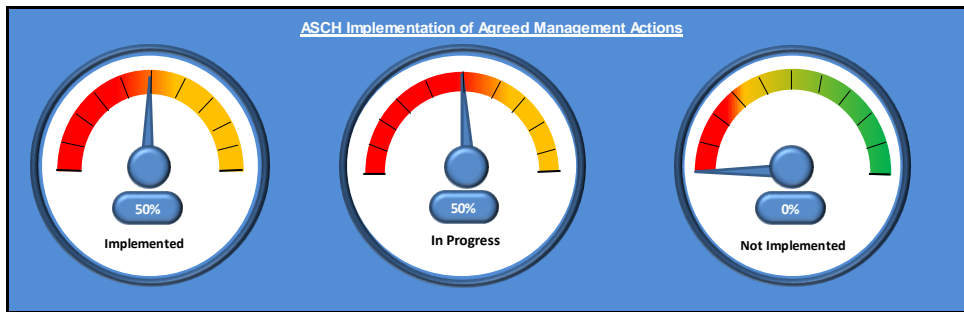
#### 4.4 This represents a similar direction of travel since 2018-19, as illustrated in Table 6:

**Table 6: Summary of Implementation of Actions 2018-19 to 2019-20**

Indicator	18-19	19-20	Change
High and Medium Ranked Issues Implemented or In Progress	93%	98%	
High Ranked Issues Implemented or In Progress	100%	100%	
Medium Ranked Issues Implemented or In Progress	91%	97%	
High Ranked Actions Implemented	56%	62%	
Medium Ranked Actions Implemented	55%	62%	
High and Medium Ranked Actions Implemented	55%	60%	
High Ranked Actions In Progress and not Fully Implemented	44%	38%	
Medium Ranked Actions In Progress and not Fully Implemented	36%	35%	
High and Medium Ranked Actions In Progress and not Fully Implemented	38%	36%	



- 4.5 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, therefore highlights a broadly improved position in 2019-20 for the majority of implementation indicators compared with the previous financial year.
- 4.6 Implementation of issues has marginally improved, however, and the overall full implementation rate of 62% leaves room for significant improvement.
- 4.7 Internal Audit maintains analysis of outstanding recommendations across all Directorates and this is utilised in the monitoring and promotion of action implementation, as illustrated in the following graphics:



\* Not Implemented relates to one issue which is no longer relevant due to changes made in policy and action related to Members Mandatory Training

## Programmed Follow Ups

- 4.8 As part of the 2019-20 Internal Audit Plan, three in depth follow ups were undertaken of areas where, in the previous year audit opinions had been Limited, with the following results:

**Table 7: Programmed Follow Ups 2018-19**

Audit	Previous Opinion	Revised Opinion after follow-up	Revised Prospects for Improvement
Property Statutory Compliance	Limited	Substantial	Very Good
SEND	Limited	N/A – of the 7 issues, 3 issues fully implemented and 4 superseded. 2 new issues raised.	
Developer Contributions (CIL)	Limited	N/A – all 4 issues still in progress (not yet fully implemented)	

- 4.9 In all cases, progress had been made and this is reflected in Table 7 above. Revised audit opinions have not been given for two of the audits because of the limited scope of the follow-up, which focussed only on the areas where issues were raised in the previous report. Where action remains outstanding, revised dates for implementation have been agreed and these will be followed-up to their conclusion.

## 5 Other Audit Work including Grant Certification

- 5.1 Internal Audit perform a vital service for the Council in the auditing of grant claims to evidence spend is in accordance with grant terms and conditions. Thus, in 2019-20, Internal Audit audited / certified 57 grants to the value of £86.36m and €2.14m Euros.

The breakdown of the 57 grants was:

- 49 EU Interreg grant returns
- 3 Bus grant returns
- 2 Department for Transport grants
- 1 Brexit Transport grant
- 1 Sports England grant
- 1 Department for Education grant

- 5.2 The diversification of Internal Audit by offering a proportion of our services to other public sector related or associated bodies has continued throughout 2019-20, including:

- KCC LATCos and Kent HoldCo – including Kent Commercial Services, Gen2, Invicta Law, The Education People and Cantium Business Solutions;
- Appointed auditor to 12 Parish Councils;
- Appointed auditor to the 'Mytimeactive' Leisure Trust;
- Appointed auditor to IC24;
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority;
- Internal audit of Kent and Medway Fire and Rescue Service; and
- Management of the audit and fraud service at Tonbridge and Malling Borough Council.

## 6. Conformance with Public Sector Internal Audit Standards (PSIAS)

- 6.1 In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years.
- 6.2 Members will recall that the Internal Audit service has previously been externally assessed against PSIAS by the Institute of Internal Auditors (IIA) in 2015 and 2016, the outcomes of which was conformation of compliance with all 56 standards. The previous full self-assessment was undertaken in April 2019, which confirmed a continuing position of conformance. The next independent assessment against PSIAS will be commissioned and undertaken in 2020-21.
- 6.3 Prior to the independent assessment, Internal Audit will refresh the self-assessment of its compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the relevant CIPFA's Local Government Application Note (LGAN). The purpose of the self-assessment will be firstly to provide assurance to the Governance and Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development. This review was temporarily postponed due to the workload impact of the Covid-19 pandemic.
- 6.5 There has been continual review against the Internal Audit Quality Assurance and Improvement Programme (QAIP) in 2019-20. This has confirmed that the quality standards continue to be generally complied with, although some areas for improvement have been identified and will be addressed through staff training sessions over the coming months.

## 7 Internal Audit and Counter Fraud Performance

### Internal Audit

- 7.1 The performance of the Internal Audit Team is measured and monitored throughout the year and the year-end position is shown in Table 7 below:

**Table 7: Internal Audit Performance 2019-20**

Performance Indicator	Target	2019-20 Actual	2018-19 Actual
<b>Outputs</b>			
90% of Priority 1 audits completed (by year end)	90%	93%	97%
20% of Priority 2 audits completed	20%	20%	26%
Draft audit reports issued within agreed date on the engagement plan	60%	53%	33%
<b>Outcomes</b>			
% of high priority / risk issues agreed	N/A	100%	100%
% of high priority / risk issues implemented	N/A	57%	56%
% of all other issues agreed	N/A	100%	100%
% of all other issues implemented	N/A	34%	55%
Client satisfaction	90%	97%	91%

### Plan Delivery

- 7.2 Table 7 highlights performance in respect of Audit Plan delivery was above target in 2019-20.

### Draft Audit Plan Completion

- 7.3 Performance relating to the timeliness of issuing draft reports was a key area for service improvement in 2019-20 with the indicator improving from 33% to 53%.

### Client Satisfaction

- 7.4 At the end of each audit review, a client satisfaction questionnaire is sent to the auditee. The cumulative results for these surveys was 97% satisfaction, which is above target and an improvement on 2018-19 performance.

## Client Perception

7.5 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of senior management and the Chair of the Committee on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses and the comments received will be utilised as part on the continuous improvement for the service. The results are detailed in Appendix 5 and the key responses were:

- 83% strongly agree / agree that Internal Audit understands the Council, its needs and objectives;
- 100% strongly agree / agree that Internal Audit works with the Council to assist in achieving its objectives;
- 67% strongly agree / agree that Internal Audit adds value;
- 83% strongly agree / agree that Internal Audit provided an effective service in 2019-20; and
- Only 50% strongly agree / agree that Internal Audit enables the sharing of good practice, solutions and experiences across the Council.

7.6 The survey also requested any additional comments and comments received are replicated below:

*“Overall a good performance – supporting and developing the Council objectives and priorities.”*

*“The Council has a high quality, competent and professional Internal Audit and Counter Fraud function. There is ongoing challenge regarding the capacity of the teams to meet the demands on them which continue to increase.”*

*“The service performs very well and is a credit to the organisation. It is staffed by officers of excellent quality and is well led.”*

## 8 Internal Audit and Counter Fraud Resources

- 8.1 In accordance with the PSIAS, Members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. Resources have been sufficient to provide adequate Internal Audit and Counter Fraud coverage and assurance to the Council. The in-house team has been enhanced by the procurement of specialist resources to assist in the delivery of assurances from the Internal Audit Plan and has continued to carry several vacancies throughout 2019-20, which in part have been addressed by a combination of additional capacity from a contracted provider, fixed-term, agency and placement recruitments.
- 8.2 Members have been informed throughout 2019-20, however, that the positive expansion of the provision of Internal Audit services to a wide range of 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.
- 8.3 In respect of its budgetary performance, the solid levels of external income contributed towards the Internal Audit service making a surplus on its budget of £138,900. Furthermore, the outturn position for 2019-20 was £151,100 more cost effective than in 2018-19. There is the potential, therefore, for such external income performance achieved by the team to be utilised to further develop the structure and the team itself moving forward into 2020-21.
- 8.4 During 2020-21, the service must, therefore, review its structure to ensure it remains fit for purpose for the delivery of effective and quality assurance services to the Council and its array of external clients.

## 9 Disclosure on Impairment and Statement of Independence

- 9.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note).
- 9.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority makes arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
  - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 9.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Leader of the Council, Head of Paid Service, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Governance and Audit Committee.
- 9.4 There has been no restriction on the scope of Internal Audit work or reporting of audit findings during 2019-20. Consequently, it is confirmed that there have been no material factors which have adversely impacted on the independence of Internal Audit and the ability to form an evidenced annual opinion.
- 9.5 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.



## Appendix 1 – Delivery Against Internal Audit Plan 2019-20

Ref	Audit	Status	Assurance	Prospects for Improvement
CA01	Annual Governance Statement 2018-19 Annual Governance Statement 2019-20	Final Report (18-19) In Progress	Adequate -GAC July 19 n/a	
CA02	Corporate Governance	Completed	n/a – relate to Head of Internal Audit Opinion.	
CA03	Department Governance – Strategic and Corporate Services	Plan Deletion – GAC Oct 19	n/a	n/a
CA04	Risk Management	Final Report	Substantial - GAC July 20	Good
CA05	Information Governance – DPS Toolkit	Final Report	Substantial - GAC July 20	Very Good
CA06	Data Protection – Deep Dive	Final Report	Adequate – GAC Jan 20	Good
CA07	Data Protection and GDPR – Advisory	In Progress / Ongoing	n/a – Advisory	n/a- Advisory
CA08	Business Planning	Plan Deletion – GAC Oct 19	n/a	n/a
CA09	Strategic Commissioning	C/Fwd to 20/21- GAC Jan 20	n/a	n/a
CA10	Savings Plan Delivery	Final Report	Adequate – GAC July 20	Adequate
CA11	LATCos- Client-Side Contract management, governance and impact of HoldCo	Management Letter	n/a – GAC July 20	n/a
CA12	HoldCo	Completed	n/a- Advisory	n/a- Advisory
CS01	Social Care Client Billing	C/Fwd to 20-21 due to priority change re Covid-19	n/a	n/a
CS02	Debt Recovery and Write-Off	Final Report	Adequate – GAC Oct 19	Good
CS03	Family Placement Payments	Final Report	Substantial – GAC Jan 20	Good
CS04	Imprest Accounts	Final Report	No Assurance – GAC Jan 20	Good
CS05	Schools Financial Services	Draft Report	Substantial – GAC July 20	Very Good
CS06	Payroll	Final Report	Substantial - GAC July 20	Good
RB01/2	Leadership and Management Strategy/ Kent Manager	Deleted from Plan due to priority change re Covid-19	n/a	n/a
RB03	Customer Feedback	Final Report	Substantial – GAC Jan 20	Very Good
RB04	Agilisys Contract Management	Final Report	Adequate - GAC July 20	Good
RB05/6	Strategic Commissioning – I-Procurement / Indirect Procurement	In Progress and c/fwd to 20-21	n/a	n/a
RB08	Public Health – Sexual Health Spend	Final Report	Substantial - GAC July 20	Good
RB09	Infrastructure – Property Statutory Compliance Follow Up	Final Report	Substantial - GAC July 20	Very Good
RB10	Infrastructure – Property Consultants	Deleted from Plan due to priority change re Covid-19	n/a	n/a
RB11	Finance External Funding – LOCASE 2 Grant	Initially c/fwd to 20-21, however assurance no longer required.	n/a	n/a

RB13	Public Health – Clinical Professional Development (was Level 2)	Draft Report	Adequate – GAC July 20	n/a – CPD Requirements suspended for 2 years due to Covid-19 pandemic.
RB20	KMPT Transformation	Coverage replaced by ASCH Transformation review - GAC Oct 19	n/a	n/a
RB21	Complaints Process and Outcomes (Adult Social Care)	Final Report - GAC July 20	n/a- Advisory - GAC July 20	n/a- Advisory
RB22	Home Care – Post New Contract	Deleted from Plan due to priority change re Covid-19	n/a	n/a
RB23	Mosaic & Finestra -P.I.R.	Completed	n/a – Advisory - GAC Jan 20	n/a
RB25	Deprivation of Liberties – Progress with Addressing Backlog	In Progress		
RB26	Quality of Adult Social Care (was Level 2)	Completed	n/a- Advisory	n/a- Advisory
RB28	Voluntary Sector Contracts (was Level 2)	Final Report	Substantial - GAC July 20	Good
RB31	SEND Follow Up	Completed	n/a- Follow Up report - GAC July 20	n/a
RB32	Change for Kent Children	Draft Report		
RB33	Youth Justice	Completed	n/a- Advisory - GAC July 20	n/a- Advisory
RB34	Foster Care	Final Report	Adequate – GAC Jan 20	Adequate
RB35	Care Leavers	Final Report	Adequate – GAC Jul 20	Good
RB36	Safeguarding Children (Assurance Mapping)	In Progress		
RB37	School Themed Review	Final Report	Limited – GAC Jul 20	Good
RB39	Troubled Families (was Level 2)	Final Report	Substantial – GAC Jan 20	Good
RB40	Business Continuity Planning - Incident Management	C/Fwd to 20-21 due to priority change re Covid-19 (Critical Friend role provided 19-20)	n/a	n/a
RB41	Carbon Reduction Commitment Annual return for KCC	Final Report	Compliant- GAC Jan 20	n/a
RB42	Gypsy and Traveller Service	C/Fwd to 20-21 – GAC Oct 19		
RB43	Health and Safety Deep Dive	Final Report	Adequate – GAC Oct 19	Very Good
RB44	Highways Term Services Commissioning Programme	Final Report	Substantial – GAC July 20	n/a
RB45	Non-Household Waste Charging	Final Report	Adequate – GAC Jul 20	Good
RB46	Developer Contributions (CIL) Follow Up	Completed	n/a- Follow Up report – GAC Jul 20	n/a
RB47	Kent Resilience Team – EU Exit Lessons Learnt Exercise	Final Memorandum	Substantial – GAC Oct 19	n/a
RB48	Companies in which KCC has a Substantial Interest /investment	Deleted from Plan due to priority change re Covid-19	n/a	n/a
RB56	Economic Development – Grant Schemes (was Level 2)	Final Report	Adequate – GAC Jul 20	Good
ICT01	Access Controls to Personal Data	Plan Deletion – GAC Jan 20		
ICT02	Wireless Network Security and Capacity	Final Report	Adequate – GAC Jul 20	Good

ICT03	Software Licensing	Final Report	Substantial – GAC Jan 20	Good
ICT04	ICT Change – Business Realisation	Final Report	Adequate – GAC Jul 20	Adequate
ICT05	Members ICT	Final Report	Adequate - GAC Jan 20	Good
CF01	Fraud Awareness /Detection and Prevention	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20 / Jul 20	
CF02	National Fraud Initiative	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20 / Jul 20	
CF03	Kent Intelligence Network (KIN)	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20 / Jul 20	
CF04	Independent Review of Fraud Service / Fighting Fraud and Corruption Locally Assessment	Completed	GAC Jul 20	
CF05	Proactive Fraud Exercise	In Progress	Separate Agenda Item - GAC Oct 19 / Jan 20 / Jul 20	
CF06	Investigations	In Progress / Ongoing	Separate Agenda Item - GAC Oct 19 / Jan 20 / Jul 20	

NB – (Initial “Level 2” Priority Audits from 19-20 Audit Plan, which were not commenced, are not included in the Table above)

Ref	Additional Reviews	Status	Assurance	Prospects for Improvement
	Pension Fund Investment Governance - Lessons Learnt Review	Final Report	Limited – GAC Jan 20	Good
	Review of Respite Overpayment	Final Report	Limited – GAC Jan 20	Good
	Assurance Mapping – IT	Final Report	N/A – GAC Jul 20	
	Assurance Mapping - ASCH	In Progress		
	Assurance Mapping – Information Governance	Final Report	N/A – GAC Jan 20	
	ASCH Transformation	Completed	n/a- Advisory	n/a- Advisory
	Contract / Commissioning Standards (previously Contract Management Group)	Completed	n/a- Advisory	n/a- Advisory
	Property Board (merged with original RB19)	Deleted from Plan due to priority change re Covid-19	n/a	n/a
	Adult Social Care and Health – Winter Pressures Spending - Follow Up	In Progress		
	Establishment Audits	Final Report	Substantial – GAC Jul 20	Good

#### Work Carried Forward From 2018-19:

Ref	Audit	Status	Assurance	Prospects for Improvement
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	Very Good
3	Home to School Transport	Final Report	Substantial – GAC Oct 19	Good
4	Combined Members Grant Scheme	Final Report	Adequate – GAC Jan 20	Good

