

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 19th October, 2022

10.00 am

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 19th October, 2022, at 10.00 am
Council Chamber, Sessions House, County
Hall, Maidstone

Ask for: **Katy Reynolds**
Telephone: **03000 422252**

Membership (12)

Conservative (7)	Mrs R Binks (Chairman), Mr N J D Chard, Mr D Jeffrey, Mr H Rayner, Mr R J Thomas, Mr S Webb and Vacancy
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr A J Hook
Green and Independent (1)	Mr M A J Hood
Independent Member (1)	Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. External Audit Findings Report for Kent Pension Fund 2021-22 (Pages 1 - 30)
5. Counter Fraud Update (Pages 31 - 40)
6. Annual Governance Statement - Presentation
7. Review and Approval of Kent County Council's Tax Strategy and Corporate Criminal Offence Policy (Pages 41 - 58)

8. Internal Audit Progress Report - RB30 - Kent and Medway Business Fund (Pages 59 - 60)
9. Other items which the Chairman decides are urgent

Motion to exclude the press and public for exempt business

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

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

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

10. Mandate Fraud Update (Pages 61 - 64)

Benjamin Watts
General Counsel
03000 416814

Tuesday, 11 October 2022

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.

The Audit Findings for Kent Pension Fund

Year ended 31 March 2022

Kent Pension Fund
Page 1
October 2022

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY



Contents



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1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Audit adjustments
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- C. Audit Opinion
- D. Management Letter of Representation

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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. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Kent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Page 3

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and subjected in accordance with the Local Audit and Accountability Act 2014.
- Further to this, we cannot give our opinion on the accounts until we have completed the audit of Kent County Council later this year.

Our audit work was completed on site and remotely during July – August 2022. Our findings are summarised on pages 4 to 17. To date we have not identified any adjustments to the Pension Fund's reported financial position. We have identified some minor presentational issues which are documented in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Refer to Appendix C] or material changes to the financial statements], subject to the following outstanding matters;

- receipt of management representation letter – see appendix D; and
- receipt and review of the Annual report
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

No changes have been made to the approach set out in the Audit Plan issued on 06 April 2022.

Further to this, we cannot give our opinion on the accounts until we have completed the audit of Kent County Council later this year.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified opinion after we have completed the audit of Kent County Council later this year, as detailed in Appendix C. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to 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.

Materiality levels remain the same as reported in our audit plan in April 2022.

We detail in the table below our determination of materiality for Kent Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	75,000,000	Our Headline Materiality is based on the Net Assets of the Fund.
Performance materiality	52,500,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	3,750,000	Triviality is based on a percentage of the overall materiality.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

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.

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.

During the audit, we have undertaken the following work:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

No issues have been identified from the testing performed in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions (rebutted)

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.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable.

We therefore did not consider this to be a significant risk for the Pension Fund when producing our audit plan.

We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.

The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.

Having considered the risk factors relevant to the Pension Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests mentioned and our testing in relation to the significant risk of Management Over-ride of Controls as mentioned on page 6.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Directly Held Property (Level 2 Investment) (Annual Revaluation)

The Fund revalues its directly held property on an annual basis, and indexed on a monthly basis with the relevant property sector index, 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.

Management have engaged the services of a valuer to estimate the current value as at December 2021.

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.

Commentary

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's asset register/financial records

No issues have been identified from the testing performed in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 Investments (Quarterly Revaluation)

The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

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.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2022.

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.

Commentary


During the audit, we have undertaken the following work:

- evaluated the design of the associated controls by gaining an understanding of the Fund's process for valuing level 3 investments
- reviewed the nature and basis of estimated values and considered 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
- independently request year-end confirmations from investment managers and the custodian and consider the role played by the custodian in the asset valuations
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the Custodian Report (Northern Trust) and Fund Managers report at that date. We reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period; and
- in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's Asset Register
- reviewed investment manager service auditor reports on design effectiveness of internal controls; and
- as part of our assessment of key controls over hard to value investments, we will identify the key valuation controls at the fund managers (and where appropriate the custodians) and consider the design effectiveness of the controls through enhanced documentation of our consideration of the relevant control reports.

As part of our confirmation procedure for Partners Group and Harbourvest Purchases cost (drawdown) , we identified an overstatement of £5.6m however there is no net impact on the Investment balance as this adjustment is passed between the Sales (Distribution) and Purchase (Drawdown) balance. This error is communicated to you as an 'adjusted misstatement' see Appendix A.

No further material have been identified from the testing performed in this area.


2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments -Direct Property - £578m	<p>The Pension Fund has investments in Direct Property that in total are valued on the Net Asset Statement as at 31 March 2022 at £578 million.</p> <p>These properties are valued by a RICS Qualified Valuer as at December 2021. The Valuer is employed by the Fund Manager on behalf of the Fund to provide valuations in line with the CIPFA Code of Practice guidance in this area.</p>	<p>Based on the work performed, we have been able to obtain sufficient assurance over the Direct Property valuations included within the Statement of Accounts.</p> <p>We have reviewed the valuations included within the Statements of Accounts against the relevant market indices such as Grant Thornton Real Estate Market update for August 2022, Gerald Eve Market Valuations and Knight Frank yields guide as benchmark tools and have confirmed no issues have been identified from the work performed.</p>	 Light Purple





Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments (excluding Direct Property) - £5,028 million	<p>The Pension Fund have investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2022 at £5,028 million.</p> <p>Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments will be based on the value of these underlying investments at 31 March 2022, or the closest trade date to year end.</p>	<ul style="list-style-type: none"> Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts. We have undertaken full triangulation of the closing valuations provided by the relevant Fund Managers to the values provided by the Fund's Custodian, and considered any significant variances identified from this work. No issues have been identified from the work performed in this area. 	 Light Purple

Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Level 3 Investments</p>	<p>The Pension Fund has investments in Private Equity and Infrastructure Funds that in total are valued on the Net Asset Statement as at 31 March 2022 at £473 million.</p> <p>These investments are not traded on an open exchange/market and the valuation of these investments is highly subjective due to a lack of observable inputs. In order to determine the values, management rely on the valuation provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2021, with the valuation then rolled forward to March 2022, considering any cash movements which have taken place in the intervening period.</p>	<p>We have :</p> <ul style="list-style-type: none"> assessed the appropriateness of the underlying information used to determine the estimate, including fund manger and custodian reports reviewed the reasonableness of the estimate and assessed the adequacy of disclosure of estimate in the financial statements <p>Based on the work performed, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts.</p>	<p style="text-align: center;">● Light Purple</p>

