

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 1st February, 2024

10.00 am

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 1st February, 2024, at 10.00 am
Council Chamber, Sessions House, County
Hall, Maidstone

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

Membership (12)

Conservative (8)	Mrs R Binks (Chairman), Mrs S Hudson (Vice-Chairman), Mr D L Brazier, Mr N J D Chard, Mr P C Cooper, Mr M Dendor, Mr D Ross and Mr S Webb
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr C Passmore
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. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 23 November 2023 (Pages 1 - 6)
5. Membership
To note that Mr Mike Dendor has replaced Mr David Robey on the Committee.
6. Terms of Reference: Membership Update (Pages 7 - 12)
7. Annual Governance Statement (Pages 13 - 34)

8. External Audit Annual Report (Pages 35 - 86)
9. External Audit Findings Report
To follow.
10. Internal Audit Progress Report (Pages 87 - 122)
11. Counter Fraud Update (Pages 123 - 134)
12. East Kent Opportunities LLP
To follow
13. Updated Financial Regulations and Scheme of Delegation (Pages 135 - 164)
14. Schools Audit Annual Report 2022-2023 (Pages 165 - 172)
15. Management Follow Up of SEND Transport Lessons Learned Review
To Follow.
16. Other items which the Chairman decides are urgent

EXEMPT ITEMS

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)

17. Internal Audit Progress Report (Pages 173 - 180)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 24 January 2024

Please note that any background documents referred to in the accompanying papers may be inspected by arrangement with the officer responsible for preparing the relevant report.

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 23 November 2023.

PRESENT: Mrs R Binks (Chairman), Mrs S Hudson (Vice-Chairman), Mr A Brady, Mr D L Brazier, Mr N J D Chard, Mr P C Cooper, Mr M A J Hood, Mr C Passmore, Mr D Robey and Mr S Webb

ALSO PRESENT: Mr P Oakford and Mr H Rayner

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Mr Parris Williams, Miss K Reynolds (Democratic Services Officer), Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund Treasury and Investments Manager), Ms C Maynard (Head of Commissioning Portfolio - Outcome 2 and 3), Ms F Smith (Audit Manager), Mr S Jones (Corporate Director of Growth, Environment and Transport), Ms C McInnes (Director of Education), Ashworth (Senior Auditor), Hannah (Senior Auditor), Debbie (Deputy Audit Manager) and Jordan (Principal Auditor)

UNRESTRICTED ITEMS**162. Apologies and Substitutes**

(Item 2)

Apologies for absence had been received from Dr Horne and Mr Ross. There were no substitutes present.

163. Declarations of Interest in items on the agenda for this meeting

(Item 3)

There were no declarations of interest.

164. Minutes of the meeting held on 25 October 2023

(Item 4)

1. RESOLVED that the minutes of the meeting held on 25 October 2023 be approved as a correct record subject to the following:
 - a) Reference be made to the concerns raised in response to a Committee Member's challenge of the External Auditor's findings (Item 10 – External Audit Governance Review).
 - b) The comments by the External Auditors on the sustainability report be captured under minute 159 (Item 11 – External Audit Progress Report and Sector Update).
 - c) Mr Chard's attendance be recorded.

165. Treasury Management Mid-Year Update (Item 5)

1. The Pension Fund and Treasury Investments Manager introduced the report which provided an overview of Treasury Management activity and developments in 2023-24 to the end of September 2023. It was said that the strategy had performed well overall and was considered to be fit for purpose for the remainder of the year. The report also detailed some of the economic developments over the past six months, including the rise in short term interest rates. The Council's borrowing requirement was expected to remain constant and be met using a combination of internal and external borrowing.
2. In response to questions and comments from Members it was said that:
 - a) The £100m 'target' associated with the liquidity risk indicator was a misnomer and should instead be understood as a 'limit'.
 - b) Regarding investments with relatively low interest rates, Members were told that some investments were retained for operational purposes to ensure that a degree of liquidity was easily accessible for risk management, including the risks associated with LOBO (Lender's Option Borrower's Option) loans.
3. RESOLVED to endorse this report and recommend that it is submitted to County Council.

166. Review of Annual Accounts (Item 6)

1. The Chief Accountant introduced the Statement of Accounts for 2022-23 which aimed to provide clear information on the financial performance for the year 2022-23 and the overall financial position of the Council. It was confirmed that the reporting requirements remained unchanged from the previous year. It was highlighted that the Council's Net worth has increased from a surplus of £1,259m to a surplus of £2,975m. This was mainly due to the property, plant & equipment increases and pension liability decrease. The change in pension liability decrease has had happened across the local authority sector.
2. In response to questions and comments from Members it was said that:
 - a) Regarding 'Note 19 – PFI and Similar Contracts', the PFI loan notes were originally taken out in 2014. Further information would be provided to Members outside of the meeting.
 - b) Clarification would be provided to Members regarding the Council's contributions to the Teachers' Pension Scheme and whether this included academies.
 - c) In relation to the Council's wholly-owned subsidiaries, it was confirmed that the decision to dissolve wholly-owned subsidiaries would be reported to the Governance and Audit Committee as part of the annual report. The reporting would be reviewed as part of the new governance arrangements for the shareholder board for the new financial year.
 - d) An inventory of the Council's artwork had been developed and the pieces were being valued. There were collections that had been gifted to the Council that were prohibited for resale but could be loaned to galleries for display.

- e) The Corporate Director Finance confirmed that the administration's draft budget proposal assumed that the level of general reserves would be replenished to 5% of the net revenue budget within two years. The administration had agreed to the introduction of more stringent controls should this trajectory not be met.
 - f) The Head of Finance Operations confirmed that the minimum target for the 'Insurance Reserve', listed as part of the earmarked reserves, was usually within the region of £10m.
3. RESOLVED to approve the Statement of Accounts for 2022-23; approve the Letters of Representation; and note the recommendations in the Audit Findings Report and the management responses to the recommendations.

167. External Audit Findings for KCC

(Item 7)

1. Mr Parris Williams introduced the report which included a summary of key findings and other matters arising from the statutory audit of KCC and preparation of the group and Council's financial statements for the year ended 31 March 2023. Although there were delays to the audit process, it was said that the corporate finance team had engaged well with the process and the financial statements were of high quality. Mr Williams highlighted four areas of the report including the school's cash reconciliation issue; controls around journals; a prior period adjustment on fully depreciated assets; and KCC management's optimistic assumption on the provision for doubtful debt in adult social care.
2. In response to questions and comments from Members it was said that:
 - a) The remaining economic life assumption for each asset was provided by the external valuer. This was a key assumption for a depreciation calculation. While this was not consistent with the LG Code (4.1.2.41), it did not lead to a material misstatement in the accounts. There was ongoing work with Property colleagues to determine whether the external valuer's assumption of 46 years as the life of a 'Depreciated Replacement Cost' asset as new was appropriate.
 - b) It had been recommended in the prior year that management reassess the journal control environment. This had not been completed by the target date on July 2023. Members were told that the whole journal authorisation process was being reviewed further to the issues raised by Grant Thornton.
 - c) An item to report on the methodology behind the optimistic assumption of adult social care debt would be added to the Committee's work programme for consideration at a later date.
3. RESOLVED to note the report for assurance.

168. Draft Annual Governance Statement 2022/23

(Item 8)

1. The General Counsel introduced the Draft Annual Governance Statement (AGS) for 2022/23 which was accompanied by a presentation appended to these minutes. Members were encouraged to provide comments and feedback on the draft before the Statement came back in final form for approval from the Committee in January 2024. The General Counsel thanked the 'AGS Team' who had worked towards completing the actions contained in the AGS for 2021/21

and provided a progress update on these actions. Members were told that there would be an informal discussion as to how to track the progress towards the consolidated actions contained in the AGS for 2022/23 for the Committee's assurance.

2. It was said that the intention was to return to previous reporting patterns for the AGS, and it was expected that the AGS for 2023/24 would be ready for consideration by the Committee in July 2024.
3. In response to questions and comments from Members it was said that:
 - a) Given that the AGS is considered by a variety of audience, the format and presentation of the document would be reviewed ahead of the final version being published. The Head of Internal Audit reminded Members that the review of effectiveness should be considered as the most important part of AGS.
 - b) Mr Paul Dossett confirmed that their review of the AGS primarily checked for compliance with CIPFA Solace framework, content and the direction of travel. He assured Members that KCC's AGS was transparent and honest. However, External Audit would monitor the content closely as the context had changed.
4. RESOLVED to note and comment on the draft Annual Governance Statement 2022/23.

169. Revisions to Internal Audit Plan

(Item 9)

1. The Head of Internal Audit introduced the report which detailed the proposed additions and revisions to the current 2023/24 Rolling Internal Audit Plan to reflect current financial risks facing the Council. It was said that the revisions were intended to assist the Council at this crucial time and the Plan would continue to be reviewed in light of changing risks.
2. In response to questions and comments from Members it was said that:
 - a) The External Auditor's Annual Report would include a value for money risk assessment of the Council's safety valve agreement with Central Government. Members were told that further information regarding the monitoring of these arrangements could be provided to the Committee by the Director Finance and colleagues for assurance. If Members required further assurance, an audit would be considered.
 - b) The Head of Internal Audit would provide Governance and Audit Committee Members with the agreed engagement plans for the audits identified in section 1.3 of the report.
 - c) The Contract Management audit would be deferred and re-assessed as part of preparing the 2024/25 Rolling Audit Plan. However, in light of the concerns raised by Members, the Head of Commercial and Procurement would regularly attend Governance and Audit Committee meetings.
3. RESOLVED to agree the revisions to the Rolling Internal Audit Plan.

170. Internal Audit Follow Up of SEND Transport Lessons Learned Review

(Item 10)

1. The Head of Internal Audit introduced the report which was the outcome of the recent SEND Home to School Transport (HTST) Lessons Learned Follow Up review. The importance of undertaking a Follow Up to such a major Review was emphasised by the Head of Internal Audit, who commented that it had not lost its importance because it was undertaken over a year ago. Members were reminded that the original review was commissioned by the Corporate Statutory Officers. General progress was referred to and it was highlighted that while progress had been made towards the drafting of a Memorandum of Understanding or Service Level Agreement in relation to delivery of the SEND HTST service, this had still not been finalised or put into effect. Completing this was considered to be an important area to improve governance and have clarity of responsibilities.
2. The Head of Internal Audit said that his team had received criticism for how the Review had been conducted in 2022 insofar that Management had not been provided with the opportunity to respond to the findings, this being the approach set out with the Corporate Statutory Officers. The Follow Up Review report had had been sent to 7 senior managers within the two relevant Directorates with a request for one consolidated response. There was further work required from the Directorates to provide this response.
3. In response to questions and comments from Members it was said that:
 - a) The Head of Internal Audit confirmed that the Follow Up of the review was not actively encouraged by all senior officers within the Council. It was decided by the Head of Internal Audit that a “halfway house” approach would be taken for the Follow Up. Therefore, the follow up review focused on 3 of the 11 areas from the original Review.
 - b) The Corporate Director Growth, Environment and Transport assured Members that the responses to the Follow Up Review report had been sent to Internal Audit by 17 November 2023. It was said that the delayed response was due to staffing issues and the scale of activity taking place in the operational service. The Director of Education and SEN said that the allocated timeframe for response fell in the school holidays when many CYPE staff were on leave. The team were required to report to the Department for Education every month and this additional work had put further strain on forward planning in CYPE.
 - c) The Director of Education and SEN said that there were concerns raised by officers about the original report which had not yet been addressed. It was also highlighted that there were 19 actions from the management action table contained in the ‘SEND Transport Review Report - Management Response Update’ that had not been reported to the Committee.
 - d) The Director of Education and SEN assured Members that the objections and concerns raised by herself and the Corporate Director Children, Young People and Education did not undermine the commitment to transparency and accountability or the teams’ work to address the issues identified in the Review. The Director of Education and SEN could circulate the objections to the Governance and Audit Committee for assurance purposes. The Director of Education and SEN requested that Members consider receiving an update on all 44 actions.
 - e) It was agreed that an updated report including the management response would be shared with the Committee. The Committee would then consider whether there should be subsequent Follow Up reviews to the SEND Transport lessons Learnt Review of September 2022 and, if so, the timescales for review. It was suggested that the Committee could also receive

the reporting information that is already being provided to the Department for Education for assurance purposes.

4. RESOLVED to note the outcomes from the SEND Home to School Transport Lessons Learned Follow Up review, subject to management responses being brought back for consideration to the January Governance and Audit Committee meeting.

171. Other items which the Chairman decides are urgent
(Item 11)

There were no matters arising.

Draft
From: Ben Watts, General Counsel
To: Governance and Audit Committee, TBC 2024
Subject: Terms of Reference: Membership Update
Future Pathway: Selection and Member Services Committee (date: TBC);
County Council (date: TBC).
Status: Unrestricted

1. Overview

- a. Building on the recommendations of a review of this Committee conducted by CIPFA in 2022, the terms of reference for this Committee were substantively amended and then agreed by County Council on 25 May 2023.
- b. It is established best practice to review the Governance and Audit Committee's terms of reference on at least an annual basis given the importance of its role in the governance framework of the Council.

2. Proposed Changes

- a. In late 2023, the terms of reference were reviewed. The outcome was that there needed to be additional formal requirements around the membership of the Committee.
- b. It has been established practice that Executive Members do not serve of the Governance and Audit Committee. It is being proposed that the terms of reference be amended to formalise this practice. As part of its role in monitoring the internal control frameworks of the Council, including audit, this Committee may undertake deep dives into past decisions. It is therefore being recommended that former Executive Members may not serve until two years have elapsed.
- c. It is important to ensure that the work of this Committee is kept distinct from that of other parts of the Council and has a clear focus on its own agenda. It is therefore being recommended that the restriction on serving on this Committee be extended to include Deputy Cabinet Members and the Chairs of other formal Committees.
- d. There is currently a requirement for ordinary and substitute members of the Committee to have had training in the relevant procedures. This Committee agreed a framework for the training element on 6 July 2023¹. This requirement remains.
- e. The proposed changes are set out as track changes to the current terms of reference in the Appendix.

3. Recommendation

Draft

The Governance and Audit Committee is asked to agree that the proposed changes to the Committee's terms of reference be presented to the Selection and Member Services Committee for discussion prior to presentation to County Council.

4. Appendix

Proposed Changes to the Terms of Reference of the Governance and Audit Committee.

5. Background Documents

None.

6. Report Author and Relevant Director

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Appendix – Proposed Changes to the Terms of Reference of the Governance and Audit Committee

Governance and Audit Committee

- 1.1 Membership: 11 Members; plus, 1 independent member.¹
- 1.2 Members may not serve as ordinary or substitute members of the Governance and Audit Committee, or any sub-committees, where any of the following apply:
- a. They have not had the training required for this Committee.
 - b. They are an Executive Member or a Deputy Cabinet Member.
 - c. They are the Chair of any formal Committee set out in section 17 of the Constitution, or any of their sub-committees.
 - d. They have served as an Executive Member at any time within the two years preceding the date of the meeting.

~~Political Groups can only nominate Members as regular Members or as substitutes on the Governance and Audit Committee (and on Panels of the Committee) if they have had training in the relevant procedures.~~

- 1.3 The Committee may appoint or remove up to two non-voting Co-Opted Members (independent of the elected membership) who may participate in the business of the Committee in accordance with the rules set out in the Constitution.
- 1.4 The purpose of this Committee is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements. Towards this purpose, its role is to:
- (a) ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;
 - (b) have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and
 - (c) through a and b above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective; and

¹ The process for recruiting a second independent member is currently underway, and the terms of reference will be updated when this has happened.

- (d) through an annual report, ensure that the County Council is sighted on the activity of the Committee alongside the importance of financial probity, good governance and learning lessons from audit activity.

1.5 The Governance and Audit Committee is responsible for the following:

- (a) monitoring the development and operation of governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions in the Council,
- (b) oversight of the Council's corporate governance framework to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,
- (c) oversight of the Council's framework of assurance, to ensure that it adequately addresses the risks and priorities of the Council,
- (d) oversight of the Council's Internal Audit function, including review of the internal audit charter, and reviewing assurances that it is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of work to be carried out is risk-based, and appropriate,
- (e) reviewing the annual audit plan and considering reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of any external providers of internal audit services,
- (f) oversight of the appointment and remuneration of external auditors to ensure they are approved in accordance with relevant legislation and guidance, and the function is independent and objective,
- (g) monitoring the effectiveness of the external audit process, to help ensure that it is of appropriate scope and depth, and gives value for money taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit,
- (h) considering the external auditor's annual letter/report, and any other specific reports by, and with the agreement of, the external auditors,
- (i) monitoring the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met,
- (j) receiving reports on the effectiveness of financial management arrangements, including compliance with the Financial Management Code,
- (k) monitoring the Council's arrangements to secure value for money and reviewing assurances and assessments on the effectiveness of these arrangements,

- (l) considering reports on the effectiveness of internal controls and monitor the implementation of agreed actions,
- (m) monitoring any public statements in relation to the Council's financial performance to help ensure they are accurate, and the financial judgements contained within those statements are sound,
- (n) reviewing assurances that accounting policies are appropriately applied across the Council,
- (o) monitoring the robustness of the Council's counter-fraud arrangements, including the assessment of fraud risks, backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit,
- (p) reviewing assurances that the Council monitors the implementation of the whistle-blowing policy and Bribery Act policy to ensure that they are adhered to at all times,
- (q) reviewing assurances that the Council has appropriate governance arrangements in place to manage the relationship between the Council and significant partnerships or collaborations, as well as any company in which the Council has majority control,
- (r) reviewing assurances that the Council has appropriate arrangements in place to ensure that the commercial opportunities and risks presented through company ownership are managed effectively,
- (s) oversight of the Executive's shareholder strategy regarding companies in which the Council has an interest,
- (t) review and approval of the Statement of Accounts, with related reports, and Annual Governance Statement, and ensure that they properly reflect the risk environment and supporting assurances of the Council, and
- (u) reporting to full Council for assurance on the Accounts and Annual Governance Statement approval and where appropriate on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

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From: Ben Watts, General Counsel
To: Governance and Audit Committee, 1 February 2024
Subject: Annual Governance Statement 2021/22
Status: Unrestricted

1. Introduction

- a) This paper follows a discussion at the Governance and Audit Committee in November 2023.
- b) Since 2018, we have been materially changing the way that we do the Annual Governance Statement. The statutory officers, with advice from the Head of Internal Audit have been improving the way in which we collect responses and build up the Annual Governance Statement. The contribution of Members around the design and style of the report are being built in to the new document that will be presented in draft for the 2023/24 Financial Year AGS in July 2024.
- c) It is important that the Annual Governance Statement and the process to generate it are done in the spirit of continuous improvement. It is vital that an honest and open assessment of where things can be done better can be shared to support that improvement and we do so in draft to ensure that Members of the Committee are sighted on developments. We use the Annual Governance Statement as a key whole organisation discussion on governance and it applies to all Members and all Officers. The spirit in which this open process is undertaken is central to the robust statements we have provided in recent years and will continue to provide.
- d) We are now in a position to present to you the final draft of the Annual Governance statement for 2021/22. This is set out as the Appendix.

2. Annual Governance System

- a) Behind the development of how we do the Annual Governance Statement has been the belief that it is more than a once and done tick box exercise where the Council briefly considers its governance and then pays it no heed for another year. It is instead part of a live governance system, annual in so much as there is a core of undertakings which must be performed every year, however much they are impacted by the unforeseen, such as the Covid-19 pandemic.
- b) At the next meeting of this Committee, Members will be presented with a report on the activities and progress tracker which are being built as a real-time standing item in the Governance and Audit Committee Teams site. This will also include all of the rolled up activities and progress against the external audit

recommendations and any other actions identified by the Committee during the year.

- c) At the Governance and Audit Committee meeting there will be a (short) presentation on some of the changes around monitoring and the things that will be being introduced as we move into the new financial year, alongside other improvements which are coming into delivery. These will also be captured in a formal report, as requested by Members in the March meeting which will pull together all of the activity in an holistic manner.
- d) We are already advanced in our planning our approach for the Annual Governance Statement for the current year which given the delay in this year's statement will follow on quickly in draft in the first quarter of the new financial year.
- e) Subsequent to the Committee meeting, the General Counsel will arrange for any further final changes before adding any signature statements and signatures from the Chief Executive, Corporate Director of Finance and himself before providing it to the Leader for his consideration and signature.
- f) A final copy of the Annual Governance Statement will be sent to the Members of the Governance and Audit Committee and to all Corporate Directors and Directors. It is also recommended that a copy of the Annual Governance Statement is sent to all Members.

3. Recommendations

The Governance and Audit Committee is asked to:

- a) Approve the Annual Governance Statement

4. Background Documents

None.

5. Report Author and Relevant Director

Ben Watts, General Counsel
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Kent County Council

Annual Governance Statement

2022/23

Kent County Council

Annual Governance Statement 2022/23

Purpose of Statement

The Annual Governance Statement (AGS) is a key document which provides Members and officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and activity within the Council.

This document is to support the continuous improvement of governance within the Council and requires on an open and honest assessment of and by those working within the system. To maintain that improvement, it is vital that there remains an open culture regarding the AGS and it is not weaponised to undermine its core purpose.

It is vital that the statement itself, the process to develop it and the political review and discussion of the statement are taken within the operating context of the organisation and the emerging opportunities, risks, and threats that the Council faces.

The AGS provides an overview of the controls that are in place to manage key governance risks. In instances where key governance issues have been identified, the detail of actions taken to make improvements and work still to be undertaken are documented in action plans. Kent County Council is required to produce an Annual Governance Statement under the regulations issued by Government.

It is hoped that the reader will find this statement a thorough and honest account of the operation of Kent County Council's governance arrangements which highlights both strengths and the areas requiring further improvement. It is important to acknowledge that the authority's governance journey is perpetually ongoing, and this statement recognises the Council's position at a point in time.

In the spirit of seeking improvement, the statement naturally concentrates on areas for further improvement and development. Accordingly, by its very nature it reflects on things that can and should be done differently and contemplates the planned activity necessary to address the issues that have arisen. Importantly, the statement is about continuous improvement and provides challenge. It relies on transparent assessment and it remains important that all those playing a role in the Council's governance continue to openly discuss issues and challenges as they arise and that the Council maintains an environment where those discussions are encouraged.

The approach taken to the Annual Governance Statement by Kent County Council in recent years has been repeated and further extended this year. To that extent, there has been greater and broader testing across the Council through survey of those playing a role in supporting governance at all levels of the organisation. In giving up their considerable time to answer a more detailed set of questions than ever posed

before, officers have provided a richer and far more granular view. That information is translated in this statement into further important activity for the year ahead to sit alongside the activities already in progress through the prior year's statement.

As with previous years, the Annual Governance Statement is informed by the Annual Audit Opinion and the outcome of audit and review activity.

The Governance and Audit Committee continue to play an important role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses.

Previous readers of the AGS will note that this year's statement does not include a detailed overview of the financial year in activity terms by each directorate. This repeats the practice of the last AGS in an effort on focusing on the areas of finding and activity.

This statement is required to reflect the position at point of signature and therefore reflects a range of activities and issues that fall in 2023/24 financial year. It is important to note though that whilst some of those significant issues that have arisen or been reported on during 2023/24 are contemplated as part of the ongoing work that we are doing, they will formally be reported as part of the next Annual Governance Statement.

Scope of Responsibility

Kent County Council is responsible for ensuring that services and operations are conducted in accordance with the law and proper standards. The authority has a specific responsibility to ensure that public money is used carefully and effectively and is properly accounted for. There is also a duty to continuously review and improve the way we work whilst offering services that are efficient and provide value for money.

Kent County Council operates an Executive scheme of governance with major decisions taken by nine Cabinet Members and a Leader executing the policies and strategies supported by a majority of Members. Where there are powers and functions reserved to the Council, these are taken by or on behalf of the full Council. The County Council sets an annual budget which determines the resource available to deliver these decisions, strategies, and functions.

During the 2022/23 financial year, the Council voted to change the previous structure and create a Chief Executive role starting from July 2022 and which is referenced elsewhere as part of this statement.

What is governance?

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. It comprises the systems, processes, cultures and values by which the Council is directed and controlled. The Council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control.

Good governance is an essential part of local democracy and through the continued adoption of transparent processes Kent County Council will strive to ensure that strategies, policies, and operational matters are understood by Kent residents.

The Code of Corporate Governance

Kent County Council's Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving these, and the key policies and plans in place to support this.

The Code follows the seven principles identified in 'Delivering Good Governance in Local Government (2016)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), as a best practice framework for local authorities.

- Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2 - Ensuring openness and comprehensive stakeholder engagement.
- Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5 - Developing the local authority's capacity, including the capability of its leadership and the individuals within it.
- Principle 6 - Managing risks and performance through robust internal control and strong public financial management.
- Principle 7 - Implementing good practices in transparency, reporting and audit to effective accountability.

All elected Members have an important role to play acting on behalf of the Council and their residents. Officers serve the Council as a corporate body rather than any political group, combination of groups or any individual Member.

Members and Officers have distinct codes of conduct, reflecting the legal differences between the two groups.

For Members there is the Kent Code of Member Conduct that is adopted under Section 27 (12) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution.

All employees are required to abide by the Code of Officers Conduct, declare personal interests which may conflict with KCC's own interests, and treat all colleagues and customers with dignity and respect.

Members and Officers are expected to work together on a basis of mutual respect and trust. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice. KCC's Scheme of Delegation sets out the framework for how specific delegations are allocated to Officers.

Kent Council Council's Cabinet Committees are constituted of elected Members and are established as advisory Committees of the Executive. Cabinet Committees review most key decisions prior to their being taken, together with related matters affecting Kent or its residents, in the subject area covered by the Committee. The Council also has a Scrutiny Committee whose role is to scrutinise the actions and decisions of the Executive and a suite of other Committees which undertake specific functions on behalf of the Council. The remit and membership of each Committee is set out on the County Council's website.