## Appendix 2 – Internal Audit Assurance Levels

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

### Prospects for Improvement

**Very Good**

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

**Good**

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

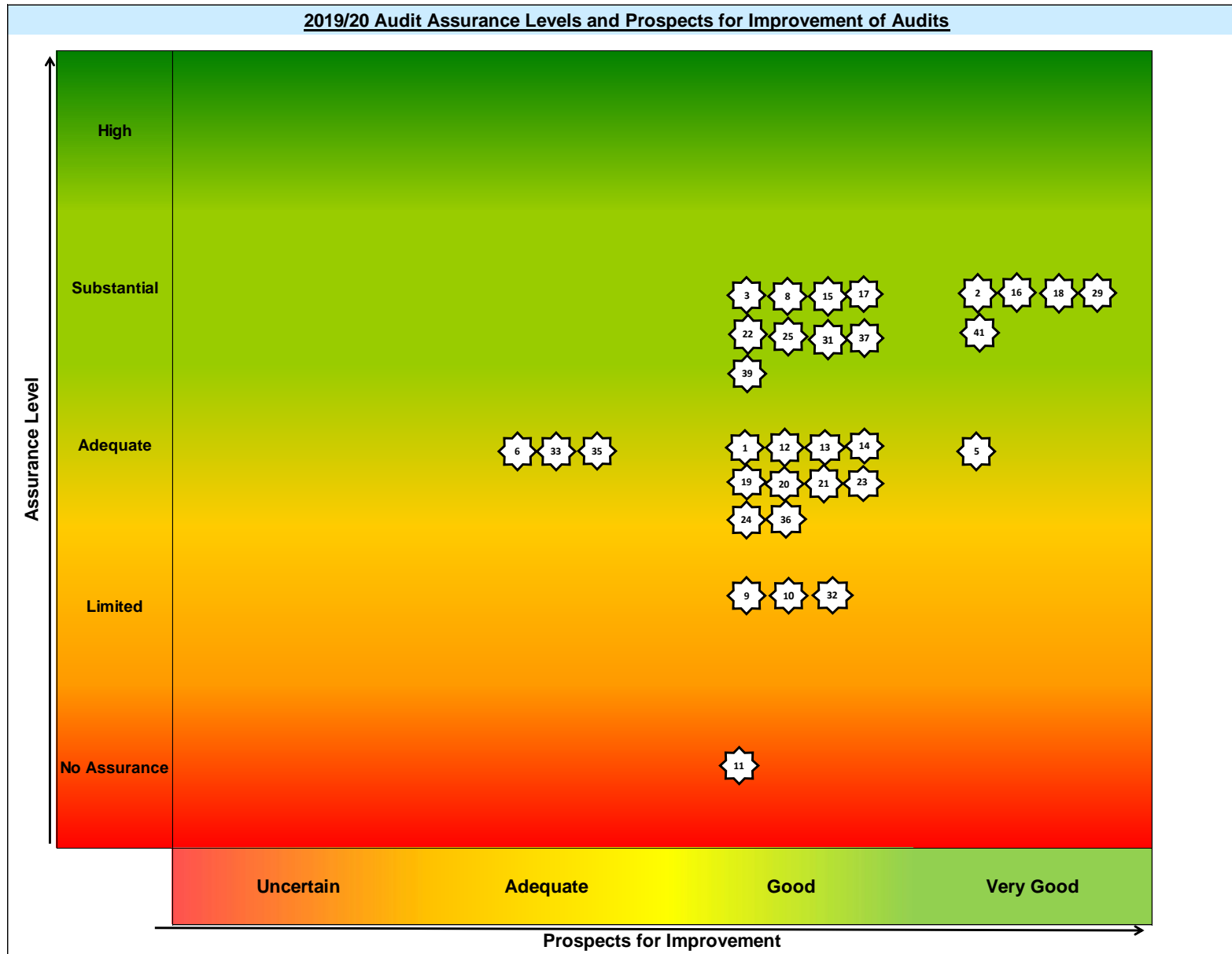
**Adequate**

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

**Uncertain**

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

## Appendix 3 – Distribution of Internal Audit Assurances 2019-20



### Audit Opinion October G&A Committee

No	Audit	Assurance	Prospects for Improvement
1	Debt Recovery	Adequate	Good
2	Social Care Recruitment Incentives (18/19)	Substantial	Very Good
3	Home to School Transport (18/19)	Substantial	Good
4	KRT EU Exit Lessons Learnt Exercise	Substantial	N/A
5	HTW Health & Safety	Adequate	Very Good

### Audit Opinion January G&A Committee

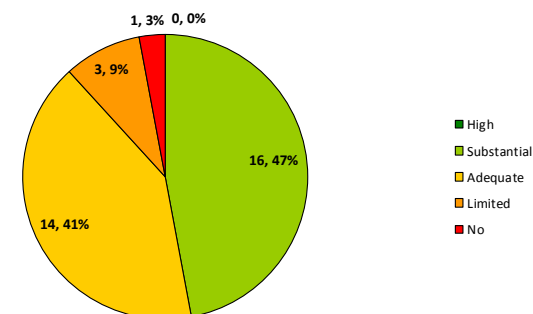
No	Audit	Assurance	Prospects for Improvement
6	Foster Care	Adequate	Adequate
7	Carbon Reduction Commitment	Compliant	N/A
8	Family Placement Payments	Substantial	Good
9	Pension Fund Investment Governance	Limited	Good
10	Respite Overpayments	Limited	Good
11	Imprest Accounts	No	Good
12	Data Protection Deep 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

### Audit opinion July G&A Committee

No	Audit	Assurance	Prospects for Improvement
18	Property Statutory Compliance Follow-up	Substantial	Very Good
19	Non-Household Waste Charging	Adequate	Good
20	Care Leavers	Adequate	Good
21	ICT - Wireless Network Security and Capacity	Adequate	Good
22	Adults LD Disability Day Services Themed Review	Substantial	Good
23	Agilisys Contract Management	Adequate	Good
24	Economic Development Grants	Adequate	Good
25	Public Health Grant - Sexual Health Spend	Substantial	Good
26	SEND Follow-up	N/A	N/A
27	Developer Contributions (CIL) Follow-up	N/A	N/A
28	Customer Care & Complaints Advisory Review	N/A	N/A
29	Information Governance DSPT	Substantial	Very Good
30	Youth Justice	N/A	N/A
31	Risk Management	Substantial	Good
32	School Themed Review - Business Continuity planning	Limited	Good
33	ICT Change Project Benefits Realisation	Adequate	Adequate
34	LATCos - Clinet-Side Contract Management	N/A	N/A
35	Savings Plan Delivery	Adequate	Adequate
36	Clinical Professional Development - Public Health (DRAFT)	Adequate	Good
37	Voluntary Sector Contract - Adult Social Care	Substantial	Good
38	Highways Term Services Commissioning Programme - Start Up	Substantial	N/A
39	Payroll	Substantial	Good
40	ASCH Portfolio Board	N/A	N/A
41	Schools Financial Services	Substantial	Very Good

Assurance Level	No	%
High	0	0%
Substantial	16	47%
Adequate	14	41%
Limited	3	9%
No	1	3%

Assurance Levels 2019/20



## Appendix 4: Implementation of Agreed Actions

3+ Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
ICT07-2015	PCI DSS	Limited	Issue 1 - Business Areas Processing Card Transactions	High	ST	In Progress
RB22-2016	Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	Substantial	Issue 3 - Case Audit recording on Liberi	Medium	CYPE	Implemented
2 - 3 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB01-2018	Members Induction and Training	Adequate	Issue 2 - Mandatory Training	Medium	ST	Not Implemented
RB45-2017	National Driver Offender Retraining Scheme – Phase 2	Adequate	Issue 1 - Trainer Recruitment and Retention	High	GET	In Progress
RB45-2017	National Driver Offender Retraining Scheme – Phase 2	Adequate	Issue 2 - Forecasting and Procurement	High	GET	In Progress
1 - 2 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA03-2018	Risk Culture	Substantial	Issue 3 - Risk transparency with decision reports	Medium	ST	In Progress
CA09-2018	Departmental Governance Review – Adult Social Care and Health	Adequate	Issue 3 - Information flow – DMT and DivMTs	Medium	ASCH	In Progress
ES05-2018	OPPD Day Services Themed Report	Adequate	Issue 1 - Utilisation	High	ASCH	In Progress

ES05-2018	OPPD Day Services Themed Report	Adequate	Issue 2 - Inclusivity	High	ASCH	In Progress
ES05-2018	OPPD Day Services Themed Report	Adequate	Issue 3 - Letting Policy	Medium	ASCH	In Progress
ICT02-2019	ICT Cloud Navigation Phase 2 Modern workplace	Adequate	Issue 2 - Work Stream Timeline and Payments	Medium	ST	Implemented
ICT02-2019	ICT Cloud Navigation Phase 2 Modern workplace	Adequate	Issue 3 - Project Governance	Medium	ST	Implemented
RB01-2019	K2 Property Management System	Adequate	Issue 1 - Outstanding queries and transfer of properties held within the Directorates to Property	Medium	ST	Implemented
RB02-2019	Property - Statutory Compliance	Limited	Issue 1 - Non-TFM Properties	High	ST	Implemented
RB02-2019	Property - Statutory Compliance	Limited	Issue 2 - Compliance Certificates – Required Resultant Work	High	ST	Implemented
RB07-2018	Health & Safety	Adequate	Issue 2 - Health & Safety Training in Schools	High	ST	Implemented
RB20-2019	LD Lifespan Pathway Post Implementation	Adequate	Issue 1 - Pathway Plans and Assessments	High	CYPE	In Progress
RB20-2019	LD Lifespan Pathway Post Implementation	Adequate	Issue 3 - Post Implementation	Medium	CYPE	Implemented
RB41-2018	Economic Development inc. Regional Growth Fund	Adequate	Issue 8 - Exit Strategies /Sustainability Plans	Medium	GET	In Progress
RB46-2019	Coroners Service - Financial Controls	Adequate	Issue 2 - Due Diligence and Cost Control	Medium	GET	In Progress
RB46-2019	Coroners Service - Financial Controls	Adequate	Issue 1 - Succession Planning and Resourcing	Medium	GET	Implemented
RB55-2017	Kent Resilience Team Phase 3 and Follow-up	Adequate	Issue 3 - Business Case	Medium	GET	In Progress



Less than 1 Year						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
AD02-2019	Youth services – Commissioning and Contract Management	Adequate	Issue 6 - Undocumented changes to the commercial arrangements	Medium	ST	In Progress
AD02-2019	Youth services – Commissioning and Contract Management	Adequate	Issue 7 - Fully documented justification for changes to the performance management regime	Medium	ST	In Progress
AD04-2020	LPS / Controcc Overpayment	Limited	Issue 1 - Exception reporting	High	CYPE	In Progress
AD04-2020	LPS / Controcc Overpayment	Limited	Issue 3 - Pre-Payment Checks	High	CYPE	Implemented
AD04-2020	LPS / Controcc Overpayment	Limited	Issue 4 - Appreciation of the end to end process	Medium	CYPE	Implemented
CA01-2020	Annual Governance Statement for 2018/19	Adequate	Issue 3 - Opportunities to Enhance Assurances Sought from the Returns and Statements of Assurance	Medium	ST	Implemented
CA01-2020	Annual Governance Statement for 2018/19	Adequate	Issue 1 - Assurance from LATCOs	High	ST	Implemented
CA02-2019A	Developer Contributions S106 Planning Obligations	Adequate	Issue 9 - Tracking and reporting receipt and expenditure of s106 contributions	Medium	GET	Implemented
CA04-2019	Children, Young People & Education Directorate Governance Review	Substantial	Issue 3 - Risk Management	Medium	CYPE	Implemented
CA04-2019	Children, Young People & Education Directorate Governance Review	Substantial	Issue 4 - Commissioning	Medium	CYPE	Implemented
CA07-2019	Data Protection	Adequate	Issue 2 - Data Protection Impact Assessments - Project & Programme Management and Commissioning	Medium	ST	In Progress
CA09-2018	Departmental Governance Review – Adult Social Care and Health	Adequate	Issue 5 - Independence of reporting lines for the Chair of the Adult Safeguarding Board	Medium	ASCH	In Progress

CA09-2018	Departmental Governance Review – Adult Social Care and Health	Adequate	Issue 6 - Committee Terms of Reference	Medium	ASCH	In Progress
CA11-2019	Strategic Commissioning Overview	Adequate	Issue 1 - Analysing and evaluating the benefits of commissioned services	Medium	ST	Implemented
CA11-2019	Strategic Commissioning Overview	Adequate	Issue 4 - Transformation of SC Division into a Corporate Support Function	Medium	ST	In Progress
CA11-2019	Strategic Commissioning Overview	Adequate	Issue 5 - Fraud Risk Assessment	Medium	ST	Implemented
CS02-2020	Debt Recovery and write-off - Sundry debt	Adequate	Issue 1 - Debt Management Policy	Medium	ST	Implemented
CS02-2020	Debt Recovery and write-off - Sundry debt	Adequate	Issue 4 - Reporting to Governance & Audit Committee	Medium	ST	Superseded
CS02-2020	Debt Recovery and write-off - Sundry debt	Adequate	Issue 3 - Debts referred to Directorates	High	ST	Implemented
CS02-2020	Debt Recovery and write-off - Sundry debt	Adequate	Issue 2 - Interest & Penalty Charges	Medium	ST	Implemented
CS02-2020	Debt Recovery and write-off - Sundry debt	Adequate	Issue 5 - Direct Payment Debts	Medium	ST	Implemented
CS03-2020	Family Placement Payments - foster care	Substantial	Issue 1 - User Access and Data Security	High	CYPE	Implemented
CS03-2020	Family Placement Payments - foster care	Substantial	Issue 2 - Segregation of Duties	Medium	CYPE	Implemented
ICT03 2020	Software Licensing	Substantial	Issue 1 - Policies and Procedures	Medium	ST	Implemented
ICT03 2020	Software Licensing	Substantial	Issue 2 - Software Licencing Issue	Medium	ST	In Progress
RB02-2019	Property - Statutory Compliance	Limited	Issue 3 - Tenanted Properties – Requirement to notify KCC of Compliance Checks	Medium	ST	In Progress
RB03 -2020	Customer Feedback	Substantial	Issue 3 - Customer Feedback Responses	Medium	ST	Implemented

RB03 -2020	Customer Feedback	Substantial	Issue 5 - Lessons Learnt from customer feedback	Medium	ST	Implemented
RB03-2019	Grenfell Action Plan and Management	Substantial	Issue 1 - DMT Reporting and Grenfell Review Group Terms of Reference	Medium	ST	Implemented
RB05-2019	Client-side Relationship & Performance	Adequate	Issue 1 - Relationship & Performance Management Protocols	Medium	ST	In Progress
RB08-2020	Public Health Grant - Sexual Health Spend	Substantial	Issue 2 - Non-Contraceptive LARC Verification	Medium	ST	Implemented
RB08-2020	Public Health Grant - Sexual Health Spend	Substantial	Issue 1 - Out of Area GUM Clinic Recharges	Medium	ST	Implemented
RB08-2020	Public Health Grant - Sexual Health Spend	Substantial	Issue 3 - Reconciliation of LARC Drug Costs	Medium	ST	In Progress
RB11-2019	Public Health - Partnership with Kent	Substantial	Issue 1 - Issue & Risk Management	Medium	ST	Implemented
RB11-2019	Public Health - Partnership with Kent	Substantial	Issue 2 - Project/Workstream ownership and service development	Medium	ST	In Progress
RB18-2018	Protection of Property	Adequate	Issue 4 - Swift Records	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 2 - Logging of Customer Feedback - Compliments/ Merits	Medium	ASCH	In Progress
RB21-2020	Customer Care & Complaints	Advisory	Issue 6 - Acceptance of Complaints - Formal Response Deadline	High	ASCH	In Progress
RB21-2020	Customer Care & Complaints	Advisory	Issue 8 - Acceptance of Complaints - Supporting Evidence	Medium	ASCH	In Progress
RB21-2020	Customer Care & Complaints	Advisory	Issue 9 - Acceptance of Complaints - Consent	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 10 - Lessons Learned & Dissemination of Best Practice	High	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 13 - Process & Procedures - KPIs/ SLAs	High	ASCH	Implemented

RB21-2020	Customer Care & Complaints	Advisory	Issue 5 - Acceptance of Complaints - Acknowledgement	High	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 4 - Acceptance of Complaints - Customer Contact	Medium	ASCH	In Progress
RB21-2020	Customer Care & Complaints	Advisory	Issue 11 - Process & Procedures - iCasework	High	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 12 - Process & Procedures - Outlook	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 16 - Process & Procedures - Printing	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 14 - Process & Procedures - Staff Development	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 7 - Acceptance of Complaints - Response from Service Departments	Medium	ASCH	Implemented
RB21-2020	Customer Care & Complaints	Advisory	Issue 1 - Feedback Forums - Under Representation	Medium	ASCH	In Progress
RB34 2020	Foster Care	Adequate	Issue 5 - Placements Outside Regulations, Exemptions and Variations to Approval	High	CYPE	Implemented
RB34 2020	Foster Care	Adequate	Issue 2 - Communication and Information Sharing	Medium	CYPE	In Progress
RB34 2020	Foster Care	Adequate	Issue 6 - Safe Care Plans	Medium	CYPE	Implemented
RB34 2020	Foster Care	Adequate	Issue 7 - Learning and Continuous Improvement	Medium	CYPE	Implemented
RB34 2020	Foster Care	Adequate	Issue 1 - Business Plan	Medium	CYPE	Implemented
RB34 2020	Foster Care	Adequate	Issue 3 - Voice of the Child	Medium	CYPE	In Progress
RB34 2020	Foster Care	Adequate	Issue 4 - Training	High	CYPE	Implemented

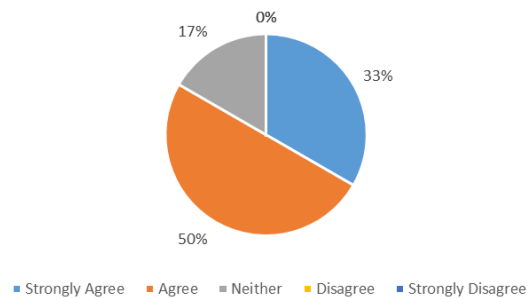
RB35-2020	Care Leavers	Adequate	Issue 5 - Staff Induction & Training	Medium	CYPE	In Progress
RB35-2020	Care Leavers	Adequate	Issue 1 - Extension of the Service - Review of the Pathway Plans	Medium	CYPE	Implemented
RB35-2020	Care Leavers	Adequate	Issue 3 - Care Leaver Offer	Medium	CYPE	Implemented
RB39-2020	Troubled Families	Substantial	Issue 1 - QA checks on Claims	Medium	CYPE	Implemented
RB43-2020	Health & Safety Deep Dive	Adequate	Issue 3 - The HTW Health & Safety Board	Medium	GET	Implemented
RB43-2020	Health & Safety Deep Dive	Adequate	Issue 4 - Procedural Guidance	Medium	GET	Implemented
RB43-2020	Health & Safety Deep Dive	Adequate	Issue 1 - Training	Medium	GET	Implemented
RB43-2020	Health & Safety Deep Dive	Adequate	Issue 2 - Risk Management	Medium	GET	Implemented
RB45-2020	Non-Household Waste Charging	Adequate	Issue 3 - Completion of iPad Forms	Medium	GET	Implemented
RB45-2020	Non-Household Waste Charging	Adequate	Issue 1 - Biffa Charges and Resources	Medium	GET	Implemented

Age Profile	Due		Implemented		In Progress		Not Implemented	
	High	Medium	High	Medium	High	Medium	High	Medium
Less Than 1 Year	12	55	10	36	2	18	0	1
1-2 Years	6	11	3	5	3	6	0	0
2-3 Years	2	1	0	0	2	0	0	1
3+ Years	1	1	0	1	1	0	0	0
<b>Total</b>	21	68	13 (62%) ↑	42 (62%) ↑	8 (38%) ↓	24 (35%) ↓	0 (0%) ↓	2 (3%) ↓

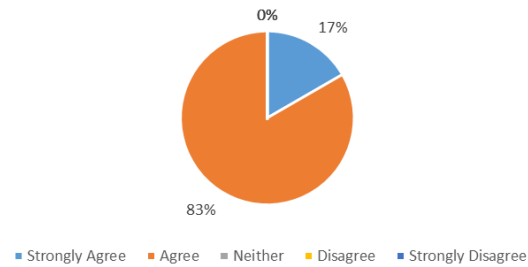
- Increase in High Priority issues implemented from 53% to 62%
- Increase in Medium Priority issues implemented from 54% to 62%
- Decrease in High Priority issues remaining in progress from 40% to 38%
- Decrease in Medium Priority issues remaining in progress from 37% to 35%
- Decrease in High Priority issues not implemented from 7% to 0%
- Decrease in Medium Priority issues not implemented from 10% to 2%

## Appendix 5: Senior Management Survey

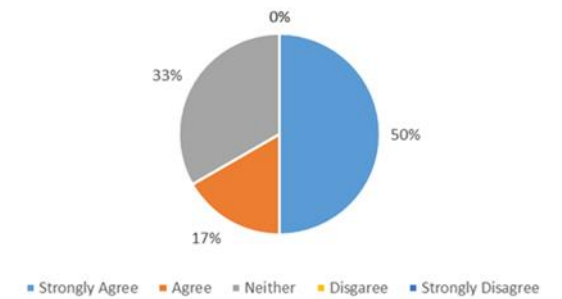
1. Understand the Council, its needs and objectives.