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

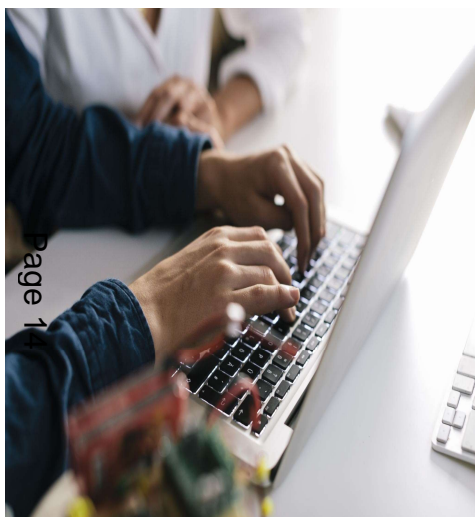
2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended to this Report.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to all of the Pension Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. All responses have been received and no issues have been identified.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.</p>
Audit evidence and explanations/significant difficulties	<p>The Fund produced a good set of Accounts and working papers in line with the agreed timeframes, and responded promptly to the queries raised during the course of the audit despite the challenges of remote working. The small number of amendments identified in this Report reflect the quality of the draft Accounts prepared by management.</p>
Disclosures	<p>A handful of minor inconsistencies have been identified but have been adequately rectified by the management. We plan to issue an unmodified opinion in this respect – refer to Appendix C.</p>

2. Financial Statements - other communication requirements



Our responsibility

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 entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. Independence and ethics

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 confirm that we, as a firm, and each covered person, 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

3. Independence and ethics

Audit and non-audit services

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 non-audit service was, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	£12,720 (was £11,000 in 2020-21)	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 £12,720 in comparison to the total fee for the audit of £41,000 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.

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. None of the services provided are subject to contingent fees.

Appendices

A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

The adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Level 3 Investments			
Level 3 investments for Partners Group and Harbourvest Purchases cost (drawdown) was overstated however there is no net impact on the Investment balance as this adjustment is passed between the Sales (Distribution) and Purchase (Drawdown) balance.		5,625	
		(5,625)	
Investment (Sales -Distribution)			
Investment (Purchase - Drawdown)			
Overall impact	£0	£0	£0



A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Formatting errors and omitted updating of disclosures in the financial statements	We have identified a number formatting errors in the financial statements which were communicated to the management.	✓
Note 23 – Additional Voluntary Contributions	The Fund has been unable to obtain updated AVC Values from one of their providers, Prudential. The Fund has agreed to roll forward the 20-21 figures from Prudential until the 21-22 figures are provided.	✓

Impact of unadjusted misstatements

We do not have any unadjusted misstatements to report.

B. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

The fees reconcile to the financial statements – refer to Note 11 of the Pension Fund Accounts for confirmation of this.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£41,000	TBC
Total audit fees (excluding VAT)	£41,000	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Provision of IAS19 Assurances to Admitted and Scheduled Bodies	£12,720	TBC
Total non-audit fees (excluding VAT)	£12,720	TBC

C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

Opinion

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Corporate Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

C. Audit opinion

Other information

The Corporate Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

C. Audit opinion

The Governance and Audit Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Governance and Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud; -
 - journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of in respect of level 3 investments; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the

C. Audit opinion

financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX 2022

D. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

XX 2022

Dear Sirs

Kent County Council Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Kent County Council Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Level 3 Investments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

D. Management Letter of Representation

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Fund has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue

to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements.

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or

D. Management Letter of Representation

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- c. others where the fraud could have a material effect on the financial statements.
- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Kent County Council's Governance and Audit Committee at its meeting on XX 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund

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By: James Flannery – Counter Fraud Manager
 To: Governance and Audit Committee – 19th October 2022
 Subject: **COUNTER FRAUD UPDATE**
 Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for period April 2022 to September 2022, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2022/23 covering reactive and pro-active activity.

Recommendations:

The Governance and Audit Committee are asked to;

- 1.1 Note the Counter Fraud Progress report for 2022/23.
-

Irregularity Referrals – 01 April 2022 to 22 September 2022

- 1.2 There were a further 58 referrals received bringing the total of 117 referrals reported to the Counter Fraud Team for this period. The distribution and characteristics of the irregularities reported to date (as shown in the graphs in **Appendix A**) show that the highest areas of financial risk this year are from mandate fraud with further attempts being made to change bank details.
- 1.3 Actual losses (fraud & error) for this period are £586,391, of which £222,769 (recovered) is due to a mandate fraud that impacted KCC, £164,453 (under investigation) due to a mandate fraud that impacted a Kent school and £172,860 (recovery progressing) due to an overpayment to a Social Care provider as a service provision was not ended.
- 1.4 Prevented total losses for 2022/23 for this period are £1,791,363 of which a potential of £1,748,169 of losses occurring if the Counter Fraud Team/ Management had not intervened, the majority of this figure is due to attempts to change bank account details.
- 1.5 Referral rates are at a manageable level based on the resources available, although some low level risk referrals have not been progressed due to other priorities. Staff are alert to the risk of mandate fraud and awareness of this risk continues across formal and informal awareness sessions.

Mandate Frauds

- 1.6 Mandate Frauds, where fraudsters use deception to change bank details, continues to be of risk to KCC, schools and businesses across Kent. KCC was subject to a mandate fraud that saw a provider not receiving £222,769 in payments due for services delivered. Full recovery has occurred and the provider has received payment. The loss occurred due to human error within the Cantium Control Team following the reallocation of work that resulted in a change occurring without relevant due diligence being completed.
- 1.7 Additionally, a Kent school was a victim of a mandate fraud, which resulted in a loss of £164,453, this is subject to an ongoing investigation.

- 1.8 An email hack of a senior officer also saw an attempt to defraud KCC of £1.2m which was prevented, although this was identified and action taken to protect KCC systems, interactions occurred that could have resulted in payment being made.
- 1.9 A further attempt was made to amend a school's bank account following the email hack of a finance officer which would have resulted in a loss of their monthly advance of £518,213. Again, interactions occurred that could have resulted in payment being made.
- 1.10 Warnings of previous attempts were communicated via a Management Letter in January 2022 to key officers across the payment processes. Awareness sessions have continued across key business areas to alert staff of this risk and the red flags to be alert to.