The County Council has designated Officers to act as each of the following: Head of Paid Service (Chief Executive), the Monitoring Officer (General Counsel), the Section 151 Officer (Corporate Director of Finance), Director of Adult Social Services, Director of Children's Services, and Director of Public Health. Their functions are explained in Section 11 of KCC's Constitution and responsibilities are placed on these individuals by a combination of legislation and the Council's own governance.

The responsibilities of the Monitoring Officer were expressly discussed by Members due to the presentation of a number of Section 5 reports during the financial year.

The Head of Paid Service was changed to a Chief Executive role within the year and changes to the Council's governance were made during the financial year. The Head of Paid Service statutory duties to ensure that all the authority's functions are properly co-ordinated as well as organising staff and appointing appropriate management were mapped across.

The Corporate Director of Finance acts as the Council's Section 151 Officer and Chief Finance Officer responsible for making the necessary arrangements for local financial and management controls, under section 151 of the Local Government Act 1972. In an increasingly hardening financial position, the Section 151 Officer reflected this in both her section 25 assurance statement to the budget in February 2023 and in comments to Committees throughout the year.

The 2022/23 Annual Governance Statement seeks to bring the timetable for the AGS and delivery of actions back on track after the delayed process for 2021/22. As a result, the programme of delivery of the consolidated actions is over a shortened timetable to be completed by May 2024, with the next Annual Governance Statement following in draft in June 2024.

As part of addressing the AGS actions from 2021/22, the team supporting the General Counsel completed a research project with the objective of identifying areas for improvement in the decision-making process. To facilitate this work they undertook a series of activities including meetings with key stakeholders across the Council, a review of key decisions over the past two years, and analysis of the AGS survey responses from both Corporate Directors and Senior Officers. The findings of the project pointed to the need for a more streamlined, accountable and timely process for decision making.

Over the past couple of months work has begun on creating a new mechanism for decision making which utilises Microsoft's collaborative platforms and automated technologies to enhance efficiency and accountability for decisions.

The new mechanism will ensure that relevant stakeholders are notified of decisions at the earliest opportunity through the creation of a Decision-Making Screening Tool. Following an initial review, the key documentation will then be completed in a shared space to allow for greater collaboration between Democratic Services and Officers across the Council. Automated technologies will be utilised to track, monitor and report on decisions as they make their way through the process, as well as ensuring that appropriate advice has been received before progressing further.

The new mechanism will be tested and piloted over the coming months with the view to it going live in 2024-2025.

2022/2023 Operating Environment

In the 2021/22 Annual Governance Statement, it was recognised as being important to record the operating environment and context in which services were delivered and the AGS was drafted. That exercise is repeated in this statement.

The financial year 2022/23 was the most challenging operationally, strategically and fiscally in the Council's entire history. The financial year concluded with the Council ultimately having to utilise reserves after a significant overspend within the financial

year as the risks previously identified in the Annual Governance Statement and elsewhere crystallised.

The Council, as with much of the sector, has experienced unprecedented service demand allied to inflationary pressures which spending has not keep pace with and representations were made by the Council to Government about the pressures within the system and within Kent specifically. The war in Ukraine coupled with global price pressures caused significant and immediate inflation which had a marked impact on the Council and saw increased energy and contract prices.

Within 2022/23, the Leader of the Council (alongside the Leader of Hampshire County Council) wrote to Government to set out the critical position of local government finances (the letter is attached to the AGS at Appendix 1). The financial pressures on the Council continue and have been expressly recognised in Securing Kent's Future, the Cabinet strategy paper published in October 2023.

During the relevant period there were two significant and material issues that arose, primary amongst which was the outcome of an Ofsted/CQC inspection into the local system (KCC with Health and other partners) regarding the services provided to children with SEND. Secondly, since the last Annual Governance Statement, there has been the issuing of further section 5 reports in relation to the breach of the Council's statutory duties regarding unaccompanied asylum seeking children.

The Council's position as a gateway authority brought additional challenges in relation to unaccompanied asylum-seeking children and a robust position was adopted by the Council. Copies of the respective section 5 reports are attached to this Annual Governance Statement at Appendix 3.

Ofsted and the CQC conducted a re-visit to Kent in September 2022 to assess whether the local area (KCC, NHS Kent and Medway, and local schools and settings) had made progress in addressing the areas of significant weakness identified in their inspection of the local area in 2019.

Following the 2022 Ofsted and CQC re-visit in September, their findings were published in November 2022. In March 2023, the Council received a letter from Claire Coutinho MP, Minister for Children, Families and Wellbeing, explaining her decision to issue an Improvement Notice. The letter set out a requirement for KCC and NHS Kent and Medway to develop a rapid improvement plan, called an Accelerated Progress Plan (APP). This was published in August 2023, outlining the changes and improvements to be made for each of the nine areas of weakness. Further information on this activity can be found at the following link: [SEND Ofsted and CQC inspections - Kent County Council](#).

It is important to note that within the same year, KCC's children's services were rated "outstanding" by Ofsted following an inspection in May 2022, making Kent one of the best-performing councils in the country.

The Ofsted report, published on 5 July 2022, records the top score in 3 of the 4 categories and “good” in the fourth, with the overall effectiveness in providing children’s services as “outstanding”.

Elsewhere within the sector, government interventions, public interest reports and section 114 notices continued to occur with increasing pace as local authorities struggled under increasing pressures. Members and Officers were apprised of the key reports into other authorities to be sighted on the types of issues and activities that caused other local authorities to fall into significant difficulty.

Over the past decade, in real terms the Council’s budget has significantly reduced whilst the demand from the public for support and services has significantly increased.

In previous years, this statement has warned about the impact of this gap and it is important that Members and Officers keep the reality of the operating environment of the Council and the sector at the forefront of their minds when prioritising activity and funding.

Local government needs to be seen in a national and international context with Kent County Council and its residents being impacted by events that may once have been considered exceptional but are now having to be factored in on a longer-term basis. Macro events have local impacts, and all tiers of local government are seeing ever more people turn to them for statutory and other services.

This statement concentrates on the things that can and should be done to make improvements and by its very nature focuses on things that are not operating well or where the realities of the operating environment have overwhelmed the way that things have previously been done.

The operating environment for the Council and its services is significantly changed and continues to dynamically adjust to the pace of activity, and the pressure to respond. Responding with agility, the Council has made improvements which have helped the Council avoid some of the more challenging, and headline grabbing, events at other Councils over the same period.

The combination of the wider operating environment and the cumulative impact of financial austerity on Councils since 2010 has produced significant governance challenges to the Council. Since 2019, the Council’s Annual Governance Statement has charted the challenges, issues, and actions to ameliorate these things but the reality for all of local government is stark.

Alongside the challenging arrangements, colleagues from Counter Fraud have continued to deliver training on anti-corruption and anti-bribery arrangements and have worked with the statutory officers on reviewing the policies. The importance of fraud risk assessments was highlighted by the Counter-Fraud Manager and included as a specific question within this year’s AGS and there is still a need for officers across the Council to ensure that these are undertaken.

As such, with each passing year the proactive steps and activity delivered in seeking to manage the challenges increases. Following the agreement of the past year's statement, the Council's external auditor completed a Governance review, the outcomes of which are fed into the identified actions for the year ahead. A copy of their report which was discussed at Governance and Audit Committee is attached at Appendix 2. The recommended actions and comments demonstrate the importance of a candid and robust assessment through the Annual Governance Statement process.

It remains vital that the limited capacity of the Council is prioritised to the activities and challenges of greatest impact and importance to the Council.

Internal Audit – Annual Opinion

The Head of Internal Audit is required to provide an annual opinion to inform the AGS and is one of the key barometers of governance within the Council. The Internal Audit service has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council. Overall, an opinion was provided that adequate assurance could be provided in respect of 2022-23 as detailed in the Annual Internal Audit Report.

The Annual Report highlighted a downward trend in positive assurance and referred to the context of the challenges faced by KCC being key contributory factors to why there is this trend but also emphasised that there are many audits that identify findings, which are non-compliance or awareness of the Councils' governance, Constitution or Financial Regulations. Consequently, it was concluded that there was a need for stronger first and second lines of defence within the Council.

It was also re-emphasised, as per previous years, that there remains the need for a stronger culture of good governance within KCC.

Review of Effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the General Counsel and the Governance, Democracy and Law division and has involved a range of different activities.

Over recent years the way in which this review has been conducted has materially changed as a result of conversations between the statutory officers and the Head of Internal Audit. This aligns with the earlier comments in the statement about the need to transform to meet the changing realities of the Council and its services.

Accordingly, the static pro forma documents which sought narratives were replaced with questionnaires that sought direct answers and came from reviewing other arrangements in other authorities and the experience of the statutory officers and the input and advice from the Head of Internal Audit and his team.

This year that approach has been modified with a refreshed question set for Corporate Directors which implemented the recommendations from Internal Audit colleagues during last year's process. The position was further tested through a questionnaire sent to officers across the Council involved at an operational level in the delivery of governance. The responses have been triangulated with the experience of officers in Governance, Law and Democracy across the past year and the audit activity delivered and reported within the last eighteen months.

The additional questionnaires have been hugely helpful in providing granularity to inform some of the improvements that are planned for the year ahead and the significant number of officers who responded are thanked for their time and assistance in that survey.

As part of the actions from last year's statement, the General Counsel and his team have met with the Leader and Cabinet to discuss decision making, governance and the changes needed as a result of the operating environment. Again, as part of the actions from last year, the introduction to governance guide has been recirculated along with the development of a simple guide for decision makers. These have also been provided to new Members of Cabinet on appointment along with the offer of training and support.

The review has also reflected on conversations with the Leaders of Opposition Groups and non-executive Members throughout the year who have raised concerns, observations and issues.

The review has considered the Annual Opinion of the Head of Internal Audit, the audit reports and summaries that have been shared with statutory officers and has also included a review of key decisions taken within the relevant period.

Finally, the review has included a look at the best value/public interest/section 114 reports issued into or by other authorities to reflect on any learning necessary to prompt steps that can be taken now.

In relation to managing data, the new arrangements for carrying out Data Protection Impact Assessments bedded in during the year, alongside the development of a new Data Strategy for officers. The DPIA process is now run through an app with an initial screening tool and subsequent automation reducing the bureaucracy and allowing greater use of resource to focus on the safeguarding of personal data. The number of DPIAs has increased and the time for completion has reduced.

As a result of prior year AGS activity, a new data breach reporting system was designed and delivered which will be used to monitor the safe use of data. An information governance dashboard was also further developed during the year.

The Corporate Information Governance Group continues to receive escalations and over the coming year will receive reports on the review of IG arrangements and the consolidation of all IG policies.

In most cases there had been positive action taken to increase awareness of governance processes and delegations. There were varying degrees of confidence that all layers of management understood governance requirements and/or knew which parts of the decision-making processes are underpinned by constitutional requirements.

While most of the respondents were confident that their staff understood obligations delegated to them, the responses indicated that there was inconsistency in the provision of guidance and training on delegations across the directorates.

Key Findings

- 1. The vast majority of the Council's activity is delivered in accordance with the governance arrangements. The written governance of the Council (as amended throughout the period) has been tested and found to be fit for purpose. Activity in the main is delivered in compliance with the letter and spirit of the Council's agreed practices and procedures.**
- 2. There is evidence of considerable commitment on the part of Officers and Members to deliver for the people of Kent but there needs to be reflection on the realities of the available resources and prioritisation of the same to concentrate on what is actually achievable in order to remain sustainable.**
- 3. The Leader and Cabinet and the leaders of opposition parties should reaffirm the standards set out in the revised Code of Conduct and Member/Officer protocol and immediately challenge behaviour, examples of which are set out in the report, on the part of members of their groups which does not meet those standards.**
- 4. Members noted and welcomed the Governance Review that was carried out by Grant Thornton and all Members will need to support the actions required to meaningfully respond to the recommendations.**

5. The overheating mentioned in previous years has become a significant ongoing pressure in terms of meeting the statutory duties owed to individual residents and difficult decisions around prioritisation will need to be taken in order to ensure the effective provision of statutory services (see Section 5 Note below).
6. It is vital that Cabinet Members and Corporate Directors carefully and fully ensure that all relevant information and the full range of advice is in place and considered before taking decisions for which they are accountable. The Council needs to improve the way in which scrutiny of these decisions and activity is undertaken, recognising its importance and then delivering a meaningful and effective programme within the context of resources with balanced non-executive participation.
7. The Governance Review raised important issues about Member behaviour and warned of the impact of reputational and financial risks on the Council that inappropriate Member behaviour can bring. Securing Kent's Future signals some of the significant changes needed allied to the warning of the external auditor that difficult decisions must be taken to improve financial resilience.
8. The improvements to process recommended by Internal Audit in their report shared with the Committee on Budget savings must be tracked. This will address the highlighted key risks, improve the tracking of promised savings and ensure that decisions and delivery are in all cases realistic, planned and prioritised.
9. The governance of the Council is clearly framed by legislation and while there is a lot of flexibility, there is much that is defined and non-negotiable – the distinct roles of Members and Officers, the division between Executive and Non-Executive function. These need to be understood and all activities undertaken within these parameters. These parameters need to be seen as enabling rather than restricting, with greater effectiveness achieved where activity better matches role. This will ensure that difficult political decisions are taken and that they are informed by full and frank advice and then delivered effectively.
10. Accountable officers must urgently ensure that all relevant officers within their services are aware of their responsibilities relating to the financial regulations, financial management and the relevant constitutional and statutory provisions.
11. There have been a range of issues and complaints raised with the Monitoring Officer regarding the experience and feeling of safety for all Members and Officers at meetings of the Council and its Committees.
12. Further to the Governance Review, it is important that Members use the time in Committees and the available Officer capacity supporting that

work to address the greatest priorities that the Council faces. Member behaviour and prioritisation in this regard must also be reviewed to avoid the challenges faced elsewhere.

- 13. Proper consideration of equality, diversity and inclusion is vital to ensuring that the Council delivers services that meet the needs of all of our residents, Members and staff.**
- 14. Overall, the responses to surveys showed that whilst there were some actions outstanding, work had been undertaken to improve awareness and application of the Council's governance and Operating Standards since last year's AGS. There remain gaps which present risk and these will be addressed by the consolidated actions, steps undertaken by Corporate Directors and reviewed at the end of the current financial year.**
- 15. As noted in Securing Kent's Future, in audit activity and during Governance and Audit Committee discussions on governance, the Council's corporate centre does not have the capacity to underwrite compliance with governance. The Council requires all officers and members to ensure and build good governance into all projects and activity and for compliance to be recognised and rewarded.**
- 16. The new questionnaire models provided rich data that will be used to inform and build solutions to support continuous improvement of governance. However, the Corporate Director Survey requires a revisit given the length and building on learning from this year. The candour of the responses is welcomed and demonstrates the significant operating challenges mentioned above.**
- 17. Overall, the findings show a mixed picture of knowledge, awareness, and compliance in relation to Information Governance. The responses indicate a strong level of knowledge and compliance regarding data protection and the DPIA process. Awareness of records management practices is less consistent. There was a lack of detail on proactive steps taken regarding data breaches, suggesting that further steps could and should be taken.**
- 18. With regards to Freedom of Information requests (FOIs) and Subject Access Requests (SARs), the Council needs to urgently improve compliance rates.**
- 19. The chairmanship of non-executive Committees must be resolved in order to avoid a perception of conflict of interest.**

Report of the Monitoring Officer

1. Section 5 of the Local Government and Housing Act 1989 designates the Monitoring Officer as having a range of responsibilities regarding the lawful conduct of the County Council. These responsibilities include a duty to provide a report to all Members in circumstances where a contemplated decision, act or omission by or on behalf of the Executive leads (in their view) to maladministration or a contravention of the rule of law. This statement has already addressed the issuing of further Section 5 reports within the relevant periods.
2. In any given year, there is always the possibility that circumstances lead to situations where the Council may be said or may be found to have acted contrary to its statutory duties without this having been done deliberately or with full awareness of this being the case. Where there are such decisions, there is always an impact on individuals or groups of individuals.
3. This report identifies the operating environment and the challenges faced by the Council and has referred to overheating throughout. The issuing of a Section 5 report is intended to be used only as a last resort. To mitigate the risk of needed to do so in the future, there are a number of matters that the Monitoring Officer wishes to record here, and which inform both the findings and the consolidated actions.
4. There continue to be at any given time, a number of people who are not receiving the services to which they are entitled. This is, in part an inevitability of the challenges faced or on occasion because of mistakes made. It is important to note that this not because of a deliberate decision to avoid providing the services although it is recognised that the genesis of this does not alter the effect felt.
5. Notwithstanding the efforts made within the resources available, in relation to the following areas the Council continues to face challenges in meeting duties in all circumstances:
 - a. Deprivation of Liberty Safeguards
 - b. Children presenting as in need within our area
 - c. Services to Children and Young People with SEND
 - d. Compliance with timescales for Education, Health and Care Plans, Freedom of Information and Subject Access Requests
 - e. Use of unregistered placements for children

Consolidated AGS Identified Actions

Members will be aware that there was a range of very detailed activity identified in the prior year's AGS which have delivery plans through to March 2024 and a progress report against delivery of those will be taken to Governance and Audit Committee in November 2023 and March 2024.

Detailed below are the consolidated actions arising from this year's AGS and prior years.

- 1. Member Roles within the Governance – Formal definition and training provided to all Members relating to the roles as set out in the constitution and at law of:**
 - a. Executive Members**
 - b. Non-Executive Members**
 - c. Opposition Members**
 - d. Officers**

- 2. New mechanism for the development and delivery of key decisions, Officer decisions under delegation and papers for Committees to include:**
 - a. appropriate professional advice is sought and provided before the FED stage**
 - b. meaningful assessment of equality, diversity and inclusion impacts before FED publication**
 - c. reduced use of delegations for undefined purposes**
 - d. new timetable to allow for corporate review**
 - e. new templates for key decisions and papers to include advice on all options and costs (including commissioning and opportunity costs)**
 - f. clear separation between advice from officers and decisions from and for politicians**
 - g. redefined roles around responsibilities and accountability**

- 3. Further activity to review written governance:**
 - a. Constitution**
 - b. Financial Regulations**
 - c. Contract Standing Orders**
 - d. Commissioning Arrangements**
 - e. Information Governance Policies and Procedures**
 - f. Refresh of Delegations and subsequent publication**

- 4. Where learning and development needs are identified for Members to address concerns in this statement, these will be developed through discussion with, and agreement of, the Member Development Sub-Committee of Selection and Member Services Committee.**

5. **An informal training session followed by a formal written report to Governance and Audit Committee on the lessons to be learned from reports into other authorities.**
6. **A review of the Decision-Making Activity for the relevant period to be presented by way of written report to Selection and Member Services and Governance and Audit Committee.**
7. **Refreshed Governance Training for relevant officers.**
8. **A report by the Monitoring Officer to the Standards Committee in relation to the framework of Member Conduct.**
9. **Development of a remodelled questionnaire for 2022/23 AGS in conjunction with Internal Audit building on the outputs from the experience this year to incorporate the learning and findings from Internal Audit reporting and the statutory officers' comments and input.**
10. **Report to the Scrutiny Committee on the development of the Committee and review of activity.**
11. **Detailed review of the operational level governance (arrangements for Officers) under 6.15 (b) of the Constitution.**
12. **Development of a Governance Delivery Plan following the Business Plan for each directorate and portfolio of activity to support planned activity and to ensure maximisation of resources and delivery of good governance as part of business planning.**
13. **Finalisation of detailed arrangements for operational level governance (arrangements for Officers and Members) pursuant to 6.15 (a) of the Constitution.**
14. **Redraft Terms of Reference for Cabinet Members Meeting and Corporate Board**
15. **Review of the Budget Setting Process**

16. **Establishment of Governance Working Party of Members to discuss the following recommendations from the Grant Thornton Governance Review and report back to Selection and Member Services:**
 - a. **The future role of Cabinet Committees**
 - b. **Consideration of an opposition Chair of Scrutiny**
 - c. **Review of Call-In Procedures**
17. **Affirmation statement signed by Leader, Cabinet and Opposition Group Leaders regarding behaviour.**
18. **Member training on Equality, Diversity and Inclusion**
19. **Implement and enforce the corporate forward planning process to ensure all reports are timely and reviewed by Finance and Legal to ensure accuracy and rigour.**
20. **Roles which attract Special Responsibility Allowances are only held by members who have completed the required training and development for those roles.**
21. **Provide regular, focussed written and videoed Briefings for members on strategic risks, unforeseen events, best practice and opportunities for organisational and service improvement and transformation.**
22. **Development of an Information Governance Improvement plan for each directorate.**
23. **Establishment of “Governance Week” in November 2023.**
24. **It is proposed to secure expert facilitation to support a series of round table style discussion for Members to attend, exploring their unique role in Securing Kent’s future and within the Council’s governance. The focus will not be on the plan itself but rather the role members play now and next.**
25. **The issues raised in paragraph 5 of the Monitoring Officer’s Report will be reported to Cabinet**
26. **Report to County Council on the outputs of the Governance Working Party and the response to the Governance Review by no later than May 2024.**

Annual Governance Statement 2022/23 Conclusion

The findings and actions from the 2021/22 Annual Governance Statement were significant and the 2022/23 Annual Governance Statement adds further activity around improvement to build on the activities already underway. A core component of that relates to the Governance Report provided by the Council's External Auditors, compliance with the recommendations of which must be carefully monitored.

It is undoubtedly an increasingly challenging time for local government generally and Kent specifically, with the Council having faced a number of exceptional challenges. The Council remains an organisation that can respond *in extremis* and there are many examples of excellent things that have and are being done by the Council both operationally and in governance terms.

Many of the challenges faced by the Council as reflected in recent year's Annual Governance Statements and in the annual opinions of external and internal auditors have not been about the substance of the Council's systems or the technocratic content of Kent's written governance. Moreover, the issues have occurred as a result of failures to comply with that governance. A greater concentration on the requirements of the Council's rules and then compliance with them is required and will be central to the Council's future success.

An holistic and joined up approach to financial sustainability, governance and performance across the Council will be key to improving visibility of risk and increasing corporate grip.

In the next Annual Governance Statement, in addition to the completion of the actions, it will be important to see the meaningful progress to the past two year's AGS and the recommendations and findings of internal and external auditors in their reports.

From Members, the Governance Report from the external auditor and the Lessons Learned report (delivered under action 5) sets out the consequences of not complying with good governance and focusing on the key and undoubtedly difficult questions faced by the authority. The responsibility on all Members to understand and engage with the material issues and deliver their role within the governance has never been more important. Reports to the

Scrutiny Committee and the Standards Committee in the coming months alongside the outputs from the Governance Working Party will be important.

Previous iterations of this statement alongside commentary of the external auditor have recognised the importance of staying in lane. Clear understanding of roles, a commitment to complying with the Council's expressed rules and recognition of the significant financial challenge are vital.

There have been improvements, in some cases significant, since the last Annual Governance Statement but the pace, strength and culture of that change needs to accelerate to keep pace with the challenges faced by the authority. That change and commitment to good governance also needs to be embedded across all service delivery and political activity.

Assurance Statements from Statutory Officers.

Signatory Section

On behalf of Kent County Council – signed on

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Interim Auditor's Annual Report on Kent County Council

2022/23

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice (the Code), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. There are a higher number of Recommendations under the specified criteria for 2022/23 than there were for 2021/22. The overall direction of travel is marginally downwards, and we therefore also make an additional overarching Key Recommendation on Page 8 of this report. Our key area of concern is financial sustainability – however this cannot be addressed unless the other criteria are improved at the same time. Increasing the pace of improvement is vital.

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Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	Significant weaknesses identified in 2021/22 and expected to still be present in 2022/23.	R Significant weakness in arrangements for financial sustainability identified. Two Key Recommendations and three Improvement Recommendations made.	R Significant weaknesses in arrangements identified. Two Key Recommendations and two Improvement Recommendations made.	↓
Governance	Significant weaknesses identified in 2021/22 and expected to still be present in 2022/23.	R Significant weakness in arrangements for governance identified. Two Key Recommendations and one Improvement Recommendation made.	R Significant weaknesses in arrangements identified. One Key Recommendation and one Improvement Recommendation made.	↓
Improving economy, efficiency and effectiveness	Significant weaknesses identified in 2021/22 and expected to still be present in 2022/23.	R Significant weakness in arrangements for improving economy, efficiency and effectiveness identified. Two Key Recommendations and one Improvement Recommendation made.	R Significant weaknesses in arrangements identified. Two Key Recommendations made.	↓
G	No significant weaknesses in arrangements identified or improvement recommendation made.			
A	No significant weaknesses in arrangements identified, but improvement recommendations made.			
R	Significant weaknesses in arrangements identified and key recommendations made.			

Executive summary (continued)



Financial sustainability

There are significant weaknesses within the Council's arrangements for financial sustainability. The Council overspent against its budget by £44.24 million in 2022/23. The Council is currently forecast to overspend again against its budget for 2023/24 by £36 million, unless management action can reverse current trends in the remaining three-months of 2023/24.

The Council's Internal Audit service concluded that only limited assurance could be provided over the Council's approach to budget savings in 2022/23 - because savings plans were high risk and unsupported by business plans. Savings plans of £15.5 million for 2022/23 were not delivered - with most of the non-delivery being in the Adult Social Care and Health area. A governance review which we shared with the Governance and Audit Committee in October 2023 highlighted that the Council has a weak track record of prioritisation, including when it comes to making difficult decisions around finance. Furthermore, the management actions of £36 million currently put forward for balancing the 2023/24 budget seem to lack granularity. They include £21.3 million relating to "*subjective spend analysis*" from "*working with budget managers*".

Reserves are below the average for English County Councils and uncommitted elements are low relative to the level of overspend, savings plans and management actions that may be at risk. We note that as early as November 2022, the Council's Leader wrote jointly with another County Council Leader to the Prime Minister outlining that "*immediate help and a clear plan*" were needed to avoid the Council issuing a s114 notice "*within the next year or so*". This does show clear awareness of the Council's situation and a willingness to advocate for the County, but the County's issues are unlikely to be addressed by more government funding being made available.