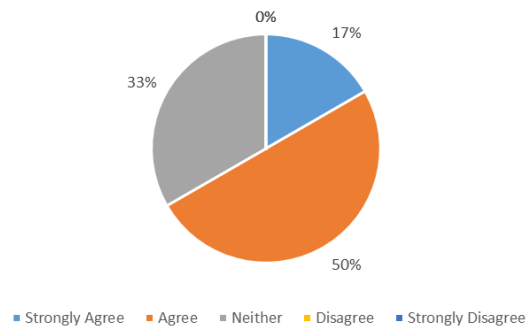
2. Works with the Council to assist you in achieving your objectives and managing your risks.



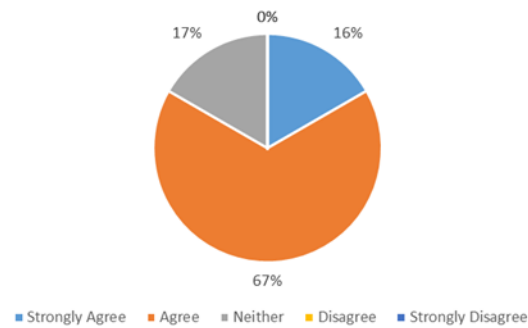
3. Consistently demonstrates competence and due professional care.



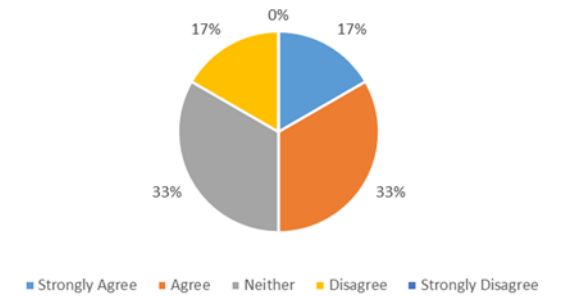
4. Adds value with the work delivered.



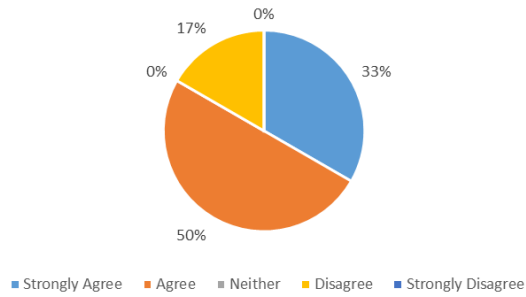
5. Is insightful, proactive and future-focused.



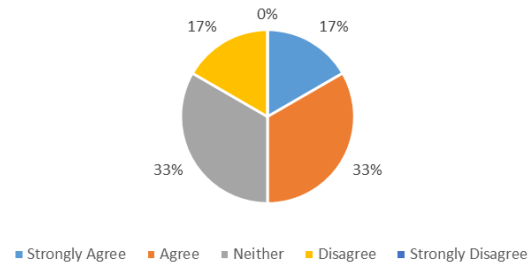
6. Promotes and supports organisational improvement and transformation.



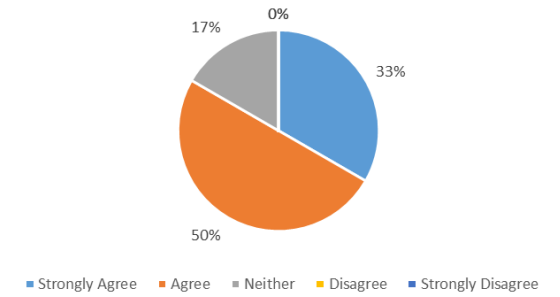
7. Provides timely reports which are of a high standard and meet your needs.



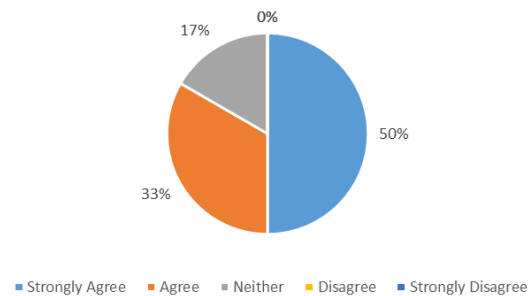
8. Enables benchmarking and the sharing of good practice, solutions and experience across Kent County Council.



9. Demonstrates quality and continuous improvement in the Audit Service.



10. Has provided an effective service for the Council in 2019/20.





**By:** Jonathan Idle – Head of Internal Audit

**To:** Governance and Audit Committee – 21<sup>st</sup> July 2020

**Subject:** **INTERNAL AUDIT AND COUNTER FRAUD PLAN 2020-21**

**Classification:** Unrestricted

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**Summary:** This report details the proposed Internal Audit and Counter Fraud Plan for 2020-21 as well as the Audit Charter, which underpin the plans and practice of the KCC Internal Audit team.

**Recommendation: FOR DECISION**

## **Introduction**

1. This paper sets out the proposed plan for 2020-21, detailing a breakdown of audit and counter fraud areas of work together with resources. It includes the Internal Audit Charter, a required document under Public Sector Internal Audit Standards that sets out our purpose, authority and responsibility and this has been reviewed and updated. The review of the Anti- Fraud and Corruption Strategy is included in a separate Agenda item.

## **Audit and Counter Fraud Plan for 2020-21**

2. The need for a plan is stipulated in the Public Sector Internal Audit Standards as well as being the mechanism for planning and controlling the Internal Audit and Counter Fraud service.
3. The Internal Audit Plan for 2020-21 detailing audits and activities is attached at Appendix A. This includes work providing assurance against core critical systems and corporate risks as shown at Appendix B.
4. As per normal practice, the outcomes from the 2020-21 Plan will provide:
  - Overall opinion and assurance to support the Annual Governance Statement.
  - Assurance against the mitigation of key corporate risks
  - Coverage of the critical systems of the Council
  - Integrated work around value for money and efficiency opportunities
  - Underpinning counter fraud processes and activity across the Council as well as resources for reactive work such as special investigations
  - On-going advice and information on controls to management

5. The Plan has been developed through a risk-based planning process that has incorporated the following elements:
  - Discussions with Cabinet Members, Corporate Directors, Directors and key Heads of Service
  - Utilising audit cumulative knowledge and experience to map audit activity against the corporate risk register
  - Coverage necessary to provide an opinion on corporate governance, risk management and internal control, which in turn contributes to the Head of Internal Audit's opinion as part of Annual Governance Statement
  - Work to provide assurance to the Corporate Director of Finance as Section 151 that controls are in place and operating effectively for a selection of key financial and contracting systems
  - Management requests for assurance on areas of concern
  - Previous cyclical audit work and the need for formal follow up
  - Facilitating proactive fraud work
  - Integrating our work with other assurance providers across the Council ranging from commissioning to safeguarding
6. As members will be aware, new and significant risks have emerged in recent months as a consequence of the Covid-19 pandemic and it should be emphasised that the Internal Audit Plan for 2020-21 will need to be flexible and dynamic to meet a potentially changing risk landscape throughout the year.
7. Excluded from Appendix A are detailed plans for:
  - Internal audit coverage of the KCC's current LATCos, more particularly Commercial Services, Invicta Law, Cantium and The Education People where KCC Internal Audit are the appointed internal auditor.
  - Income generating and shared service work with Tonbridge and Malling Borough Council, Kent and Medway Fire and Rescue Service, Parish Councils and audits of selected grants. Work has also been attained to provide internal audit services for an increasing number of academies.

## **Resources, Priorities and Timing**

8. Overall, there is have a total productive audit and counter fraud resource of approximately 2936 days, which is 200 days short of current available resources, this being reflective of vacancies being held prudently in 2019-20. It is, however, intended to review the Internal Audit resource position in detail with the Corporate Director Finance, which will include how the budget can be used effectively to meet the demands of the service.
9. In respect of Counter Fraud resourcing, due to the increase in referrals and continued risk of fraud within KCC and its trading companies, a review of resources identified the need for an increase. A Business Case was reviewed and approved by the Corporate Director Finance, which will increase the Counter Fraud staffing levels by 0.8 fte to 5.4 fte.

10. The 2020-21 Internal Audit Plan has been compiled on the base assumption that productive resources available for Internal Audit activity and delivery will be broadly comparable to those estimated at the beginning of 2019-20.
11. Several factors impacting upon the resourcing levels of the Internal Audit service will continue to be reviewed within 2020-21, these including:
  - The need to review and/or restructure the Internal Audit service (vacancies currently being held).
  - How specialist IT audit provision will be procured in 2020-21.
  - The aspiration to allocate more resources for training and development.

### **Internal Audit Charter**

12. It is a requirement of the Public Sector Internal Audit Standards (the Standards) that the purpose, authority and responsibility of Internal Audit is formally defined in an internal audit charter and that this be periodically reviewed and presented for approval to senior management and the Board (defined as the Audit Committee in the Local Government Application Note by Cipfa). The Charter has been reviewed and updated to ensure it remains fit for purpose to support delivery of the 2020-21 Plan and is compliant with the Standards; the revised version is attached at Appendix C.

### **Conclusions**

13. Overall, it is considered that the available resource to provide maximum benefit to the County Council has been focused, particularly concentrating our work on assurance against the key risks and challenges that are being faced.

### **Recommendations**

14. Members are asked to:
  - Agree the proposed Internal Audit and Counter Fraud Plan for 2020-21, and
  - Approve the Internal Audit Charter

### **Appendices**

***Appendix A - Internal Audit and Counter Fraud Plan and detailed resourcing***

***Appendix B – Plan Mapped against Corporate Risk Register***

***Appendix C - Internal Audit Charter***

**Jonathan Idle**

**Head of Internal Audit**

**03000 417840**

# Kent County Council

Internal Audit and Counter Fraud Plan

April 2020 - March 2021

# 1. Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
CA01 - 2021	Annual Governance Statement for 2019/20	15	Q1	An audit is to provide assurance that directorate AGS returns are timely, appropriate, accurate and complete, and issues identified are managed adequately and effectively to meet service and corporate objectives. In forming our conclusions, we will take into account the CIPFA/ SOLACE Delivering Good Governance in Local Government framework (2016), the associated statutory guidance and any other best practice frameworks.	David Cockburn <i>Head of Paid Service</i>  Ben Watts <i>General Counsel</i>
CA02 - 2021	Corporate Governance	20	Q4	A review bringing together audit and other relevant outcomes/ sources of assurance across KCC to form a view of corporate governance arrangements in the council. This will include an assessment of compliance with the Code of Corporate Governance.	David Cockburn <i>Head of Paid Service</i>  Ben Watts <i>General Counsel</i>
CA03 - 2021	Records Management	15	Q4	A review of the records management processes across the Council to provide assurance that the Council is compliant with the Data Protection Act 2018. The scope will include storage/ archiving and record retention and destruction.	David Cockburn <i>Head of Paid Service</i>  Barbara Cooper <i>Corporate Director, Growth, Environment and Transport</i>  Ben Watts <i>General Counsel</i>  James Pearson <i>Head of Libraries and Archiving</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
CA04 - 2021	Risk Management	5	Q4	Risk management will be audited in a number of key audit assignments in 2020-21 and the results and themes drawn into a Council-wide report. The focus of this is yet to be determined, but may include adequacy of risk mitigating controls, planned actions or understanding and application of service risk appetite.	David Cockburn <i>Head of Paid Service</i>  David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i>
CA05 – 2021	Information Governance - DSP Toolkit annual audit	10	Q3	An annual audit of the council's self-assessment of compliance with the NHS Data Protection and Security Toolkit. Reaching a satisfactory level of compliance with all aspects of the Toolkit is required for continued access to NHS data for ASCH and Public Health.	David Cockburn <i>Head of Paid Service</i>  Ben Watts <i>General Counsel</i>  David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i>
CA06 – 2021	Information Governance - advisory/ attendance at IG steering group.	3	Ongoing	Watching brief undertaken through Audit attendance at operational and strategic level Information Governance groups.	David Cockburn <i>Head of Paid Service</i>  Ben Watts <i>General Counsel</i>
CA07 – 2021	Information Governance – Remote working	15	Q2	Review of information governance compliance of the shift to remote / home working for a significant proportion the Council workforce. This will include review of any communications and training delivered to raise awareness.	David Cockburn <i>Head of Paid Service</i>  David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
CA08 - 2021	Strategic Delivery Plan	10	Q2	Audit of the framework for development of the Strategic Delivery plan and the adequacy and robustness of the plan to deliver the KCC's strategic objectives. NOTE - Audit deferred from 19/20.	David Cockburn <i>Head of Paid Service</i>  David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i>
CA09 – 2021	Office Cleaning Arrangements	15		A key risk / concern identified from staff surveys in response to Covid-19 and working implications is lack of staff confidence in the effectiveness of cleaning arrangements in office accommodation.  The audit would review the contractual arrangements both in place and planned to manage this risk including whether there are robust procedures and processes in place when staff identify concerns in relation to office cleanliness.	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>
		<b>108 days</b>			

## 2. Core Financial Assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer
CS01 - 2021	Imprest accounts Follow-up	10	Q3	A follow up on the actions taken to address the issues identified in the 2019-20 Imprest audit, which received a Limited assurance opinion.	David Cockburn <i>Head of Paid Service</i>  Zena Cooke <i>Corporate Director of Finance</i>  Cath Head <i>Head of Finance (Operations)</i>
CS02 - 2021	Social Care Client Billing	20	Q2	An audit to provide assurance over the adequacy and effectiveness of client billing arrangements for residential and non-residential care, following the implementation of MOSAIC in 2019-20. Note - due to the timing of the system implementation this audit was deferred from the 19/20 plan	David Cockburn <i>Head of Paid Service</i>  Zena Cooke <i>Corporate Director of Finance</i>  Richard Smith <i>Corporate Director of Adult Social Care and Health</i>  Cath Head <i>Head of Finance (Operations)</i>



Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer
CS03 - 2021	Non-residential care payments through Finestra	20	Q3	A review covering the adequacy of processes and controls put in place over Finestra, the new system being brought in as part of the MOSAIC project to pay non-residential care providers.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Richard Smith <i>Corporate Director of Adult Social Care and Health</i></p> <p>Cath Head <i>Head of Finance (Operations)</i></p>
CS04 - 2021	Respite Overpayment - Follow up	5	Q3	A follow up on the actions taken to address the issues identified in the 2019-20 Respite Overpayment audit, which received a Limited assurance opinion.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Richard Smith <i>Corporate Director of Adult Social Care and Health</i></p> <p>Cath Head <i>Head of Finance (Operations)</i></p>
CS05 - 2021	Schools Financial Services (TEP)	5	Q4	Annual audit of the system of school compliance visits to provide assurance over the adequacy of the system of schools' audit. This work will support the S151 Officer's certification of the Schools Financial Value Standard.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Matt Dunkley <i>Corporate Director of Children, Young People and Education</i></p> <p>TEP Management</p>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer
CS06 - 2021	Capital Planning and Prioritisation	25	Q4	A review of the arrangements for capital planning across KCC, encompassing the role and effectiveness of the Capital Strategy Group. This will consider the prioritisation of capital spend against competing demands from areas such as the school's capital programme, highways infrastructure and KCC property.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Barbara Cooper <i>Corporate Director, Growth, Environment and Transport</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Simon Jones <i>Director Highways, Transportation and Waste</i></p>
CS07 - 2021	Kent Pension Fund Investment Governance - Follow up audit	15	Q2	Follow-up on Limited Assurance audit report produced in 2019/20. To include update on how fund performance is monitored and scrutinised.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p>
CS08 - 2021	ACCESS Pool	15	Q2	To provide assurance that the ACCESS investment pool has adequate and effective procedures for setting its risk appetite, for transparently managing its funds within the agreed parameters, and for fee structures that are commensurate with the advantages linked to the size of the fund.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Barbara Cheatle <i>Head of Pensions</i></p>
CS09 2021	Payment Project	10		To provide embedded assurance / critical friend support in the Council-wide Payment Project initiated by the Finance Division.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer
CS10 - 2021	Finance - Urgent Payments Process	15		Review of the Urgent Payment Process and associated controls. The Corporate Director of Finance has requested this review due to concerns regarding the number and value of FD629 payments which relate to manually created invoices for which no purchase order is required to be raised.	David Cockburn <i>Head of Paid Service</i>  Zena Cooke <i>Corporate Director of Finance</i>
CS11 - 2021	Covid-19 risk - Supplier Distress Payments	20		The government issued guidance to local authorities regarding the need to support key suppliers during the Covid-19 pandemic and Supplier Relief payment arrangements were made on a 'pay now, reconcile later' basis. This audit will assess the controls in place around these Supplier Relief payments, including capture of all relevant information and the prevention of fraud.	David Cockburn <i>Head of Paid Service</i>  Zena Cooke <i>Corporate Director of Finance</i>  Vincent Godfrey <i>Strategic Commissioner</i>
CS12 - 2021	Covid-19 expenditure	20		A review of Covid-19 expenditure and income losses to provide assurance that there are mechanisms in place to ensure that there is effective challenge and oversight of actual and forecast expenditure and income loss attributed to Covid-19.  The audit will be conducted in two stages - the first stage will concentrate upon Guidance and Awareness for. finance staff and budget holders - the second stage will involve sample testing and review of expenditure and income losses attributed to Covid-19	David Cockburn <i>Head of Paid Service</i>  Zena Cooke <i>Corporate Director of Finance</i>  Cath Head <i>Head of Financial Management</i>
		<b>180 days</b>			