Blue Badges

- 1.11 Proactive and reactive work continues to address the risk of blue badge misuse across Kent. During this period there have been two enforcement days completed within Swale Borough Council and Folkstone and Hythe District Council. Both authorities outsource their parking enforcement function, so the Counter Fraud Team have worked with the contracted provider in enhancing their knowledge on tackling blue badge misuse.
- 1.12 Positive feedback was received from Civil Enforcement Officers on the pre-training and delivery of the enforcement day to help them continue to enforce the blue badge scheme. A total of 333 badges were inspected across the two days, where genuine badge holders welcomed the checking and validating of badges. One case, where a cancelled badge was being used, has been referred for further investigation. Press releases were issued with support and input from the Borough and District Council and issued on KCC's media hub.
- 1.13 A total of 75 referrals have been received for the reporting period, with 30 of these receiving warning letters, 7 closed due to insufficient evidence, 4 closed due to insufficient resources, 12 cases closed with no further action (these are due to the referral relating to the use of an expired badge) & 22 open for further investigation.
- 1.14 Of the 75 referred cases, 44 also received a Penalty Charge Notice. To date, five simple cautions have been issued for offences under the Road Traffic Act, two cases have been recommended for prosecution, and a further case for legal review on disposal options.
- 1.15 The cases recommended for prosecution have aggravated factors associated to them, in that the blue badges have been reported stolen. Statements from victims have identified the harm of not only having the badge stolen but the criminal damage caused to vehicles.

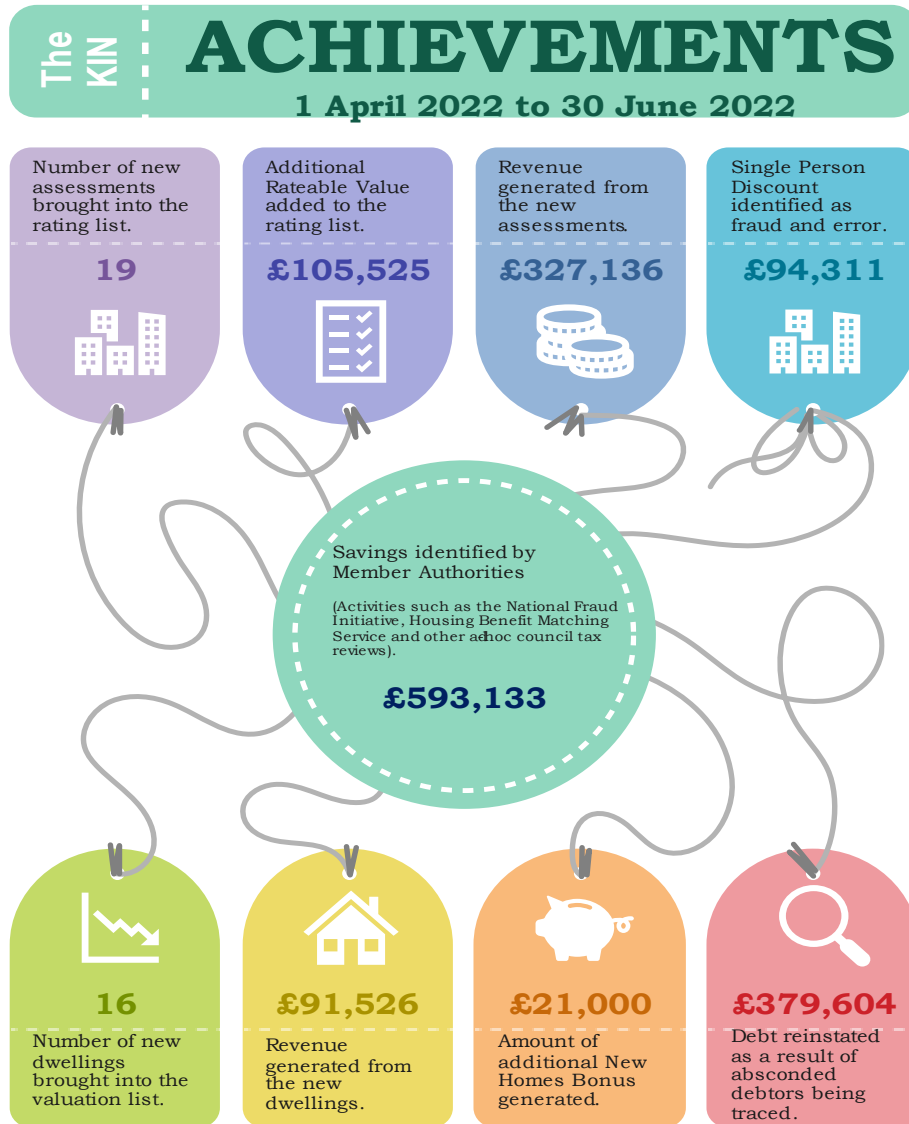
Parking Enforcement Area	Referral numbers – Apr to Sept 22	Parking Enforcement Area	Referral numbers – Apr to Sept 22
Ashford BC	27	Maidstone BC	0
Canterbury CC	17	Swale BC	0
Dartford BC	2	Sevenoaks DC	0
Dover DC	5	Thanet DC	0
Folkestone & Hythe BC	1	Tonbridge and Malling BC	1
Gravesham	21	Tunbridge Wells BC	1

Other Irregularities

- 1.16 A Management Letter has been issued following an investigation into the cloning of a purchase card resulting in a loss of £1,028 (full recovery has occurred) with a further £450 of transaction being attempted. An active purchase card was in place despite the member of staff leaving KCC in August 2019. Although a staff leaver notification was completed by management this did not include the cancelling of the purchase card.
- 1.17 An issue has been raised and accepted by management to conduct a review of all active purchase cards against current employees to ensure there are no further active purchase cards assigned to staff who have left KCC, if they have to ensure no spend has occurred following their departure.
- 1.18 A Management Letter has also been issued following an investigation into an undeclared conflict of interest/ additional employment by an officer involved in grant application processes. An issue has been raised which management have accepted to ensure declarations of interests are embedded into normal business activity.
- 1.19 A review into the overpayment to a service provider of £172,860 has identified that a contracted service was not ended on the payment system. Despite attempts of the provider to alert KCC that payments were continuing, action was not taken. Recovery action has now been instigated and a review of contracted services is being progressed by the service to ensure no other payments are being made in error.

Kent Intelligence Network (KIN)

1.20 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for the period 1 April 2022 to 30 June 2022, set out below, show the results and financial returns achieved.



1.21 19 commercial 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, the businesses occupying these properties are now liable for business rates.