Outside the Revenue Budget, we note that the Council started 2022/23 with a Dedicated Schools Grant deficit of £97.6 million. A safety valve improvement plan was agreed with the Department for Education on 16 March 2023. The Council

forecasts that, with help of £140 million from central government, it will clear the deficit by 31 March 2028. However, it also estimates that it will miss the Special Educational Needs and Disability (SEND) spending reduction targets for 2023/24 and 2024/25. Furthermore, there is evidence to suggest that more needs to be done to address the root causes of demand for Education, Health and Care Plans (EHCPs) rather than just directing effort at reducing the costs of administering SEND provision once EHCPs are in place.

The Council's capital programme has been subjected to significant slippage - only 60% of the programme was delivered in 2022/23. Project management factors play a significant part in the reasons for slippage, although the Council does also have a policy of delaying capital works until funds other than from new borrowings can be matched to them. Basic needs works and modernization of assets are amongst the areas that have slipped - but the Council does have an approach towards managing the regulatory and legal risks that come with this.

The Council has been in long-running dispute with the Home Office about how the costs of asylum-seeker children arriving in Kent should be shared. On 21 December 2023, the High Court gave the Council and the Home Office one month to agree a workable solution. It is estimated that around £50 million of revenue costs per annum and £30 million of capital costs were under dispute at the time of writing this report. These have not, so far, been reflected within the Council's budgets **which is a clear policy decision**.

For 2022/23, we note two Key Recommendations and three Improvement Recommendations around financial sustainability. We will consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether statutory audit action is required. We would emphasize to members that the Council must set a balanced budget for 24/25 and must ensure that appropriate reserves are in place to support risks that may emerge in 24/25 and beyond. This responsibility extends to all members and not just the Leader and Cabinet.

Executive summary (continued)



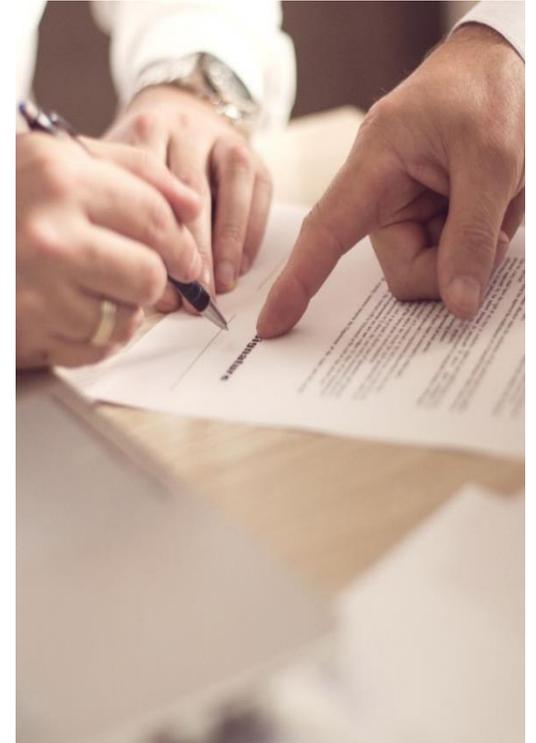
Governance

There were significant weaknesses in Kent County Council's arrangements for governance during 2022/23. We conducted a specific governance review over behaviour around decision-making between January and March 2023 and our findings were shared with the Governance and Audit Committee in October 2023. We made 22 recommendations, including around strategic arrangements for delivering priorities; effective challenge to and scrutiny of decisions; and the Council's structure, systems and behaviours. Nearly one year earlier, a CIPFA review had indicated in July 2022 that the Governance and Audit Committee was itself hampered by having too wide a remit; too cluttered an agenda; politicisation; and too much to do to be fully effective.

There have been some areas of improvement during 2022/23. The Council has programmes of work ongoing such as workshops to review member roles; comparisons with processes at other Local Authorities; a review of written governance processes; a member development survey; and training, including during "Governance Week" in November 2023. For process improvements to have the impact they are aimed at, it will be important that culture and behaviour and standards also keep pace with improvement. Furthermore, there remain areas where arrangements were not always "right first time" (for example, for SEND transport and service provision); and the number of areas where the Council is challenged to meet its core legal duties is rising. It is unfortunate that disagreements between Internal Audit and management/members have played out publicly in the Governance and Audit Committee at least twice in the last 18 months (Regional Growth Funds October 2022; and school transport procurement November 2023), which does not reflect well on the Council.

We note that for 2022/23, Financial Control was an area where Internal Audit could only provide Limited Assurance overall, because of the number of individual systems, processes or functions within the area that had only Limited Assurance. Whilst high level corporate risks are monitored on the Corporate Risk Register, good governance is the responsibility of all. There is evidence to suggest that financial regulations are not always widely understood across the Council. From our work for 2022/23, we raise two Key Recommendations and one Improvement Recommendation around governance.

Kent County Council faces serious financial challenges which will require strong collective effort; objective and impartial judgements; and mature decision-making to address. It was not clear, for 2022/23, that the firm governance and collective, shared culture of responsibility needed to drive this were in place.



Executive summary (continued)



Improving economy, efficiency and effectiveness

There were significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness in 2022/23, relating to SEND performance and to procurement. External regulators assessed that performance on SEND services was below expectations. Whilst positive steps were taken during 2022/23 to strengthen the strategic approach towards procurement, there were weaknesses in compliance rates with mandatory procurement and contract management procedures throughout the year.

High demand for services such as SEND and highways maintenance made it difficult for the Council to achieve "floor" standards for performance during 2022/23. However, there may be scope for wider use of benchmarking; comparisons with financial data; and clearer understanding of which management actions are effective, and which are not. For 2022/23, the Quarter 4 performance report showed a sharp deterioration in corporate performance overall compared to the last Quarter of 2021/22. The percentage of RED RAG rated indicators more than trebled between 2021/22 and 2022/23 and the number of deteriorating RAG ratings doubled. We raise two Key Recommendations and one Improvement Recommendation around arrangements for improving economy, efficiency and effectiveness.



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Direction of travel and summary of recommendations

Our Auditor's Annual Report for 2021/22 raised five Key Recommendations and three Improvement Recommendations. All five of the 2021/22 Key Recommendations also apply for 2022/23 and, for 2022/23, we additionally raise a new Key Recommendation around rates of implementing Internal Audit actions. We raise five Improvement Recommendations for 2022/23, compared to the three Improvement Recommendations for 2021/22. The overall direction of travel for 2022/23 is marginally downwards. We therefore include one new overarching Key Recommendation around required improvements across the whole organisation on Page 8 of this report.

We note that this Interim Auditor's Annual Report for 2022/23 chiefly reflects the position as it stood on 31 March 2023. The Council is carrying out ongoing work to improve and this work has continued since March 2023. Areas of ongoing work include Annual Governance Statement actions (including a Governance Week in November 2023); working through 116 actions for SEND performance; working through safety valve agreement actions with the Department for Education; moving towards introducing spending controls; and strengthening budget reporting arrangements and pension fund administration.

Financial sustainability remains a significant concern. On 31 March 2023, the Council estimated that it had available unallocated reserves of £101.5 million. However, the Council forecasts overspend for 2023/24 of £36 million and required savings and management actions of £97.4 million for 2024/25. We will consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan when they are published to determine whether statutory audit action is required.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council members and external stakeholders with whom we have engaged during the course of our review.



Financial Statements opinion

We are nearing completion our audit of your financial statements and plan to issue an unqualified audit opinion following the Governance and Audit Committee meeting on 01 February 2024. Our findings are set out in further detail on pages 46 to 47.

Executive summary (continued)

Key Recommendations:

1. The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board (Page 8).
2. Steps need to be taken by the Council to control expenditure..... We will consider the robustness of the Council's proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required (Page 19).
3. The Council should take a holistic approach towards managing SEND demand and SEND financial management (and)..... focus on EHCP demand and approval processes.....if it is to have a lasting impact on returning SEND services to a sustainable footing (page 20).
4. Compliance with the Council's decision-making arrangements needs to be strengthened..... An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted. (Page 30).
5. The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at poce (page 31).
6. The Council should liaise with its partners to determine and agree the improvements that will be made in SEND services..... careful, proactive consultation and engagement with schools, parents and other stakeholders will be necessary (Page 40).
7. Training around procurement strategy, policies and practice should be strengthened across the Council..... Opportunities for value for money through procurements and contract management should be maximised. VEAT notices should be used when required (page 41).

Improvement Recommendations:

1. Sensitivity analysis should be adopted for the budget for 2024/25 and the Council should also explore this for in-year financial monitoring (Page 21).
2. Kent County Council should reflect its share of the costs agreed with the Home Office for caring for unaccompanied asylum-seeker children in the budget for 2024/25 (Page 22).
3. Delays on capital projects should be reviewed for common factors. Project management (including through schools and contract partners) and specialist skills should be reviewed (Page 23).
4. Staff should be reminded that (of) the Officer's Code of Conduct states The role of finance business partners in explaining regulations and promoting good practice should also be considered (Page 32).
5. The Council should consider whether there is scope for making more use of benchmarking and other data for services where demand is increasing, and/or performance is deteriorating, to assess performance (Page 42).

Key recommendation

<p>Key Recommendation 1</p>	<p>The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board.</p>
<p>Identified significant weakness in arrangements</p>	<p>The overall direction of travel was marginally downwards in 2022/23, despite there being many separate programmes of work for improvement.</p>
<p>Summary findings</p>	<p>The number of Key Recommendations raised in Auditor’s Annual Reports increased from 5 for 2021/22 to 6 for 2022/23 (Interim Auditor’s Annual Report).</p> <p>There has been work by the Council to achieve improvement – but the speed at which the work progressed was not sufficient to prevent a marginal downwards movement in 2022/23.</p>
<p>Criteria impacted by the significant weakness</p>	
<p>Auditor judgement</p>	<p>Pace of improvement and corporate grip over organisational performance overall were not sufficient to prevent marginal downwards movement during 2022/23.</p>
<p>Management comments</p>	<p>At the end of 2022/23, the Council introduced a Chief Executive, in part to recognise the need for a strengthened corporate grip. Management are implementing a range of actions through planned activity and the Annual Governance Statement actions that will tighten grip as recognised by all. A holistic and whole council approach is being adopted towards financial, operational and governance planning to ensure resources are prioritised accordingly. Tracking of internal and external audit recommendations will also be changed to improve visibility of response.</p>

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We will consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan when they are published to determine whether statutory audit action is required.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 13 to 42.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Kent is located in the south-east of England. It is the closest English county to continental Europe. Kent shares borders with Essex across the estuary of the River Thames to the north; the French department of Pas-de-Calais across the English Channel to the south-east; East Sussex to the south-west; Surrey to the west; and Greater London to the north-west.

Kent County Council provides the upper tier of local government for the county and works with 12 District Councils and Medway Unitary Council.

Excluding the Medway Unitary boundaries, Kent has a land area of 1,368 square miles as well as approximately 350 miles of coastline. Kent is known as 'the garden of England' and Council data records that around 70% of the land covered by the County Council is undeveloped. The 2021 census showed that Kent had 648,393 households, the majority of which were one family households.

Kent County Council's geographic area is ranked within the least deprived 50% of upper-tier local authorities in England for 4 out of 5 summary measures on the Index of Deprivation. However, there are some areas within Kent that do fall within the 20% most deprived in England. Many of these are coastal.

Kent County Council is made up of 81 members (councillors) who are elected every 4 years. The next full election will take place in 2025. The ruling administration is currently Conservative. The Council is divided into 72 electoral divisions, which the Councillors have been elected to represent.

Kent County Council has a history of working well with its geographic partners, including not only the District Councils and Medway Unitary Council, but also the Police, Fire and Rescue and Health services; Job Centre +; and a range of voluntary and community organisations. The Council is a "Category 1 Responder Member" of the Kent Resilience Forum and in recent years, has had to work with partners within the local geography to manage flooding; coastal erosion; Brexit transition impacts on roads to and from Channel crossings; emergency plans for radiation events at Dungeness; and asylum seekers arriving on small boats across the English channel.

On 1 November 2022, the leader of Kent County Council joined with the thirteen other Council leaders from the Kent and Medway area in a letter to the Home Secretary urging that the Government refrain from continuing to allocate further adult asylum quotas to the county and cease procurement of further hotel accommodation in the area. The leaders asked that the government "*stop using the county as an easy fix for what is a national, strategic issue*". At the time of writing this report (January 2024), the Council was still in discussion with the Home Office around achieving a workable solution for managing the costs of supporting unaccompanied asylum-seeker children arriving across the Channel.

The overall effectiveness of Kent County Council's Children's Services (including for asylum-seeker children) was ranked by Ofsted as Outstanding in May 2022, but Council's latest Special Educational Needs and Disability (SEND) services inspection by Ofsted and the Care Quality Commission (published in November 2022) concluded that for SEND services, the Council had failed to make improvements required since 2019. Kent County Council is currently working through an Action Plan for SEND services which the Department for Education expects to be delivered by April 2024. Kent is a grammar school county. Overall demand for SEND services in Kent nevertheless remains very high.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

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Identifying financial pressure and achievable savings plans; and managing risks to financial resilience

Kent County Council is fully aware of the financial pressure it faces. However, the savings plans put forward to address that pressure are unlikely to prevent the Council from needing to make further difficult decisions around the services it can afford.

To some extent, the Council has itself already reflected that savings plans alone will not be enough to tackle financial pressure. In November 2022, the Council's Leader wrote jointly with another County Council Leader to the Prime Minister outlining that "*immediate help and a clear plan*" were needed to avoid the Council issuing a s114 notice "*within the next year or so*". However, as our Auditor's Annual Report for 2021/22 concluded, the issues that the Council faces are very unlikely to be resolved by more government funding being given to the Council.

Data from the Council indicates that key sources of financial pressure include service cost inflation; growing demand and changing market forces for Adult and Children's Social Care; and continued high demand for Special Educational Needs and Disability (SEND) support, including for transport.

The Council's budget for 2022/23 relied on the Council generating additional savings, income and grants of £37.9 million in one year and of £100.1 million over three years. The budget for 2023/24 relied on the Council generating additional savings, income and grants of £86.6 million in one year and of £154 million over three years. The issues the Council faces therefore appear to be becoming more acute.

Because of ongoing pressure, and because of failure to generate the additional resources planned for, the Council overspent against its budget by £44.24 million in 2022/23.

The Council is currently forecast to overspend again against its budget for 2023/24 by £36 million, unless management action can reverse current trends in the remaining three-months of 2023/24. Members need to recognise that some decisions around discretionary services will prove very unpopular with the public but do need to be made. Driving out material savings in high demand services is always possible but not a panacea in itself.

	2022/23 Actual	2023/24 Forecast
Net budget requirement after savings and additional income proposals	£1,182.7 million	£1,310.9 million
Planned savings, additional income and new grants factored into the annual net budget requirement	£37.9 million	£86.6 million
Actual/forecast over/(under) spend	£24.24 million	£36 million
Total savings and additional income requirements expected over a three-year period	£100.1 million (2022-2025)	£154 million (2023-2026)

Financial sustainability (continued)

There are two main reasons why savings plans alone cannot replace difficult decision-making. Firstly, there may be weaknesses within the savings plans themselves; and secondly there are limited unallocated reserves available to cover any under-delivery. We consider each of these in turn. We also consider other factors around managing demand for SEND support that the Council needs to address.

We note that there are also pressures not even yet reflected within the Council's budget around the costs of supporting unaccompanied asylum-seeker children. As the cost of the Council's statutory duties for these children becomes clear, there is a risk that budget pressure will increase even further. It will be important that this is reflected within the budget risks assessment for 2024/25.

Savings plans

The Council's Internal Audit service concluded that only limited assurance could be provided over the Council's approach to budget savings in 2022/23 - because savings plans were high risk and unsupported by business plans.

2022/23 saw undelivered savings of £15.5 million and 2023/24 is forecast to see undelivered savings of £18.7 million. For 2022/23, some £12.2 million of the undelivered £15.5 million related to planned Adult Social Care and Health savings. Significant Adult Social Care and Health savings were still planned, nevertheless, for 2023/24 - with some £7.9 million policy savings and another £2.6 million efficiency and transformation savings earmarked for the Adult Social Care and Health directorate in 2023/24.

By November 2023, nearly all the 2023/24 Adult Social Care and Health savings (£8.6 million) were forecast not to be delivered by the end of the year. It is therefore likely to be for two-years running that the savings plans for this Directorate will not be achieved - suggesting that the plans first put in place for 2022/23 were overly optimistic. Other areas of slippage for 2023/24 savings plans include the Children, Young People and Education directorate and the Growth, Environment and Transport directorate. There is a risk that there was over optimism here too.

In November 2023, under the Council's budget recovery plan ('Securing Kent's Future'), management forecasted that new actions worth £36 million will eliminate net forecast overspends and balance the 2023/24 budget by 31 March 2024. However, Securing Kent's Future is a largely medium-term programme in nature. Initiatives within the programme surround reprofiling targets; using non framework providers; reducing non framework placements; and working with the NHS. These will take time to deliver and require skilled prioritisation.

At face value, the medium-term nature of the initiatives makes it seem unrealistic that an impact of £36 million can be achieved in just a small number of months before the end of 2023/24. Furthermore, a detailed analysis of the proposed management actions for 2023/24 shows that some £30 million are one-off in nature and some £21.3 million relate to "subjective spend analysis" which is described simply as involving finance staff "working with budget managers to..... reduce the deficit". Although there are spending controls being put in place, the actions as they were first drawn up lack detail and granularity in our view.

	2022/23 Actual	2023/24 Forecast
Planned savings, additional income and new grants factored into the annual net budget requirement	£37.9 million	£86.6 million
Includes savings from transformation, efficiency, finance and policy changes	£25.6 million	£39.1 million
Undelivered savings from transformation, efficiency, finance and policy changes	£15.5 million	£18.7 million
Available unallocated reserves on 31 March 2023	£101.5 million	
Forecast overspend for 2023/24		£36 million
Savings requirement for 2024/25		£48.6 million
Management Actions for 2024/25		£48.8 million
Total amounts at risk in 2023/24 and 2024/25		£133.4 million

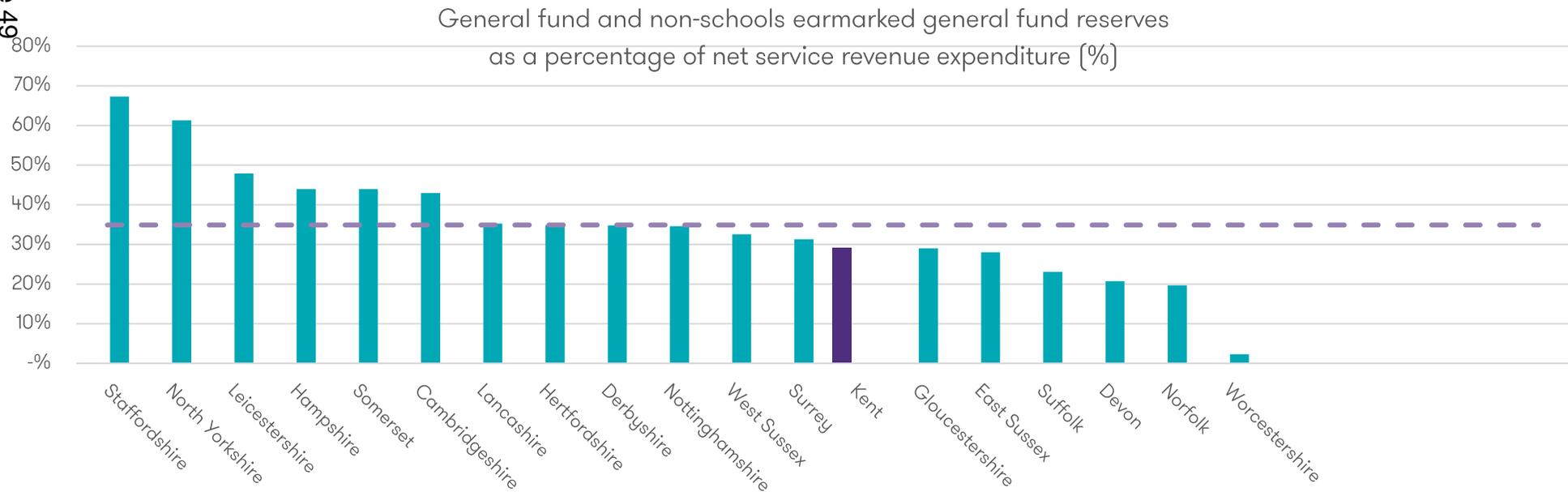
Financial sustainability (continued)

Available Reserves

As Figure 1 shows, Kent County Council’s General Fund and Earmarked Reserves are below the average held by other County Councils in England. Furthermore, the Council estimates that more than two thirds of its General Fund and Earmarked Reserves are already committed and are not available to fund any shortfall in the revenue budget. The Council estimates that within its 31 March 2023 General Fund and Earmarked Reserves balance of £355.1 million, only some £101.5 million was available for shortfalls in the revenue budget. Early drafts of the 2024/25 revenue budget indicate that savings of some £48.6 million and management actions of £48.8 million will be needed to balance the budget that year. Given our concerns so far around the non-delivery of savings and the lack of granularity in management actions, and given the forecast overspend of £36 million for 2023/24, there seems little headroom for error in the available reserves balance of £101.5 million.

Our Auditor’s Annual Report for 2021/22 made a Key Recommendation around the potential need to “withdraw or pare back” services. We repeat the Key Recommendation on page 19 of this report. We make an Improvement Recommendation around using sensitivity analysis on page 21 of this report.

Figure 1**:



** Data sourced directly from Council draft Statements of Accounts published on Council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of the information. Data is not available for all Councils due to some delays in publications.

Financial sustainability (continued)

Managing demand for SEND support

Demand for SEND support has been rising in Kent since 2014 and we reported in the Auditor's Annual Reports both for 2020/21 and 2021/22 that there were significant weaknesses in the financial sustainability of the SEND service.

Kent County Council started 2022/23 with a £97.6 million Dedicated Schools Grant deficit. A safety valve improvement plan was agreed with the Department for Education on 16 March 2023 and, having received £56.3 million from the Department on 30 March 2023 and set aside from reserves an additional £17 million of its own, the Council did end 2022/23 having significantly reduced its deficit to £61.353 million. In this regard, Kent County Council was ahead of many peers whose deficits continued to grow during the year.

However, under the safety valve improvement plan, the Council is required to fully eliminate the deficit by 31 March 2028, making staged reductions in each of the years leading up to that date. The Council estimates that it will miss the reduction targets for 2023/24 and 2024/25 although it also estimates that it remains on track for full elimination by 31 March 2028. We note that the current statutory override arrangement means dedicated schools grant deficits are not included in the main revenue budget. This arrangement is due to end on 31 March 2026.

The Council has developed a comprehensive series of action plans for the next five years and these surround:

- Tackling placements: Centralised data collection; new dedicated advice; school-attended decision-making panels; and further training by the commissioning team;
- Building mainstream capacity: Trained workforce; and action plan to clear the historic backlog; and
- Increasing integration with the mainstream: Bespoke district level dashboard; inclusion champions; teacher training on mainstream core standards; termly network meetings; and localities pre consultation events.

These actions focus on reducing costs once pupils are in the SEND process rather than on tackling demand for SEND at the point where it first arises. The Council's own data shows that Education, Health and Care Plan (EHCP) referrals in Kent are well above the national average and it is perhaps this that the Council needs to consider if it is going to make a long-term difference.

We made a Key Recommendation around managing demand for SEND services in our Auditor's Annual Report for 2021/22. With referral rates remaining above the national average, we repeat the Key Recommendation on Page 20 of this report.

Planning in accordance with strategic priorities and statutory duties

Strategic Priorities

Framing Kent's Future is the Council's top-level strategy for 2022-2026. The priorities within the strategy surround levelling-up the County; providing infrastructure for communities (digital, transport and social); achieving environmental step change; and delivering new models of care. During our value for money testing, we did not see any evidence of discretionary activity being prioritised over statutory duties or of the Council financing activities that were inconsistent with its strategic aims. However, a governance review which we shared with the Governance and Audit Committee in October 2023 highlighted that the Council has a weak track record of prioritisation when it comes to making difficult decisions, including around finance.

The governance review reported that Framing Kent's Future includes no prioritisation and no clear links to funding for each action proposed. The review noted that the Council needs to develop a "whole system and outcome focused" approach if its budget recovery is to be successful.

From the value for money testing carried out to support this report, we noted that the present approach towards rolling out spending controls shows elements of the Council delaying difficult financial decisions. Since September 2023, budget holders have been encouraged to differentiate between essential and non-essential spend. In December 2023, "Stop and Think" messages were used to reinforce messaging around limiting unnecessary spend. However, at the time of writing this report (January 2024), mandatory spending controls had not yet been introduced – despite there being a £36 million forecast overspend for 2023/24.

A Future Assets Review currently being carried out by the Council also shows some aspects of similar delay. The approach towards heritage assets has gone to public consultation and decisions have been progressed in relation to the community assets and office estate in line with the expectations of the Council Medium term financial plan. However, there are some areas such as the library network review which has been delayed despite the Council recognising the need for right-sized estate. To some extent, this also shows elements of difficult decisions being delayed.

Financial sustainability (continued)

For the Council's plan to achieve an environmental step change, we note that in May 2023, Internal Audit reported that only Limited Assurance could be given on the Council's Net Zero Action Plan. Internal Audit reported that costs of delivering the plan had not been fully estimated; spend was not being monitored; and that the approach towards securing funding was inadequate. More importantly, Internal Audit also reported that the Council did not have a mechanism for ensuring that delivery of the plan was prioritised and, without a timetable for Actions, had no effective means of tracking progress.

Our governance review shared in October 2023 made 22 Recommendations aimed, amongst other things, at making sure the Council has a strategic plan for delivering its priorities, which is owned and understood by all Cabinet members and senior officers alike. Key Recommendation 4 on Page 30 of this report highlights the importance of the Council actioning the Recommendations from our governance review at pace.