### 3. Risk / Priority Based

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

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
3.1 Strategic and Corporate Services					
RB01 - 2021	Revised Equality Impact Assessment (EQIA) process	15		An audit of the effectiveness of arrangements in place to ensure that Equality Impact Assessments (EQIA) are completed when necessary and are to a high standard. The EQIAs provide assurance that equality analysis has been systematically undertaken and considered through the commissioning of services, policy development and decision making, and as such are an important tool across the Council.	David Cockburn <i>Head of Paid Service</i>  David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB02 - 2021	Strategic Commissioning Follow-up	20		A follow-up review of Strategic Commissioning processes and the controls to be carried out once the actions from the 2018/19 audit have reached their planned implementation date. Scope to include: Contract registers, contract management standards & guidance, communication and support provided by Strategic Commissioning, planning for major procurements /contract re-lets and consistency across the council.	David Cockburn <i>Head of Paid Service</i>  Vincent Godfrey <i>Strategic Commissioner</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB03 - 2121	Replacement of Oracle	10		On-going audit engagement with the project considering the future of the Oracle system which is used by KCC for financial accounting, HR and Payroll functions. This will involve audit input as the project progresses and reporting at key project stages.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Zena Cooke <i>Corporate Director of Finance</i></p> <p>Vincent Godfrey <i>Strategic Commissioner</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Amanda Beer <i>Corporate Director of People and Communication</i></p>
RB04 - 2021	Health and Wellbeing Strategy	15		Following the increased focus on staff wellbeing over the last 2 years, a review of the uptake of support and the impact this is having. This will include a review of the response to staff changes in working arrangements as a result of Covid-19 and the impact of any increase in staff wellbeing concerns in the new work environment.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Amanda Beer <i>Corporate Director of People and Communication</i></p> <p>Diane Trollope <i>Head of Engagement &amp; Consultation</i></p>
RB05 - 2021	Succession Planning	15		An audit of the succession planning process across the Council, focussing on senior roles where there has been significant change in the last year. This will cover identification of key staff/ roles for which succession planning is required and the arrangements in place to train and retain officers.	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Amanda Beer <i>Corporate Director of People and Communication</i></p>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB06 - 2021	Data Analytics development - Payroll	10		The development of data analytics tools to provide regular and ad-hoc interrogation of Payroll data to identify anomalies for investigation and potential duplicate payments.	David Cockburn <i>Head of Paid Service</i>  Amanda Beer <i>Corporate Director People and Communication</i>
RB07 - 2021	Future of Sessions HQ	10		On-going audit engagement in the project to set the direction for the future of Sessions House and take this forward to implementation. This is currently at a very early stage, with audit assurance to be provided at key points as it progresses.	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB08 - 2021	Property Infrastructure - Functions and Processes Transferred to KCC from Gen2	20		An audit of the key functions transferred from GEN2 to KCC, with particular focus on performance monitoring and reporting to verify whether the changes made have had a positive impact on service delivery.	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>
RB09 - 2021	Covid-19 risk - Asset Control of Laptops and Other Equipment	15	Q1	An audit to provide assurance over asset management controls at a time of change in response to the Covid-19 pandemic and the need to support staff in working remotely – in most cases from home. The scope will include the purchase, logging and distribution of new ICT assets (e.g. laptops) and the re-distribution of ancillary assets such as monitors, keyboards etc to support staff in their new working environments.	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>  Andy Cole <i>ICT Commissioner</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB10 - 2021	Covid-19 risk - Procurement and Contracts	10		<p>During the Covid-19 pandemic there has, of necessity, been some relaxation of procurement controls for new contracts and the extension of some existing contracts.</p> <p>This audit will assess the controls in place to ensure that all procurements and contracts let/ re-let in the period were completed in accordance with procurement rules, and where this has not been possible, the exceptions (and any associated risks) are understood.</p>	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Vincent Godfrey <i>Strategic Commissioner</i></p>
		<b>140 days</b>			

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
3.2 Adult Social Care and Health					
RB11 - 2021	Safeguarding - Assurance Map	5		The conclusion of the development of an assurance map for Adults safeguarding, summarising the sources and reliability of assurances available. This will be shared with senior management within ASCH.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
RB12 – 2021	Shaping the Market	20		Review of the ASCH market to include market challenges, market shaping, commissioning and contracts and sustainability. Procurement has now moved to the County Placements Team. Assessment of the achievement of the aim to drive a sustainable, evidence based equitable process across the county	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>  Vincent Godfrey <i>Strategic Commissioner</i>  Clare Maynard <i>Head of Commissioning Portfolio – Outcome 2 and 3</i>
RB13 – 2021	Quality Assurance Framework	10		Assurance based review of the self-assessment of delivery against performance quality practice standards (Std 2 – strengths-based assessment). .	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>  Julie Davidson <i>Head of Strategic Safeguarding, Policy and Practice (PSW)</i>
RB14 - 2021	Partnership Working – NHS	20		Review of the integration with Health as a partner as opposed to an integrated team to include governance arrangements, monitoring of performance and assignment of roles and responsibilities.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>



Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB15–2021	Mosaic - post implementation	10		A post-implementation review of the functionality of the Mosaic system. The scope will focus on key features and whether it meets business needs, rather than the system as a whole.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>  Helen Gillivan <i>Head of ASCH Business Delivery Unit</i>
RB16 – 2021	Workforce – Recruitment & Retention of Staff	15		Review of performance against the workforce retention and recruitment plan to include the academy and the apprenticeship scheme.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
RB17 – 2021	Capital Investment in Good Day Program	15		The precise scope of this review will be discussed with management but will incorporate a review of the effectiveness of the project which implements the investment.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
RB18 – 2021	ASCH Covid-19 Response Plan	10		To review the extent to which the ASCH Directorate was prepared for the Covid-19 crisis and the adequacy and effectiveness of the Directorate's planned response in terms of developing flexible and adaptable arrangements.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
RB19 - 2021	Covid-19 risk - PPE Distribution and Stock Control	20		In response to the Covid-19 pandemic, an audit of Personal Protective Equipment (PEE) to provide assurance over aspects of KCC's response such as: - understanding PPE requirements and prioritisation of demand - recording and monitoring stock levels - arrangements to prevent and detect stockpiling and theft - security of PPE in storage - distribution to approved recipients	Richard Smith <i>Corporate Director Adult Social Care and Health</i>  Vincent Godfrey <i>Strategic Commissioner</i>
RB20 – 2021	Project KARA - ASCH Digital Assistive Technology Project Board	10		To provide embedded assurance / critical friend support for Project Kara.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB21 – 2021	Charging Arrangements	20		To review compliance with Council statutory requirements in respect of charging service users.	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
RB22 – 2021	ASCH Contingency	30		Resources to be allocated based on ongoing review of assurance needs	Richard Smith <i>Corporate Director of Adult Social Care and Health</i>
		<b>185 days</b>			

Ref.	Audit Title	Days	Indicative Quarter		
				Outline Scope / Rationale	Lead Officer(s)
3.3 Children, Young People and Education					
RB23 - 2021	Accommodation for young people/ care leavers	20		An audit of arrangements in place to provide safe and suitable accommodation for care leavers and other young people.  Potential areas of coverage include reviewing accommodation commissioning arrangements. The precise scope will be discussed in further details with Directorate Management.	Matt Dunkley <i>Corporate Director of Children, Young People and Education</i>  Sarah Hammond <i>Director Integrated Children's Services (East) and Social Care Lead</i>  Vincent Godfrey <i>Strategic Commissioner</i>  Christy Holden <i>Senior Commissioning Manager</i>
RB24 - 2021	Schools Themed review	40		To review the management of Cyber Security risks within schools. There has been an increase in referrals from schools on spear phishing including cyber-attacks resulting in loss of IT access.	Matt Dunkley <i>Corporate Director of Children, Young People and Education</i>  David Adams <i>Director of Education, Planning and Access (Interim)</i>
RB25 - 2021	Children Missing Education	20		A review to provide assurance that children missing education are identified and that robust processes are followed to ensure that they return to or receive an appropriate education.	Matt Dunkley <i>Corporate Director of Children, Young People and Education</i>  David Adams <i>Director of Education, Planning and Access (Interim)</i>

Ref.	Audit Title	Days	Indicative Quarter		
				Outline Scope / Rationale	Lead Officer(s)
RB26 - 2021	Delivery of Statutory Services – Contract Management - TEP	15		A review of the management of the contractual arrangements to ensure that the Council's statutory requirements are being delivered by TEP.	<p>Matt Dunkley <i>Corporate Director of Children, Young People and Education</i></p> <p>David Adams <i>Director of Education, Planning and Access (Interim)</i></p>
RB27 - 2021	Adoption	20		To review the effectiveness of governance arrangements of the Regional Adoption Agency Partnership.	<p>Matt Dunkley <i>Corporate Director of Children, Young People and Education</i></p> <p>Sarah Hammond <i>Director Integrated Children's Services (East) and Social Care Lead</i></p>
RB28 - 2021	Change for Kent Children	10		To provide embedded assurance / critical friend support in the Change for Kent Children Programme.	<p>Matt Dunkley <i>Corporate Director of Children, Young People and Education</i></p> <p>Stuart Collins <i>Director Integrated Children's Services (West) and Early Help Lead</i></p> <p>Sarah Hammond <i>Director Integrated Children's Services (East) and Social Care Lead</i></p>
RB29 - 2021	Assurance Map - Safeguarding	10		To complete a review commenced in 2019-20 in relation to the mapping of assurances the Directorate has in relation to safeguarding children.	<p>Matt Dunkley <i>Corporate Director of Children, Young People and Education</i></p> <p>Stuart Collins <i>Director Integrated Children's Services (West) and Early Help Lead</i></p> <p>Sarah Hammond <i>Director Integrated Children's Services (East) and Social Care Lead</i></p>

Ref.	Audit Title	Days	Indicative Quarter		
				Outline Scope / Rationale	Lead Officer(s)
RB30 - 2021	Provision of Laptops to service users	20		To review the control and effectiveness of the issuing of laptops to children and young people including asset control, funding /costs and information governance arrangements.	Matt Dunkley <i>Corporate Director of Children, Young People and Education</i>
RB31 – 2021	Establishments themed review - children's LD respite	20		A review of key controls in place in a sample of Children's LD Respite establishments covering a range of finance and other areas (such as health and safety, safeguarding, medication control etc). Following completion of the site visits, a report will be produced drawing out themes and any cross-cutting issues.	Matt Dunkley <i>Corporate Director of Children, Young People and Education</i>
CS04 - 2021	Respite Overpayment - Follow up (added for completeness)	N/A		A follow up on the actions taken to address the issues identified in the 2019-20 Respite Overpayment audit, which received a Limited assurance opinion.	Zena Cooke Corporate Director of Finance  Richard Smith Corporate Director of Adult Social Care and Health  Cath Head Head of Finance (Operations)
		<b>175 days</b>			

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
3.4 Growth, Environment and Transport					
RB32 - 2021	Resilience and Emergency Planning Service	15		Business Continuity Plans have been used during the outbreak of Covid-19 and Management are likely to have identified changes to the criticality of systems and/or services and identified aspects of the plans which did not meet their needs. This audit will focus on lessons learned from enacting the plans since March 2020 and making necessary updates to the BCPs.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Stephanie Holt-Castle <i>Director Environment, Planning and Enforcement</i>
RB33 - 2021	Gypsy and Traveller Service - Pitch allocation and charging	15		An audit of the processes and controls in place for the allocation of sites and charges raised and collected, to ensure that they are fair, transparent and in accordance with the Pitch Allocation and Site Management Policy.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Stephanie Holt-Castle <i>Director Environment, Planning and Enforcement</i>
RB34 - 2021	Kent Scientific Service	20		A deep dive audit into the Kent Scientific Service, including assessment of key procedures and controls for the delivery and management of the service.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Stephanie Holt-Castle <i>Director Environment, Planning and Enforcement</i>
RB35 - 2021	EU Transition Planning	10		Provide advisory support to the Council in Brexit transition planning.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Stephanie Holt-Castle <i>Director Environment, Planning and Enforcement</i>

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Lead Officer(s)
RB36 - 2021	KCC support to Kent businesses - e.g. Kent and Medway Business Fund	20		An audit to provide assurance over the procedures for assessment of applications to the Kent and Medway Business fund and the payment (and repayment) of grants and loans.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director Economic Development</i>
RB37 - 2021	Blue Badge Applications process	15		An audit of the processes and controls in place within KCC's Blue Badge service which handles applications for new and replacement badges. To include an assessment of key controls to manage workflow and assess the validity of applications.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  David Smith <i>Director Economic Development</i>
RB38 - 2021	Highways Term Services Commissioning Project (HTSCP)	15		A continuation of the on-going audit engagement with the Highways Term Services Commissioning Project. As well as advice and challenge to the project, this will include the production of assurance reports at key project stages.	Barbara Cooper <i>Corporate Director Growth, Environment &amp; Transport</i>  Simon Jones <i>Director of Highways, Transportation and Waste</i>
		<b>110 days</b>			

## 4. ICT Audit

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

Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Corporate Director & Lead Officer
ICT01 - 2021	IT Cloud Strategy, Security and Data migration	25		<p>A review of ICT Cloud security and data migration as the council moves towards increased use of cloud-based storage and systems. To include areas such as:</p> <ul style="list-style-type: none"> <li>• Cloud strategy, business case and plans in place</li> <li>• Contract initiation and management for cloud storage</li> <li>• Data centre migration arrangements and security</li> <li>• Procedure for verifying security controls within hosted environments.</li> <li>• Encryption for data at rest and data in transit, and interface security between physical network and cloud.</li> </ul>	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Andy Cole <i>Head of ICT Commissioning</i></p>
ICT02 - 2021	IT Access Controls/ User Accounts – for DSP Toolkit	15		<p>An audit to support the Council's annual Data Security and Protection Toolkit submission. The scope will include an assessment of the robustness of controls over ICT access to ASCH and Public Health systems and include the following assertions:</p> <ul style="list-style-type: none"> <li>• 4.2.5 Unnecessary user accounts removed or disabled</li> <li>• 4.4.1 The activities of users with high system privileges should be logged and only available to appropriate personnel.</li> </ul>	<p>David Cockburn <i>Head of Paid Service</i></p> <p>Rebecca Spore <i>Director of Infrastructure</i></p> <p>Andy Cole <i>Head of ICT Commissioning</i></p> <p>David Whittle <i>Director of Strategy, Policy, Relationships and Corporate Assurance</i></p>



Ref.	Audit Title	Days	Indicative Quarter	Audit Details	
				Outline Scope / Rationale	Corporate Director & Lead Officer
ICT03 - 2021	Cyber Security - Management of Backups for Applications, Data and active Network Devices.	20		An audit of management of data backups, including: - Backup Strategy for Systems, Data and Infrastructure devices; - Backup procedure; Backup failures; - Security of backup locations; - Resilience of backup systems	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>  Andy Cole <i>Head of ICT Commissioning</i>
ICT04 - 2021	Cyber Security - Management of Firewall rulesets/ Anti-virus and Anti-Malware Software	10		A review of a specific area of cyber security controls, with the focus to be agreed. Options include Management of Firewall rulesets, or deployment and updates of Anti-virus and Anti-Malware Software	David Cockburn <i>Head of Paid Service</i>  Rebecca Spore <i>Director of Infrastructure</i>  Andy Cole <i>Head of ICT Commissioning</i>
		<b>70 days</b>			

## 5. Work to Prevent and Pursue Fraud and Corruption

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

Ref.	Audit	Days	Indicative Qtr	Outline Scope / Rationale	Audit Details
					Corporate Director & Lead officer
Anti-fraud work – to raise awareness					
CF01 2021	Fraud Awareness / Detection and Prevention  Authority Wide	10	Ongoing	Plan and deliver a fraud awareness campaign in 2020-210 that is supported by the leadership team and includes both internal and external communications. The latter should raise awareness across clients and customers and include 'good news' stories such as successful prosecution or fraud prevention activity.	Zena Cooke <i>Corporate Director of Finance</i>
Fraud prevention work – to remove weaknesses that could be exploited					
CF02 – 2021	NFI	20		Coordinate the Council's and its LATCO's participation in the National Fraud Initiative	Zena Cooke <i>Corporate Director of Finance</i>
CF03 – 2021	Review Policies & Procedures <ul style="list-style-type: none"><li>• Anti-Fraud Strategy</li><li>• Whistleblowing</li><li>• Bribery</li><li>• Code of Conduct</li></ul>	10		Review each policy annually ahead of the April G&A Committee and ensure that this is presented to CMT and once agreed to be communicated across KCC management via Kmail for managers.	Zena Cooke <i>Corporate Director of Finance</i>
CF04 – 2021	Kent Intelligence Network	20		Actively participate in the Kent Intelligence Network and develop data matching proposals to increase detection of fraud at KCC and across Kent authorities	Zena Cooke <i>Corporate Director of Finance</i>

Ref.	Audit	Days	Indicative Qtr	Outline Scope / Rationale	Audit Details
					Corporate Director & Lead officer
CF05 – 2021	Relationship Management Strategy for Senior Stakeholders - Including Fraud, Bribery and Risk Assessments	50		To ensure that key Senior Stakeholders are kept up to date on the fraud risks and mitigation: <ul style="list-style-type: none"> <li>• Leader as Portfolio Holder</li> <li>• CMT (In particular, Head of Paid Service, S.151 and Monitoring Officer)</li> <li>• Corporate Directors</li> <li>• Governance and Audit Committee</li> <li>• Directorate/ Divisional Directors</li> </ul>	Zena Cooke <i>Corporate Director of Finance</i>
CF06 - 2021	Proactive Fraud Exercise - Schools	20		Provide Fraud awareness sessions to school finance staff, emerging leaders and governors. Including existing and emerging risks	Zena Cooke <i>Corporate Director of Finance</i>
CF07 - 2021	Proactive Fraud Exercise - Blue Badges	25		Provide regular attendance at the parking managers meetings to inform them of latest guidance, what's working well what needs improving. Provide enforcement awareness sessions to district CEOs.	Zena Cooke <i>Corporate Director of Finance</i>
CF08 - 2021	Proactive Fraud Exercise - Social Care	25		Review the Financial Abuse Toolkit to support Social Care in identifying and managing financial abuse.	Zena Cooke <i>Corporate Director of Finance</i>
CF09 - 2021	Proactive Fraud Exercise - Commissioning	25		Work with Commissioning in assessment the fraud risks within the supply chain.	Zena Cooke <i>Corporate Director of Finance</i>
CF10 - 2021	Reactive Investigations	430		To manage and complete investigations.	Zena Cooke <i>Corporate Director of Finance</i>
CF11 – 2021	Data Analytics Development - Payments	10		To identify a way to use data analytics to help identify fraud and error within the payments systems.	Zena Cooke <i>Corporate Director of Finance</i>