1.22 The additional business rates revenue generated from the identification of these missing properties is £298,710 (£327,136 including Medway), of which broadly 9% (£26,884) comes to KCC, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £157,920 (£173,472 including Medway); and
- A 'future loss prevention' provision of 3 years of £140,790 (£153,664 including Medway). This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

- 1.23 It is also pertinent to highlight that as at 30 June 2022, there were a further 52 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above.
- 1.24 The KIN also helps to identify dwellings missing from the valuation list and so far in 2022/23, 16 dwellings have been identified.
- 1.25 The additional council tax revenue generated from the identification of these properties is £91,526, of which broadly 73% (£63,813) comes to KCC. This is made up of a combination of the following:
- The total amount of council tax billed for both the current financial year and previous financial years of £26,300; and
 - A 'future loss prevention' provision of 3 years of £65,226. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.
- 1.26 It is also pertinent to highlight that as at 30 June 2022, there were a further 24 cases with the Valuation Agency awaiting assessment, none of which are included in the figures stated above.
- 1.27 Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts/Boroughs and KCC. It is estimated that the 16 dwellings identified will generate £21,000 in NHB, of which 20% (£4,200) comes to KCC.
- 1.28 It should be noted, however, that the value of NHB for each new dwelling identified has been reduced for this year from £5,600 to £1,400. This is to reflect the fact that the NHB scheme has been wound down over previous years and to acknowledge that 2022/23 may be the last year that NHB is paid.
- 1.29 In respect of the £379,604 that has been traced from absconded council tax debtors, this will generate additional income for KCC, depending on the amount that is collected. Even if a bad debt provision of 30% is applied to the amount of debt brought back into recovery, KCC would broadly receive 73% of £265,723 and this would amount to £193,977.
- 1.30 Therefore the work generated by KIN is likely to bring in an additional £288,874 of revenue for KCC for this period.

Counter Fraud Pro-Active Work

- 1.31 The Counter Fraud Pro-Active Work delivered for period April 2022 to September 2022 includes:
- Fraud awareness to school governors and senior leaders;
 - County Safeguarding strategic group;
 - Fraud briefings to finance staff; and
 - Review of policy and application procedures within the Gypsy and Traveller service

Counter Fraud Resources

- 1.32 The team comprises; 1FTE Counter Fraud Manager, 3FTE Counter Fraud Specialists, 2FTE Counter Fraud Technician, 0.8FTE Intelligence Officer and 1FTE Counter Fraud Apprentice.

Counter Fraud Action Plan 2021/22

1.33 Updates to the 2022/23 Counter Fraud Action Plan can be found at **Appendix B**.

Conclusions

1.34 Delivery of pro-active awareness sessions are continuing with good feedback being received on their impact and value. Reactive work is being managed, to a degree, within current resources, with several complex cases being progressed alongside the high-volume low complex cases.

Recommendations

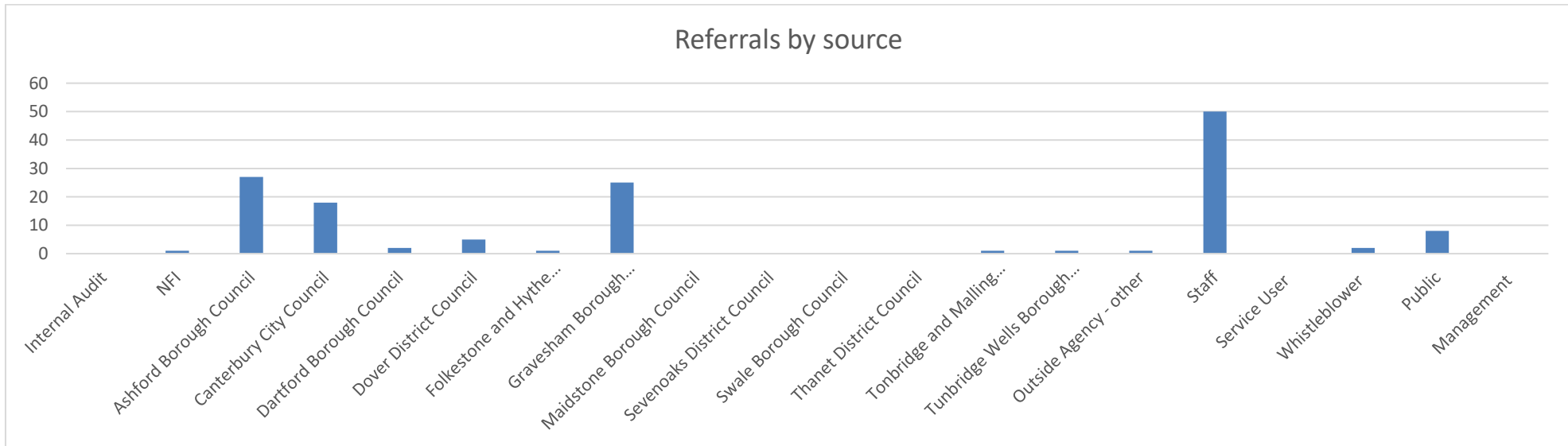
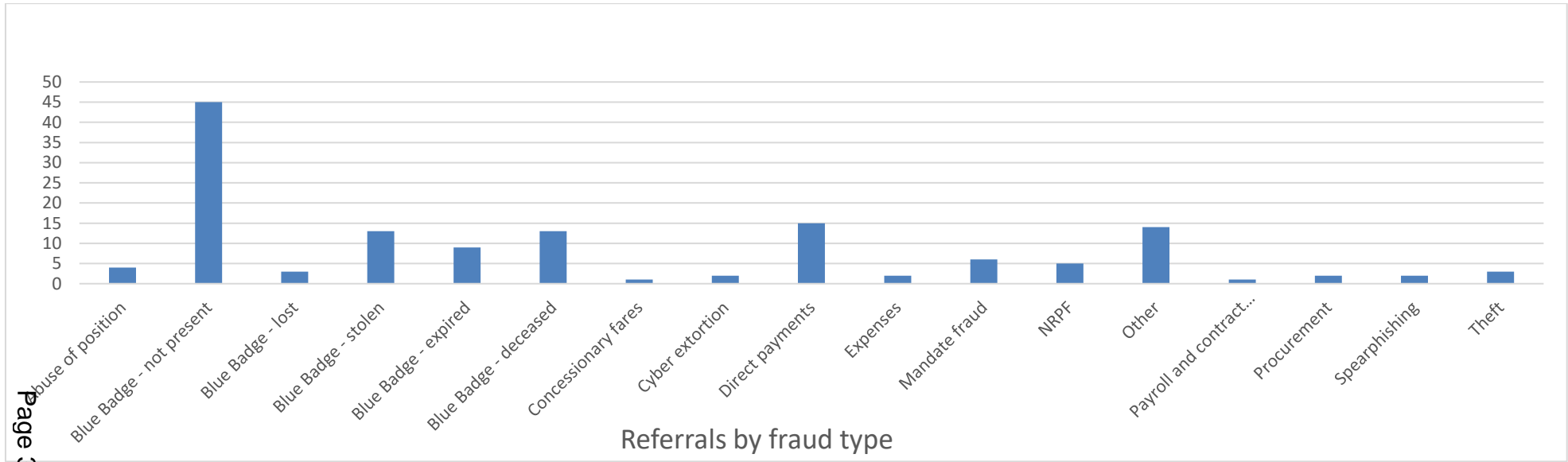
1.35 The Governance and Audit Committee are asked to:

- Note the Counter Fraud Update report for 2022/23.
- Note the progress of the Counter Fraud Action Plan for 2022/23.