Statutory Duties

In July 2022, Kent County Council took a conscious decision not to comply with its statutory duties under the Children's Act 1989 in respect of looking after unaccompanied asylum-seeker children arriving in Kent. Estimates available now indicate that the annual revenue costs of looking after the additional children would have amounted to around £50 million per annum and the additional capital costs would have amounted to at least £30 million in total. Budget plans drawn up by the Council both for 2022/23 and for 2023/24 did not include any planning or allowance for these costs.

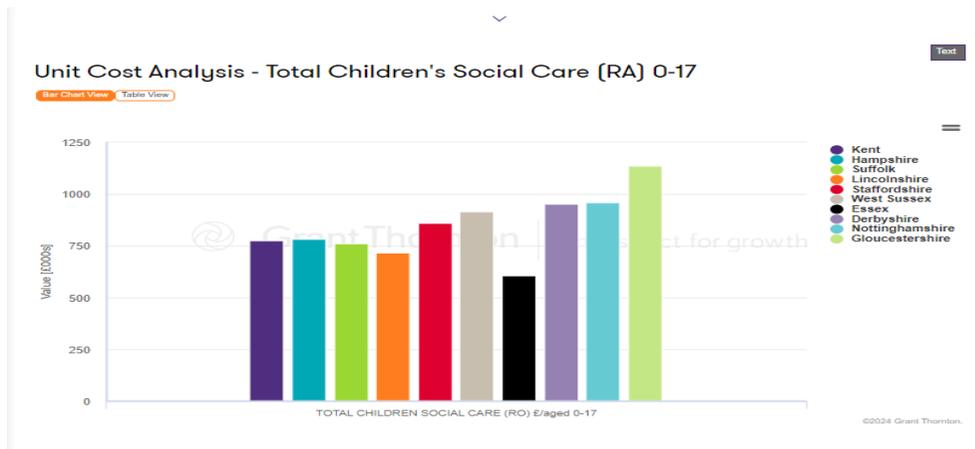
In July 2023, the UK High Court found that Kent County Council had acted unlawfully and ordered that the Council must take all possible steps to increase its capacity to accommodate and support all unaccompanied asylum-seeking children arriving in Kent - including but not limited to seeking and agreeing additional funding and other resources from Government; requesting assistance with placements from other local authorities; and/or lawfully redeploying existing resources within the County Council. On 21 December 2023, the High Court gave Kent County Council and the Home Office one month to agree a workable plan for sharing the costs of looking after affected children. We note that the Home Office does run a National Transfer Scheme (NTS) moving children who arrive in Kent to other parts of the country and that Kent County Council is no longer liable for children once they are re-located to other counties. However, Kent County Council alleged that

delays within the NTS are unlawful (and add to Kent's costs). The High Court upheld this allegation in November 2023.

Because legal disputes were ongoing up until 21 December 2023, there were grounds for preparing and publishing budgets which excluded the incremental costs of unaccompanied asylum-seeker children if Kent lost its case. By the end of January 2024, however, workable solutions with the Home Office are required and we expect to see related amounts reflected in the budget for 2024/25, with context provided in budget risks documentation.

We note that in May 2022, Ofsted reported that the unaccompanied asylum-seeking children that Kent County Council does already take responsibility for are well cared for and our own benchmarking shows that the incremental Children's Social Care costs are relatively well absorbed (Figure 2). Nevertheless, reflecting the incremental costs agreed with the Home Office in the 2024/25 budget will ensure accountability for the costs and may help build influence over how and when those costs are incurred. We raise an Improvement Recommendation (Improvement Recommendation 2 on Page 22 of this report).

Figure 2: 2022/23 Revenue Account budget data provided by Councils to the Department for Levelling Up, Housing and Communities (DLUHC)



Financial sustainability (continued)

Ensuring the financial plan is consistent with other plans, including capital plans

Our value for money testing for 2022/23 did not identify any evidence of financial budget planning being inconsistent with workforce planning; treasury and investment planning; the capital programme; and other operational planning. However, we did identify a trend towards slippage in the capital programme after it had been approved each year.

Kent County Council has a high value ten-year capital programme, but funding is only recognised in the programme for projects that are expected to occur within the first five years. Furthermore, projects are only allowed to start once funding is directly matched to them – during 2022/23 that specifically meant few grants or capital receipts being matched to proposed capital projects as the Council has a ‘No additional borrowings for capital’ policy. Even basic need and modernisation works are pushed back as far as possible until funding other than from borrowings can be matched to them.

Each year, some degree of slippage or re-phasing occurs. Only 60% of the Council's capital programme for 2022/23 was delivered, although a more positive 73.4% delivery rate is forecast for 2023/24.

Legal and regulatory risks are well managed within the capital programme – for example, safe, warm and dry building works are prioritised when funding is identified. There are also arrangements in place to keep an effective pipeline of capital works under development for when funding does become available.

Nevertheless, significant areas of re-phasing and backlog in both 2022/23 and 2023/24 do include basic need commissioning; highways maintenance; and the modernisation of assets. However, from a review of reasons for slippage during 2022/23 and 2023/24, we note that high value single item causes of slippage often have more to do with project management after funds are made available rather than the initial funding itself:

- Lack of appropriate specialist skills in place to oversee technical work;
- Project management delays by schools on budget lines the Council has no direct control over;
- Planning permission, spatial checks, surveys and other legal check delays; and
- Inflation in contractor prices pushing projects outside their budget envelope.

Whilst inflation may be a factor beyond the Council's control, managing project lead times, recruiting the right skills at the right time and managing the timescales for agreeing contracts are areas where tighter focus may improve capital programme delivery. We raise an improvement recommendation that the Council considers these factors holistically (Improvement Recommendation 3, Page 23 of this report).

	2022/23 Actual	2023/24 Forecast
Ten-year capital programme	£1,702.2 million	£1,624 million
Planned capital spend for year under review	£393.8 million	£399.5 million
Slippage recorded during year under review	£159.2 million	£112.1 million
% of the planned capital spend for year delivered – actual	60%	73.4%

Key recommendations

Key Recommendation 2

Steps need to be taken by the Council to control expenditure. This is necessary now to avoid the future s114 notice that the Council predicted to the Prime Minister. The Council will need to be realistic about the capacity available to support the delivery of savings. The administration will need to be able to communicate how and what is prioritised. Some very difficult decisions will need to be made by the ruling administration to reduce expenditure and in some cases withdraw or pare back existing services.

Going forward, savings and growth plans will require robust business cases. Management actions will also need to be supported by realistic planning. We will consider the robustness of the Council’s proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.

Identified significant weakness in arrangements

Gaps in the revenue budget that are unlikely to be bridged by savings plans alone. Insufficient reserves to sustainably close gaps.

Summary findings

History of overspend and undelivered savings plans. Future budget gaps unlikely to be sustainably bridged by reserves.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

The Council introduced spending controls in November 2023 and has strengthened them in January 2024. The process for considering growth and savings plans has been considerably strengthened and more information is available for Members to scrutinise at a granular level. Further work will be required in 2024 to improve the business cases for both savings and growth. We agree that this will involve Members needing to make difficult decisions on priorities.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations (continued)

Key Recommendation 3

The Council should take a holistic approach towards managing SEND demand and SEND financial management issues in Kent. This will involve the ruling administration making some difficult decisions.

Managing demand will be key to service recovery going forward. We note that EHCP referral requests in Kent remain well above the national average. In addition to the cost focused initiatives already in place, the Council will need to focus on EHCP demand and approval processes in the coming five years if it is to have a lasting impact on returning SEND services to a sustainable footing.

Identified significant weakness in arrangements

Continued high demand for service levels which are not financially sustainable.

Summary findings

The Council has a safety valve improvement plan in place but estimates that it will miss the reduction targets for 2023/24 and 2024/25. Although the Council does estimate that it remains on track for full elimination of the deficit by 31 March 2028, we note that EHCP referral rates remain well above the national average.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

The Council is adopting a holistic approach towards SEND demand and finances, as evidenced by the multi-disciplinary and multi-agency approach being adopted. The Council agrees that managing EHCP demand is important and is working with partners and stakeholders on this. However, the cost of placements (and complexity of packages) is currently a more important factor for overall financial impact, so we will also focus on this.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Improvement recommendations (continued)

Improvement Recommendation 1	Sensitivity analysis should be adopted for the budget for 2024/25 and the Council should also explore this for in-year financial monitoring.
Improvement opportunity identified	Sensitivity analysis not previously included by the Council in medium term financial planning.
Summary findings	Management inform us that work is underway to use sensitivity analysis as part of budgeting for 2024/25. In view of overspends having been incurred two years running, we recommend that the Council also includes sensitivity analysis in forecast data used for in-year financial monitoring.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council has adopted a more sophisticated approach towards budget setting for 2024/25, particularly around estimating future demand (rather than just catching up with existing demand). It will build on this going forward, including exploring the potential benefits from expanding this approach into in-year financial monitoring.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations (continued)

Page 56

Improvement Recommendation 2

Kent County Council should reflect its share of the costs agreed with the Home Office for caring for unaccompanied asylum-seeker children in the budget for 2024/25. Budget risks documentation for 2024/25 should reflect the latest progress on agreeing arrangements with the Home Office and possible future developments.

Improvement opportunity identified

Improved accountability for the costs and strengthened influence over how and when those costs are incurred.

Summary findings

On 21 December 2023, the UK High Court gave Kent County Council and the Home Office one month to agree a workable solution for sharing the costs of unaccompanied asylum-seeker children arriving in Kent. Total incremental revenue costs (before sharing is agreed) are expected to amount to around £50 million per annum and total capital costs are expected to amount to around £30 million. These have not, so far, been included within Council budgets.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will reflect the likelihood of any additional costs arising from working with the Home Office as part of the best way of supporting UASC, but starts from the presumption that the Council's overall net budget should be made whole (ie the Council should be no worse off). The rationale for this will be reflected in the budget risk assessment and this is the basis of discussions with the Home Office.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations (continued)

Improvement Recommendation 3	Delays on capital projects should be reviewed for common factors. Issues around project management (including through schools and contract partners) and specialist skills retention should be reviewed holistically.
Improvement opportunity identified	Scope for reducing slippage on the capital programme.
Summary findings	Only 60% of the Council's capital programme for 2022/23 was delivered. Lack of specialist skills, project management delays, pauses for funding and legal checks were among the causes.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will review (i) its process for profiling the capital programme, to ensure there is a realistic plan in place to monitor against and (ii) the reasons behind project delays, to identify any common issues.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- approaches and carries out its annual budget setting process
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services
- approaches the pension fund

Making properly informed decisions

Our Auditor's Annual Report for 2021/22 identified a significant weakness in Kent County Council's arrangements for decision-making. We noted that there had been an unconstitutional decision around SEND school transport re-procurement in 2021/22; that there was a history of informal governance arrangements being used; and that members and officers had reported feeling "unsafe" in meetings where decisions were discussed. We recommended that decision-making arrangements be strengthened; members and officers better understand their roles; and better practice in meetings be introduced. For school transport, we have also now established that members sit on appeals panels, which is unusual for Local Authorities.

Significant weaknesses in arrangements for decision-making continued during 2022/23. Following the concerns raised both in our Auditor's Annual Report for 2021/22 and in the Annual Governance Statement for 2021/22, we undertook a specific governance review to examine behaviours around decision-making between January and March 2023. Our findings were shared with the Governance and Audit Committee in October 2023 and identified:

- micro-aggressions (from members to officers) which were at risk of becoming normalised;
- some members having little interest in any information that might challenge their settled view, increasing the risk that mistakes could be made;
- reports to Cabinet sometimes being slanted to achieve a particular outcome;
- Freedom of Information having been inappropriately politicised by members; and
- some members using officers as an alternative route to get the answers they wanted, rather than using the correct decision-making process.

We noted earlier in this report that strategic arrangements for delivering priorities (including financial priorities) were found to be weak in our governance review. For effective challenge to and scrutiny of decisions, the governance review also included recommendations for better functioning of the Governance and Audit Committee and Scrutiny Committees.

Governance (continued)

In July 2022, CIPFA finalised a report of its own on the effectiveness of the Governance and Audit Committee. Broadly, the review concluded that the Committee had too wide a remit; too cluttered an agenda; was too political; and was doing too much to be fully effective.

From our value for money testing for 2022/23, we have identified additional ongoing issues that the Council should consider:

- the Governance and Audit Committee met eight times during 2022/23 but the Corporate Risk Register was only reviewed by the Committee once in the year;
- all Chair and Vice Chair roles for the Governance and Audit Committee and all Scrutiny Committees and Sub Committees are held by members of the ruling administration;
- Page 59. closely timed role holding between Cabinet and the Governance and Audit Committee risks members challenging their own decisions;
- as noted earlier in this report, decision-making on key matters is sometimes delayed both by officers and members; and
- officers responses to an Annual Governance Statement survey run by the Council indicated that some officers still feel members do not fully understand the more complicated aspects of governance; may not yet be fully familiarised with governance; have taken key decisions within the wrong timeframes; and sometimes inappropriately by-pass senior officers to liaise directly with their juniors.

Overall, we consider that arrangements for decision-making, including challenge and scrutiny of decision-making, still need to strengthen. Our Auditor's Annual Report for 2021/22 made a Key Recommendation around strengthening compliance. We repeat the Key Recommendation on Page 30 of this report. In total, our specific governance review made 22 additional recommendations around the Council's structure, systems and behaviours. Our Key Recommendation on Page 30 of this report notes that these, as well as recommendations raised by CIPFA need to be implemented at pace. Given the need to manage SEND and other school transport costs, we also recommend the Council consider the role of members on appeals panels.

Monitoring and assessing risk and gaining assurance over internal control

Internal Audit findings and the role of internal audit:

Internal Audit concluded both for 2021/22 and for 2022/23 that overall, the Council had adequate arrangements in place in relation to corporate governance, risk management and internal control. For four years running, there has been a deterioration in the strength of that conclusion, but this to some extent reflects that Internal Audit has been asked to look at higher risk areas, year on year, for a better gauge of where the Council's issues lie.

For 2019/20, Internal Audit provided Substantial Assurance on 47% of all systems it tested and only provided Limited Assurance on 9% of the systems it tested. For 2022/23, Internal Audit provided Substantial Assurance on just 26% of the systems it tested and provided Limited Assurance on 35% of the systems it tested. Whilst the trend in Assurance is clearly downwards, the Council is nevertheless being proactive in directing Internal Audit to shine a light on the areas where it knows it needs to improve.

	2022/23	2019/20	Direction of Travel
% of systems, processes or functions assigned: Limited Assurance	33%	9%	↑
% of systems, processes or functions assigned: Substantial Assurance	26%	47%	↓
Rate of full implementation of Internal Audit recommendations	50%	62%	↓

Governance (continued)

We note that for 2022/23, Financial Control was one of the areas where Internal Audit could only provide Limited Assurance overall, because of the number of individual systems, processes or functions within the area that had only Limited Assurance. Limited Assurance was given on Budget Savings and Net Zero Action Planning systems (as already highlighted earlier in this report), but also on arrangements for individual contracts with care providers; data quality and managing the risk of overpayments for lifespan pathways; and compliance with financial regulations. Procurement, commissioning and partnerships was the other area where Internal Audit provided only Limited Assurance overall.

Our Auditor's Annual Report for 2021/22 stated that it is "*important that Actions from internal audit reports are taken seriously and addressed on a timely basis*". However, implementation rates for management actioning recommendations remain significantly lower than they were four years ago (50% in 2022/23 compared to 62% in 2019/20).

For 2022/23, one of Internal Audit's highest profile reports was a Lessons Learnt report on SEND transport procurement. The report was issued in September 2022, following a significant and well publicised February 2022 failure in SEND transport re-procurement. By November 2023, however, full follow-up had not yet been achieved, despite the Governance and Audit Committee having required it. A '*lack of enthusiasm*' from officers and directors involved in the procurement was highlighted to the Governance and Audit Committee as one of the reasons why Internal Audit findings had not been fully followed-up on. It is unfortunate that disagreements between Internal Audit and management have played out publicly in the Governance and Audit Committee at least twice in the last 18 months which does not reflect well on the Council.

The Internal Audit annual opinion for 2022/23 stated that directorates needed to improve their "second line of defence" i.e. reduce their dependency on Internal Auditors finding errors out that then require correction. The present experience of the SEND team perhaps highlights the importance of getting things right first time. The team is currently responding to recommendations from Internal Audit (Lessons Learnt on transport re-procurement); Ofsted and CQC (inspection of service performance standards); and the Department for Education (financial safety valve improvement requirements). This may in some measure be one of the drivers for delays in following-up on the Internal Audit findings.

We raised an Improvement Recommendation in our Auditor's Annual Report for 2021/22 around implementing Internal Audit Recommendations. With rates of implementation still

being lower than they were four years ago and the key report on SEND transport needing follow-up, we now raise a Key Recommendation around the importance of implementation (Key Recommendation 5, Page 31).

The Annual Governance Statement:

The Annual Governance Statements both for 2022/23 and for 2021/22 outline actions identified by the Monitoring Officer as requiring improvement for governance to be fully effective. The Council has programmes of work ongoing to improve processes around the required actions. Steps already taken include workshops to review member roles; comparisons with processes at other Local Authorities; a review of written governance processes; a member development survey; and training, including during "Governance Week" in November 2023. For process improvements to have the impact they are aimed at, it will be important that culture and behaviour and standards also keep pace with improvement.

	2022/23	2021/22
Annual Governance Statement – identified actions which have work ongoing to address	24	13
Head of International Audit opinion	Adequate	Adequate
Internal Audit assurance on compliance with financial regulations	Limited	NA
Ofsted inspection rating	Outstanding (May 2022 inspection)	Good (March 2017 inspection)
Incidents reported to the Information Commissioner's Office	16	?
Annual Governance Statement – areas where the Council faces challenges meeting its duties	5 (includes caring for children presenting in need in the area)	3 (includes caring for children presenting in need in the area)

Governance (continued)

Budgetary control

Despite there being significant weaknesses within arrangements for financial sustainability overall, the detailed mechanics of reporting on budget setting and budgetary control are an area where the Council has had success in introducing improvements.

Our Auditor's Annual Report for 2021/22 included an Improvement Recommendation that the Council include sensitivity analysis or scenario testing within future medium-term financial plans – so that the range of impacts on future reserves balances could be estimated. Management have informed us that this will be adopted when the budget for 2024/25 is prepared.

Throughout 2022/23, quarterly reports were presented to Cabinet on financial outturn. We note that the Quarter 4 (year-end outturn) report shared with Cabinet in June 2023 included an early assessment of outturn on the reserves and that the Quarter 1 report shared with Cabinet for 2023/24 (in October 2023) included an update on the reserves position.

Since October 2023, the Council has also adopted an arrangement for monthly reporting to Cabinet on the financial position. Given the trend two years running towards overspend, the Council should consider adopting sensitivity analysis for the in-year financial monitoring forecasts it shares with Cabinet as well as in the medium-term financial planning documents prepared alongside the budget at the start of a year.

Overall, though, the direction of travel around strengthening the mechanics for budgetary reporting has been positive. The more regular reporting should help to focus attention on key issues and may perhaps provide a platform for taking forward the other changes needed around decision-making and financial control.

Standards and Behaviours

We outlined earlier in this report that the Council acted unlawfully when it breached its duty to look after unaccompanied asylum-seeker children in July 2022. At the time of writing this report, the Council and the Home Office have been given one month from 21 December 2023 to reach a workable solution for sharing the revenue and capital costs of looking after affected children. A workable solution should make legal compliance easier going forward. However, this is not the only area where the Council faces challenges in meeting its statutory duties. Furthermore, the number of additional areas of challenge as identified by the Monitoring Officer in the Annual Governance Statement rose from 2 to 4 between 2021/22 and 2022/23:

Areas where the Council faces challenges in complying with statutory duties	2022/23	2021/22
Children presenting as in need within our area (includes unaccompanied asylum-seeker children arriving in Kent)	Yes	Yes

Other areas:

Deprivation of Liberty Safeguards	Yes	Yes
Services to Children and Young People with SEND	Yes	Yes
Compliance with timescales for Education, Health and Care Plans (EHCPs), Freedom of Information (FOI) and Subject Access Requests (SARs)	Yes	No
Use of unregistered placements for children	Yes	No

Governance (continued)

Increasing difficulty in complying with timescales for EHCPs, FOI Requests and SARs and the use of unregistered placements for children are perhaps a reflection of factors already discussed within this report – continued high demand for EHCPs; politicisation of the use of FOIs; and high demand with changing market pressures in the Children’s Social Care sector. These areas being listed in the Annual Governance Statement shows that the Council is at least sited on them.

The Corporate Risk Register increased its risk rating for risks around maintaining governance in a challenging environment from 10 to 15 between July 2022 and May 2023, which reflects senior leadership awareness of the risks the Council faces. However, there are other indications that the Council may be increasingly challenged in covering its statutory basic duties at other levels within the organisation as well. For example:

the policy of pushing back basic needs capital projects to avoid new borrowing risks compromising the Council’s duties around safe, warm and dry buildings (currently mitigated by legal advice to prioritise basic need works first and by keeping an up-to-date capital projects pipeline); and

- Internal Audit’s report on compliance with financial regulations in September 2023 highlighted a fundamental lack of knowledge of and understanding of financial regulations in the two directorates that Internal Audit sampled (Adult Social Care and Housing; and Growth, Environment and Transport).

For the Internal Audit report on compliance with financial regulations, we note that Internal Audit surveyed Service Managers, Heads of Service and Assistant Directors. 26 responses were received, and these identified that:

- 17 respondents (65%) were unfamiliar with the most recent Council financial regulations. 12 respondents either had not read the regulations or were not sure if they had read them and 5 respondents had utilised outdated versions;
- 13 respondents (50%) stated they were unsure of any financial management training offered via induction or on an ongoing basis; and
- 7 respondents (27%) stated that they were not completely sure of the overall purpose of the financial regulations.

At the time we completed our value for money testing for 2022/23, work was underway at the Council to strengthen central messaging to staff around the Council’s financial regulations. However, Internal Audit had not yet concluded on how strong the prospects for overall improvement were.

For central messaging to be fully embedded on an ongoing basis, there may be a role to play for finance business partners working with service directors in the field. Ultimately, though, good governance should be the responsibility of all. Staff should be reminded that the Officer’s Code of Conduct states that:

- The Council’s financial regulations and anti-fraud and corruption strategy must be adhered to at all times; and
- Officers are expected, through agreed procedures and without fear of recrimination, to bring to the attention of management any irregularity in the provision of service.

We raise an Improvement Recommendation around this point (Improvement Recommendation 4, Page 32).

Governance (continued)

Governance over the Pension Fund

Kent County Council administers a high value pension fund which held net assets valued at £7,848 million on 31 March 2023 (31 March 2022: £7,697 million). Our Auditor's Annual Reports from previous years have reported how the Fund wrote-off an investment of around £237 million when trading was suspended for shares the Fund held in the Woodford Equity Income Fund during 2019/20. Capital distributions from liquidators to investors mean that final losses net of distributions were forecast in 2021/22 to be the lower figure of £63.7 million. A settlement is expected from the Link Group of Arrangements in the spring of 2024.

Following the initial losses, an independent review by Barnett Waddingham made 139 recommendations for improved governance over the Pension Fund. These included widening representation on the Superannuation Committee; ceasing dual role holding between the Superannuation Committee and the Pension Board; and sharpening processes around decision-making. The Council introduced a new Pension Fund Committee in response; prohibited dual membership of the Pension Fund Committee and the supporting Pension Board; and wrote decision-making arrangements for the Pension Fund Committee into the Constitution. In all, the Council spent £32.5 million on Pension Fund administration, governance and oversight during 2022/23.

In May 2023 Internal Audit reported that 116 of the Barnett Waddingham recommendations have now been implemented. Overall, Internal Audit provided an Adequate Assurance opinion over the Pension Fund in 2022/23, with good prospects for further improvement. However, the Internal Audit report did highlight that the Pension Board only met once in the 12 months to 31 January 2023 and that the key performance indicator reporting adopted by the Fund during 2022/23 does not have any comparators and is not benchmarked against other local

authorities to assess how well the Kent's pension administration team is performing on a relative scale. The Internal Audit report also highlighted high risk recommendations around preventing Annual Benefit Statement and Annual Allowances breaches and, where they do occur, reporting them to the Pension Committee and Pension Board; and around data collection for McCloud data remedy.

Overall, the Council's response to prior year issues with the governance of the Pension Fund has been proactive. As with all other Internal Audit findings, it will be important that recommendations raised by Internal Audit in May 2023 are now actioned. Nevertheless, engaging Internal Audit to report to Cabinet on progress with Barnett Waddingham actions is itself a sign of positive attitude towards improvement.



Key recommendations

The range of recommendations that external auditors can make is explained in Appendix B.

Key Recommendation 4

Compliance with the Council's decision-making arrangements needs to be strengthened. Members and officers should ensure they understand their roles and comply with the Council's governance arrangements. Issues and complaints raised with the Monitoring Officer should be addressed and feed into good practice training for the future.

The effectiveness of the scrutiny and challenge functions should be carefully considered. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted.

Given the need to focus on costs, the effectiveness of members roles on school transport appeals panels should also be considered.

Identified significant weakness in arrangements

Weaknesses in arrangements for decision-making, including in arrangements for strategic prioritisation and challenge and scrutiny.

Summary findings

Significant weaknesses identified by CIPFA and by our specific review of governance between January and March 2023 and by the Monitoring Officer in the Annual Governance Statement two years running.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

Detailed activity has already been delivered against this recommendation throughout 2023/24 with delivery continuing until Q1 2024/25. This includes training for Members, Governance Week and training for officers, introductory guides, simple explainers and information and the development of a new decision-making platform to integrate and automate decision-making arrangements. Work has also been undertaken in relation to the approach to governance within the Council and follow ups on the 2022/23 AGS Officer Survey. Reports will also be going to Standards and Scrutiny Committee during Q4 2023/24. Members have discussed the Annual Audit Opinion during 2023/24 for the first time and have established a Governance Working Party to work through the Member Specific elements of the External Audit Governance Report.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations (continued)

Key Recommendation 5

The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at poce.