Ref.	Audit	Days	Indicative Qtr	Outline Scope / Rationale	Audit Details
					Corporate Director & Lead officer
CF12 – 2021	Data Analytics Development - Procurement Card Usage	15		To identify a way to use data analytics to help identify fraud and error within the procurement card systems.	Zena Cooke <i>Corporate Director of Finance</i>
CF13 – 2021	Covid-19 Fraud Risk Assessments	10		To updated COVID-19 Fraud Risk assessments as new threats emerge.	Zena Cooke <i>Corporate Director of Finance</i>
CF14 – 2021	Supporting Internal Audit on specific audits where there is a fraud risk, through planning, fieldwork and reporting stages as required.	35		Provide advice and support on key fraud controls in specific audits, support in testing and reporting as required.	Zena Cooke <i>Corporate Director of Finance</i>
		<b>705 days</b>			

## 6. Summary

Audit	Planned Days	
KCC Core Assurance	108	
KCC Core Financial Assurance	180	
KCC Risk Based Audits	610	
KCC IT Audit Plan	70	
KCC Proactive and Reactive Counter fraud work	705	
KCC Follow up of issues with high/medium priority rating	30	
KCC Liaison, advice and information/support for emerging risks and service developments	70	
KCC Grant certifications	180	
KCC Contingency for audit of emerging risks	40	
<b>TOTAL FOR KCC</b>		<b>1,993 days</b>
<b>Commercial Activities and other external provision</b>		
- Kent HoldCo Ltd and LATCos (Commercial Services, Cantium Business Solutions, Invicta Law and The Education People)	505	
- Tonbridge and Malling District Council – Management of Audit and Counter Fraud Service	130	
- Kent and Medway Fire & Rescue Authority	72	
- GDPR Compliance reviews	48	
- IC24	40	
- Parishes	22	
- Academies	28	
- Other (Charity accounts & Grant claims other certifications for external organisations)	28	
<b>TOTAL FOR EXTERNAL ORGANISATIONS</b>		<b>873 days</b>
Internal Quality Assurance Initiatives and Improvement (including EQA)	70	
<b>TOTAL DAYS</b>		<b>2,936 days</b>

## Plan Mapped Against Corporate Risk Register

### CRR0001

#### Safeguarding – protecting vulnerable children (High)

RB23	Accommodation for young people/ care leavers
RB25	Children Missing Education
RB26	Delivery of Statutory Services – Contract Management - TEP
RB27	Adoption
RB28	Change for Kent Children
Rb29	Assurance Map - Safeguarding

### CRR0002

#### Safeguarding – protecting vulnerable adults (High)

RB11	Safeguarding - Assurance Map
RB13	Quality Assurance Framework
RB15	Mosaic - post implementation
RB16	Workforce – Recruitment & Retention of Staff
RB17	Capital Investment in Good Day Program
RB20	Project KARA - ASCH Digital Assistive Technology Project Board

### CRR0003

#### Securing resources to aid economic recovery and enabling infrastructure (High)

CS06	Capital Planning and Prioritisation
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**CRR0004****Emergency Response and Resilience (High)**

RB32	Resilience and Emergency Planning Service
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**CRR0005****Development of Integrated Care System (ICS) / Integrated Care Programmes (ICPs) in Kent and Medway NHS system (Medium)**

RB14	Partnership Working – NHS	
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**CRR0006****Resourcing implications arising from increasing complex adult social care demand (High)**

RB02	Strategic Commissioning Follow-up
RB12	Shaping the Market
RB13	Quality Assurance Framework
RB16	Workforce – Recruitment & Retention of Staff
CF08	Proactive Fraud Exercise - Social Care

**CRR0007****Resourcing implications arising from children's services demand (High)**

RB02	Strategic Commissioning Follow-up
RB30	Provision of Laptops to service users
RB31	Establishments themed review - Children's LD respite
CF08	Proactive Fraud Exercise - Social Care

**CRR0009****Future financial and operating environment for local government (High)**

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**CRR0014****Cyber-attack threats and their implications (High)**

ICT01	IT Cloud Strategy, Security and Data migration
ICT03	Cyber Security - Management of Backups for Applications, Data and active Network Devices.
ICT04	Cyber Security - Management of Firewall rulesets/ Anti-virus and Anti-Malware Software

**CRR0015****Managing and working with the social care market (High)**

RB02	Strategic Commissioning Follow-up
RB12	Shaping the Market

**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) (High)**

CS06	Capital Planning and Prioritisation
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**CRR0039****Information Governance (High)**

CA03	Records Management
CA05	Information Governance - DSP Toolkit annual audit
CA06	Information Governance - advisory/ attendance at IG steering group.
CA07	Information Governance – Remote working
RB21	Charging Arrangements
ICT02	IT Access Controls/ User Accounts – for DSP Toolkit



**CRR0040****Financial, governance and service delivery risks associated with KCC's Local Authority Trading Companies (High)**

CA02	Corporate Governance
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**CRR0042****Post-Transition UK/EU border systems, infrastructure and regulatory arrangements (*Risk being revised*)**

CS06	Capital Planning and Prioritisation
RB35	EU Transition Planning

**CRR0044****High Needs Funding shortfall (High)**

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**CRR0045****Effectiveness of governance within a Member-led Authority (*Risk being revised*)**

CA02	Corporate Governance
CS07	Kent Pension Fund Investment Governance - Follow up audit

**CRR0047****Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – response to Written Statement of Action (High)**

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**CRR0048****Maintenance and modernisation of the KCC estate (High)**

CA09	Office Cleaning Arrangements
CS06	Capital Planning and Prioritisation
RB07	Future of Sessions HQ
RB08	Property Infrastructure - Functions and Processes Transferred to KCC from Gen2

**CRR0049**  
**Fraud and Error (High)**

CS01	Imprest accounts Follow-up
RB06	Data Analytics development - Payroll
RB09	Covid-19 risk - Asset Control of Laptops and Other Equipment
CS04	Respite Overpayment - Follow up
CF01	Fraud Awareness / Detection and Prevention
CF03	Review Policies & Procedures (Anti-Fraud Strategy, Whistleblowing, Bribery, Code of Conduct)
CF06	Proactive Fraud Exercise - Schools
CF07	Proactive Fraud Exercise - Blue Badges
CF08	Proactive Fraud Exercise - Social Care
CF09	Proactive Fraud Exercise - Commissioning
CF10	Reactive Investigations
CF11	Data Analytics Development - Payments
CF12	Data Analytics Development - Procurement Card Usage
CF13	Covid-19 Fraud Risk Assessments

# KENT COUNTY COUNCIL

## Internal Audit Charter

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### INTRODUCTION

This Internal Audit Charter formally defines the purpose, authority and responsibility of the Internal Audit service within Kent County Council. It is consistent with the mandatory requirements of the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Authority Guidance Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (and the Chartered Institute of Internal Auditors (IIA). The Charter will be reviewed at least annually to ensure it is up-to-date and reflects the PSIAS).

### PURPOSE

The definition of Internal Audit is a mandatory part of the PSIAS and is as follows:

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

Kent County Council's Internal Audit mission statement is, 'To support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives, manage their risks effectively and, where relevant, provide advice and insight'.

### AUTHORITY

The requirement for the Council to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2015. This supplements the requirements of Section 151 of the Local Government Act 1972 for the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Council has delegated this responsibility to the Corporate Director of Finance.

### STATUS OF INTERNAL AUDIT WITHIN THE ORGANISATION

The Head of Internal Audit and Counter Fraud (Head of IA&CF) reports directly to the Corporate Director of Finance and quarterly to the Governance and Audit Committee; meeting regularly with the Chair on a one to one basis. The Head of IA&CF will also report to senior management and Members when necessary, including statutory officers, Head of Paid Service, Monitoring Officer and the Leader of the Council.

The Governance and Audit Committee are responsible for ensuring Internal Audit are independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate. The Governance and Audit Committee approve the Charter every year within the Annual Audit and Fraud Plan (the Plan).

The Head of IA & CF has direct access to the Chair of the Governance and Audit Committee and has the opportunity to meet with the Governance and Audit Committee in private.

The Chair of the Governance and Audit Committee will be involved in the appointment and termination of the Head of IA&CF.

## **RESPONSIBILITY**

It is the responsibility of management to establish and maintain systems of corporate governance, risk management and internal control to provide assurance that the Council's objectives are being achieved and to minimise the risk of fraud or irregularity.

Internal Audit will contribute to the corporate governance process by providing an assurance on the effectiveness of these systems of risk management and internal control, making practical recommendations for enhancements where considered necessary. Management has responsibility to implement agreed actions in relation to issues raised by audit or to accept the risks resulting from not acting. However, Internal Audit will consider taking matters to higher levels of management or to the Governance and Audit Committee, if it is felt that the risk should not (or need not) be borne, or management fails to implement agreed actions timely.

## **PROFESSIONAL STANDARDS**

The Council's Internal Audit activity will conform to standards and guidance contained in the Public Sector Internal Audit Standards. The PSIAS encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework which include:

- the Definition of Internal Auditing;
- the Core Principles;
- the Code of Ethics; and
- the International Standards for the Professional Practice of Internal Auditing.

Compliance, by all those involved in the delivery of Internal Audit services with the Code of Ethics laid down in the PSIAS enhances the environment of trust between Internal Audit and senior management. Fundamentally, the following ethical standards are observed:

- Integrity – performing work with honesty, diligence and responsibility;
- Objectivity – making a balanced assessment of relevant circumstances not unduly influenced by personal interests or by others in forming judgements;
- Confidentiality – respecting the value and ownership of information obtained and not disclosing without appropriate authority, unless there is a legal or professional obligation to do so;
- Competence and Due Professional Care – applying the knowledge, skills and experience needed in the performance of work.

Additional requirements and interpretations for the UK public sector have been incorporated.

The Council's Internal Audit activity will also have regard to the Committee on Standards in Public Life, and to the Seven Principles of Public Life.

## **INDEPENDENCE AND OBJECTIVITY**

Internal Audit will be sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations. This will include ensuring that where an audit is undertaken of an area where the Head of IA&CF has operational responsibility appropriate measures are put in place to avoid compromising independence. In the case of the Counter Fraud Service this will be achieved through a tri-authority peer review; the first of these was undertaken in March 2019.

The Head of IA&CF will have free and unrestricted access and freedom to report in his/her own name to the Corporate Director of Finance, Head of Paid Service and Chair of the Governance and Audit

Committee.

In addition, Internal Audit will be responsible for determining its priorities based on an evaluation of risk. Auditable areas which are deemed to represent the most significant controls that are operating in order that KCC delivers its business objectives are identified from directorates', annual operating plans, consultation with managers and Internal Audit's experience of the directorates. These are used to determine the strategic and annual Plans. The Plan will be flexible enough to accommodate the needs of senior management and Members depending on the relative significance of emerging risks. The Governance and Audit Committee will approve the Plan and at each of its meetings will receive reports summarising significant findings of audit work undertaken.

Internal Audit will also report to the Governance and Audit Committee, at each of its meetings, progress on the directorates' implementation of actions agreed in relation to issues raised by Internal Audit.

Objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit, including where members of staff have been involved in, for example working groups, consultancy etc. Internal Auditors will also refrain from assessing specific operations for which they were previously responsible, within the previous year.

Should the independence or objectivity of the Internal Audit service be impaired in fact or appearance, the Head of IA & CF will disclose details of the impairment to the Corporate Director of Finance and /or the Chair of the Governance and Audit Committee depending upon the nature of the impairment.

When requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of IA & CF must highlight to the Governance and Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics. The Governance and Audit Committee must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity.

## **SCOPE & NATURE OF INTERNAL AUDIT**

Internal Audit activity will be undertaken to provide assurance to senior management (Corporate Directors / Corporate Management Team) and the Governance and Audit Committee (referred to as 'Board' in the PSIAS) as to the adequacy and effectiveness of the Councils' systems for corporate governance, risk management and internal control. This effectively means that Internal Audit has independent oversight of all of the Council's operations, resources, services and processes and includes:

- Reviewing the soundness, adequacy and application of financial and other management controls to manage the risks to achieve the Council's objectives;
- Reviewing the extent of compliance with, relevance and financial impact on strategic and operational goals of established policies, plans and procedures;
- Reviewing the extent to which the organisation's assets and interests are accounted for and safeguarded from losses arising from:
  - Fraud and other offences
  - Waste, extravagance and inefficient administration, poor value for money and other causes;
- Reviewing the suitability and reliability of financial and other management data developed within the organisation;
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new systems are being developed or where improvements are sought in the efficiency of existing systems;

- Promoting and raising awareness of fraud and corruption;
- Investigating allegations of fraud and corruption;
- Providing advice (consultancy) to Directorates for a variety of issues, such as project assurance, controls advisory requests, areas of concern and lessons learnt reviews.

Internal Audit's activities extend to all remote establishments, subsidiary companies and trading activities.

Where the Head of IA & CF considers that the scope of audit work is being restricted, the Corporate Director of Finance and the Governance and Audit Committee will be advised.

Internal Audit is not relieved of its responsibilities in areas of the Council's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of IA&CF will provide an annual audit opinion as to the adequacy of the Council's internal controls and risk management processes. This will be used to support the Annual Governance Statement.

## **FRAUD AND IRREGULARITY**

Internal Audit and Counter Fraud do not have to investigate all cases of potential frauds and irregularities; however, they must all be reported to the Head of IA&CF or the Counter Fraud Manager who will determine if an investigation needs to take place. Internal Audit will report to the Governance and Audit Committee at the conclusion of each investigation, a summary of the fraud/irregularity, control weaknesses and the outcome. If a significant fraud or irregularity is identified this will be brought to the attention of the Chair of the Governance and Audit Committee at the time of the investigation.

## **RIGHT OF ACCESS**

To fulfil its objectives, Internal Audit will be granted unrestricted access to all staff, Members records (documentary and electronic), assets and premises, deemed necessary in the course of its duties. Internal Audit will ensure that all information received as part of their work is treated confidentially at all times.

## **INTERNAL AUDIT RESOURCES**

The Plan is developed annually and takes into account the work that is needed to enable the Head of IA&CF to provide an assurance on the control environment and governance across the Council. To ensure that there are adequate Internal Audit resources available to deliver the Plan, an assessment is made to determine the number of staff days available; and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the Plan. The Head of IA&CF will use a combination of in-house, partner or third parties to deliver aspects of the Plan to the best expertise and value for money. When engaging a partner, the Head of IA&CF will ensure the partner has the appropriate knowledge and experience to deliver the engagement, applies the quality assurance standards of the section and has access to all information and explanation required to undertake the engagement (coordinated through Internal Audit managers).

## **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

In accordance with the Accounts and Audit Regulations, there is a requirement for an annual review of the effectiveness of the system of internal audit. This is also part of the wider annual review of the effectiveness of the system of internal control. The Head of IA&CF will carry out an annual review of the Internal Audit function, in accordance with the Quality Assurance and Improvement Programme outlined below and will report the results to the Governance and Audit Committee to enable it to consider the findings of the review. In addition, the Head of IA&CF will arrange for an independent review to be carried out, at least every five years which will be reported to the Governance and Audit

Committee; this was last undertaken in 2016 with the next review to occur in 2020-21. This review incorporates a review of Internal Audit compliance with the PSIAS and the planning and commissioning of the review will be agreed by members of the Governance and Audit Committee. The Head of IA&CF will review the Charter annually and attach a revised document to the annual Plan.

## **PROVISION OF ASSURANCE TO THIRD PARTIES**

The Council's Internal Audit section is sometimes requested to undertake Internal Audit and assurance activity for third parties. These include internal audit services, grant certification and financial account sign-off.

The same principles detailed in this Charter will be applied to these engagements.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagement's objectives and be alert to significant control issues.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

The Head of IA&CF will maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of IA&CF will communicate to the Corporate Director of Finance and the Governance and Audit Committee on the internal audit activity's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

**Signed by:**

Head of Internal Audit and Counter Fraud

Chairman of the Governance and Audit Committee

## VERSION CONTROL

Document Owner: Jonathan Idle, Head of Internal Audit and Counter Fraud.

Version	Reviewed/Due for Review	Reviewer	Approver	Date approved
<b>Original</b>				
<b>2</b>	<b>23 February 15</b>	<b>Head of Internal Audit</b>	<b>Governance and Audit Committee</b>	
<b>3</b>	<b>April 2016</b>	<b>Head of Internal Audit</b>	<b>Governance and Audit Committee</b>	
<b>4</b>	<b>March 2019</b>	<b>Strategic Audit Manager</b>	<b>Governance and Audit Committee</b>	
<b>5</b>	<b>July 2020</b>	<b>Head of Internal Audit</b>	<b>Governance and Audit Committee</b>	



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

To: Governance and Audit Committee – 21<sup>st</sup> July 2020

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

### **Summary:**

Governance & Audit Committee receives the Corporate Risk Register every six months for assurance purposes. On this occasion, the register is presented to the Committee along with an overview of the main Coronavirus (Covid-19) risks and issues identified so far and their impact on KCC's corporate risk profile.

In addition, following on from discussion at the last presentation of the Corporate Risk Register to this Committee, the outline of a risk workshop for the Committee is presented for comment and agreement.

### **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.
- 1.2 Given the Coronavirus pandemic, the register is being significantly updated, and will require regular update and review as further events unfold.

## **2. Coronavirus (Covid-19) Risks and Issues**

- 2.1 As the organisation has been working tirelessly to respond to the Covid-19 emergency, the focus has quite rightly been working with partners at local and national level to deal in 'real-time' with the immediate issues, risks and challenges being faced. A paper outlining the work of the Kent Resilience Forum and KCC in responding to the Coronavirus pandemic so far was presented to [Scrutiny Committee](#) on 7<sup>th</sup> July.
- 2.2 Rather than seeking to duplicate the capture of those service-based risks and issues e.g. Sourcing appropriate volume and specification of Personal Protective Equipment (PPE), the Corporate Risk function has been keeping abreast of events by scanning KCC Situation Reports (SitReps), outputs from the Covid-19 KCC Business Continuity Task Group and liaising with colleagues that have been heavily

involved in supporting response and recovery work, in order to gather intelligence and compile a list of Covid-19 risks and issues that are predominantly focused on risks to KCC as a corporate body and subsequent impacts on the corporate risk profile as we plan the approach to recovery.