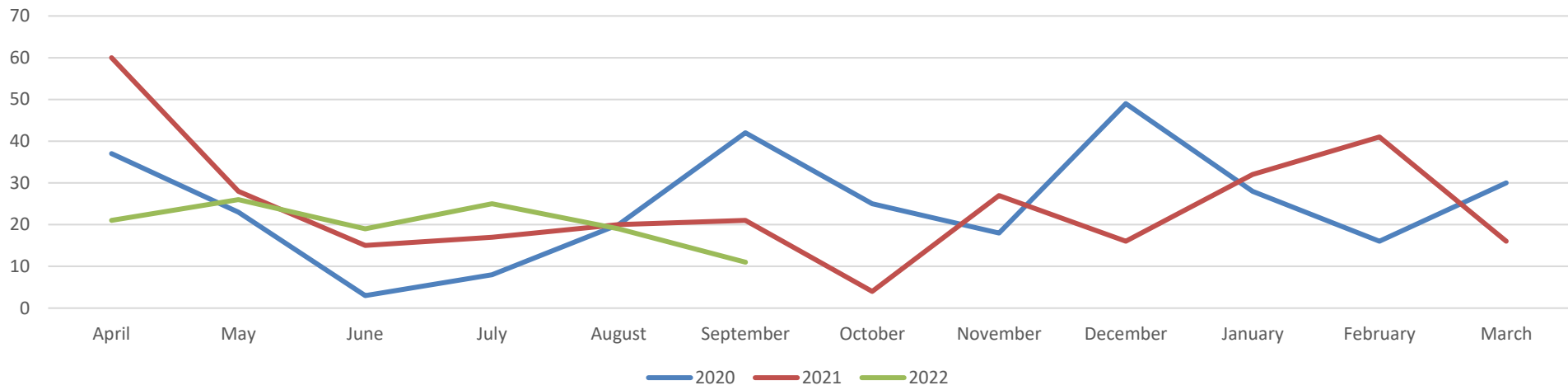
James Flannery, Counter Fraud Manager

October 2022

Appendix A: Fraud and Irregularity referrals – Graphs

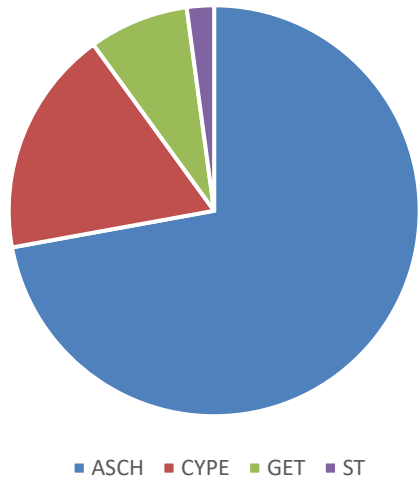


Referrals by month



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Referrals by directorate



Appendix B: Counter Fraud Plan 2022/23

Ref	Risk Area	Activity	Update
CF-KCC01-23	Payroll, Pension, Blue Badge, Concessionary fares, Trade Creditors	Progression of NFI Data Matches – Full submission due in Q3	Due in Q3 – Data collection in progress for upload.
CF-KCC02-23	Corporate Fraud	Policy, Strategy and Risk Review	Reviews of directorate risk levels is underway to inform what risks will be escalated from service risk registers to the corporate risk registers.
CF-KCC03-23	Corporate Fraud	Kent Intelligence Network	Out turn for 22/23 reported above. Work on the Digital Economy Act Business Case continues.
CF-KCC04-23	All risk areas to support the prevention and detection of fraud and corruption	Relationship Management Strategy for Stakeholders - Including Fraud, Bribery and Risk Assessments – new Initiatives, policies and strategies. Enhanced vetting of senior officers. Kent Fraud Panel Fighting Fraud and Corruption Locally	Enhance vetting checks being completed for senior officers. Fraud awareness sessions delivered to: County Safeguarding Leads Chief Accountants Team Financial Analysis and Support Team Finance Operations Management Team Finance Business Partners Review of policy and application process within the Gypsy and Traveller service
CF-KCC05-23	All fraud risk areas faced by schools to support the prevention and detection of fraud	Pro-active Fraud Exercise - Schools	Awareness sessions delivered to: 150 School Governors 11 Senior Leaders Further planned awareness sessions booked for end of Sept 22.
CF-KCC06-23	Blue Badge fraud risk	Pro-active Fraud Exercise - Blue Badges Enforcement Days and liaison with Parking Managers	Enforcement days – 2 completed, 2 planned for delivery.
CF-KCC07-23	Social Care fraud risks - ASCH & CYPE	Review of Financial Abuse Tool Kit	Completed and issued to business to adopt.
CF-KCC08-23	Procurement fraud risks	Pro-active Fraud Exercise - Commissioning	In progress
CF-KCC09-23	Social Care Fraud Risks - CYPE & ASCH	To deliver fraud culture work/ awareness sessions across both CYPE and ASCH	Providing Counter Fraud Support to County Safeguarding Strategic Group and operational support on financial abuse referrals.
CF-KCC10-23	Counter Fraud Profession	Professional standards	On going
CF-KCC11-23	All risk areas to support the prevention and detection of fraud and corruption	Supporting Audit on specific audits where there is a fraud risk, through planning, fieldwork and reporting stages as required.	Ongoing – All received engagement plans reviewed and advice provided to auditors on relevant fraud risks.
CF-KCC12-23	All fraud risk areas	Reactive Investigations	61 Ongoing referrals and investigations
CF-KCC13-23	No Recourse to Public Funds	Review of Counter Fraud referral processes	Q3 activity – Planning started
CF-KCC14-23	All risk areas to support the prevention and detection of fraud and corruption	Fraud Awareness – Review and update of e-Learning on Delta, fraud awareness week.	In progress

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By: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services – Peter Oakford
 Interim Corporate Director Finance – John Betts

To: Governance and Audit Committee – 19 October 2022

Subject: Review and approval of Kent County Council’s Tax Strategy and Corporate Criminal Offence policy

Classification: Unrestricted

Summary: This report summarises the importance of the implementation of the Tax Strategy and the Corporate Criminal Offence (CCO) policy and asks the Committee to approve both documents.

FOR APPROVAL

1. Background

- 1.1 HMRC require a tax strategy to be published at least annually as set out in Section 16 of the Finance Act 2016. The tax strategy must set out the following:
- a) Approach to risk management and governance arrangements in relation to UK taxation;
 - b) Attitude towards tax planning;
 - c) The level of risk in relation to UK taxation KCC is prepared to accept; and
 - d) Approach towards dealing with HMRC.