Identified significant weakness in arrangements

Delays in actioning findings from Internal Audit.

Summary findings

Implementation rates for management actioning Internal Audit recommendations remain significantly lower than they were four years ago (50% compared to 62%). One of Internal Audit's highest profile reports on SEND transport re-procurement was issued in September 2022 but has not yet been fully followed-up on.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

The Council will focus on improving Internal Audit findings implementation rates, including the SEND transport re-procurement lessons learned review.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Improvement recommendations (continued)

Improvement Recommendation 4	<p>Staff should be reminded that the Officer's Code of Conduct states that:</p> <ul style="list-style-type: none"> The Council's financial regulations and anti-fraud and corruption strategy must be adhered to at all times; and Officers are expected, through agreed procedures and without fear of recrimination, to bring to the attention of management any irregularity in the provision of service. <p>The role of finance business partners in explaining regulations and promoting good practice should also be considered.</p>
Improvement opportunity identified	Heightened awareness of financial regulations.
Summary findings	An Internal Audit report on compliance with financial regulations in 2022/23 identified high rates of non-awareness of regulations amongst Service Managers, Heads of Service and Assistant Directors in two directorates sampled.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Financial Regulations have been comprehensively reviewed and will be considered by Governance & Audit committee in February and recommended to Council in March. This will include an all-Member briefing to improve understanding and awareness of the Regulations. Following approval of the new Regulations, there will be a communication strategy to improve understanding and awareness amongst staff.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Using and evaluating performance information

For Council operations, Kent County Council has an effective performance management framework in place and performance reports are shared with members on a quarterly basis. Trends and anomalies in performance are monitored by the Council's Chief Analyst and the Director of Strategy, Policy, Relationships and Corporate Assurance. In places, performance reports include benchmarking against national averages and south-east averages. The Council monitors trends in performance over time.

For 2022/23, the Quarter 4 performance report showed a sharp deterioration in corporate performance compared to the last Quarter of 2021/22. The percentage of RED RAG rated indicators more than trebled between 2021/22 and 2022/23 and the number of deteriorating RAG ratings doubled.

	2022/23 Quarter 4	2021/22 Quarter 4
Number of RED RAG rated corporate performance indicators	12/37	3/33
% of corporate performance indicators RAG rated RED	32%	9%
Number of indicators with deteriorating RAG rating	11/37	5/33
% of indicators with deteriorating RAG rating	30%	15%

	G	A	R	↑	→	↓
Customer Services	1		2		3	
Governance and Law			2		2	
Growth, Economic Development and Communities	1		1		2	
Environment and Transport	2	2	2		4	2
Children, Young People and Education	5	5	3	1	7	5
Adult Social Care	1	3	2		4	2
Public Health	5			1	2	2
TOTAL	15	10	12	2	24	11

The Council understands the relationship between financial and other operational performance frameworks.

Improving economy, efficiency and effectiveness (continued)

Our value for money testing considered the degree to which some services performed worse than others; Council performance in high-spend areas compared to peers and compared to the expectations of external regulators; and the completeness of information available for 'high demand' services.

Degree to which some services perform worse than others

Quarter 4 data for 2022/23 showed that Red RAG rated performance was fairly evenly distributed across the Council, with Public Health being the only directorate not to miss the 'floor' standard for any of its targets. The trend towards deterioration of target performance was most marked, however, in the Children, Young People and Education directorate.

The directorates with the highest rates of long term (one year or more) failure to reach 'floor standard' targets were the directorates for Customer Services; Governance and Law; and Children, Young People and Education. However, to some extent, the pressure affecting all three areas came from the Children, Young People and Education directorate.

For Customer Services, performance was impacted by the fact that the Customer Services directorate is still dealing with a backlog of complaints around the Children, Young People and Education directorate. For Governance and Law, over two thirds of Subject Access Requests that the directorate responds to relate to the Children, Young People and Education directorate. These are, in turn, very complex to respond to.

For the Children, Young People and Education directorate itself, we note that the indicators where the Council had failed to achieve 'floor standard' for one year or more surrounded the rate of EHCPs issued within 20 weeks and the percentage of foster placements which are in-house or with a relative or friend (not including unaccompanied asylum-seeker children). Our understanding, at the time of writing this report, is that officers are considering changing performance report formats so that greater emphasis is placed on tracking management actions – making it possible, for long term under-performing targets, to assess which actions are effective and which are not. This would be a positive development.

Council performance in high spend areas compared to peers

Using 2022/23 Revenue Account budget data published by the Department for Levelling Up, Housing and Communities, we compared key areas of spend for Kent County Council with its ten nearest statistical neighbours. For spend per head on adults needing learning disability support and for spend per head on central services (which include management costs), we noted that the Council's spend is significantly higher than that of its nearest neighbours (see Figures 3 and 4, Page 34).

The Council's performance data around Adult Social Care and Health is inconclusive about whether the relatively high spend represents value for money. The indicators are not aligned to draw out specific data for adults needing learning disability support and there is no benchmarking of the Adult Social Care and Health performance data against other Councils or against national data. However, we would note that the two Red RAG rated Quarter 4 indicators for Adult Social Care and Health did not specifically relate to adults needing learning disability support.**

For Central Services spend, given that the Council's spend was higher than all peers but four out of five of the Customer Services and Governance and Law indicators were RAG rated Red, the Council may wish to consider assessing movements in its key cost drivers for fuller sense checking of performance by central teams. These were also areas where there was no benchmarking included within the performance reports for performance against other Councils or national trends, although Cabinet discussions around performance did explore whether the targets the Council was assessing itself against may be higher than is usual in other parts of the country.

** Red RAG rated indicators for Adult Social Care and Health, Quarter 4, 2022/23:

1. Proportion of new care needs assessments delivered within 28 days.
2. Long term support needs of older people (65 and over) met by admission to residential and nursing care homes.

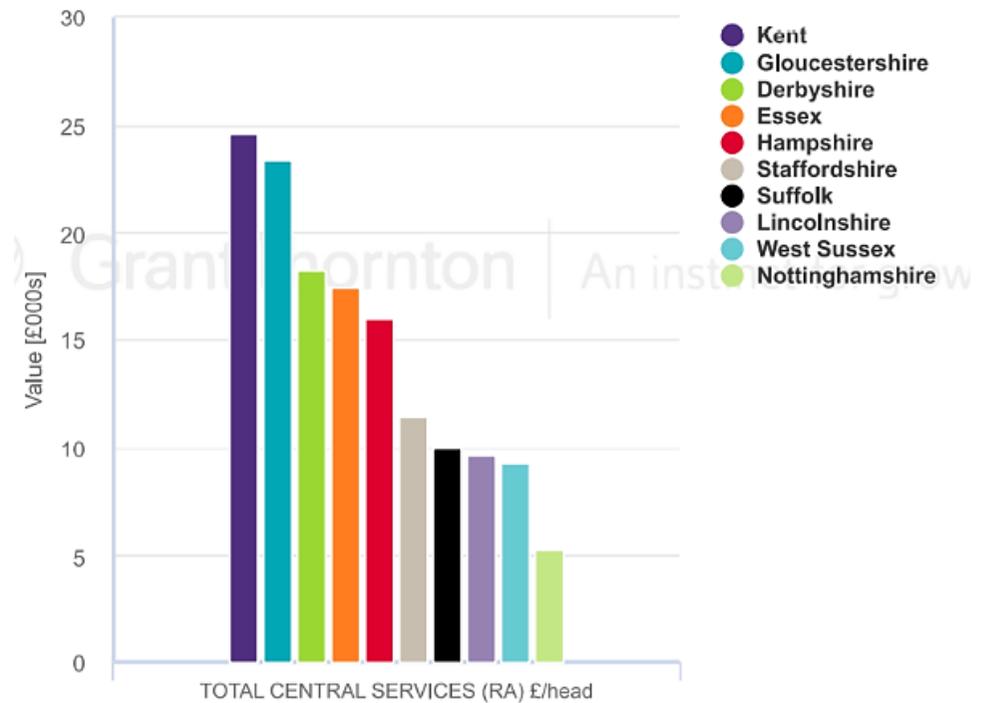
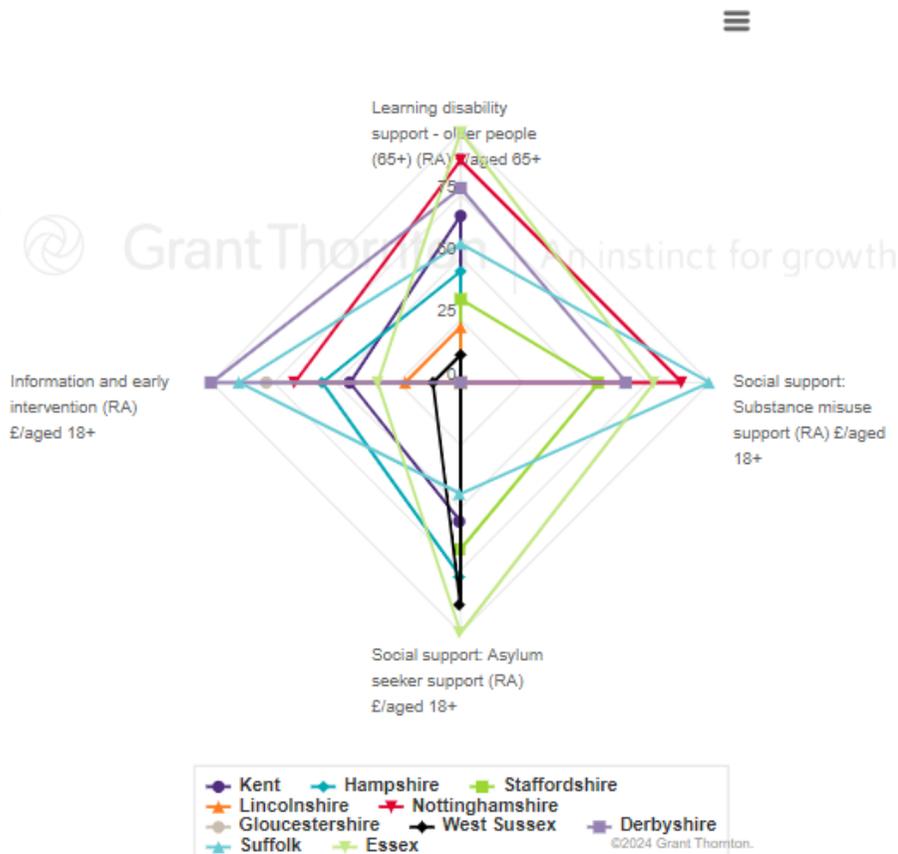
Source: Kent County Council Quarterly Performance Report, Quarter 4, 2022/23.

Improving economy, efficiency and effectiveness (continued)

Figure 3: 2022/23 Revenue Account budget data provided by Councils to the DLUHC

Figure 4: 2022/23 Revenue Account budget data provided by Councils to DLUHC

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Improving economy, efficiency and effectiveness (continued)

Council performance in high spend areas compared to the expectations of external regulators

As we have already seen, the Council has a £61.3 million Dedicated Schools Grant deficit which the Department for Education expects it to close by 31 March 2028. Our Auditor's Annual Reports for 2020/21 and 2021/22 highlighted that it was high spend on SEND services, in particular through contracts with the private sector, that contributed to the original build-up of the deficit. Against the terms of a safety valve improvement plan agreed with the Department for Education though, the Council currently expects to overspend against its financial targets for 2023/24 and 2024/25.

Contrary to higher spend leading to higher performance standards, external regulator findings are that performance standards in the SEND service fall significantly below expectations.

Significant weaknesses in SEND service performance were identified by Ofsted and the Care Quality Commission (CQC) in March 2019, September 2022 and November 2022. These were highlighted in our Auditor's Annual Reports both for 2020/21 and for 2021/22. Ofsted and CQC issued an Improvement Notice to the Council in March 2023 because of its ongoing failure to address the nine areas of concern they had highlighted.

We note that Kent County Council is now working through a 116-point Action Plan for SEND services that the Department for Education expects to be delivered by April 2024. Each Action has a Responsible Officer who reports monthly to a Partnership Delivery Group, providing evidence of impact from actions. There is a Strategic Improvement and Assurance Board in place that the Partnership Delivery Group can escalate concerns to. Tackling the continued high rates of EHCP referral already noted in this report may nevertheless also help with driving Actions through.

The Council's Commissioning Plan for Education Provision in Kent 2022-26 highlighted that the number of EHCPs increased in Kent by 13.2% between January 2020 and January 2021 whereas the rest of England increased by 10%. The requirement for special provision in Kent then grew by 16% between 2021 and 2022 compared to 9.9% nationally. Delivering the improvements that Ofsted and CQC require will be difficult to manage financially if proactive steps are not taken to manage demand as well.

Significant weaknesses in Kent County Council SEND practice identified by Ofsted and CQC in March 2019 and September 2022

1. A widely held concern of parents that the local area is not able, or in some cases not willing, to meet their children's needs.
2. A variable quality of provision and commitment to inclusion in schools, and the lack of willingness of some schools to accommodate children and young people with SEND.
3. That parents and carers have a limited role in reviewing and designing services for children and young people with SEND.
4. An inability of current joint commissioning arrangements to address known gaps and eliminate longstanding weaknesses in the services for children and young people with SEND.
5. Poor standards achieved, and progress made, by too many children and young people with SEND.
6. The inconsistent quality of the EHC process; a lack of up-to-date assessments and limited contributions from health and care professionals; and poor processes to check and review the quality of EHC plans.
7. Weak governance of SEND arrangements across the EHC system at strategic and operational level and an absence of robust action plans to address known weaknesses.
8. Unacceptable waiting times for children and young people to be seen by some health services, particularly CAMHS, tier two services, SALT, the wheelchair service, and ASD and ADHD assessment and review.
9. A lack of effective systems to review and improve outcomes for those children and young people whose progress to date has been limited by weaknesses in provision.

Our Auditor's Annual Report for 2021/22 raised a Key Recommendation around improving performance standards within the SEND service. With standards having remained below expectation in 2022/23, we repeat the Key Recommendation on Page 40 of this report.

We also note that two of the Council's own 2022/23 Children, Young People and Education directorate performance indicators relate to SEND services and both were RAG rated Red at the end of 2022/23:

- Percentage of EHCP's delivered within 20 weeks; and
- Percentage of pupils being placed in independent schools or out of county special schools.

Improving economy, efficiency and effectiveness (continued)

Completeness of information available for 'high demand' services

SEND services were not the only service to experience high demand and missed targets during 2022/23. Highways, Roads and Transport services also reported high demand and missed targets. These were considered in detail as part of our work.

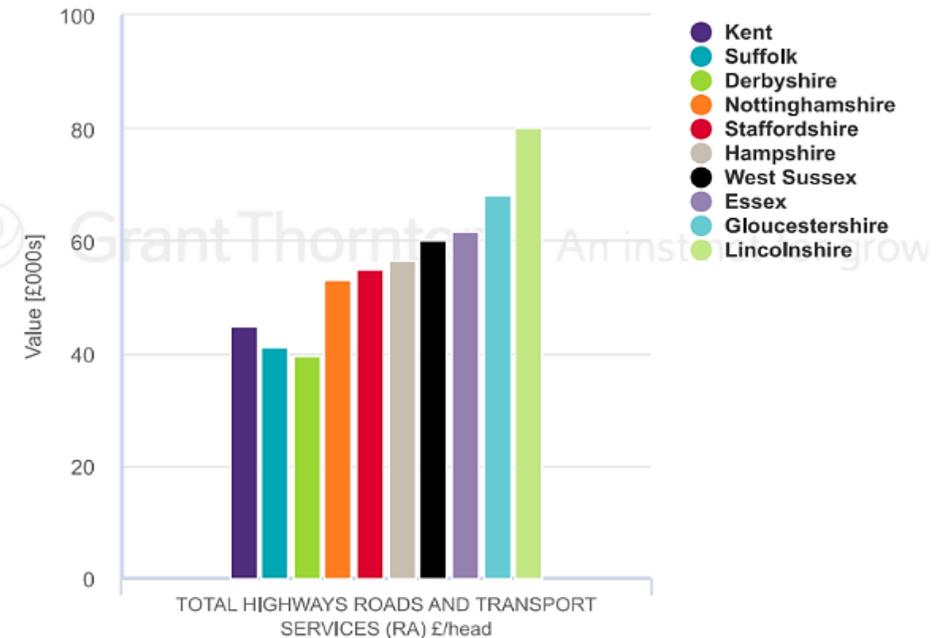
2022/23 Quarter 4 performance data shows that the Council missed its floor targets for the percentage of pothole repairs completed within 28 days in every quarter between June 2022 and March 2023. It also shows that the Council missed its floor targets for emergency highway incidents attended within two hours of notification in the Quarters ending December 2022 and March 2023. Data presented to Cabinet in the March 2023 performance report highlighted 'unprecedented demand' and pointed to very wet weather at the end of the year following on from backlogs caused by snow at the start of the year. The report referred to 'prolonged rain, snow and ice', all of which could reasonably be expected to have had an impact on demand levels. However, the report did not include any comparative data showing how Kent County Council's Highways performance (or any other Environment and Transport indicators) compared with other Councils. The bad weather conditions that the report cites would not have been confined to Kent alone.

We also note that comparative financial data was not considered in the evaluation of performance. Our own benchmarking showed that Kent County Council's spend on highways, roads and transport per head of the population is relatively low compared to statistical nearest neighbours.

SEND, EHCP and other early years data is relatively well benchmarked against national data trends in the Council's Quarter 4 performance report. The link between activity (demand) being higher than the rest of the country and performance being below target is clear. The Highways, Roads and Transport absence of national benchmarking shows that this is not a uniform approach to reporting though.

There may be scope for the Council to make more use of benchmarking and other data for services where demand is increasing, and/or performance is deteriorating, to assess performance. We raise an Improvement Recommendation around this point (Improvement Recommendation 5 on Page 42 of this report).

Figure 5: 2022/23 Revenue Account budget data provided by Councils to the DLUHC



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Improving economy, efficiency and effectiveness (continued)

Partnership working

Kent County Council has effective arrangements in place for partnership working. The Council identifies its key partners as District Councils, Medway Unitary Council, the Police, Fire and Rescue and Health services; Job Centre +: and a range of voluntary and community organisations.

The Council is a “Category 1 Responder Member” of the Kent Resilience Forum and in recent years, has had to work with partners within the local geography to manage flooding; coastal erosion; Brexit transition impacts on roads to and from Channel crossings; and the need to maintain emergency plans for radiation events at Dungeness.

For 2022/23 issues around asylum seeker rates, the Council worked with its partners to champion what they see as the strategic interests of the local area. On 1 November 2022, the leader of Kent County Council joined with thirteen other Council leaders from the Kent and Medway area in a letter to the Home Secretary urging that the Government refrain from continuing to allocate further adult asylum quotas to the county and cease procurement of further hotel accommodation in the county. This was a strong example of geographic partners working together to address common concerns.

Voluntary and Community organisations are seen as important economic partners and the Council actively sought in 2022/23 to build on the strategic relationship built-up during the Covid-19 pandemic. The Council engaged consultants to report in May 2022 on the effectiveness of its commissioning from the voluntary and community sector. The consultants identified good practice examples. Recommendations around making practice more consistent were shared with Cabinet for actioning.

Procurement and contract management

Strategy

Kent County Council spends around £1 billion per annum through commercially procured contracts and has a small central procurement team. During 2022/23, there was no formal Procurement Strategy in place, although officers inform us that the Council is now developing one. We are also aware that steps are underway to enhance the strategic use of the procurement team. There are plans to include procurement partners in the decisions on Children and Adult placements, for example. The intention will be to move away from just finding placements and towards finding placements that make commercial good sense.

Compliance

Internal Audit’s overall opinion for 2022/23 was that only Limited Assurance could be provided over ‘Procurement, Commissioning and Partnerships’ but a review of detailed findings shows that the key areas of weakness identified came from the procurement and contract management compliance rather than partnerships aspects of their testing:

Audit area	Report number	Opinion
Procurement	CA07-2023	Limited
Contract extensions	RB21-2023	Limited
Individual contracts with care providers	RB03-2023	Limited

Improving economy, efficiency and effectiveness (continued)

Issues reported by Internal Audit in their procurement and contract management findings for 2022/23 included inconsistencies in the use of the Council's contract management system; different approaches to the retention of procurement documentation; the absence of performance indicators on compliance with procurement and contract management procedures; limitations to the ability to monitor spend against specific contracts; weak procedures for purchases under £25,000; 40% of contract extensions not approved in line with the correct decision-making matrix; templates for contract extensions not always completed and contract extension risks were not always identified; and the contracts register not always being kept up to date. Internal Audit also reported an inconsistent approach to the completion of contract change notices; and an insufficient amount of time sometimes being allocated to properly consider an extension option versus re-procurement. It was also raised that there was no monitoring or reporting of which staff have completed and which have not completed contract management training across the Council.

For context, it is important to remember that in February 2022, Internal Audit also documented the 60 lessons that needed to be learnt from the failed SEND transport re-procurement. At the same time, when Internal Audit concluded that only Limited Assurance could be provided for 2022/23 over the Council's compliance with financial regulations, they noted that they had been unable to test the use of iProcurement software for raising orders because documentation was not made available to them; the Adult Social Care and Health directorate was using the Mosaic system instead of iProcurement to procure care packages; and for a sample of single source justifications examined, Voluntary Ex-Ante Transparency (VEAT) Notices had not always been obtained.

As part of our value for money testing for 2022/23, we tested the re-procurement of a high value (£50 million), multi-year highways maintenance contract. We found, similarly to Internal Audit, that although this was a single-source procurement, no VEAT notice had been issued. We also found, similarly to Internal Audit, that progress with decision-making around the contract extension had been slow, although covid-19 procurement backlogs; price volatility; and the need to take proper legal advice accounted for this.

.Since the end of 2022/23, steps have been taken by the Council to address Internal Audit's findings from the Procurement, Contract Extensions and Individual Care Contract reports. A new Commercial and Procurement Division was formally launched on 1 September 2023. Senior Officers in the Division have completed an extensive series of briefings to Directorate Management Teams across the Council outlining the key provisions in the Council's mandatory spending rules; and a sourcing support team has been formed to focus on the controls governing compliance. The Commercial and Procurement Division is also taking forward the development of performance measures to assess compliance with the Council's mandatory procurement. Training is planned and Internal Audit have reported that the Council's former Contract Management Review Group may be re-launched.

Despite the high volume of weaknesses identified by Internal Audit in their reports on procurement, contract extensions and individual care contracts, with so many initiatives now underway to strengthen the procurement and contract management functions, Internal Audit did conclude that the prospects for improvement in these areas are 'Good' to 'Very Good'. However, at the time of writing this report, Internal Audit had not yet followed-up on the prospects for improvement around financial management and, as previously noted in this report, had not yet been able to follow-up on all Lessons Learnt from the failed SEND Transport re-procurement.

Our Auditor's Annual Report for 2021/22 raised a Key Recommendation around procurement. We repeat the Key Recommendation on Page 41 of this report.

Key recommendations

Key Recommendation 6

The Council should liaise with its partners to determine and agree the improvements that will be made in SEND services. An Action Plan with clear accountability and regular monitoring and reporting (is) required to ensure the findings and recommendations from Ofsted and CQC inspection reports are addressed and implemented. At the same time, looking to the longer term, strategies for managing demand and expectation will be critical if a financially sustainable service is to be secured. This will be a balancing act for the Council and careful, proactive consultation and engagement with schools, parents and other stakeholders will be necessary.

An effective strategy for managing demand may enhance Council performance against its own corporate key performance indicators (such as delivering EHCPs on time and managing numbers in the mainstream) as well as helping to meet external regulator requirements.

Identified significant weakness in arrangements

Poor operational performance in a service that is also showing significant weakness in financial performance.

Summary findings

External regulator findings are that performance standards in the SEND service fall significantly below expectations despite there being a £61.3 million deficit to clear on the service. Continued high rates of demand for the service make progress with improvement difficult.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

The Council already has a detailed improvement plan (the Accelerated Progress Plan) that is monitored and reported to the Strategic Improvement and Assurance Board (SIAB). This Board includes partners, and this is used to feedback to Ofsted and CQC. For as long as central Government requires us to use the mechanism, we will use it to determine and agree improvements.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations (continued)

Key Recommendation 7

Training around procurement strategy, policies and practice should be strengthened across the Council (for staff working in service lines as much as for staff working in the commissioning and procurement team) to ensure an understanding of and compliance with the procurement rules. Specialist support should be clearly signposted across the organisation. Staff commissioning and procuring complex services should recognise and plan early when they need that support (i.e. recognise risk) and know where to go to get the support once they recognise they need it.

Opportunities for value for money through procurement and contract management should be maximised. VEAT notices should be used when required.

Identified significant weakness in arrangements

Poor compliance with mandatory arrangements for procurement and contract management.

Summary findings

For 2022/23, Internal Audit recorded three Limited Assurance opinions on procurement and contract management; 60 lessons learnt on a SEND transport re-procurement; and procurement weakness in arrangements for compliance with financial regulations. Our own testing confirmed that VEAT notices are not always used when required and procurements can be slow.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements.

Management comments

The Council has rewritten its Contract Standing Orders [In KCC they're called "Spending The Council's Money" (SCM)], which sets out the responsibilities for anyone spending on behalf of KCC. It establishes a new requirement to maintain a pipeline of planned procurements, tiered to identify strategic importance based on the consideration of value, risk and complexity. All contracts valued above the threshold for the Public Contracts Regulations will be led by the corporate procurement function. A recent restructure drove the separation of commissioning and procurement functions, with a newly created centralised commercial team dedicated to providing greater commercial oversight and procurement support to ensure adherence to policies and procedures.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations (continued)

Improvement Recommendation 5

The Council should consider whether there is scope for making more use of benchmarking and other data for services where demand is increasing, and/or performance is deteriorating, to assess performance.

Improvement opportunity identified

Potential for better informed assessment of performance.