2.3 Key risks and issues identified were 'sense checked' with the Corporate Management Team and Cabinet Members at an early stage to gather views on any risks or issues already outlined and their mitigations, or any that they felt were missing at that point in time. The risks and issues related to:

- Insufficient Government funding to cover additional costs, lost income and delayed savings plans, and affordability and viability of capital programme. These have been subject to detailed reports to Cabinet and Scrutiny Committee.
- Initial cash flow concerns for District Councils, the County Council, voluntary and community sector organisations etc.
- Supply chain failure (short and longer term)
- Increase in supply chain costs.
- Safety of staff – particularly those in frontline roles.
- Broader workforce risks – such as strain on capacity, health and wellbeing
- Strain on organisational capacity and resources for prolonged response to, and recovery from, the Covid-19 pandemic and other events running simultaneously i.e. potential for future wave(s) of pandemic and end of UK/EU transition arrangements, plus potential severe weather events.
- Ensuring clarity over roles and responsibilities in the event that localised 'lockdown(s)' should be required.
- Increasing volume of cyber-threats
- Latent demand for services and the potential for 'hidden harm' in a safeguarding context– i.e. initial reductions in 'front-door' social care referrals with no obvious reduction in need, potential for increasing instances of domestic abuse.

### **3. Impact of Coronavirus on KCC risk profile (appendix 1)**

3.1 Due to the scale of the public health emergency and the unprecedented nature of the risks and issues the council is facing through this pandemic, it is unsurprising that the majority of Covid-19 risks and issues identified so far, when fed into the Corporate Risk profile, are significantly increasing KCC's aggregate risk exposure. While the situation is extremely fluid, the headline changes at time of reporting are:

- 10 corporate risks will have increased risk scores. 5 of these were already classified as 'high' and have increased further.
- 18 out of 22 will be classified as 'high' risk, compared to 11 out of 19 in February.
- 5 risks will have a maximum rating of 25.
- The previous generic workforce health and wellbeing risk has been replaced by a new risk, taking account of the current environment and its opportunities and challenges.

- Three risks are being further revised to take account of the changing risk landscape and will be reassessed in the coming weeks.
- A corporate risk relating to implications of increased numbers of Unaccompanied Asylum-Seeking Children (UASC) has been re-opened due to the latest pressures, although the latest news from Government regarding uplift in UASC funding is positive in helping to mitigate some aspects of the risk going forward.

3.2 A visual comparison of the risk ratings from February 2020 versus their ratings in early July, with accompanying headline rationales, is listed in appendix 1, while a 'snapshot' of the risks in more detail is listed in appendix 2.

3.3 There is always a subjective element to the assessment of these risks, with statistical evidence more readily available as indicators of risk for some than others. The Corporate Risk function will continue to liaise with colleagues across the organisation to build this local picture in the coming weeks e.g. mechanisms to model potential pent-up demand for social care.

#### **4. Implications of an Increased Risk Exposure**

4.1 While there is value in capturing these high-level risks and issues in one place to aid effective oversight and prompt constructive scrutiny and debate, the key purpose is to ensure that the appropriate responses to the risks / issues are in place, so far as is possible given that not all elements are within the Council's direct control.

4.2 Given the increase in risk exposure, Cabinet and CMT are being asked to reconsider what are tolerable 'target' residual levels of risk for the corporate risks outlined, taking into account what we can directly control and the finite resources available. KCC's Risk Management Policy states that 'high' risks should lead to the development of mitigations to bring the risk level down, but this may not now be possible, at least not in the short to medium term. Therefore, a strategy to maintain risks at current levels may need to be employed for several risks.

4.3 The appropriate time horizons to achieve the stated target levels of risk will be another important factor – some risks could decrease back to February levels in a matter of a few months, but for others, the effects of Coronavirus could be felt for several years to come. Therefore, as more information is gathered, it will be important for realistic timescales to be set to reach an acceptable target risk level for each risk, subject to regular review.

4.4 While there are many threats to KCC objectives presented by the pandemic, there may also be opportunities arising that can be built upon, in terms of how we work, how we utilise technology, how services are provided for our residents and how we build environmental considerations into our recovery, to name but a few.

4.5 The corporate risk profile provides a backdrop for KCC's budget and strategy development in the coming months, including the interim Strategic Plan for the Council and the KCC Strategic Reset.

## **5. Next Steps**

- 5.1 The Corporate Risk Register will continue to be updated as the situation evolves, and more information becomes available. Even though there has unsurprisingly been more changes to the Corporate Risk Register in-year than usual given the significance of the Coronavirus pandemic, it is expected that the more formal annual Corporate Risk Register refresh process will still be required in the late autumn, alongside upcoming budget and strategy formulation activities across the Council, the output of which will be reported to the Corporate Management Team, Cabinet and Governance & Audit Committee.
- 5.2 Views from the Governance & Audit Committee are welcome to feed into this review.

## **6. Risk Management Workshop**

- 6.1 At the last presentation of the Corporate Risk Register to this Committee, it was agreed that a risk workshop would be developed for Committee members, to address the points raised as part of the discussion.
- 6.2 Content for this interactive workshop has been developed, with the outline as follows:
- Re-cap on the Committee's role regarding risk management arrangements.
  - Overview of KCC's risk management framework, including processes for risk identification, assessment, response and review and priorities for further development.
  - Connections to external regional and national networks and intelligence gathering / horizon scanning.
  - Risk Reporting arrangements – both the current picture and exploring options for change, including depth and scope.
- 6.3 The outputs from this workshop will then be fed into the development of the Risk Management Framework, including Risk Management Policy and Strategy, going forward.

## **7. Recommendations**

- 7.1 The Governance and Audit Committee is asked to:
- a) NOTE the report for assurance; and
  - b) COMMENT on the proposed outline of the Risk workshop developed.

*Report Author:*

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*Corporate Risk Manager*  
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**Relevant Director:**

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## **APPENDIX 1**

# **KCC Corporate Risk Register – Coronavirus (Covid-19) Impacts**

**For presentation to Governance & Audit Committee  
21<sup>st</sup> July 2020**

## APPENDIX 1: Corporate Risk Register - Summary Risk Profile

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

Risk No.	Risk Title	Risk Rating as at February 2020	Risk Rating as at early July 2020	Direction of Travel
CRR0001	<b>Safeguarding – protecting vulnerable children</b>	Medium (15)	High (20)	↑
<u>Comment:</u> Risk level being raised to reflect the potential for ‘hidden harm’ and pent-up demand, with the majority of children out of school for an extended period and concerns regarding potential increased domestic abuse due to forced coexistence. ‘Front door’ referrals have been reducing during lockdown.				
CRR0002	<b>Safeguarding – protecting vulnerable adults</b>	Medium (15)	High (20)	↑
<u>Comment:</u> Similar to the safeguarding children risk above, the risk level has been raised due to emerging evidence from statutory and voluntary agencies emphasising the increased risks of domestic abuse and safeguarding concerns for older vulnerable adults that live alone. Further information is being gathered on the local picture informed by the local Health and Social Care cell action plan.				
CRR0003	<b>Securing resources to aid economic recovery and enabling infrastructure</b>	High (16)	High (16)	↔
<u>Comment:</u> Risk is being significantly revised as work takes place to fully understand both short and longer term Covid-19 impacts, as well as how the Authority can bid for and secure important funding in a timely fashion. Risk still likely to remain high.				
CRR0004	<b>Emergency Response and Resilience</b>	High (20)	High (25)	↑
<u>Comment:</u> – Increased risk rating to the maximum of 25 to acknowledge the expected continued strain on council capacity and resources in the coming months, as we continue to run aspects of Covid-19 response and recovery in parallel, as well as standing up arrangements to prepare for the end of the UK/EU transition period in December 2020. This is in addition to any continuing work on the early 2020 flooding recovery and preparations for severe weather this winter.				



CRR0005	<b>Development of Integrated Care System (ICS) / Integrated Care Programmes (ICPs) in Kent and Medway NHS system</b>	Medium (12)	Medium (12)	↔
<u>Comment:</u> It is positive that a single CCG has been created. It is yet to be seen whether the Covid-19 response could delay further alignment / integration, or perhaps provide opportunities for accelerated work in certain areas.				
CRR0006	<b>Resourcing implications arising from increasing complex adult social care demand</b>	High (20)	High (20)	↔
<u>Comment:</u> An Association of Directors of Adult Social Care Services (ADASS) national survey has indicated that Covid-19 has driven increased demand and mounting unmet need due to providers not accepting referrals, service closures and people declining services. Locally, there has been some fluctuation in demand, with regular monitoring of supply and demand, from which a view can be taken on the risk level going forward.				
CRR0007	<b>Resourcing implications arising from children's services demand</b>	Medium (15)	High (20)	↑
<u>Comment:</u> This risk links to the safeguarding risk CRR0001 above, with the current drop in demand with no obvious reduction in need raising concerns that there will be a demand 'spike' in the coming months, with consequent resourcing implications and impact on service. Modelling of pent-up demand is taking place in order to aid service planning.				
CRR0009	<b>Future financial and operating environment for local government</b>	High (20)	High (25)	↑
<u>Comment:</u> This risk underpins many of the risks on the corporate risk register and has been raised to the maximum level due to the projected shortfall in Government funding to cover additional Covid-19 related costs, lost income and delays to savings plans; as well as further delays to the Spending Review, Fair-Funding review and changes to the business rates system.				
CRR0014	<b>Cyber-attack threats and their implications</b>	High (16)	High (25)	↑
<u>Comment:</u> The Impact rating has been raised due to the increased dependency on ICT at this time (and potentially this will not reduce greatly as we adjust to a 'new normal'). The Likelihood rating has also been raised for now, due to the increase in volume of attempted attacks and until further enhanced security measures to deal with emerging threats are fully				

implemented.				
CRR0015	<b>Managing and working with the social care market</b>	High (20)	High (25)	↑
<p><u>Comment:</u> There is growing concern nationally about the viability of local care markets in the wake of the Covid-19 outbreak, which exacerbates existing challenges. Care home occupancy rates have fallen in some areas, in part due to deaths from coronavirus and possibly a reluctance on the part of families to see loved ones go into care homes.</p> <p>These factors are being reflected on locally, with the potential to further threaten market sustainability. This will include a need to revisit market position statements, otherwise KCC could be planning / commissioning on assumptions made on a very different market scenario.</p>				
CRR0016	<b>Delivery of new school places constrained by dependency on the Basic Need grant allocation, Education and Skills Funding Agency and Coronavirus implications</b>	High (20)	High (20)	↔
<p><u>Comment:</u> The impact of Covid-19 delays on school places for September 2020 and 2021 has been assessed, with some delays and additional cost pressures highlighted, although mitigations are being put in place.</p>				
CRR0022	<b>Unaccompanied Asylum-Seeking Children (UASC) accommodation and funding risks</b>	N/A	High (20)	RE-OPENED
<p><u>Comment:</u> The risk is being re-opened as a standalone corporate risk due to the strain on children's services from the increased number of UASC arriving in Kent, with urgent accommodation concerns, exacerbated by Government guidelines on social distancing, as well as the lack of a fully functioning National Transfer Scheme. However, while legacy funding concerns remain relating to care leavers, a recent announcement of additional Government funding for UASC is welcome and there are positive signs that it is helping to re-invigorate the National Transfer Scheme.</p>				
CRR0039	<b>Information Governance</b>	High (16)	High (20)	↑
<p><u>Comment:</u> Rating increased, as staff are adapting to far greater remote working, which can introduce new risks from working in new environments, and increased cyber threats referenced above also have the potential to lead to increased data breaches. Further awareness messaging for staff has been put in place during this period.</p>				

CRR0040	<b>Financial, governance and service delivery risks associated with KCC's Local Authority Trading Companies</b>	Medium (9)	High (20)	↑
<u>Comment:</u> the loss of income for these companies as a result of the disruption means that a significant loss in dividend income is likely this year and possibly next.				
CRR0044	<b>High Needs Funding shortfall</b>	High (20)	High (20)	↔
<u>Comment:</u> The increase in high needs funding in 2020-21 from Govt is welcome but insufficient to meet the expected demand and the cumulative deficit is expected to increase further during 2020-21. The latest position was reported to Cabinet on 22 <sup>nd</sup> June 2020.				
CRR0047	<b>Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – response to Written Statement of Action</b>	High (20)	High (20)	↔
<u>Comment:</u> Recent progress has been made in implementing a new structure to add capacity to the programme team and improve integration between workstreams and delivery plans going forward. Therefore, at next review, consideration will be given to reducing the level of risk.				
CRR0048	<b>Maintenance and modernisation of the KCC estate</b>	High (16)	High (16)	↔
<u>Comment:</u> The risk may now be more focused on lack of an affordable capital programme, which could mean insufficient funds to undertake the required maintenance. However, there may an opportunity to accelerate certain projects in light of the increased speed of adoption of virtual solutions to service delivery.				
CRR0049	<b>Fraud and Error</b>	Medium (12)	High (16)	↑
<u>Comment:</u> The risk rating has been raised as a short-term measure due to the fraud threat posed during emergency situations being higher than at other times. Covid-19 related fraud risk assessments have been drafted by KCC Counter-Fraud Team for review by services. The responses will give an indication of aggregate level of risk for the Authority and lead to further review of the appropriateness of the increased risk rating. It is important to note that the risk rating does not necessarily relate to staff fraud/error, but other factors such as cyber-fraud, fraud within the supply chain and 'scams' against the Council and Kent residents.				

CRR0050	CBRNE and communicable diseases – Coronavirus response and recovery	N/A	High (25)	ESCALATED
<p><u>Comment:</u> This risk was escalated to the Corporate Risk Register by the Director of Public Health and relates to his and the organisation's statutory responsibilities relating to planning, response and recovery from communicable diseases – in this instance Covid-19. A significant concern for KCC and partners relates to any potential future wave(s) of the virus impacting on existing response and recovery efforts.</p>				
CRR0051	Maintaining workforce health, wellbeing and productivity throughout Coronavirus response and recovery	N/A	Medium (12)	NEW
<p><u>Comment:</u> The Coronavirus pandemic has required the council's workforce to substantially adapt the way it operates and delivers services at short notice. This brings with it opportunities to accelerate programmes of change, improve productivity, wellbeing and promote our employer brand, but also, in the short term at least, risks that require close monitoring and management. This risk replaces the generic workforce risk previously on the Corporate Risk Register.</p>				

### Other risks being reviewed

- CRR0042 – Post-Brexit border systems, infrastructure and regulatory arrangements. Now that the deadline for the UK Government to apply for an extension to the UK/EU transition period has passed and local multi-agency arrangements are being stood up to prepare for the change at the end of December 2020, this risk is being revised to reflect the latest situation regarding potential implications for KCC.
- CRR0045 – Effectiveness of governance within a Member-led Authority. As currently drafted, it is expected that this risk will come off the register, but it may need to be re-cast alongside the KCC strategic reset.

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)



## APPENDIX 2

# KCC Corporate Risk Register

**AS AT 13<sup>TH</sup> JULY 2020 – FOR PRESENTATION TO GOVERNANCE & AUDIT COMMITTEE**

## 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 Jan 2020
CRR0001	Safeguarding – protecting vulnerable children	20	15	↑
CRR0002	Safeguarding – protecting vulnerable adults	20	15	↑
CRR0003	Securing resources to aid economic recovery and enabling infrastructure – <i>risk being revised to reflect latest picture regarding local economic impacts</i>	16	TBC	↔
CRR0004	Simultaneous emergency response, recovery and resilience	25	15	↑
CRR0005	Development of Integrated Care System (ICS) / Integrated Care Programmes (ICPs) in Kent and Medway NHS system	12	8	↔
CRR0006	Resourcing implications arising from increasing complex adult social care demand	20	15	↔
CRR0007	Resourcing implications arising from children's services demand	20	12	↑
CRR0009	Future financial and operating environment for local government	25	16	↑
CRR0014	Cyber-attack threats and their implications	25	16	↑
CRR0015	Managing and working with the social care market	25	15	↑
CRR0016	Delivery of New School Places is constrained by dependency upon the Basic Need allocation and the Education and Skills Funding Agency (ESFA)	20	12	↔
CRR0039	Information Governance	20	12	↑
CRR0040	Financial, governance and service delivery risks associated with KCC's Local Authority Trading Companies	20	12	↑
CRR0042	Post-Transition UK/EU border systems, infrastructure and regulatory arrangements – <i>risk being revised to reflect latest position</i>	TBC	TBC	↔
CRR0044	High Needs Funding shortfall	20	12	↔
CRR0045	Effectiveness of governance within a Member-led Authority – <i>risk to be reviewed / revised in light of KCC's Strategic Reset work.</i>	TBC	TBC	↔

CRR0047	Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – response to Written Statement of Action	20	10	↔
CRR0048	Maintenance and modernisation of the KCC estate	16	12	↔
CRR0049	Fraud and Error	16	6	↑
CRR0050	CBRNE incidents, communicable diseases and incidents with a public health implication – KCC response to and recovery from the impacts of the Coronavirus public health emergency	25	12	Escalated from Divisional level

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

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

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			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The 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.	Incident of serious harm or death of a vulnerable child.	Matt Dunkley Corporate Director	Likely (4)	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 radicalisation.		Failure to meet the requirements of the "Prevent Duty" placed on Local Authorities.	Serious impact on vulnerable people. Impact on ability to recruit the quality of staff critical to service delivery.	Children, Young People and Education (CYPE)		
		Safeguarding risks are not identified to / by KCC in a timely fashion during the Coronavirus pandemic.	Serious operational and financial consequences.	<b>Responsible Cabinet Member(s):</b> Sue Chandler, Integrated Children's Services	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> Major (5)
'Lockdown' restrictions due to Covid-19 have meant that children and families have been at home for long periods of time, with significantly reduced numbers of children in schools. This has impacts for children's mental health and resilience.		Spike in demand impacts on robustness of controls	Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.	Mike Hill (Lead Member for PREVENT)		
There has been a decline in the number of safeguarding referrals received since restrictions began, leading to concerns about pent up demand that could put significant strain on resources.						
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 introduced and embedded, including 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. (2020 audit in progress)	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
Kent & Medway 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 Multi-Agency Partnership	Richard Smith, Interim 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
Joint Exploitation Group (Kent & Medway) children and adults focuses on PREVENT, gangs, Modern slavery, human trafficking and online safeguarding matters – reports to Kent and Medway Adults Safeguarding Board and KSCMP	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
Communities of Practice introduced during the pandemic, offering support for practitioners, with over 100 practitioners attending weekly	Kevin Kasaven, Assistant Director, Safeguarding and Quality Assurance.
Education Safeguarding Team in place as part of the contract with The Education People	David Adams, Director of Education
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	David Adams, Director Education / Craig Chapman, Interim Head of Admissions & Transport
Multi-function officer group helping to define key steps and approach to aid any future inquiries or	Kevin Kasaven, Assistant

investigations that may arise relating to alleged historical abuse	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)	
PREVENT training strategy in place and regularly reviewed.	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)	
Introduction and appointment of independent scrutineer as part of multi-agency safeguarding children arrangements	Matt Dunkley, Corporate Director CYPE (KCC lead) / David Whittle, Director SPRCA	
Deep dive activity takes place to investigate vacancy rates for staff that reflects factors such as maternity leave	Sarah Hammond, Director of Integrated Services (Children’s Social Work Lead)	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Approval and launch of new adolescent risk management process	Stuart Collins, Director Integrated Services (Early Help and Preventative Services lead)	August 2020
Continue the semi-regional PREVENT model of delivery across Kent & Medway	Nick Wilkinson, Prevent and Channel Strategic Manager	December 2020 (review)