- 1.2 The Criminal Finance Act 2017, came into force in September 2017 and part 3 of the Act creates two separate corporate criminal offences (CCO):
- a) Failure to prevent facilitation of UK taxation, and
 - b) Failure to prevent facilitation of overseas tax evasion.

Further to this, organisations who fail to prevent their own staff or those acting on their behalf from facilitating tax evasion, face becoming criminally liable themselves.

Attached to the report is the draft KCC tax strategy and CCO for comment and approval. Sections 2 and 3 below set out the key areas.

- 1.3 Training courses in respect of CCO have been attended and research conducted on how other Councils have implemented the Tax Strategy and CCO.

2. Tax Strategy Summary

The Council's tax strategy has been drafted in line with HMRC requirements and Finance Act 2016.

2.1 Tax Governance

Tax governance ensures that KCC is compliant with its tax affairs by confirming that all taxes are paid and reclaimed accurately on a timely basis. Examples can be found in Appendix 1.

2.2 Approach to risk management

KCC has a risk aware culture, and a Risk Assessment Register (RAR) is used to manage and monitor risk. This is good practice and is monitored regularly.

The formal tax strategy provides the framework to assess VAT and all other tax related risks.

All stakeholders should be aware of the Council's Code of Conduct; and policy and procedures in relation to our approach to risk.

2.3 Tax planning

A Tax Strategy will ensure that KCC minimises its tax liabilities and takes advantage of taxation allowances. Tax planning will be used to support business strategy. A proactive risk management approach is encouraged by the Council whereby individual decisions are based on properly assessed risks.

2.4 Approach towards HMRC engagement

KCC has a zero-tolerance policy towards the evasion of tax. The Council engages with HMRC openly, honestly, and constructively in respect of tax matters.

3. Corporate Criminal Offence Policy Summary

The Council has adopted a zero-tolerance approach to all forms of facilitation of tax evasion and it will always aim to conduct its financial affairs in a law-abiding manner.

Six reasonable prevention procedures have been put in place as set out below to ensure compliance with the CCO and is in line with HMRC guidelines.

3.1 Areas of risk and risk assessment

Focus is driven by using a “managing risk toolkit” and relevant risks under the CCO are captured. Reviews take place half yearly.

3.2 Risk- based prevention procedures

Risk management and policy strategy are in place to address specific risks. The Tax Strategy will be reviewed annually in the same way that the Anti-Fraud and Corruption Strategy is renewed annually.

3.3 Top level commitment

Compliance with the CCO should be led by example and communication to staff should follow a top-level commitment, preferably supported by CMT and relevant Members.

3.4 Due diligence

This outlines the reasonable steps that KCC should take to ensure that it mitigates the risk of tax evasion. For example, the Council undertakes due diligence at initial stages of projects for tax compliance. Further examples of cautions being exercised can be found in Appendix 1.

3.5 Communication and training

Training will be provided to staff and communicated via KNet. Training is to be prioritised in accordance with the level of risk a role is exposed to.

3.6 Monitoring and Review

Regular reviews to ensure the compliance with the main principles of tax treatment are to be conducted.

4. Practical next steps

Relevant policies and procedures which overlap the CCO can be found in Appendix 2. Failure to comply with the CCO may result in criminal prosecution, unlimited fines, a public record of conviction, and potential implications for the ability to trade.

A risk register has been designed to understand the Council's exposure to corporate criminal offences. Each owner is responsible for completing their risk register and reviewing their own risks. The data is captured in JCAD system maintained by the Corporate Risk Team.

5. Governance Review

To be reviewed by the Chief Accountant's Team annually.

6. Recommendation

The committee is asked to approve the implementation of Tax Strategy and Corporate Criminal Offence policy.

Melisa Stewart
Senior Accountant
Ext: 415584



Tax Strategy

Document Owner:	Chief Accountant Team Email: CATenquiriesKCC@kent.gov.uk Tel: 03000 421 447
Version	Version 1

Kent County Council's Tax Strategy

It is important that the Tax Strategy has top-level commitment and buy-in. As part of good practice, the strategy will be shared with HMRC. Once implemented it will form part of an annual strategy setting process. This will be updated accordingly to recognise any changes for the Council in relation to tax.

Specific HMRC requirements

The Finance Act 2016, enacted in September 2016 requires a published tax strategy to cover the following specific requirements:

- Governance arrangements in relation of tax.
- Approach to risk management.
- Attitude of the Council towards tax planning.
- The level of risk in relation to UK Taxation that the Council is prepared to accept.
- Approach of the Council towards their engagements with HMRC.
-

1.0 Governance arrangements in relation of tax

Kent County Council is compliant with applicable tax legislation by ensuring that all taxes are paid and reclaimed accurately and on a timely basis. Please see tax guidance and procedures ¹ for greater transparency.

Specific support is also provided by specialised consultants engaged by the Council. However, our first internal point of contact will always be the Chief Accountants' Team.

Everything the Council does, should be guided by our values². Further to this, everyone has an active duty to act in the public's best interest and to ensure that the Council uses its resources adequately and appropriately.

The Council has a zero-tolerance approach to the facilitation of tax evasion in any forms by its employees, Members, and stakeholders of any kind. The Council considers that reasonable prevention procedures are in place as part of the Corporate Criminal Offence Act 2017, and this has been clearly communicated to appropriate stakeholders.

Managers are adequately advised on how to authorise expense claims for their staff. Evidence should be provided with the appropriate VAT information.

Other tax considerations that managers need to make include IR35 process, purchasing goods, selling goods and services, vouchers, non-cash awards, P11Ds.

Managers are adequately advised to ensure that the right tax methods are applied and the right decisions in accordance with policies and tax legislations are implemented.

¹ VAT and tax policies [KNet | VAT and Tax \(sharepoint.com\)](#)

² Our aims and values [KNet | Our values and culture \(sharepoint.com\)](#)

2.0 Approach to tax risk management

Risk management is vital for our good management practice, and corporate governance arrangements. However, KCC must ensure that when managers are assessing the risk of a project, they are aware of tax legislations.

The Council has a risk aware culture, and a zero tolerance to tax evasion. This means that decisions should be based on properly assessed risks, and this will ensure that the right actions are taken at the right time. The Council also has a Risk Assessment Register (RAR) which shows good practice.³

Our current robust internal controls support tax compliance. In events where there is a risk of non-compliance of tax requirements, the Council will feed this into management to review their processes to ensure the risk is sufficiently mitigated, it also feeds into the annual audit planning process.