Summary findings

In some areas where demand for services is increasing and performance is deteriorating, performance reports for Quarter 4 of 2022/23 did not use benchmarking data to compare trends with other Councils and did not always make full comparison with financial trends. This may have meant that not all factors affecting performance were clear.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will consider this as part of future budget setting considerations.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

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Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Steps need to be taken by the Council to control expenditure. This is necessary now to avoid the future s114 notice that the Council predicted to the Prime Minister. The Council will need to be realistic about the capacity available to support the delivery of savings. The administration will need to be able to communicate how and what is prioritised. Some very difficult decisions will need to be made by the ruling administration to reduce expenditure and in some cases withdraw or pare back existing services.	Key	March 2023	The Council overspent against its budget by £44.24 million in 2022/23. The Council is currently forecast to overspend again against its budget for 2023/24 by £36 million. Reserves are below the average for English County Councils and uncommitted elements are low relative to the level of overspend, savings plans and management actions that may be at risk. In November 2022, the Council's Leader wrote jointly with another County Council Leader to the Prime Minister outlining that " <i>immediate help and a clear plan</i> " were needed to avoid the Council issuing a s114 notice " <i>within the next year or so</i> ".	No	We have re-raised a Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 2
2 The Council should take a holistic approach towards managing SEND demand and SEND financial management issues in Kent. This will involve the ruling administration making some difficult decisions.	Key	March 2023	A safety valve improvement plan was agreed with the Department for Education on 16 March 2023. However, the Council estimates that it will miss the SEND spending reduction targets for 2023/24 and 2024/25. EHCP referral rates remain above the national average.	Partial	We have re-raised a Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 3.
3 Compliance with the Council's decision-making arrangements needs to be strengthened. Members and officers should ensure they understand their roles and comply with the Council's governance arrangements. Issues and complaints raised with the Monitoring Officer during 2021-22 should be addressed and feed into good practice training for the future.	Key	March 2023	There remain significant weaknesses in arrangements for decision-making. These are evidenced by a specific review of governance which we shared with the Governance and Audit Committee in October 2023; a CIPFA review in July 2022; and recommendations made by the Monitoring Officer in the Annual Governance Statement for 2022/23.	No	We have re-raised a Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 4.

Follow-up of previous recommendations (continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>4 The Council should liaise with its partners to determine and agree the improvements that will be made in SEND services. An Action Plan with clear accountability and regular monitoring and reporting (is) required to ensure the findings and recommendations from Ofsted and CQC inspection reports are addressed and implemented. At the same time, looking to the longer term, strategies for managing demand and expectation will be critical if a financially sustainable service is to be secured. This will be a balancing act for the Council and careful, proactive consultation and engagement with schools, parents and other stakeholders will be necessary.</p>	Key	March 2023	The SEND service has not been subject to formal re-inspection since our last report. Rates of demand for EHCP, however, remain above the national average.	No	We have re-raised a Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 6.
<p>5 Training around procurement strategy, policies and practice should be strengthened across the Council (for staff working in service lines as much as for staff working in the commissioning and procurement team) to ensure an understanding of and compliance with the procurement rules. Specialist support should be clearly signposted across the organisation. Staff commissioning and procuring complex services should recognise and plan early when they need that support (ie recognise risk) and know where to go to get the support once they recognise that they need it.</p>	Key	March 2023	Internal Audit reports show that there remain weaknesses within the Council's arrangements for procurement and contract management compliance. Our own test findings are consistent with Internal Audit findings.	No	We have re-raised a Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 7.

Follow-up of previous recommendations (continued)

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Recommendation	Type of recommendation	Date raised	Progress to date	Addressed by January 2024	Further action?
6 The Council should consider capturing and reporting the additional costs of public health; safeguarding schooling; and counter terrorism related to Home Office asylum seeker sites.	Improvement	March 2023	In July 2023, the High Court ruled that Kent County Council acted unlawfully by breaching its legal duty to look after unaccompanied asylum-seeker children. On 21 December 2023, the High Court ordered that the Council and the Home Office had one month to find a workable solution for sharing costs (£50 million revenue costs per annum and £30 million capital costs).	Partial	Yes. We raise a new Improvement Recommendation on Page 22 of this report that the Council's share of costs agreed with the Home Office is reflected in the Council's budget for 2024/25.
7 Sensitivity analysis scenario testing should be presented to Cabinet and published alongside the medium-term financial strategy for 2022-26 or with future medium-term financial plans.	Improvement	March 2023	Management inform us that work is underway to use sensitivity analysis as part of budgeting for 2024/25. In view of overspends having been incurred two years running, we recommend that the Council also includes sensitivity analysis in forecast data used for in-year financial monitoring.	No	Yes Sensitivity analysis should be adopted for the budget for 2024/25 and the Council should also explore this for in-year financial monitoring. We raise a new Improvement Recommendation on Page 21 of this report
8 The Governance and Audit Committee should review Internal Audit issues 'In Progress' at each meeting and officers should be accountable for the pace of response to recommendations and for the implementation of recommendations. The number of issues in progress should be managed down, or, where this is not possible, the reason why should be understood.	Improvement	March 2023	The rate of implementing Internal Audit recommendations remains lower than it was in 2019/20. Sixty Internal Audit lessons learnt from a September 2022 high-profile review of failed SEND transport procurement have not yet been fully followed up on. We have escalated issues around responding to Internal Audit to a Key Recommendation for 2022/23.	No	Yes We raise a new Key Recommendation to ensure that the Council is focused on delivering improvements. See Key Recommendation No. 5.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

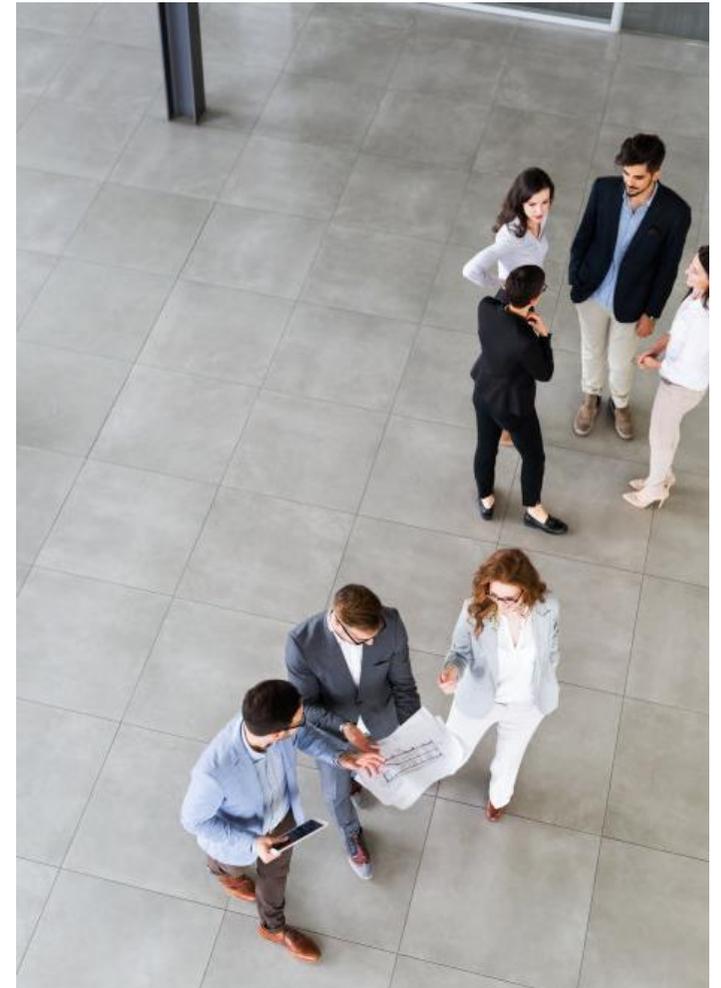
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements following the Governance and Audit Committee on 01 February 2024

The full opinion will be included in the Council's Annual Report for 2022/23, which will be published on the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our risk assessment and planning visit took place March 2023. The draft audit plan was presented and approved at the Governance and Audit Committee in September 2023.
 - The Council provided draft financial statements for the single entity Council in line with the national timetable in July. The draft group accounts and associated working papers were provided to us in August.
- As in previous years, the quality of the financial statements and supporting working papers continues to be high evidenced by the small number of presentation and disclosure issues identified during the audit. The Council's corporate finance team engages well with the audit process and responds to our audit queries.
- There were however several challenges and headwinds that delayed the audit process as summarised below:
 - slow responses to some of our queries, particularly where it required information outside of finance;
 - annual leave over the summer holidays that reduced the resources available in the Council's finance team to respond to queries;
 - the reconciliation issue in your school's cash balance;
 - material prior period adjustment (PPA) in your property, plant and equipment balance, grants disclosure note and senior officer's remuneration disclosure note. Material prior period adjustments involves additional work for both management and the audit team. We are required to consult with our internal technical team on all PPA's for major local audits;
 - a control issue was identified in the general ledger where journals were being posted by a user other than the person who prepared the journal. This led to additional lines of enquiries and testing to gain the required assurances;

- the Council took the decision to update the Annual Governance Statement (AGS) for new information that became available during the audit process. This means that the AGS is due to be finalised on the 01 February 2024; and
- an audit team member we planned to have on the audit becoming unavailable

As a result, we plan to issue an unqualified opinion following the Governance and Audit Committee on the 01 February 2024. This is not in line with the national deadline of 30 November 2023.

Findings from the audit of the financial statements

Our audit did not result in any adjustments to the financial statements that impact the net reporting position of the Council or the Group. We did identify several presentation and disclosure misstatements that management have adjusted for. Our audit also identified several control issues and we raised associated recommendations to management to improve the control environment. More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Governance and Audit Committee on November 2023 and an updated report will be provided to the Governance and Audit Committee in February 2024. Requests for the Audit Findings Report should be directed to the Council.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

This work is not yet complete.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

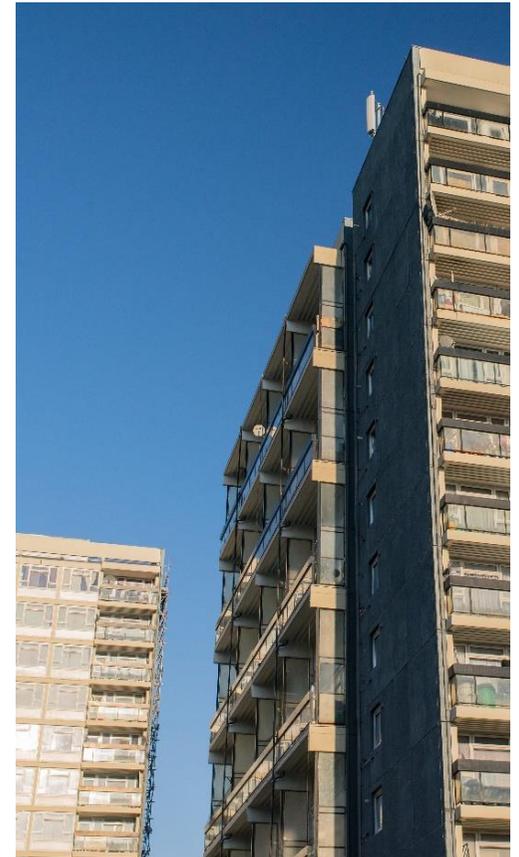
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory Page 84	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
		However, we will consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.	6, 7, 19
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'Key Recommendations'.	Yes	8, 19, 20, 30, 31, 40, 41
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	21, 22, 23, 32, 42

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By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 1 February 2024

Subject: **INTERNAL AUDIT PROGRESS REPORT**

Classification: Unrestricted

Summary:

This Progress Report details summaries of completed Audit reports for the period September to December 2023.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period September to December 2023.

FOR ASSURANCE

1. Introduction

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.
- 1.2 This Progress Report provides the Governance and Audit Committee with an accumulative summary view of the work undertaken by Internal Audit for the period September to December 2023 together with the resulting conclusions, where appropriate.

2. Recommendation

- 2.1 Members are requested to note the Internal Audit Progress Report for the period September to December 2023.

3. Background Documents

Internal Audit Progress Report.

Jonathan Idle, Head of Internal Audit

E: Jonathan.Idle@kent.gov.uk

T: 03000 417840

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INTERNAL AUDIT PROGRESS REPORT

GOVERNANCE AND AUDIT COMMITTEE

1 February 2024

1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Governance and Audit Committee and Management with 8 summaries of completed work between September and December 2023.

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2. Key Messages

- 8 audits have been finalised in the period reported. **Appendix A**
- 18 of 56 audits from the 2023/24 6-month rolling Audit Plan are either in fieldwork or reporting stage. **Appendix B**
- 33 of 56 audits either in planning, on hold or have not commenced. **Appendix B**
- Implementation of management actions has significantly decreased from 50% to 40% further details can be found within section 6 of the report and **Appendix D.**

3. Resources

In accordance with the Public Sector Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- Permanent recruitment for the Deputy Audit Manager posts have been recruited to successfully.
- Permanent recruitment for vacant Auditor post has been completed.
- Permanent recruitment for vacant Trainee Auditor post has been completed.
- Permanent recruitment to Senior Auditor Posts are currently in progress.

4. 2023/24 Internal Audit Plan

This report also provides an update on the work completed between September and December 2023. The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2023/24 Audit Plan.

The number of audits shown in table are inclusive of the 7 revisions made at November 2023 Governance and Audit Committee and no new revisions have been required at present.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	11	20
Planning	12	21
Fieldwork	8	14
Ongoing	3	5
Draft Report	2	4
Final Report	8	14
On Hold	2	4
Removed/ Deferred	10	18
Total	56	

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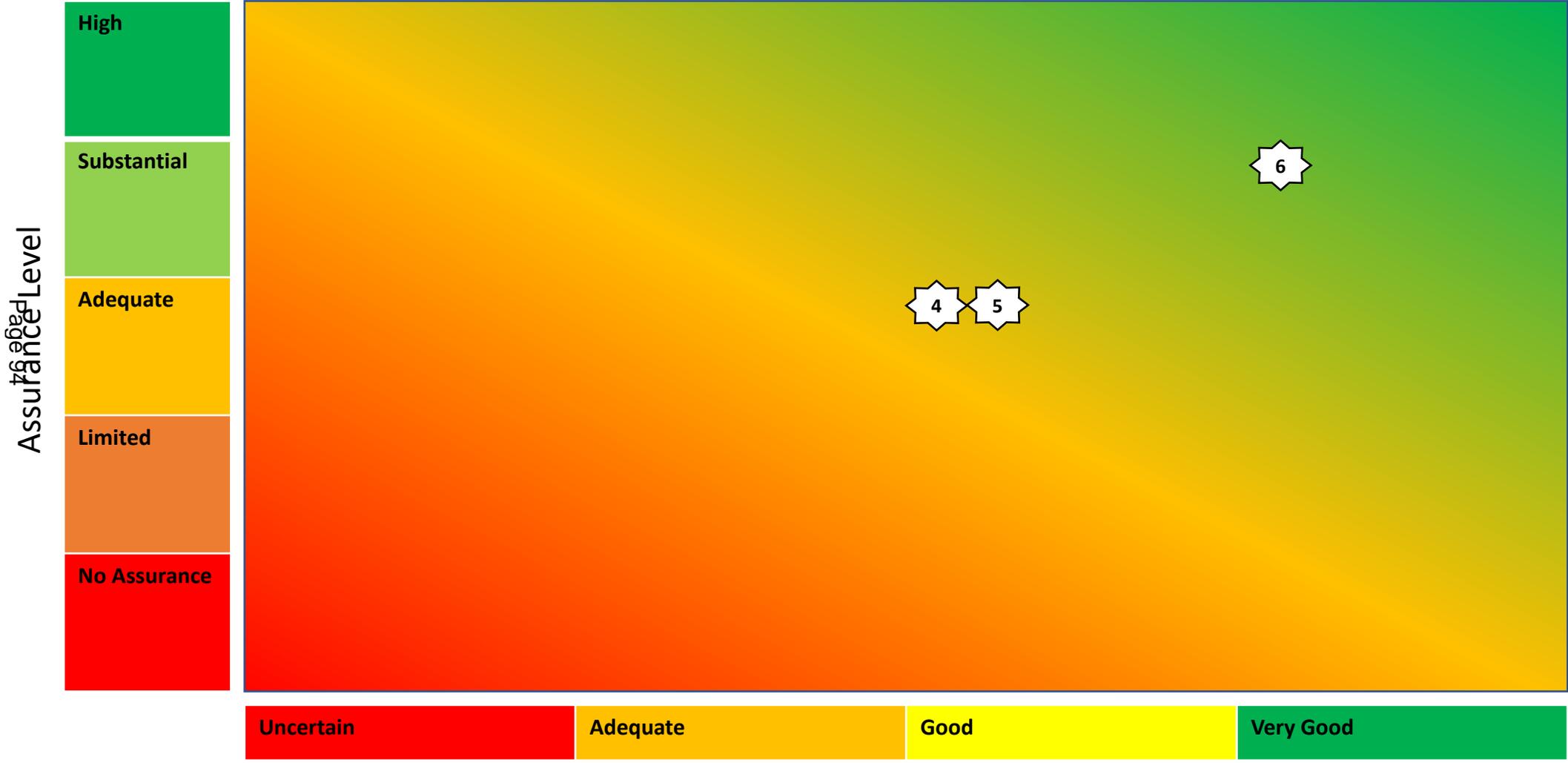
Table 2 – Summary of Audits by Committee Meeting

Governance & Audit Committee – 25 January 2024			
No	Audit	Opinion	Prospects for Improvement
1	Artificial Intelligence <i>EXEMPT</i>	Advisory	N/A
2	Single Data Platform <i>EXEMPT</i>	Advisory	N/A
3	Property Infrastructure – Functions and Processes Transferred to KCC From Gen2 Follow-up	Follow-up	N/A
4	Disaster Recovery <i>EXEMPT</i>	Adequate	Good
5	Highways and Transportation Communications	Adequate	Good
6	Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers	Substantial	Very Good
7	Task and Finish Group – New Provider Setup and Change of Provider Details	Advisory	N/A
8	Budget Savings Follow-up	Follow-up	N/A

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2022/23 Audit Assurance Levels and Prospects for Improvement of Audits



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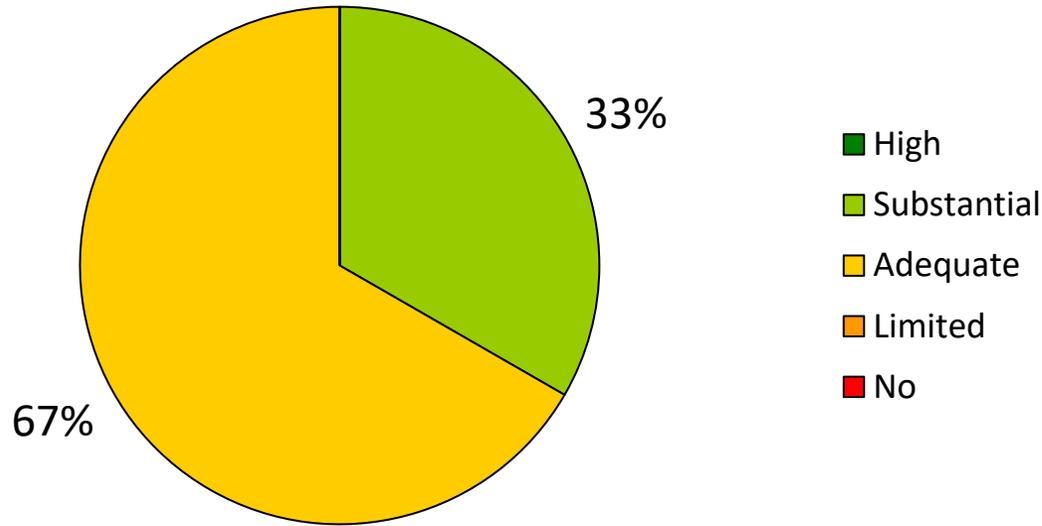
[Appendix C - Grant Certification](#)

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2023/24 Audit Assurance Levels and Prospects for Improvement of Audits

Assurance Levels 2023/24



Assurance Level	No	%
High	0	0%
Substantial	1	33%
Adequate	2	67%
Limited	0	0%
No	0	0%

Prospects for Improvement	No	%
Very Good	1	25%
Good	2	75%
Adequate	0	0%
Uncertain	0	0%

5. Grant Certification Work

Internal Audit's work on grant certification provides an essential service for the Council. Although it is not audit opinion work, the Audit team's schedule of grant certifications is an ongoing commitment of Internal Audit resources which requires adherence to strict timescales for the certification of claims submitted.

In 2023-24, the Team has audited and certified 16 Interreg grant claims with a value of **€3,377,480**. Additional On the Spot (enhanced re-audit) for 1 grant project has been completed. This now concludes the work by Internal Audit on providing First Level Control Audits of Interreg Grant claims. Internal Audit will continue to provide support in resolving queries from the Joint Secretariat for project claims which have not yet been reviewed and paid by Interreg.

The Audit team also provide a service to certify Interreg grant claims for external clients with 2 claims certified in 2023-24.

Grant work is also completed by the Internal Audit team in respect of validating expenditure of various UK Government Grants awarded for activities such as Public Health, Highways, Environment, Travel Demand Management and Bus Service Operators Grant. In 2023-24, the Team has to date, audited and certified 21 government grants with a value of **£97,271,164**.

Details of all certifications for 2023-24 can be seen at **Appendix C**.

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6. Issue Implementation

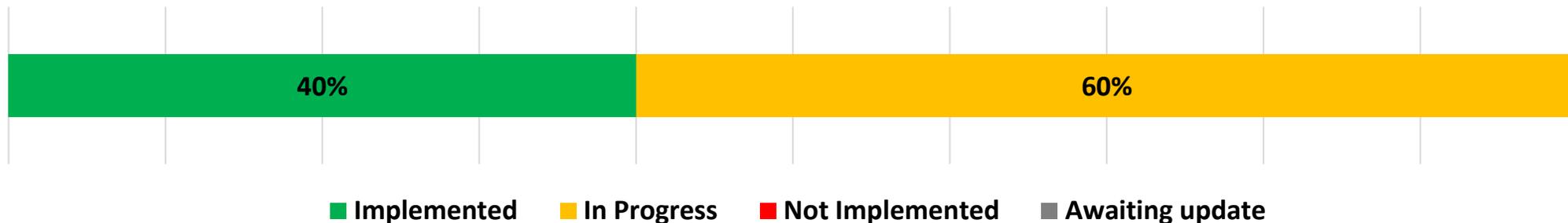
Details of the current position on the ‘Implementation of Agreed Management Actions’ is set out at **Appendix D**. This details the implementation status of 55 actions categorised by the assurance level assigned to the original report.

The status of implementation agreed actions is summarised below:

Summary of Issue Implementation

	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	19	36	8	14	11	22	0	0	0	0
Total %			42%	39%	58%	61%	0%	0%	0%	0%

Overall Implementation of Management Actions



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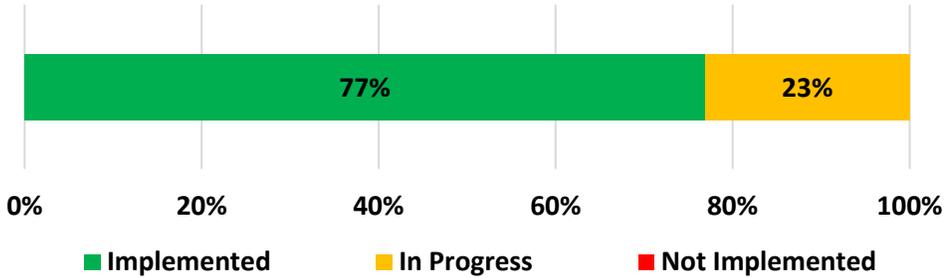
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	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	4	9	2	8	2	1	0	0	0	0
CYPE	0	0	0	0	0	0	0	0	0	0
GET	3	3	0	0	3	3	0	0	0	0
CED	7	13	3	2	4	11				
DCED	5	11	3	4	2	7	0	0	0	0
Total	19	36	8	14	11	22	0	0	0	0
Total %			42%	39%	58%	61%	0%	0%	0%	0%

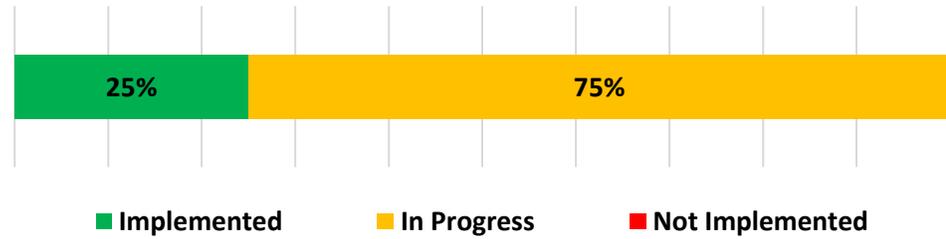
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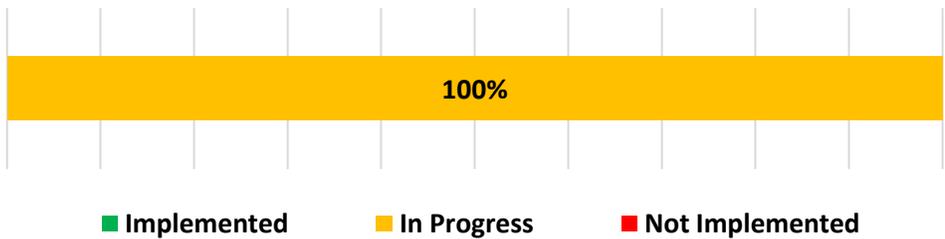
ASCH Implementation of Management Actions



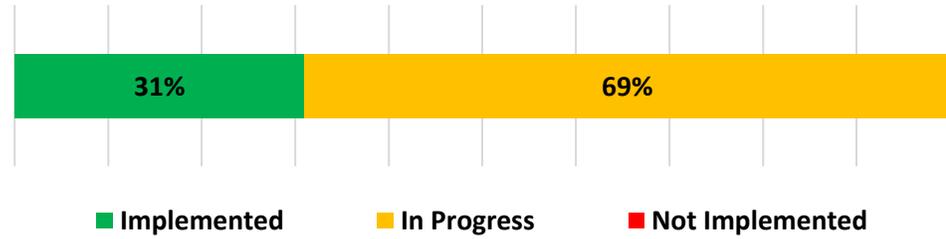
CED Implementation of Agreed Management Actions



GET Implementation of Agreed Management Actions

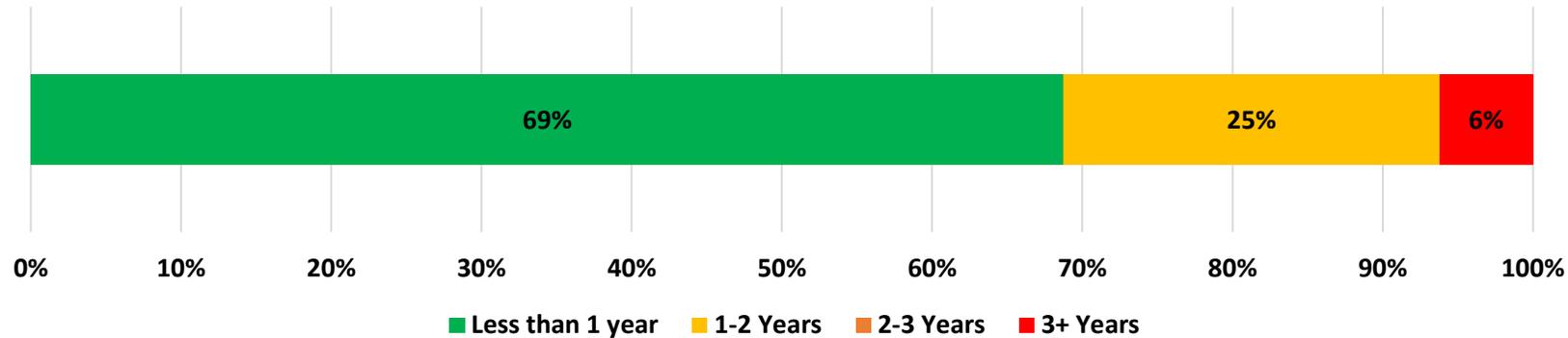


DCED Implementation of Agreed Management Actions



Progress on longstanding issues for the period found that 33 issues remain “in progress”. Of which 1 High and 1 medium priority are longstanding issues which have remained open past their original implementation date for over 3 years and updates and revised implementation dates are detailed below.