Risk ID	CRR0002	Risk Title	Safeguarding – protecting vulnerable adults			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The 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.	Incident of serious harm or death of a vulnerable adult.	Richard Smith Interim Corporate Director	Likely (4)	Major (5)
		Failure to meet the requirements of the “Prevent Duty” placed on Local Authorities.	Serious impact on vulnerable people. Serious impact on ability to recruit the quality of staff critical to service delivery.	Adult Social Care and Health (ASCH)	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
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.		Safeguarding risks are not identified to / by KCC in a timely fashion during the Coronavirus pandemic.	Serious operational and financial consequences.	<b>Responsible Cabinet Member(s):</b>	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.			Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities.	Clair Bell, Adult Social Care and Public Health		
The Coronavirus pandemic and associated ‘lockdown’ measures has raised concerns of increases in hidden harm, self-harm and neglect.				Mike Hill (Lead Member for PREVENT)		
Social care services are making substantial adaptations to service delivery across the system.						
This risk links to the demand risk (CRR0006)						

<b>Control Title</b>	<b>Control Owner</b>
KCC is a partner in multi-agency public protection arrangements (MAPPA) for managing sexual and violent offenders, a mechanism through which agencies can better discharge their statutory responsibilities and protect the public in a coordinated manner.	Cheryl Fenton, ASCH
KCC is a member of the Kent & Medway Safeguarding Adults Board – a statutory service which exists to make sure that all member agencies are working together to help Kent and Medway’s adults safe from harm and protect their rights. The Board has an independent Chair and its work carried out by a number of working groups.	Cheryl Fenton, ASCH
Quarterly safeguarding report brings together key information to enable scrutiny and performance monitoring for management teams and the Cabinet Member.	Divisional Directors / Julie Davidson, Head of Adult Safeguarding
Kent & Medway 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	Richard Smith, Interim Corporate Director ASCH
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
Joint Exploitation Group (Kent & Medway) focuses on PREVENT agenda, gangs, modern slavery, human trafficking and online safeguarding matters – reports to Adults Safeguarding Board and Children’s Partnership	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
PREVENT training strategy in place and regularly reviewed.	Nick Wilkinson, Prevent and Channel Strategic Manager
KCC contributes to the Multi-agency risk assessment conference (MARAC) process, which allows for the best possible safety planning for victims of domestic abuse who are considered to be at high risk of experiencing further significant harm/injury.	Cheryl Fenton, ASCH
Quality Surveillance Group - regular KCC meetings with Care Quality Commission to share intelligence	Sharon Dene, Strategic Commissioning
KCC County Adult Safeguarding Group share latest intelligence and draws in operational service managers for safeguarding.	Julie Davidson, Head of Adult Safeguarding

Strategic Safeguarding and Quality Assurance team in adult social care and health leads on a strategic framework for policy, service development, strategic safeguarding and quality assurance	Janice Grant, Strategic Safeguarding and Policy Assurance Manager	
KCC Safeguarding Competency Framework in place, including Mental Capacity Act requirements.	Janice Grant, Strategic Safeguarding and Policy Assurance Manager	
Action Title	Action Owner	Planned Completion Date
Revised Quality Assurance system (including Making Safeguarding Personal) being embedded to ensure a clear and holistic view of practice, consisting of quantitative data, safeguarding audit activity focussing on quality of practice and the service user voice	Julie Davidson, Head of Adult Safeguarding	October 2020 (review)
Preparation for introduction of new Liberty Protection Safeguards system under the Mental Capacity (Amendment) Act 2019 due to come into force on 1 <sup>st</sup> October 2020.	Maureen Stirrup, Head of Deprivation of Liberty Safeguards	ON HOLD – awaiting further Govt update on timescales
Explore options for independent scrutiny e.g. peer review	Julie Davidson, Head of Adult Safeguarding / Janice Grant, Strategic Safeguarding and Policy Assurance Manager	October 2020 (review)
KCC Safeguarding Competency Framework being reviewed to ensure currency and look for areas for improvement	Janice Grant, Strategic Safeguarding and Policy Assurance Manager / Lisa Mortimer	October 2020 (review)
Continue the semi-regional PREVENT model of delivery across Kent & Medway	Nick Wilkinson, Prevent and Channel Strategic Manager	December 2020 (review)

Risk ID	CRR0004	Risk Title	Simultaneous Emergency Response, Recovery and Resilience			
<b>Source / Cause of Risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
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.		Failure to deliver suitable planning measures, respond to and manage these events when they occur.	Potential increased harm or loss of life if response is not effective.	On behalf of CMT: Barbara Cooper, Corporate Director Growth, Environment & Transport (GET)	V. Likely (5)	Major (5)
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 the future UK/EU relationship.		Critical services are unprepared or have ineffective emergency and business continuity plans and associated activities.	Serious threat to delivery of critical services.	<b>Responsible Cabinet Member(s):</b> On behalf of Cabinet:  Mike Hill, Community & Regulatory Services  Susan Carey, Environment	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
The response to, and recovery from the Coronavirus pandemic is putting significant strain on organisational capacity and resources.		Lack of resilience in the supply chain hampers effective response to incidents.	Increased financial cost in terms of damage control and insurance costs.		Possible (3)	Major (5)
		Focus on Coronavirus response and recovery and post UK/EU transition contingency planning means less opportunity to progress other aspects of emergencies and resilience agenda.	Adverse effect on local businesses and the Kent economy.			
		Future wave(s) of pandemic put further strain on capacity and resource.	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.			

<b>Control Title</b>	<b>Control Owner</b>
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	Stephanie Holt-Castle, Interim Director Environment Planning & Enforcement (EPE)
KCC and local Kent Resilience Forum partners have tested preparedness for chemical, biological, radiological, nuclear and explosives (CBRNE) incidents and communicable disease outbreaks in line with national requirements	Andrew Scott-Clark, Director Public Health / Stephanie Holt-Castle, Interim 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	Stephanie Holt-Castle, Interim Director EPE
Updated and expanded Duty and Recovery Director rota introduced	Stephanie Holt-Castle, Interim



	Director EPE	
KCC Business Continuity Management Policy and overarching Business Continuity Plan in place, underpinned by business continuity plans at service level	Stephanie Holt-Castle, Interim Director EPE	
Prevent Duty Delivery Board established to oversee the activity of the Kent Channel Panel, co-ordinate Prevent activity across the County and report to other relevant strategic bodies in the county	Richard Smith, Interim Corporate Director ASCH	
KCC Strategic Prevent Lead is a member of the Covid-19 District Recovery Cell and disseminates appropriate protective security advice and online tension monitoring reports	Nick Wilkinson, Prevent and Channel Strategic Manager	
Kent Channel panel (early intervention mechanism providing tailored support to people who have been identified as at risk of being drawn into terrorism) established at district and borough level	Nick Wilkinson, Prevent and Channel Strategic Manager	
Ongoing development of a PREVENT counter-terrorism risk assessment	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 <sup>rd</sup> parties	Stephanie Holt-Castle, Interim Director EPE	
Fire Safety Guidance provided by KCC reviewed and updated	Flavio Walker, Head of Health & Safety	
Local procedures have been and are being continually reviewed and refined for occasions the national threat level increases to critical. This includes an update of the Corporate Business Continuity Plan	Stephanie Holt-Castle, Interim Director EPE	
New approach to Business Continuity Governance arrangements implemented, to enable increased focus on directorate issues and complement KCC's cross-directorate Resilience group	Stephanie Holt-Castle, Interim Director EPE	
Review of 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 has a Major Emergency Plan that is refreshed regularly	Tony Harwood, Resilience and Emergencies Manager	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Continued preparations for implications of future UK/EU relationship in relation to border friction, regulatory change etc.	Barbara Cooper, Corporate Director GET	October 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	Tony Harwood, Resilience and Emergencies Manager	September 2020

Emergency Plan		
Response to, and recovery from, Coronavirus pandemic being managed, both at KCC level and with partners	Andrew Scott-Clark, Director Public Health / Barbara Cooper, Corporate Director GET	Ongoing

Risk ID	CRR0005	Risk Title	Development of ICS/ICPs in Kent and Medway NHS system			
<b>Source / Cause of Risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The 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.	Richard Smith, Interim Corporate Director Adult Social Care & Health (ASCH)	Possible (3)	Serious (4)
In response the NHS in Kent and Medway is forming an Integrated Care System (ICS) with 8 CCGs having merged 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	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
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 ICPs 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.	<b>Responsible Cabinet Member(s):</b>  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		Richard Smith, Interim 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		Richard Smith, Interim Corporate Director ASCH
County Council agreed framework for KCC engagement within the ICS/ICPs		Richard Smith, Interim Corporate Director ASCH
A joint KCC and Medway Health and Wellbeing Board for system-wide 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

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.	Richard Smith, Interim Corporate Director Adult Social Care and Health (ASCH)	Likely (4)	Major (5)
			Increased and unplanned pressure on resources.		<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
			Decline in performance.		Possible (3)	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.			Legal challenge resulting in adverse reputational damage to the Council.	<b>Responsible Cabinet Member(s):</b>		
			Financial pressures on other council services.	Clair Bell, Adult Social Care and Public Health		
In addition, the Coronavirus pandemic is resulting in fluctuations for demand in services, with the expectation of increasing demand as recovery progresses. The workforce will face significant further pressure in the short, medium and long term against this backdrop of working in unprecedented conditions and delivering rapid						

<p>change</p> <p>Adult social care services are part of a complex system to meet needs, which requires the whole system to work cohesively.</p>		
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	Richard Smith, Interim Corporate Director ASCH / Rachel Kennard, Chief Analyst	
Continued support for investment in preventative services through voluntary sector partners	Richard Smith, Interim 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	
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, Head of Strategic Safeguarding, Policy and Practice	
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.	Richard Smith, Interim Corporate Director ASCH	
New operating model for Adult Social Care and Health, including Promoting Wellbeing approach to help manage demand	Richard Smith, Interim Corporate Director ASCH	
Core services have been significantly adapted during the Coronavirus pandemic, requiring new models of delivery, realignment of staff, and delivery of services through remote provision where possible.	ASCH DMT and Heads of Services	
Action Title	Action Owner	Planned Completion Date
ASCH representatives are working with partners in the Kent Resilience Forum to assess health and social care impacts, contributing to a local recovery strategy and action plan	Richard Smith, Interim Corporate Director ASCH	September 2020 (review)

Ongoing monitoring and modelling of changes in supply and demand in order to inform strategies and service planning going forward. Rachel Kennard, Chief Analyst September 2020 (review)

<b>Risk ID</b>	<b>CRR0007</b>	<b>Risk Title</b>	<b>Resourcing implications arising from Children's Services demand (excludes SEND – covered in CRR0044)</b>			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
Local Authorities continue to face increasing demand for specialist children's services due to a variety of factors, including consequences of highly publicised child protection incidents and serious case reviews, policy/legislative changes etc.		High volumes of workflow into integrated children's services leading to unsustainable pressure being exerted on them (recognising seasonal spikes).	Children's services performance declines as demands become unmanageable.	Matt Dunkley, Corporate Director CYPE	Likely (4)	Major (5)
At a local level KCC is faced with particular 'pressure points' in several districts.		Spike in demand for children's services in autumn once 'lockdown' measures are fully eased.	Failure to deliver statutory obligations and duties or achieve social value.	<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
These challenges need to be met as children's services face increasingly difficult financial circumstances and operational challenges.		Future wave(s) of pandemic exacerbate pressures on children's services, with insufficient capacity to manage.	Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources and potentially difficult policy decisions required.		Possible (3)	Serious (4)
The Council needs to remain aware of London Boroughs, utilising higher per-capita funding and large capital/reserve budgets to procure sites in Kent to ease their overspends on housing/homelessness, due to potential demand implications.			Ultimately an impact on outcomes for children, young people and their families.			
The Coronavirus pandemic has seen a reduction in referrals for support during lockdown, with no obvious reduction in need.						



Control Title		Control Owner
The <i>Change for Kent Children</i> Programme is working to ensure that vulnerable families can access the right support through intensive work in Early Help Units and Step-Down Panels, open access services or through targeted casework		Stuart Collins, Director Integrated Children's Services (Early Help and Preventative Services Lead)
Intensive focus on ensuring early help to reduce the need for specialist children's support services		Matt Dunkley, Corporate Director CYPE
'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 to use for vulnerable family placements.		Debra Exall, Strategic Relationships Advisor
Action Title	Action Owner	Planned Completion Date
Implementation of <i>Change for Kent Children</i> programme – phase 2	Matt Dunkley, Corporate Director, CYPE	September 2020 (review)
Modelling of latent demand related to Coronavirus pandemic to inform service resource planning.	Rob Comber, Transformation and Innovation Manager / Rachel Kennard, Chief Analyst	August 2020

Risk ID	CRR0009	Risk Title	Future financial and operating environment for Local Government			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner (s)</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
Financial, economic and societal impacts of Coronavirus pandemic and uncertainty regarding associated funding, exacerbating an already uncertain financial and operating environment, including lack of funding settlement beyond 2020-21 in the absence of Spending Review.		Additional costs, income losses and delays to savings plans incurred as a result of the Coronavirus pandemic are not reimbursed in full.	Unsustainable financial situation, ultimately resulting in s114 notice.	On behalf of CMT:	V. Likely (5)	Major (5)
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 CRR0044) resulting in deficit accruing on DSG spending.		Additional unfunded spending demands and continued real-terms funding reductions threaten the financial sustainability of KCC, its partners and service providers.	Potential for partner or provider failure – including sufficiency gaps in provision.	Zena Cooke, Corporate Director Finance (Section 151 Officer)	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
The uncertainty also applies to capital expenditure funded by grants. In particular, the basic need grant is insufficient to provide the number of school places identified in the commissioning plan, so the council may not have capacity to incur additional borrowing costs to make up for the shortfall.		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.	Reduction in resident satisfaction and reputational damage.	<b>Responsible Cabinet Member(s):</b> All Cabinet Members	Possible (3)	Serious (4)
		Delays and uncertainty surrounding Spending / Fair Funding reviews / Business Rates retention impacts on KCC's medium term financial planning.				

<b>Control Title</b>		<b>Control Owner</b>
Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process, including stakeholder consultation		Zena Cooke, Corporate Director Finance (Section 151 Officer)
Processes in place for monitoring delivery of savings and budget as a whole, including identification of management action.		Zena Cooke, Corporate Director Finance (Section 151 Officer)
KCC Quarterly Performance Report monitors key performance and activity information for KCC commissioned or delivered services. Regularly reported to Cabinet		Rachel Kennard, Chief Analyst
Financial analysis conducted after each budget statement		Dave Shipton, Head of Finance (Policy, Strategy and Planning)
Engagement with County Council Network, Society of County Treasurers 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		David Adams, Director Education
Continued engagement with Government regarding High Needs funding concerns		Dave Shipton Head of Finance (Policy, Strategy and Planning)/ Matt Dunkley, Corporate Director CYPE
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Fundamental review of both the revenue budget and capital programme, involving budget amendment, considering the latest information available. To be presented to County Council in September.	Zena Cooke, Corporate Director Finance (Section 151 Officer)	September 2020
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)	TBC
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)	TBC
Assess impact of and respond to Government Spending Review	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	November 2020

Assess impact of, and respond to, funding package from Government	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	September 2020
Assess impact of, and respond to, Government plans for the future of social care	Richard Smith, Interim Corporate Director ASCH	TBC
Respond to recovery and devolution white paper	David Whittle, Director SPRCA	October 2020
Ensure evidence of any additional KCC spend required to cover impacts relating to the end of the UK/EU transition period is captured e.g. new burdens imposed.	Dave Shipton, Head of Finance (Policy, Strategy and Planning)	November 2020 (review)
Development of KCC Strategic Reset Framework, outlining how the Council will operate in future, taking into account implications of the Coronavirus pandemic.	David Whittle, Director SPRCA	July 2020
Development of KCC Interim Strategic Plan, outlining KCC priorities for the coming year, reflecting the operating environment.	David Whittle, Director SPRCA	October 2020

Risk ID	CRR0014	Risk Title	Cyber-attack threats and their implications			
<b>Source / Cause of Risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner(s)</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The Council has a duty to protect personal and other sensitive data that it holds on its staff, service users and residents of Kent.		Successful cyber-attack (e.g. 'phishing' scam) leading to loss or unauthorised access to sensitive business data.	Data Protection breach and consequent Information Commissioner's Office (ICO) sanction.	Rebecca Spore, Director Infrastructure	V. Likely (5)	Major (5)
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, exacerbated by the Coronavirus pandemic, 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.		Significant business interruption caused by a successful attack.	Damages claims. Reputational Damage. Potential significant impact on business interruption if systems require shutdown until magnitude of issue is investigated.	Ben Watts, General Counsel and KCC Data Protection Officer  Amanda Beer, Corporate Director People and Communications	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> Serious (4)
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.				<b>Responsible Cabinet Member(s):</b> Peter Oakford, Finance, Corporate and Traded Services		
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				Shellina Prendergast, Communications, Engagement		

security.	and People  Roger Gough, Leader
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	
Additional messages warning staff of cyber threats are being sent out regularly	Diane Trollope, Service Manager OD and Engagement.	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
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	September 2020
Implementation of action plan in response to findings of independent cyber-security and resilience review	Andrew Cole, Head of ICT Strategy and Commissioning	September 2020
Utilise new licensing agreement with Microsoft to enhance the security of KCC's infrastructure.	Andrew Cole, Head of ICT Strategy and Commissioning	October 2020 (review)

Risk ID	CRR0015	Risk Title	Managing and working with the social care market			
<b>Source / Cause of Risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
A significant proportion of adult social care is commissioned out to the private and voluntary sectors. This offers 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 market (particularly residential and nursing care) not sustainable.	Gaps in the care market for certain types of care or in geographical areas meaning difficulty in placing some service users.	Richard Smith, Interim Corporate Director ASCH, in collaboration with Vincent Godfrey, Strategic Commissioner	V. Likely (5)	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.			<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
The Coronavirus pandemic has added additional pressures, further threatening sustainability of the market.		Significant numbers of care home closures or service failures.		<b>Responsible Cabinet Member(s):</b> Clair Bell, Adult Social Care and Public Health	Possible (3)	Major (5)
		Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.		Roger Gough, Leader of the Council		
<b>Control Title</b>					<b>Control Owner</b>	
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 utilises 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	Richard Smith, Interim 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.	Richard Smith, Interim 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	
Phase 2 of the Care in the Home Services refresh commenced, bringing the various Discharge services and Supported Living Services under the “Care in the Home” Umbrella.	Tracey Schneider, Senior Commissioner	
New contracts commenced relating to Disability and Mental Health Residential Care services,	Paula Watson, Senior Commissioner	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Community Support Market Position Statement being refreshed, to inform market shaping, oversight and sustainability	Simon Mitchell, Interim Commissioner	March 2021
Analytical work is being conducted on assessments and reviews in adult social care to help inform key commissioning activity	Rachel Kennard, Chief Analyst	October 2020 (review)

<b>Risk ID</b>	<b>CRR0016</b>	<b>Risk Title</b>	<b>Delivery of New School Places is constrained by Basic Need allocation and the Education and Skills Funding Agency (ESFA)</b>			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
A significant expansion of schools is required to accommodate major population growth, with impact in the short to medium term to secondary age. The "Basic Need" capital grant from Dept of Education (DfE) will not fund the expansion in full.		The expansion required may not be delivered, meaning KCC is not able to provide appropriate school places.	Some children must travel much further to attend a school, with a resulting impact on the transport budget.	Matt Dunkley, Corporate Director CYPE	Very Likely (5)	Serious (4)
There is a significant funding gap needing to be bridged to deliver the commissioning plan, created by cost pressures from higher than expected build costs, low contributions from developers (see risk CRR0003) and increases in pupil demand.		Further upward demand pressures beyond what is forecast.	The duty to provide sufficient school places is not met, which may lead to legal action against the council.	<b>Responsible Cabinet Member(s):</b> Richard Long, Education and Skills	<b>Target Residual Likelihood</b> Likely (4)	<b>Target Residual Impact</b> Significant (3)
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.						
The Coronavirus pandemic is also impacting on project delivery timescales and costs.						