In the event the risk is significant; internal audit will consider progressing an internal audit to provide assurance on the control framework that is in place. The audit will provide an opinion on the levels of controls in place to mitigate the risk. The audit findings will be reported to the Governance and Audit Committee setting out the recommendations and agreed management responses.

KCC expects all stakeholders to be aware of and comply with the Council's code of conduct policies and procedures.⁴ This is because KCC is funded with public money, therefore we are transparent and comply to tax legislation. Examples include in updating tax legislation, attending HMRC webinars, and communication with KCC staff in relation to tax changes.

It is important that the Council provides the appropriate level of tax support with the most current guidance to all staff that require it, and will aim to be involved in any transactional stages needed from initial planning to post-implementation of a project.

The level of risk the Council is prepared to accept for taxation evasion is zero and this is evident because of our robust internal control procedures and training in place. **This is because KCC will not do anything to jeopardize and or discredit the Council's reputation (we are a public body).**

3.0 Attitude to tax planning

We recognise the importance of tax planning, and we have a formal approach. This is because by having a tax plan, the Council can minimize tax liabilities, can take advantages of any allowances such as exemptions, reduces legal hassles and helps to manoeuvre taxable income in various investment plans.

Tax planning is used to support the Council's decision-making process. The Council is committed to ensure compliance in all areas of UK and overseas taxation. This means acting diligently and not doing anything that will discredit our reputation.

³ Risk assessment register

<https://kentcountycouncil.sharepoint.com/sites/KNet/get/Documents/LRA%20Risk%20Assessment%20Register%20and%20Guidance.pdf#search=risk%20register>

⁴ Code of conduct policy <https://kentcountycouncil.sharepoint.com/sites/KNet/Pages/conduct-and-disciplinaries.aspx>

A proactive risk management approach is encouraged as this will often lead to decisions made based on properly assessed risks, and this will ensure the right actions taken at the right time. However, it is not possible to draft regulations to cover every eventuality. The Council will use tax planning to support the business strategy, and as such decisions will have a sound local authority and/ or commercial rationale.

Occasionally, advice may be sought from our specialist consultants, but this will only be the case where the tax law is unclear, open to interpretation or the work requires a detailed level of knowledge.

4.0 Level of risk in relation to UK taxation that the Council is prepared to accept

Our tolerance of tax evasion is zero. A detailed framework for the process of managing and mitigating risk has been developed through a cycle of four stages as part of our Anti- Fraud and Corruption Strategy⁵.

Our approach towards tax risk is prudent and various factors such as impact on the Council's reputation, and impact on the relationships with external stakeholders are always considered.

5.0 Council's approach towards their engagements with HMRC

The Council engages with HMRC openly, honestly, and constructively with a proactive attitude in respect of tax matters which require further guidance or assistance.

The Council co-operates with HMRC appropriately and will enter conversations to assist with the shaping of the tax strategy.

At all times, the Council expects everyone to act within our cultural attributes and our new values 2020.⁶

6.0 Other relevant links

- Corporate Criminal Offence Act.
- Whistle Blowing Procedure.
- Anti-Fraud and Corruption Policy.
- Anti- Money Laundering Policy.
- Bribery Act Policy.

⁵Anti- Fraud and corruption strategy

<https://kentcountycouncil.sharepoint.com/sites/KNet/kentdocuments/Anti-Fraud%20and%20Corruption%20Strategy.pdf>

⁶ Cultural attributes and new values 2020 <https://kentcountycouncil.sharepoint.com/sites/KNet/Pages/our-aims-and-values.aspx>

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Corporate Criminal Offence 2017
Failure to prevent the facilitation of UK tax
evasion and evasion of foreign tax under
Criminal Finances.

Document Owner:	Chief Accountant Team Email: CATenquiriesKCC@kent.gov.uk Tel: 03000 421 447
Version	Version 1

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1.0 Introduction

As part of the Criminal Finance Act 2017, the Council has adopted a policy to aid compliance with the Corporate Criminal Offence (CCO). The Council expects all employees and members to conduct themselves in an honest and ethical manner.

We require all our stakeholders who have, or seek to have a relationship with the Council, to familiarise themselves with our policy and act in accordance with our Codes of Conducts, while always incorporating our values and culture.

2.0 Legislation

The legislation states that the Council would be found guilty if a “*relevant body*” acting in the capacity of the Council commits the **facilitation of tax evasion** in the UK or overseas.

A ‘*relevant body*’ is defined as any corporation or partnership whether formed in the UK or elsewhere, who acts in the capacity of a person associated with the Council. Examples include: -

- 1) An employee of the Council.
- 2) An agent of the Council, or
- 3) Any other persons (individual or corporate) that performs services for or on behalf of KCC and acts in the capacity of a person performing such services.

The Council aims to conduct its financial affairs in a law-abiding manner and has a **zero-tolerance** approach to all forms of facilitation of tax evasion, whether in the UK and/or overseas.

Failure to do so will result in unlimited fines, a public record of the conviction, reputational damage, and likelihood of regulatory sanction.

Note: The Council is only responsible for the actions of persons in respect of services/goods they provide for, or on behalf of, the Council. The Council is not responsible for the way contractors manage their own business. We would expect LATCos to sort out their own policy, but we have liaised with the FD (Marcus Yarham) for confirmation and to see what they are doing about it.

3.0 Difference between tax evasion and tax avoidance

Tax evasion is the use of **illegal** methods to conceal income or information from the tax authorities. This is deliberate and dishonest conduct. Tax evasion can result in fines, penalties, and/or prison time.

For a Council, tax evasion means cheating the public revenue, omission with dishonest intent and/or taking deliberate steps with a view to the fraudulent evasion of a tax, resulting in depriving HMRC of the money which is entitled to. Tax evasion will be reported to the internal audit and Counter Fraud team. Any findings that could compromise our integrity will be reported to HMRC.

Tax avoidance is the use of **legal** methods of reducing the taxable income or tax owed. Therefore, tax avoidance is a form of structuring your affairs so that you pay the least amount of tax. This involves finding the loopholes in the tax legislation.

4.0 Reasonable prevention procedures (RPP)

The Government recognises that the any regime that is risk-based and proportionate cannot be seen/assumed to be a zero-failure regime.

Six reasonable prevention procedures have been incorporated in this document to enhance your understanding. These are outlined below. (This is directed to KCC staff and management)

4.1 Areas of risks and Risk Assessment

It is unlikely that any employee will benefit individually from tax evasion. However, the current economic climate change where employees are working from home, where there are staff reductions, and where management are focused on critical areas of the business does provide opportunities for committing tax evasion.

The Council has a managing risk toolkit¹ and, this is the process where areas of risks relevant to the CCO Act are captured. This will form part of the risk assessment and the prevention procedures as per HMRC guidelines.