Age of Issues in Progress



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Ref	Audit	Priority	Original Date	Revised Date
CS04-2020	Imprest Accounts Issue 3 - Security	High	30/09/2020	Ongoing
Update - Secure cash collections have been completed to move existing cash to bank. Commissioning are in process of setting up a secure cash collection contract.				
CS04-2020	Imprest Accounts Issue 6 – Cash Counts and Reconciliations	Medium	30/09/2020	Ongoing
Update - Central log for imprest accounts has been reviewed and updated. Majority of historic accounts have been closed and evidence is being supplied to Internal Audit. There are still a small number outstanding awaiting confirmation of zero balances before they can be shut down. Will be completed shortly.				
Cash Counts and reconciliations have been completed.				

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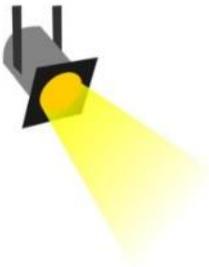
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7. Under the Spotlight!



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

In this period, the following report summaries are provided at **Appendix A** for the Committee’s information and discussion.

Audit Definitions are provided at **Appendix E**

(A) Adult Social Care and Health

(B) Children, Young People and Education

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A1. RB32-2024 – Task & Finish Group – New Provider Set-up & Change of Provider Details

A2. RB04-2024 – Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers

(C) Growth, Environment and Transport Cross Directorate

(D) Chief Executive

C1. RB29-2024 - Highways & Transport Communication

D1. CS01-2024 - Budget Savings Follow-up

(E) Deputy Chief Executive

(F) Cross Directorate

E1. RB24-2024 - Property Infrastructure - Functions and Processes Transferred to KCC from Gen2 - Follow-up

E2. ICT01-2024 – Single Data Platform Review **EXEMPT**

E3. ICT02-2024 – Artificial Intelligence **EXEMPT**

E4. ICT04-2023 – Disaster Recovery **EXEMPT**

Appendix A - Summaries

A1. RB32-2024 – Task & Finish Group – New Provider Set-up & Change of Provider Details

Audit Opinion	ADVISORY
Prospects for Improvement	N/A

Background

On 7th July 2023, the Innovation Delivery Team within Adult Social Care approached Internal Audit to sit on the New Provider Set up & Change in Provider Details Task & Finish Group to review the roles and responsibilities, due diligence and agree any amendment to process.

Scope

The focus of this audit management letter was to review and risk assess the New Provider Set up & Change of Provider Details process map and recommend any required control improvements to strengthen the current process. The aim was that any improvements can be rectified, and best practice shared across KCC.

- The Innovation Delivery Team have identified that the current process is complex and covers a number of teams. As part of the “One Council’ ethos, these teams have come together to make improvements.

Findings & Observations

The following identified fraud risks were reviewed:

- KCC employee may set-up a fictitious provider/supplier on the system. Fraudulent information may be provided in order for a fictitious provider/supplier to be set up on the system, either directly or via an email hack of a legitimate provider.
- Fraudulent information may be provided within the provider/supplier set process so incorrect bank details are set up either directly or via an email hack of a legitimate provider/supplier.
- Fraudulent information may be provided once the provider/supplier is set up so incorrect bank details are used either directly or via an email hack of a legitimate provider/supplier.

- A provider/supplier may be set up and payments made but no contract is in place.
- Data inputting may not be accurate and is not consistent across systems.
- KCC may make inaccurate payments or overpayments.

Strengths

- As part of the “One Council’ ethos, a number of teams have come together to make improvements.
- Process maps have been prepared to document the current processes; new provider set-up, change of bank details and new site address.
- Provider due diligence checks and bank account verification checks are undertaken.
- A standardised form on KNet is completed - ‘New Commercial Supplier Request Form’.

Weaknesses

- The process is overly complicated, covering a number of teams.
- There was a lack of understanding of the entire process with roles and responsibilities unclear and had yet to be defined.
- Teams were working in silos. A collaborative process was not in place.
- Lack of guidance, procedures and staff training outlining the process to be followed.
- Due diligence checks are performed by two separate teams: provider name & address verification and bank account verification.
- KCC are not utilising Spotlight which is free to access and is currently open to all Local Authorities through an agreement between the Cabinet Office and the Department for Levelling Up, Housing and Communities (DLUHC). Spotlight allows Local Authorities to validate information on businesses (both Limited Companies and Sole Traders) this will check company house data to confirm the information provided matches. This allows for due diligence checks to be completed to confirm it is a legitimate business (free) as well as a bank verification checks to confirm the account number, sort code and account name are associated with the business.
- The Commercial & Procurement Team are not consistently notified by the Purchasing Team that a new provider is required to be set-up on Oracle.

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A2. RB04-2024 – Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

VERY GOOD

Scope

The aim of the audit was to review the risk management principles and practices, the use of unregistered staff to perform safeguarding enquiries, and the Designated Senior Officers (DSO) signing off their own work without sign off by a manager.

Key Strengths

ASCH demonstrates robust risk management practices with well-documented policies tailored to adult safeguarding. ASCH demonstrates compliance with laws and regulations, conducts comprehensive risk assessments, and provides effective risk mitigation strategies. Structured monitoring, communication channels to senior officers, and escalation protocols are in place. Thorough documentation, training programs, stakeholder involvement, and a dynamic risk assessment process contribute to KCC's risk management strength.

Unregistered Staff Performing Safeguarding Enquiries

Thorough and organised training records are maintained, efficient tracking systems are in place, online modules for flexibility, and a focus on making safeguarding personal highlight the KCC's commitment to individualised and respectful care. Detailed Section 42 enquiries, training and emphasis on transparency in safeguarding practices contribute to a comprehensive training programme.

Designated Safeguarding Officer (DSO) Signing Off Their Own Work Without Review

The existence of Safeguarding Practice Guidance, including the Safeguarding flowchart and Closure Aide Memoire, provides valuable resources for DSOs. The Adult Social Care Safeguarding Operational Practice Guide serves as a comprehensive resource covering statutory frameworks and various safeguarding aspects, ensuring consistency in safeguarding practices.

Oversight, Monitoring & Reporting

ASCH's reporting structure is multifaceted, covering daily, community team, area level, and strategic reporting. Monthly updates to the Performance Assurance Power BI offer a strategic overview of safeguarding activities. Transparency and accountability are demonstrated through presentations to the Cabinet Committee and Cabinet via the Quarterly Performance Report. External benchmarking and accountability through the national safeguarding data return further enhance KCCs commitment to continuous improvement.

Review of Training

ASCH maintains comprehensive and well-organised training records, offering flexibility through online modules and proactive monitoring with reminders. Training aligns with regulations and guidelines, with regular updates to ensure content relevance. KCC evaluates training effectiveness, fostering ongoing improvement and inclusivity.

Safeguarding Assurance Map

The Safeguarding Assurance Map is well-designed and effectively implemented. The evidence presented showcases a commitment to continuous improvement, learning, and collaboration across all lines of defence.

Areas for Development

Unregistered staff performing safeguarding enquiries - Incomplete Safeguarding Concern Forms

The completion of Safeguarding Concern Forms was found to be inconsistent; gaps were identified in several areas including initial details, incident details and Case Officer and Senior Practitioner signatures. **Issue 1. MEDIUM**

Designated Senior Officers (DSO) signing off their own work without review – Incomplete Enquiry & Safeguarding Concern Forms

The completion of Enquiry & Safeguarding Concern Forms was found to be inconsistent; gaps were identified in several areas including Person Details, Risk Assessment, and Signature and Section Completion. **Issue 2. MEDIUM**

A2. RB04-2024 – Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers

Prospects for Improvement

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

ASCH demonstrates a strong commitment to safeguarding, with well-established processes, effective risk management, and comprehensive training programs. The areas for development highlight specific issues that, once addressed, will further enhance KCC's overall safeguarding effectiveness. The key strengths showcase commendable practices that contribute to a robust safeguarding framework.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	0	NA	NA

C1. RB29-2024 – Highways and Transport Communication

Audit Opinion	ADEQUATE
Prospects for Improvement	GOOD

Introduction

- Customers in Kent can submit complaints, comments, and enquiries (hereinafter referred to as ‘contacts’) via an online self-service form about the service received from the Kent County Council (KCC) Highways and Transportation (H&T) team. These contacts have been historically handled by the H&T team.
- Since 3rd April 2023, these contacts are now handled by the Corporate Customer Feedback team within the Marketing and Resident Experience team at KCC. H&T managers and staff engage with the Customer Feedback team, helping to respond to contacts received and gather evidence before a response is sent to the customer.

This review has focussed on four areas as follows: (i) service level agreement; (ii) handling of contacts received; (iii) resourcing; and (iv) policies and procedures.

Key Strengths

- Ways of working are continuously reviewed to improve efficiency. Response templates have been created and a response library has been developed to reduce the time taken when drafting responses to customers.
- The Customer Feedback team was not fully resourced during the period under review which impacted performance initially. There were only two members of staff in the Customer Feedback team during April and May 2023. The Customer Feedback Manager actively recruited staff and as at 30th September 2023, all vacancies in the team have been filled.
- Training on handling Highways & Transport (H&T) contacts is provided to new joiners in the Customer Feedback team. The number of cases closed by the team has been on an upward trend since April 2023.
- There is a good working relationship between the Customer Feedback team and H&T. The Customer Feedback team acknowledges that without H&T, they could not do their work and that they would not have been able to clear the backlog.
- The Customer Feedback team has consistently provided management information/performance reporting to H&T monthly since April 2023 and can also create reports on demand which were not available historically.

Areas for Development

- There are delays in processing H&T member and non-member contacts at all stages of the process. Issue 1 **Medium**
- Management information and/or performance reporting generated from iCasework and provided to Services may be inaccurate and/or incomplete. Issue 2 **Medium**
- The resources required to handle H&T contacts were considered in March 2023 before the Customer Feedback team took over handling H&T contacts on 3 April 2023. Given that autumn and winter are H&T’s busiest months historically, it is likely that the number of contacts received will continue to increase in the coming months and the resources required to handle these contacts should be considered. Issue 3 **Low**
- There is a Service Level Agreement (SLA) in place between H&T and the Customer Feedback team however, improvements to the SLA are required in line with best practice. Issue 4 **Low**

Prospects for Improvement

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

- In addition to established practices and processes, there is a good working relationship between the Customer Feedback team and H&T. This has facilitated the discussion and resolution of issues identified and the clearance of the backlog.
- Management have engaged positively with the audit and developed appropriate actions to address the issues identified.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	2	2	0

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D1. CS01-2024 – Budget Savings Follow-up

Audit Opinion	N/A
Prospects for Improvement	N/A

As part of the 2022/23 Audit Plan, Internal Audit undertook a review of Budget Savings. This audit, which was reported in April 2023, identified two **HIGH** risk issues, and was allocated ‘Limited assurance’. The two issues for action were:

- Issue 1 – Non-Delivery of Savings Plan
- Issue 2 – Veracity of Savings and Income Proposals

The aim of this follow-up review is to provide assurance that adequate progress has been made against issues raised in the original audit review.

Key Findings From Follow-up

The follow-up work has identified that of the two issues being reviewed, none have been implemented in full and therefore remain open. Though issues remain open, good progress has been made to address and a few resulting actions are required to be in a position to mark these as implemented. Further follow up on these issues will be conducted in 3 months’ time.

	No. of Issues Raised from Original Report	Implemented	Issue Outstanding	Risk Accepted
High	2	0	2	0
Medium	0	0	0	0
Low	0	NA	NA	NA

Issue Status

Issue	Risk Rating	Status
1 - Non-Delivery of the Savings Plan	High	Partially Implemented
2 – Veracity of Savings and Income Proposals	High	Partially Implemented

E1. RB24-2024 – Property Infrastructure – Processes and Functions Transferred to KCC from Gen2 Follow-up

Audit Opinion	N/A
Prospects for Improvement	N/A

As part of the 2023/24 Audit Plan, Internal Audit undertook a review of Property Infrastructure – Functions and Processes Transferred Form Gen2.

The aim of the audit was to provide assurance that adequate progress has been made against issues raised from the previous audit undertaken in April 2022 where it received “Limited Assurance”.

Key Findings From Follow-up

The follow-up work has identified the three management actions previously raised have all now been agreed as implemented. The issues which have been implemented are detailed to the right of the page.

	No. of Issues Raised from Original Report	Implemented	Issue Open and Agreed Actions	Risk Accepted
High	2	2	0	0
Medium	1	1	0	0
Low	0	0	0	0

Issue Status

Issue	Risk Rating	Status
1 - Managing Performance Across Property Services	High	Implemented
2 – Using Performance Indicators to Access Risks to Delivery	Medium	Implemented
3 – Suitability of the Corporate Indicators for Property Services	High	Implemented

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Appendix B - 2022/23 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
CA01-2024	Annual Governance Statement	On Hold			
CA02-2024	Risk Management	Not Started			
CA03-2024	Ad-Hoc Reviews of Monitoring of Securing Kent Future Action Plan	Ongoing			
CR02-2024	National Children’s Care Review	Not Started			
CR03-2024	Enterprise Business Capabilities (Oracle)	Ongoing			
CS01-2024	Budget Savings Follow-up	Complete	Advisory	N/A	January GAC
RB01-2024	Gifts and Hospitality	Planning			
RB02-2024	Performance Management	Not Started			
RB03-2024	Joint Funding & Governance (NHS) NHS Joint Working & Pooled Budgets	Planning			
RB04-2024	Safeguarding (ASCH)	Complete	Substantial	Very Good	January GAC
RB05-2024	Hospital Discharge	Fieldwork			
RB06-2024	Direct Payments / Abuse of Kent Card	Not Started			
RB07-2024	Public Health Assurance Mapping	Fieldwork			
RB08-2024	Individual Contracts on Care Providers Follow-up	Fieldwork			
RB09-2024	Highways & Transport – Sevington Inland Border Post	Fieldwork			
RB10-2024	Supported Living	Planning			
RB11-2024	Project Management	Planning			
RB12-2024	Business Planning Process	On Hold			
RB13-2024	Home to School Transport Follow-up	Complete	Advisory	N/A	January GAC
RB14-2024	Domestic Abuse	Not Started			

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RB15-2024	Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	Fieldwork			
RB16-2024	Freedom of Information	Not Started			
RB17-2024	Strategic Reset Programme (Governance)	Deferred			
RB18-2024	Loan Approval to Schools	Not Started			
RB19-2024	Schools Financial Services	Not Started			
RB20-2024	No Recourse to Public Funds – Specific Case Review	Fieldwork			
RB21-2024	Assurance Mapping Financial Sustainability	Deferred			
RB22-2024	School Themed Review – Safeguarding	Deferred			
RB23-2024	Complaints	Planning			
RB24-2024	Property Infrastructure – Functions and Processes Transferred to KCC from Gen2 – Follow-up	Complete	Advisory	N/A	January GAC
RB25-2024	Income & Sales	Planning			
RB26-2024	Asset Management Approach & Risk Prioritisation	Fieldwork			
RB27-2024	Climate Adaptation (+Net Zero Follow-up)	Not Started			
RB28-2024	Highways Term Maintenance Contracts	Ongoing			
RB29-2024	Highways and Transport Communication	Complete	Adequate	Good	January GAC
RB30-2024	Sundry Debt Recovery	Fieldwork			
RB31-2024	Helping Hand Support Scheme	Planning			
RB32-2024	Task & Finish Group – New Provider Set-Up & Change of Provider Details	Complete	Advisory	N/A	January GAC
RB33-2024	Equalities Act Follow-up	Planning			
RB34-2024	S117 Aftercare Payments	Planning			
RB35-2024	Gypsy Traveller Service Follow-up	Not Started			
RB36-2024	Data Security and Protection Toolkit (DSPT)	Planning			

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RB37-2024	Contract Management	Deferred			
RB38-2024	Compliance With Financial Regulations Follow-up	Not Started			
RB39-2024	Usage of Factoring Companies	Deferred			
RB40-2024	Homes for Ukraine	Deferred			
RB41-2024	UK Resettlement Scheme	Deferred			
RB42-2024	Local Transport Bus Market (BSIP) & Sustainability of Public Transport	Deferred			
RB43-2024	Agency	Deferred			
RB44-2024	Re-Letting of Key Contracts	Not Started			
ICT01-2024	Single Data Platform	Complete	Advisory	N/A	January GAC
ICT02-2024	Artificial Intelligence	Complete	Advisory	N/A	January GAC
ICT03-2024	Cyber Security	Draft Report			
ICT04-2024	Joiners, Mover and leavers	Planning			
ICT04-2023	Disaster Recovery	Complete	Adequate	Good	January GAC
RB29-2023	Unregulated Care Placements	Draft Report			

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Appendix C – Grant Certification

Grants	Description	Current Status
EU Interreg - Aspire	A holistic approach to lowering obesity and unemployment rates in identified communities where the two issues are linked.	2 claims completed
EU Interreg – Blueprint	Upskill 18 social enterprises to training 2000 disadvantaged individuals with the skills they require to secure new jobs linked to circular economy growth (increased recycling, reverse logistics and secondary markets).	2 claims completed
EU Interreg – C-CARE	To deliver a range of activities linked to Covid-19 response including a technology resilience voucher scheme for businesses (ED), a green recovery voucher scheme for businesses (Environment Team) and a Covid-secure trading standards training module (Public Protection)	2 claims completed and 1 on-the-spot
EU Interreg – Connected Communities	To develop co-ordinated and integrated services for older people that help make communities more resilient and take early action to prevent or delay the need for long term care.	1 claim completed
EU Interreg - Experience	To provide the tools and infrastructure to capitalise on the emerging trend for personalised and local tourism experiences which provide reasons to visit at any time of the year.	2 claims completed
EU Interreg - H20	Overcoming barriers to integrated water and ecosystem management in lowland areas adapting to climate change.	1 claim completed
EU Interreg – IMPULSE2	Support innovation in order to address the economic and societal issues facing the France (Channel) England (FCE). This project aims to support 100 Life Sciences & nutrition SMEs & production sites from the FCE area to help them to become more innovative, to connect to companies and business opportunities in other countries and to overcome the barriers that they face with innovation and internationalisation. The long-term benefits for SMEs will be increased knowledge, innovation capacity, international contacts, and export sales potential (MP)	1 claim completed
EU Interreg - Inn2Power	Supporting Kent based companies in the offshore wind sector with internationalisation & market entry in mainland Europe.	1 claim completed
EU Interreg - Prowater	Contributing to climate adaptation by restoring the water storage of the landscape via ecosystem-based adaptation measures.	1 claim completed
EU Interreg - Upcycle your Waste	The programme will run over three years and aims to support SMEs in reducing their running costs by handling and transforming their waste into new resources for the community.	1 claim completed

Grant	Description	Current Status
EU Interreg - USAC	This exciting new project aims to develop, research, and understand the benefits of United Nations Environmental, Scientific, and Cultural Organisation (UNESCO) status for the Kent Downs Area of Outstanding Natural Beauty (AONB), including Kent's Heritage Coast from Dover to Folkestone. It will develop new sustainable tourism initiatives that celebrate and protect our natural and cultural assets while benefitting the local economy. The project will include a Landscape Festival in 2022.	2 claims completed and 1 On the Spot
Department for Health	Public Health Universal Drug Treatment Grant 21/22 (£701k).	Complete
Department for Health	Contain Outbreak Management Fund (COMF) (£54.4m).	Complete
Department for Education	Local Transport Authority COVID-19 Bus Services Support Grant (CBSSG) and Local Transport Authority COVID-19 Bus Services Support Restart Grant (CBSSG Restart) (£6.2m total).	Complete
Department for Transport	Ashford Sevington IBF (Formerly MOJO) site funding - Tranche 8 (£8.6m).	Complete
Department for Transport	Dover Inland Border Facility (£9.1 m)	Complete
Department for Transport	LEVI Fund – Local Electric Vehicle Infrastructure Funding 2022/23 (Capital Fund - £12.1m; Capability Fund - £940,400).	Complete
Sport England	Sport England 21/22 (£3.5m)	Complete
Department for Levelling Up, Housing & Communities	Community Renewal Fund (CRF) (£6.7m).	Complete
Office for Health Improvement & Disparities	SSMTRG - Supplementary Substance Misuse Treatment and Recovery 2022-23 (£1.1 m)	Complete
Office for Health Improvement & Disparities	IPD Grant - Local Government Act 2003: Section 31 Local Authority Grant for Inpatient Detoxification treatment 2022-23 (£167K).	Complete
Office for Health Improvement & Disparities	SSMTR - Housing Support Fund 2022/23 (£1.8m).	Complete
Office for Health Improvement & Disparities	OHID- Healthy Weight Grant - Supporting underserved groups or building capacity within Tier 2 Healthy Weight Services (£757K).	Complete

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Grant	Description	Current Status
Office for Health Improvement & Disparities	RSDATG - Rough Sleeper Drug and Alcohol Treatment Grant 22-23 (£416K).	Complete
Department for Environment, Food & Rural Affairs (DEFRA)	Biodiversity Net Gain. (£16k)	Complete
Department for Digital Culture, Media & Sport	Create Growth Programme (£1.275m) (3 Year Programme) – 2022/23.	Complete
Department of Culture, Media & Creative Industries	Turner ACE – Contemporary Capital Grant (£495k)	Complete
Department for Transport	Bus Services Operators Grant (BSOG) – Annual grant to support local bus services (£1.1m)	Complete
Department for Transport	Integrated Transport & Maintenance Block (£40.9m)	Complete
Arts Council England	ACE Turner – Jasmin Vardimon Dance Company (£3.1m)	Complete
Arts Council England	KCC Libraries – Playground (£85k)	Complete
Department for Transport	Bus Services Operators Grant - Walmer (£6m)	Complete

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3+ Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CS04-2020	Imprest Accounts	No Assurance	Issue 1 - Central log and Imprest Holder Oversight	Medium	CED	Implemented
CS04-2020	Imprest Accounts	No Assurance	Issue 3 - Security	Medium	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 6 - Cash Counts and Reconciliations	Medium	CED	In Progress

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1-2 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA01-2022	Annual Governance Statement	Adequate	Issue 2 - Confirmation of Compliance with CIPFA Code of Financial Management	Medium	CED	In Progress
CR04-2022	Provider Invoicing	Limited	Issue 1 - Provider Invoice and reconciliation process	High	ASCH	Implemented
CR04-2022	Provider Invoicing	Limited	Issue 2 - Performance Reporting	High	ASCH	Implemented
CR04-2022	Provider Invoicing	Limited	Issue 3 - Contract management of Service Provider	Medium	ASCH	Implemented
CR04-2022	Provider Invoicing	Limited	Issue 4 - Provider Contracts	Medium	ASCH	Implemented
CR04-2022	Provider Invoicing	Limited	Issue 5 - Financial Health Checks	High	ASCH	In Progress
CR04-2022	Provider Invoicing	Limited	Issue 6 - Clarity of roles and responsibilities in KCC/Cantium	Medium	ASCH	Implemented
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 2 - Resources	High	DCED	In Progress
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 3 - Programme / Project Management Systems	Medium	DCED	Implemented
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 4 - Programme and Project Status Reporting	Medium	DCED	Implemented
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 1 - Software Asset Register	Medium	DCED	In Progress
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 2 - Movers and Leavers	Medium	DCED	In Progress
RB06-2022	New Grant Funding	Substantial	Issue 1 - Fraud Risk Assessments	Medium	CED	In Progress
RB13-2022	Data Protection (ASCH)	Adequate	Issue 1 - Improving Uptake of Mandatory Data Protection Training	Medium	ASCH	Implemented
RB16-2021	Workforce – Recruitment & Retention of AMHPs	Substantial	Issue 2 - Gathering, monitoring, analysing and reporting of AMHP recruitment and retention data	Medium	ASCH	In Progress