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		David Adams, Director Education
The Officer-led Education Asset Board is being refreshed, which monitors school expansion capital programme, as well as Developer Contributions. Cabinet Committee and Cabinet also receive updates on the programme.		Ian Watts, Area Education Officer
CYPE capital monitoring mechanism with Member involvement created, including Cabinet Committee twice yearly reporting.		David Adams, Director Education
Policy and operations to secure sufficient developer contributions are overseen by Infrastructure Funding Group and approach to be updated in new Developer Contribution Policy, along with request for additional contributions.		David Adams, Director Education /Stephanie Holt-Castle, Interim Director Environment, Planning and Enforcement
Regular negotiations take place with District Councils regarding allocation of contributions		Area Education Officers
Close working with the ESFA and engagement of the DfE/ESFA, Secretary of State and Kent MPs, and raising of the issue via the County Councils Network		David Adams, Director Education / Richard Long, Cabinet Member Education Learning and Skills / 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). Issues discussed with the Regional Schools Commissioner		David Adams, Director Education
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.		David Adams, Director Education
Additional budget relating to Covid-19 delays, to cover off pressures.		David Adams, Director Education
Action Title	Action Owner	Planned Completion Date
Proactive consideration and preparation for future bids as part of schools	David Adams, Director	TBC – further details to be set

rebuilding programme.

Education

out at next Govt Spending  
Review

Risk ID CRR0022 Children (UASC)		Risk Title Suitable accommodation and funding for Unaccompanied Asylum-Seeking				
Source / Cause of risk	Risk Event	Consequence	Risk Owner	Current Likelihood	Current Impact	
<p>While numbers of UASC have not yet reached 2015 levels, there is additional pressure on this service from new arrivals, plus current additional quarantine and social distancing requirements as well as significant numbers of age-disputed new arrivals. It may soon reach a point where the number of new arrivals cannot be managed within the service.</p> <p>Recent Government uplifts to funding are helping, although there are still legacy cost issues relating to care leavers.</p> <p>There are increasing numbers of age disputed cases, which need to be resolved before UASC are considered for transfer.</p>	There is a risk that there will be insufficient accommodation, social work assessment capacity and support for UASC.	Impact on vulnerable young people. The Council would be unable to fulfil its statutory duties effectively.	Matt Dunkley, Corporate Director, CYPE	Likely (4)	Major (5)	
	Shortfall in funding the full cost associated with fulfilling the Council's statutory duties,	Additional budget pressures on the Authority.	Responsible Cabinet Member	Target Residual Likelihood Possible (3)	Target Residual Impact Serious (4)	
	Risk that other Local Authorities do not voluntarily accept UASC that arrive in Kent in sufficient numbers.	Operational and reputational risks.	Sue Chandler, Integrated Children's Services			
Control Title				Control Owner		
National Transfer scheme re-invigorated, meaning some children have been transferred to other local authorities				Sarah Hammond, Director Integrated Children's Services		
The Council has utilised / re-purposed buildings in order to increase accommodation capacity in the short term				Rebecca Spore, Director Infrastructure		
Making representations to Government for additional support to deal with care leaver legacy costs				Roger Gough, Leader / Sue Chandler, Cabinet Member		



Risk ID	CRR0039	Risk Title	Information Governance			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The 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 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	V. Likely (5)	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.	<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
The Coronavirus pandemic introduces new risks e.g. staff adapting to new ways of working and increasing information security threats.		Council accreditation for access to government and partner ICT data, systems and network is withdrawn.	Increased risk of litigation.		Unlikely (2)	Serious (4)
There is insufficient resource available to undertake comprehensive oversight / assurance activity that provides assurance on compliance with existing information governance standards.		Cantium Business Solutions prioritises commercial work or does not undertake information governance compliance work in an appropriate and timely fashion.	Reputational damage.			
There is a critical dependency on one of the Council's Local Authority Trading Companies (CBS) to support Information				Shellina Prendergast, Communications, Engagement and People		

<p>Governance compliance for the KCC systems and network.</p> <p>KCC services' requirement for non-standard systems creates vulnerabilities.</p>	
<b>Control Title</b>	<b>Control Owner</b>
Data Protection Officer in place to act as designated contact with the Information Commissioner's Office	Ben Watts, General Counsel
Caldicott Guardian appointed with support to undertake the role	Richard Smith, Interim 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	Caroline Dodge, Team Leader



updated		Information Resilience & Transparency
Action Title	Action Owner	Planned Completion Date
Utilise new licensing agreement with Microsoft to enhance the security of KCC's infrastructure.	Andrew Cole, Head of ICT Strategy and Commissioning	October 2020 (review)

Risk ID	CRR0040	Risk Title Financial, governance and service delivery risks associated with KCC's Local Authority Trading Companies (LATCos)				
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
KCC has established a number of wholly-owned companies delivering a wide range of professional services that can bring benefits such as a change in culture and a more commercial approach to delivering services; more freedom to invest; the ability to secure new external clients; and the ability to grow the business and return a dividend to the Council as shareholder.		Expected financial dividends not met or return on investment takes longer than planned to achieve.	Additional pressures on Council budget. Reputational damage.	Ben Watts, General Counsel	V. Likely (5)	Serious (4)
As with any company start-ups, there will also be risks to be managed, which are increased due to the coronavirus pandemic.		One or more company acts in a way that does not fit with KCC's values.	Companies may not be able to take advantage of commercial opportunities if decision-making is restricted.	Zena Cooke, Corporate Director Finance (Section 151 Officer)	<b>Target Residual Likelihood</b> Unlikely (2)	<b>Target Residual Impact</b> Moderate (2)
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.		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.		<b>Responsible Cabinet Member(s):</b>		
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		Insufficient quality of service from company to KCC 'client'.		Peter Oakford, Finance, Corporate and Traded Services		

trading companies.		
<b>Control Title</b>	<b>Control Owner</b>	
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	Amanda Beer, Corporate Director People and Communications	
KCC's Group Audit function conducts audits for KCC-owned companies	Jonathan Idle, Head of Internal Audit	
Robust business cases developed for proposed new companies, subject to Member and Officer scrutiny – including consideration of market potential, governance arrangements etc.	Relevant Cabinet Member and Corporate Director.	
KCC company governance and ownership reviewed with 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)	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Monthly finance monitoring produced by HoldCo for review by KCC Finance	Zena Cooke, Corporate Director Finance (Section 151 Officer)	March 2021

<b>Risk ID</b>	<b>CRR0044</b>	<b>Risk Title</b>	<b>High Needs Funding shortfall</b>			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The 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.	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.	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.		Inability to reduce accumulated deficit on Dedicated Schools Grant reserve.	Impact on support for children with SEND (cross reference to CRR0047)	<b>Responsible Cabinet Member(s):</b> Richard Long, Education & Skills	<b>Target Residual Likelihood</b> Possible (3)	<b>Target Residual Impact</b> 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 for 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.		Karen Stone, Interim Finance Business Partner / David Adams, Director of Education
Specific top up funding rates provided for SEND pupils placed in mainstream schools for eligible children and young people, agreed with Schools' Funding Forum.		Karen Stone, Interim Finance Business Partner / David Adams, Director of Education
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.		Karen Stone, Interim Finance Business Partner / David Adams, Director of Education
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"> <li>- Building capacity and an inclusive ethos in mainstream schools to improve teaching and confidence in supporting more children with higher levels of need.</li> <li>- Tighter commissioning arrangements to drive down the cost of placements in Independent Non-Maintained Special Schools</li> </ul>	Matt Dunkley, Corporate Director CYPE	October 2020 (review)
As and when required by the DfE, a recovery plan is to be produced 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	David Adams, Director of Education / Zena Cooke, Corporate Director Finance (Section151 Officer).	September 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			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
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 timescales.	Adverse impact on outcomes for vulnerable young people	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.			Dissatisfaction from families	<b>Responsible Cabinet Member(s):</b>  Sue Chandler, Integrated Children’s Services	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
In response to these concerns a programme has been identified across both KCC and Clinical Commissioning Groups to implement the changes and improvements required.			Potential for legal action if statutory time limits or processes are not met.		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), while some aspects of the programme are being revised to take account of implications of the Coronavirus pandemic.						

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, meeting monthly, 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 Steering Group in place, with responsibility for coordinating activity and tracking progress across the five identified workstreams in the Written Statement of Action, reporting into the Improvement Board.		Mark Walker, Interim Director of SEND and Disabled Children's Services
Robust programme management in place, ensuring appropriate integration between workstreams and delivery plan.		Mark Walker, Interim Director of SEND and DC services
Kent Joint SEND vision established		Matt Dunkley, Corporate Director CYPE (KCC lead)
Action Title	Action Owner	Planned Completion Date
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.	Mark Walker, Interim Director of SEND and Disabled Children's Services	September 2020 (review)
In collaboration with partners, implement the SEND Improvement Programme, which includes delivery of requirements detailed in 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	Mark Walker, Interim Director of SEND and Disabled Children's Services (KCC lead)	March 2021

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.		Lack of affordable capital programme, meaning 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	On behalf of CMT:  Rebecca Spore, Director of Infrastructure	Likely (4)	Serious (4)
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.			Adverse impact on achievement of environmental targets.	Responsible Cabinet Member(s):	Target Residual Likelihood  Possible (3)	Target Residual Impact  Serious (4)
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.			Adverse impact on opportunities to rethink current working practices and adopt new ways of working	Peter Oakford, Finance, Corporate and Traded Services		
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.			Impact on staff morale and productivity.			
Property asset considerations need to be viewed as part of a strategic picture alongside technology and people strategies and the appetite for change						



<p>tested.</p> <p>The Coronavirus pandemic has accelerated the pace of change to working practices, while also having adverse impact the council's capital programme.</p>		
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	TBC
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	TBC
Consolidated lifecycle plan to be developed for properties	Lifecycle Programme Manager	TBC

Risk ID	CRR0049	Risk Title	Fraud and Error			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
As with any organisation, there is an inherent risk of fraud and/or error that must be acknowledged and proactively managed.		Failure to prevent or detect significant acts of fraud or error from either internal or external sources.	Financial loss leading to pressures on budgets that may impact the provision of services to service users and residents	Zena Cooke, Corporate Director Finance (Section 151 Officer)	Likely (4)	Serious (4)
The fraud threat posed during emergency situations is higher than at other times, and all public bodies should be attuned to the risks facing their organisations and the public sector.			Reputational damage, Particularly if the public see others gaining services or money that are not entitled to, leading to resentment by the public against others.	<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
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.				Peter Oakford, Finance, Corporate and Traded Services	Unlikely (2)	Significant (3)
This includes ensuring that new emerging fraud/error issues are sufficiently risk assessed.						
<b>Control Title</b>					<b>Control Owner</b>	
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)	
Counter-fraud resources reviewed and increased	Jonathan Idle, head of Internal Audit	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
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	November 2020 (review)
Review existing arrangements for segregation of duties, with focus on high risk areas e.g. commissioning/procurement	James Flannery, Counter-Fraud Manager	September 2020 (review)

Risk ID	CRR0050	Risk Title	CBRNE incidents, communicable diseases and incidents with a public health implication			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
The Council, along with other Category 1 Responders in the County, has a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood, and impact, of high impact incidents and emergencies.		Insufficient capacity / resource to deliver response and recovery concurrently for a prolonged period, alongside other potential incidents, including potential future wave(s) of Coronavirus.	Potential increased harm or loss of life if response is not effective.	On behalf of CMT:	V. Likely (5)	Major (5)
The Director of Public Health has a legal duty to gain assurance from the National Health Service and Public Health England that plans are in place to mitigate risks to the health of the public including outbreaks of communicable diseases e.g. Pandemic Influenza.			Increased financial cost in terms of damage control and insurance costs.	Andrew Scott-Clark, Director Public Health		
			Adverse effect on local businesses and the Kent economy.	<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
			Possible public unrest and significant reputational damage.		Possible (3)	Major (5)
			Legal actions and intervention for failure to fulfil KCC's obligations under the Civil Contingencies Act or other associated legislation.	Clair Bell, Adult Social Care and Public Health		
<b>Control Title</b>					<b>Control Owner</b>	
KCC and local Kent Resilience Forum partners have tested preparedness for chemical, biological, radiological, nuclear and explosives (CBRNE) incidents and communicable disease outbreaks in line with national requirements. The Director of Public Health has additionally sought and gained assurance from the local Public Health England office and the NHS on preparedness and maintaining business continuity					Andrew Scott-Clark, Director Public Health	
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 Public Health	
Kent Resilience Forum has a Health sub-group to ensure co-ordinated health services and Public Health					Andrew Scott-Clark, Director	

England planning and response is in place	Public Health
DPH now has oversight of the delivery of immunisation and vaccination programmes in Kent through the Health Protection Committee DPH has regular teleconferences with the local Public Health England office on the communication of infection control issues DPH or consultant attends newly formed Kent and Medway infection control committee	Andrew Scott-Clark, Director Public Health
Utilising data sets from Public Health England to give a picture of Covid-19 across Kent	Andrew Scott-Clark, Director Public Health
Health Protection Board feeds into KRF Health and Care cell.	Andrew Scott-Clark, Director Public Health (KCC lead)
There is coverage across Kent for Covid-19 testing, with regional and/or mobile testing sites.	Andrew Scott-Clark, Director Public Health
Kent Resilience Forum Local Outbreak Control Plan published, building on existing health protection plans already in place between Kent County Council, Medway Council, Public Health England - South East, the 12 Kent District and Borough Council Environmental Health Teams, the Strategic Coordinating Group of the Kent Resilience Forum, Kent and Medway Clinical Commissioning Group and other key partners.	Andrew Scott-Clark, Director Public Health
"Protect Kent and Medway, Play your Part" media campaign	Andrew Scott-Clark, Director Public Health (KCC lead)

<b>Risk ID</b>	<b>CRR0051</b>	<b>Risk Title</b>	<b>Maintaining or Improving workforce health, wellbeing and productivity throughout Coronavirus response and recovery</b>			
<b>Source / Cause of risk</b>		<b>Risk Event</b>	<b>Consequence</b>	<b>Risk Owner</b>	<b>Current Likelihood</b>	<b>Current Impact</b>
<p>The Coronavirus pandemic has required the council's workforce to substantially adapt the way it operates and delivers services at short notice. This brings with it opportunities to accelerate programmes of change, improve productivity, wellbeing and promote our employer brand, but also, in the short term at least, risks that require close monitoring and management.</p> <p>Staff across the organisation continue to work under intense operational pressures, with some still balancing caring / childcare responsibilities while working from home.</p>		Staff mental and physical fatigue or due to prolonged period of response and recovery, while adapting to a new working environment.	Increased absence levels	CMT	Possible (3)	Serious (4)
		Lack of depth / resilience of key personnel or teams.	Impact on productivity (could be positive or negative)	<b>Responsible Cabinet Member(s):</b>	<b>Target Residual Likelihood</b>	<b>Target Residual Impact</b>
		Lack of managerial capacity and / or capability to deliver in new environment		Shellina Prendergast, Communications, Engagement and People	Unlikely (2)	Serious (4)
		Insufficient capacity should future wave of pandemic occur.				
<b>Control Title</b>					<b>Control Owner</b>	
Comprehensive resources and tools available for staff to access, including Support Line counselling services, i-resilience tool, mindfulness and wellbeing sessions, tailored to staff groups as appropriate.					Amanda Beer, Corporate Director, People and Communications	
Intranet site contains dedicated Covid-19 area, with latest advice and guidance – including staff FAQs, Keeping Well, Comfort and Safety and Remote Working					Diane Trollope, Service Manager, OD and Engagement	
Comprehensive Covid-19 work and wellbeing staff survey conducted, to build understanding of current picture					Diane Trollope, Service	

and inform future planning and action.	Manager, OD and Engagement	
Health & Safety team support for services, including updated Covid-19 related advice and guidance e.g. with Task Safety Analysis and supporting use of premises safely during response and recovery.	Flavio Walker, Head of Health & Safety	
Regular engagement with recognised trades unions	Paul Royel, Head of HR and OD	
Additional guidance produced for staff on Display Screen Equipment self-assessments when working from home on a semi-permanent basis.	Flavio Walker, Head of Health and Safety	
Promoting even more regular communications between managers and their teams while working remotely via 'Good Conversations' tools etc.	Diane Trollope, Service Manager, OD and Engagement	
KCC's Organisation Design Principles refreshed	Paul Royel, Head of HR and OD	
<b>Action Title</b>	<b>Action Owner</b>	<b>Planned Completion Date</b>
Refocusing of KCC medium-term Organisation Development plan.	Diane Trollope, Service Manager, OD and Engagement	September 2020
Utilising feedback from the staff survey, engagement with managers across the organisation to explore solutions and devise next steps	Diane Trollope, Service Manager, OD and Engagement	August 2020
Review of KCC's values, behaviours and culture	Diane Trollope, Service Manager, OD and Engagement	September 2020

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