This CCO risk assessment will be reviewed periodically. The identified risks are **here** for you to view.

*Note: By clicking the word "**here**" you will be directed to the Excel document. Please refer to Excel document.*

4.2 Risk-based prevention procedures

The Council has a risk management and policy strategy to address specific risks. (Please see section 5) There are further finance guidance on Knet. Examples include VAT guidance, AR01 forms flowcharts, Ir35 guidance documents. All relevant policies are outlined in Section 5. The Chief Accountant's Team is also available for help in tax matters.

The Council has a Tax Strategy in place and a robust Anti-Fraud and Corruption Strategy² which is annually reviewed by Internal Audit service.

¹ Managing Risk Toolkit

<https://kentcountycouncil.sharepoint.com/sites/KNet/documentsmain/Risk%20Register%20Sheet.xlsx>

² Anti- Fraud and Corruption Strategy

<https://kentcountycouncil.sharepoint.com/sites/KNet/kentdocuments/Anti-Fraud%20and%20Corruption%20Strategy.pdf>

4.3 Top level commitment

The involvement of the Members and senior management in the design, implementation and communication of the CCO emphasises leading by example for all staff and stakeholders. This policy is supported by the Corporate Management Team (CMT) and endorsed by the Audit Committee (G&A).

The Council has a *zero-tolerance* policy towards the criminal facilitation of tax evasion. It is important that everyone acts diligently and do not do anything that will discredit the Council's reputation, and public confidence.

4.4 Due diligence

Due diligence should be exercised in all aspects of the Council's operations. Reasonable steps are being undertaken to ensure that due diligence is carried out in the initial stages of the Council's commissioning cycle ensuring the Council mitigates the risk of tax evasion.

Due diligence is conducted on both internal and external matters as this forms part of our good corporate governance.

For example, reasonable care and caution are exercised when processing all transactions; particularly high value/ high risk area payments. Regular monitoring takes place and particular caution is exercised when making payment to new suppliers.

A risk register is used as part of the CCO Act process. This is reviewed by the Chief Accountant's Team at the Council on a quarterly basis.

4.5 Communication and training

All staff should be aware of this policy and will be given training on how the offences occur and how to spot the risks. Training on this will be provided as part of the recommended training and further information can be found at Knet.

The aim of the training is to provide everyone with an understanding of this offence and the associated risks, without needing to understand the underlying tax law. Training will be prioritised in accordance with the level of risk that a role exposed to.

Further references to the CCO Act will be embedded in other policies with the aim of making this more comprehensive through the Council's functioning policies.

4.6 Monitoring and review

The Council understands that monitoring and reviewing are an important process; therefore, regular health checks that cover the main principles of tax rules are conducted and this ensures that the organisation is meeting its tax obligations.

5.0 Practical next steps

A collection of relevant existing policies and procedures has been identified where the CCO Act overlaps them. These will be reviewed to identify and fill in the gaps where tax is also affected by the failure to act upon the relevant policies below.

The other relevant policies are as follows:-

- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy and Procedure
- Tax Strategy
- The Kent Code
- Risk assessment register
- Anti-Fraud and Corruption strategy
- Financial Regulations
- Code of Member Conduct

- [IR35 Guidance Policy](#)
- Expenses policy
- Records management policy
- Data protection policy
- Information sharing policy
- Debt management policy
- Data breach policy

6.0 Raising a concern

The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and there is clear guidance to ensure everyone know how they can raise concerns regarding the intention of tax evasion.

For example, where there is a capital project, there are questions on tax implications to ensure that VAT and any other tax matters are considered.

Knet advises what to do in relation to tax matters and this is reviewed on a rolling basis.

There is also training available and, but I think the message in this instance needs to come from the top.

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RB30-2022 Kent and Medway Business Fund

Audit Opinion	Adequate
Prospects for Improvement	Good

Key Strengths:

- The loan scheme and guidance for prospective applicants has been publicised to the public via the Council’s website, including ways on how businesses can apply.
- The eligibility criteria are predefined and published to help ensure that the application and appraisal process is fair and transparent.
- There is a Business Investment Team to track progress of applications, and Internal Audit found no obvious issues with timeliness of processing applications if/when the applicant has submitted all the necessary information.
- Full loan applications are subject of independent external financial appraisal.
- Creditworthiness of businesses applying for the loan is checked and evidence of match funding as well as management accounts and banks statements are obtained (where applicable).
- Members of the Kent & Medway Investment Advisory Board (KMIAB), who recommends approval to fund (or otherwise), are given the opportunity to declare potential conflicts of interest (if any) at meetings where funding decisions are made.
- Invoices raised on Oracle were found to be in line with the respective loan repayment agreement.
- There are adequate and effective controls in place to detect missed and/or overdue repayment.

Summary of Management Responses

Risk Rating	No. of Issues Raised	Action Plan Developed	Risk Accepted and No Action Proposed
High	1	1	-
Medium	3	3	-
Low	2	2	-

Areas for Development:

- Approximately £2.8m in RGF loans have been written off as bad debt over there last 3 financial years and another £2.3m have been identified as irrecoverable and are to be written off. Internal Audit found that high value debts (over £24k) are being written off without adequate scrutiny, challenge and authorisation by the delegated authority (the Corporate Director of Finance) as required under the Council’s Financial Regulations **(HIGH)**.
- Increase utilisation of available funds whilst operating within the Council risk appetite for bad debt **(MEDIUM)**.
- Not all the predefined lending criteria (particularly the environmental impact criteria) are being assessed during the appraisal process **(MEDIUM)**.
- Not all borrowers that took a repayment holiday due to the impact of the covid 19 pandemic have signed a repayment contract variation **(MEDIUM)**.
- The ineligible sector list for KMBF will need to be reviewed when the Subsidy Control Act 2022 and the respective guidelines are fully adopted domestically in the UK **(LOW)**.
- Decision letter(s) in respect of unsuccessful application(s) do not set out the applicant’s right to appeal the Council's decision. **(LOW)**.
- Internal Audit had planned to review the External Auditors report on KMBF to establish if there are any findings that is relevant to the scope of this review. However, the External Auditor’s report was not yet available as at the time of concluding our fieldwork.

Prospects for Improvement

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

- The loan scheme and guidance is, in the main, being adhered to.
- The process for setting up repayments and identifying missed repayments is working effectively.
- Management has confirmed that it will adopt the write-off procedure for bad debt as specified in the Council’s Financial Regulations with immediate effect.
- There is good awareness of the risk of bad debt, but Management may find it challenging to manage the risk of bad debt without being risk averse in the current economic climate.

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

Agenda Item 10

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