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1-2 Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB18-2022	Supervision of Social Workers	Limited	Issue 1 - Storage of Confidential Files	High	ASCH	In Progress
RB18-2022	Supervision of Social Workers	Limited	Issue 2 - Supervision Agreements	Medium	ASCH	Implemented
RB18-2022	Supervision of Social Workers	Limited	Issue 3 - Information Governance	Medium	ASCH	Implemented
RB18-2022	Supervision of Social Workers	Limited	Issue 4 - Quality Assurance	Medium	ASCH	Implemented
RB18-2022	Supervision of Social Workers	Limited	Issue 5 - Supervision Training	Medium	ASCH	Implemented

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Less Than a Year						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA01-2023	Annual Governance Statement	Limited	Issue 1 - Consulting Relevant Staff	Medium	CED	Implemented
CA01-2023	Annual Governance Statement	Limited	Issue 3 - Accuracy and Completeness of AGS Returns	High	CED	In Progress
CA03-2022	Equalities Act 2010 Duties	Limited	Issue 1 - Content of EqIA	High	CED	In Progress
CA03-2022	Equalities Act 2010 Duties	Limited	Issue 2 - Publication of EqIAs	High	CED	In Progress
CA05-2023	Health & Safety	Adequate	Issue 3 - Uptake of Health and Safety Training	Medium	CED	In Progress
CA05-2023	Health & Safety	Adequate	Issue 4 - Review of Supplementary Safety Policies and Guidelines	Medium	DCED	In Progress
CA05-2023	Health & Safety	Adequate	Issue 6 - Monitoring and Reporting Health and Safety Performance	Medium	DCED	In Progress
CA08-2023	Risk Management	Substantial	Issue 2 - Maintaining Risk Registers for High Priority Programmes	Medium	CED	In Progress
CS01-2022	CIPFA Financial Management Code	Limited	Issue 1 - Completeness of Self-Assessment	Medium	CED	In Progress
CS03-2023	Purchase Cards	Adequate	Issue 1 - Card Holder signed compliance	Medium	CED	Implemented
CS03-2023	Purchase Cards	Adequate	Issue 2 - Intellilink Evidence & VAT	Medium	CED	In Progress
CS03-2023	Purchase Cards	Adequate	Issue 3 - Unapproved Transactions	Medium	CED	In Progress
CS04-2023	Pension Scheme Administration	Adequate	Issue 1 - Annual benefit and annual allowance statements	High	CED	Implemented
CS04-2023	Pension Scheme Administration	Adequate	Issue 2 - Member data	High	CED	Implemented
CS04-2023	Pension Scheme Administration	Adequate	Issue 4 - Key Performance Indicators	Medium	CED	In Progress

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ICT03-2023	Information Technology Risk Management	Adequate	Issue 1 - Implementing Mitigating Controls/Actions (Cyber Training)	High	DCED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 1 - Guidance for Data Mapping including Process For Updating Data Maps	Medium	CED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 2 - Responsibility for Data Mapping	Medium	CED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 3 - Data Mapping incomplete across the Council	Medium	CED	In Progress
RB02-2023	Talent Management	Substantial	Issue 2 -Talent Management Performance and Potential Assessment Tool	Medium	DCED	Implemented
RB24-2023	Property Disposals	Adequate	Issue 1 - Disposal Process	Medium	DCED	Implemented
RB24-2023	Property Disposals	Adequate	Issue 2 - PIP12 - Evidence of Decision	High	DCED	In Progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 2 - Under-utilisation of KMBF	Medium	GET	In Progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 3 - Assessing Environmental Impact of KMBF Schemes	Medium	GET	In Progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 4 - Repayment Holiday Contract Variation	Medium	GET	In Progress
	East Kent Opportunities - Kings Hill Consultant	Fraud Investigation	Issue 1 - Contractual Arrangements	High	GET	In Progress
	East Kent Opportunities - Kings Hill Consultant	Fraud Investigation	Issue 2 - Past and Current Tendering Process	High	GET	In Progress
	East Kent Opportunities - Kings Hill Consultant	Fraud Investigation	Issue 3 - Governance and Audit Committee Reporting	Hgih	GET	In Progress

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Less Than a Year

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB08-2022	Property Infrastructure – Functions and Processes Transferred from GEN2	Limited	Issue 1 - Managing Performance across Property Services	High	DCED	Implemented
RB08-2022	Property Infrastructure – Functions and Processes Transferred from GEN2	Limited	Issue 2 - Using Performance Indicators to Assess Risks to Delivery	Medium	DCED	Implemented
RB08-2022	Property Infrastructure – Functions and Processes Transferred from GEN2	Limited	Issue 3 - Suitability of the Corporate Indicators for Property Services	High	DCED	Implemented

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Audit Opinion

High

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

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

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

Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.

Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.

Substantial

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

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

No Assurance

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

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

Adequate

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

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

Prospects for Improvement		Issue Risk Ratings	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

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By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 1st February 2024

Subject: **COUNTER FRAUD PROGRESS REPORT**

Classification: Unrestricted

Summary:

This report details:

- The Counter Fraud activity undertaken for the period of September 2023 to December 2023, including reported fraud and irregularities.
- An update on the Counter Fraud Action Plan for 2023/24 covering reactive and pro-active activity.

Recommendations:

The Governance and Audit Committee are asked to;

- Note the Counter Fraud Update report for 2023/24.
 - Note the progress of the Counter Fraud Action Plan for 2023/24.
-

Irregularity Referrals – 01 September 2023 to 31 December 2023**Increase in Referrals**

- 1.1 There were 156 irregularity referrals received for the reporting period of the 01 September 2023 to 31 December 2023. This brings the total number of referrals for the financial year 2023/24 to 329, compared to 249 for the same period in 2022/23, a 24% increase.
- 1.2 The majority of the increase in referrals relating to blue badges indicating greater enforcement action by District/ Borough Council Parking Enforcement Teams. Additionally, the number of people claiming support from KCC as they have No Recourse to Public Funds (NRPF) continues to grow. The Counter Fraud Team provide due diligence checks for CYPE to ensure that the destitution criteria has been met.
- 1.3 The distribution and characteristics of the irregularities reported to date are shown in the graphs in **Appendix A**.

Financial Losses

- 1.4 There has been an actual loss of £228,378 within this period, bringing the total losses due to fraud and error to £357,440 for this year. All amounts are subject to recovery for the full amount due. The main losses are:
 - £24,106 overpaid in error to an Adult Social Care provider due to a placement not being ended in a timely manner.
 - £48,327 & £58,382 overpaid in error to providers of care due to incorrect hours being entered on care provisions within Children's Services.
 - £3,393 due to a fraudulent request to change bank details within payroll at a maintained school.
 - £23,136 due to a fraudulent request to change bank details within accounts payable at a maintained school.
 - Four cases of salary overpayments totalling £15,495 theft by wrongful credit.
 - Four Direct Payment cases with actual losses of £24,355

East Kent Opportunities – Follow Up

1.5 At the Governance and Audit Committee in October 2023, it was reported that:

- The procurement of consultancy services by Economic Development had not followed any formal procurement processes with around £850,000 spent on consultancy services over the past 12 years.
- There was no contract in place with the consultancy service, despite this being raised over two years ago.
- There was a lack of metrics to inform the performance of the regeneration project.

1.6 Engagement with Management has occurred to see how they are progressing with the management actions. Management have advised they are still progressing the management actions, Internal Audit and Counter Fraud have been informed that a waiver for full tender has been submitted and approved by the Commercial and Procurement Standards and Improvement Team. With a draft contract for review and issue currently with management to implement.

Blue Badges

1.7 Proactive and reactive work continues to address the risk of blue badge misuse across Kent. During this period, there has been an enforcement day held within Maidstone Borough which has resulted in an upturn in enforcement action and referrals.

1.8 The Counter Fraud Team has received 103 blue badge referrals within the reporting period, bring the total received to date from all sources to 229. From the 103 referrals, this has resulted in:

- 27 warning letters being issued;
- 6 closed due to insufficient evidence;
- 38 cases closed due to insufficient resources;
- 9 cases closed no further action;
- 22 cases open for further investigation; and
- 3 cases closed – Simple Caution issued (2 issued on referrals received in previous period).

1.9 There has also been 86 Penalty Charge Notices issued by Parking Enforcement Teams.

1.10 There has been a successful prosecution of a blue badge misuse case that occurred in Canterbury. The offences took place between the 11th of October 2021 and the 21st of February 2022. The suspect displayed two stolen badges in an e-taxi charging point, on a footpath, in a restricted area and on double yellow lines in order to obtain parking concessions.

1.11 When questioned by Parking Officers for Canterbury City Council, the suspect informed them that the badges belonged to her and subsequently her grandmother. Both badges were retained for misuse and the suspect received several Penalty Charge Notices. The person received a one-year conditional discharge, £22 victim surcharge and ordered to pay legal costs of £300 due to mitigating circumstances.

1.12 There has been one case that has been agreed by General Counsel for prosecution.

Table 1: Blue badge referrals by District/Borough Councils

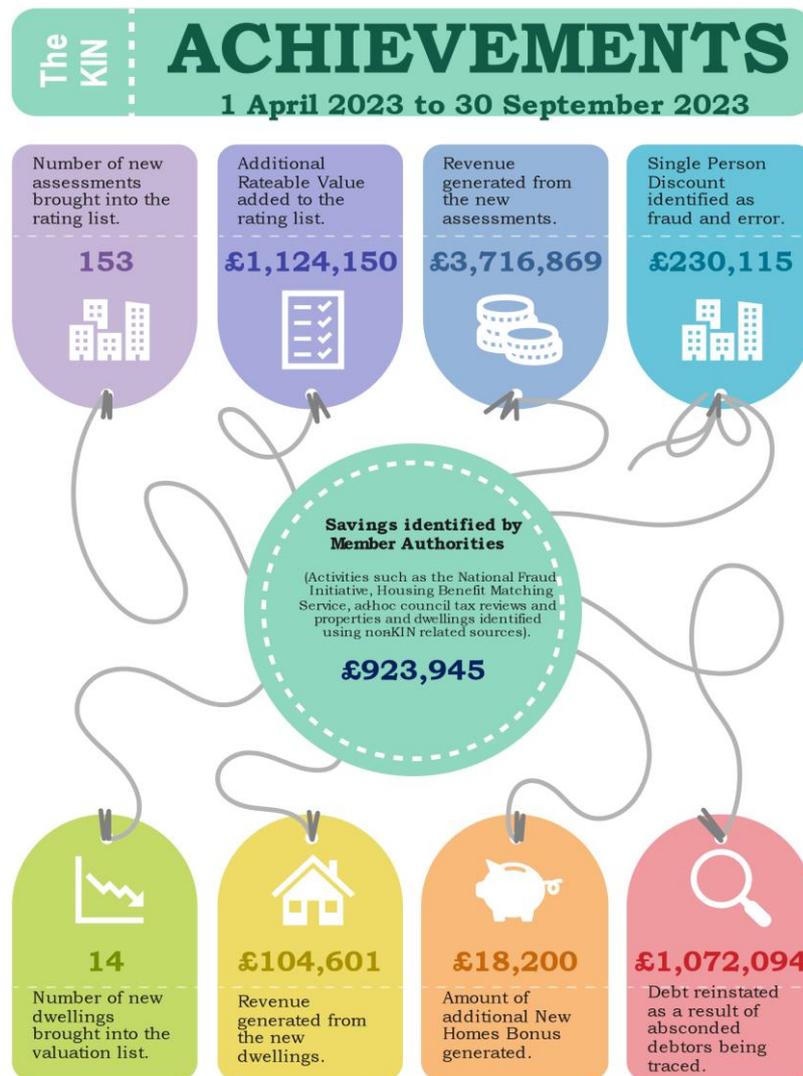
Parking Enforcement Area	Referral numbers – Apr 23 to Dec 23	Parking Enforcement Area	Referral numbers – Apr 23 to Dec 23
Ashford BC	70	Maidstone BC	46
Canterbury CC	22	Sevenoaks DC	3
Dartford BC	2	Swale BC	30
Dover DC	7	Thanet DC	4
Folkestone & Hythe BC	0	Tonbridge and Malling BC	5
Gravesham	31	Tunbridge Wells BC	4

No Recourse to Public Funds (NRPF)

- 1.13 The Counter Fraud Team supports the CYPE Directorate in conducting verification checks on those seeking support due to being destitute and having children. The Counter Fraud Team have received a further nine referrals within this reporting period bringing the total referred in 2023/24 to date are to 18 referrals.
- 1.14 The Counter Fraud Team have supported CYPE in implementing a financial assessment process to capture key financial and address information when Social Workers progress a NRPF referral. This will assist in creating a more efficient and effective process moving forward.

Kent Intelligence Network (KIN)

1.15 The KIN continues to provide valuable support to the District/Borough Councils and the outcomes for the period 1 April 2023 to 30 September 2023, set out below, show the results and financial returns achieved.



1.16 153 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.

1.17 The additional business rates revenue generated from the identification of these missing properties is £3,657,186 (£3,716,869 including Medway), of which broadly 9% (£329,146) comes to KCC, once collected, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £1,970,656 (£2,004,864 including Medway); and
- A 'future loss prevention' provision of 3 years of £1,686,530 (£1,712,005 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.

1.18 It is also pertinent to highlight that on 30 September 2023, there were 152 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above, and

a further 175 cases which are currently under investigation by billing authorities.

- 1.19 The KIN also helps to identify dwellings missing from the valuation list and so far, 14 dwellings have been identified.
- 1.20 The additional council tax revenue generated from the identification of these missing properties is £104,601, of which broadly 73% (£76,358) comes to KCC, once collected, is a combination of the following:
 - The total amount of council tax billed for both the current financial year and previous financial years of £36,265; and
 - A 'future loss prevention' provision of 3 years of £68,336. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.
- 1.21 It is also pertinent to highlight that on 30 September 2023, there were 15 cases with the Valuation Agency awaiting assessment/valuation, none of which are included in the figures stated above, and a further 22 cases which are currently under investigation by billing authorities.
- 1.22 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 14 dwellings identified will generate £18,200, of which 20% (£3,640) comes to KCC, once collected.
- 1.23 In respect of the £1,072,094 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 £750,465, once collected, and this would amount to £547,839.
- 1.24 Finally, the proactive work being undertaken in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £230,115, of which broadly 73% (£167,983) comes to KCC, once collected.
- 1.25 In total, the financial benefit to KCC from the initiatives and successes detailed above amounts to £1,124,966 for the first half of 2023/24.
- 1.26 It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:
 - A grant of £352,646 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.
 - A grant of £19,710 towards a product that helps to trace absconded council tax debtors.
- 1.27 Solely in respect of the KIN related work, the return-on-investment to date (April to September) is £752,610 (this figure is derived from the total financial benefit to KCC, less the grants given to billing authorities to help achieve the outcomes detailed above).

Counter Fraud Proactive Work

1.28 The Counter Fraud Proactive Work delivered for period September 2023 to December 2023 includes:

- Fraud Awareness to the Governance and Law Division;
- Blue Badge Enforcement day at Maidstone;
- Attendance at KCC Serious and Organised Crime working group.
- Attendance at Kent Fraud Panel meetings; and
- Working with ASCH on Supporting Living Invoicing processes.

Counter Fraud Action Plan 2023/2024

1.29 Updates to the 2023/24 Counter Fraud Action Plan can be found at **Appendix B**. The balance between pro-active and re-active work continues to be a challenge within resource levels. The Counter Fraud Team continues to challenge and support management in managing their fraud and error risks.

Counter Fraud Resources

1.30 There is currently one vacancy that is subject to a recruitment exercise to replace a Counter Fraud Technician (TMBC Lead) position.

1.31 The team comprises; 1FTE Counter Fraud Manager, 3FTE Counter Fraud Specialists, 1FTE Counter Fraud Technician, 0.8FTE Intelligence Officer and 1FTE Intelligence Assistant. These resources are there to support not only KCC but as part of our shared services with Tonbridge and Malling Council, as well as our external clients.

Conclusions

1.32 The key fraud related areas to highlight are cyber enabled fraud, which continues to be a risk for all organisations, in particular schools.

1.33 There is a significant increase in referrals relating to blue badges and NRPF checks so resources are having to be allocated accordingly.

1.34 Positive feedback is being received from those receiving fraud awareness Reactive fraud work continues to address the irregularities being reported, with lessons learnt being reported back to management where there has been a lack of control or a control failure. There are instances where low level cases cannot be progressed due to resource pressures.

Recommendations

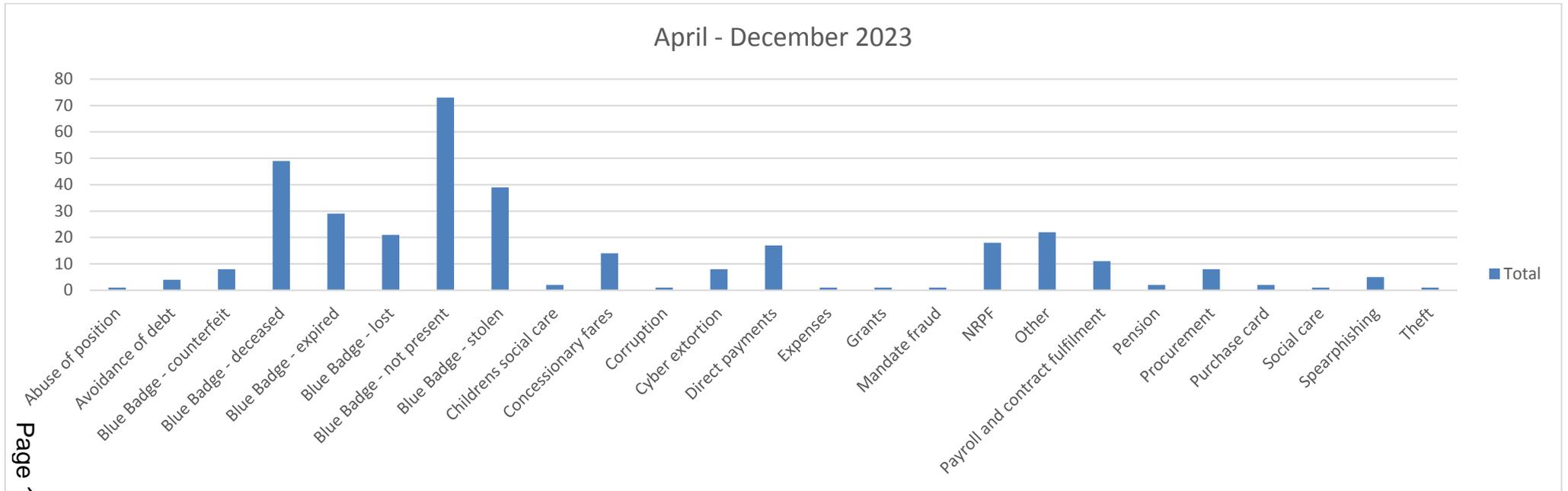
1.35 The Governance and Audit Committee are asked to:

- Note the Counter Fraud Update report for 2023/24.
- Note the progress of the Counter Fraud Action Plan for 2023/24.

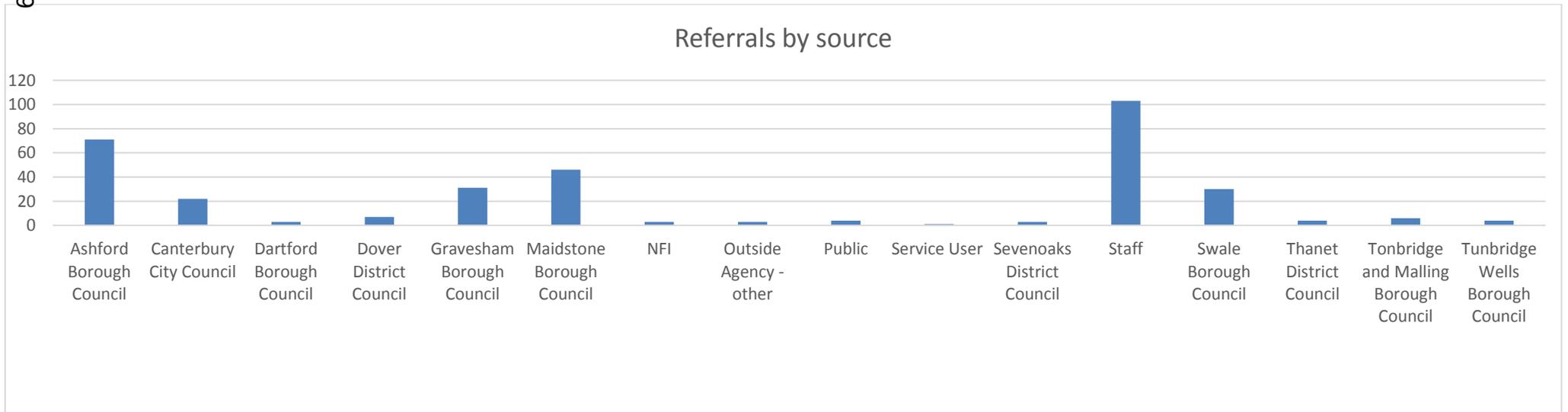
James Flannery, Counter Fraud Manager

January 2024

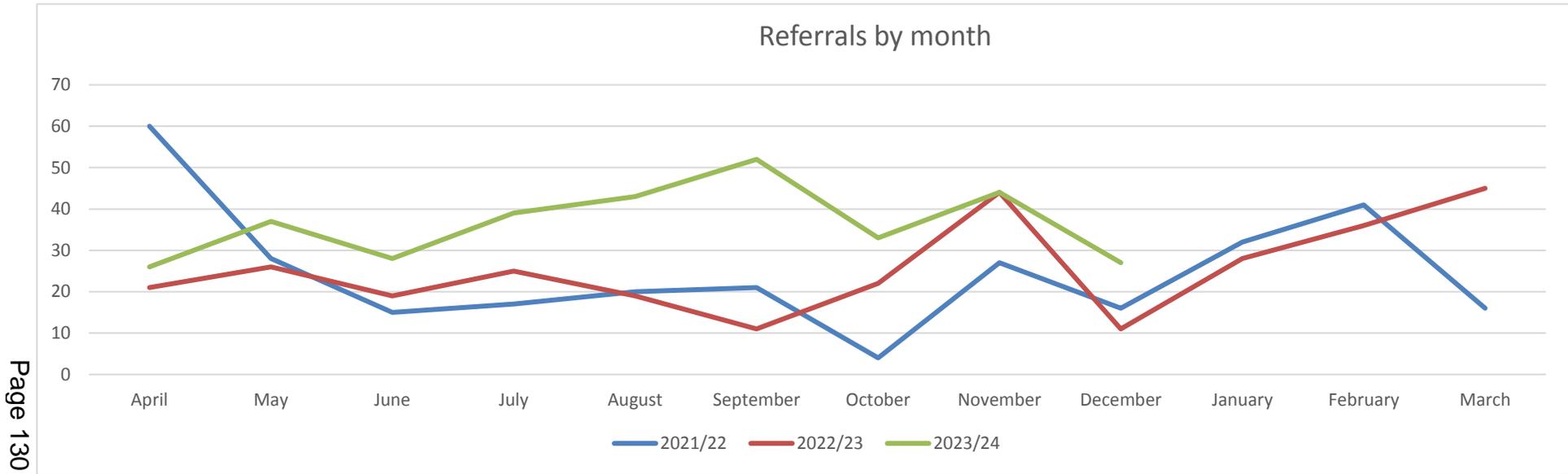
Appendix A: Fraud and Irregularity referrals April 2023 to December 2023 – Graphs



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Referrals by month



Appendix B: Counter Fraud Plan 2023/24

Ref	Strategy link	Risk Area	Activity	Description	Update
CFT-01	Govern	Corporate Fraud	Policy, Strategy and Risk Review	<p>Review each policy bi-annually, presented to CMT & G&A and once agreed to be communicated across KCC management via Kmail for managers.</p> <p>Expected policies to be reviewed:</p> <ul style="list-style-type: none"> Anti-Fraud and Corruption Strategy Anti Bribery Policy Anti Money Laundering Policy Financial Regulations Whistleblowing Policy Spending the Councils Money <p>To review any other policy that may have an inherent fraud, bribery & corruption risk</p>	<p>Anti-Fraud and Corruption Strategy</p> <p>Anti Bribery Policy</p> <p>Anti Money Laundering Policy</p> <p>Whistleblowing Policy</p> <p>Above agreed to be reported to the March 2024 G&A Committee</p> <p>Review of Financial Regulations from a Counter Fraud perspective</p> <p>Review of Artificial Intelligence policy completed and policy updated with updates.</p>
CFT-02	Govern	All risk areas to support the prevention and detection of fraud and corruption	Relationship Management Strategy for Senior Stakeholders - Including Fraud, Bribery and Risk Assessments.	<p>Ensure that the culture which is supported by Corporate Management Team and Governance and Audit Committee is embedded throughout the organisation through Counter Fraud attendance at relevant meetings and focus groups.</p>	<p>ASCH Supporting Living risk assessment plus management letter to raise issues.</p> <p>ICT Compliance and Risk Team & Counter Fraud emerging risk meetings – Cyber risks</p> <p>Kent Fraud Panel & Kent</p> <p>Laptop refresh governance board – Advice and Support provided to track assets moving forward and tracking of old assets being returned.</p>

CFT-03	Prevent	All fraud risk areas faced by schools to support the prevention and detection of fraud	Proactive Fraud Exercise - Schools	Create and deliver a communication strategy to provide Fraud awareness sessions to school finance staff, senior leaders and governors. Including existing and emerging risks. As well as providing ad-hoc advice	Alerts issued on mandate fraud Awareness sessions delivered in Autumn to schools more planned for Spring 24.
CFT-04	Prevent	Blue Badge fraud risk	Proactive Fraud Exercise - Blue Badges	Provide regular communication to parking managers to inform them of latest guidance, what's working well what needs improving, including the issuing of a quarterly newsletter. Provide enforcement awareness sessions to district CEOs.	Parking Manager meetings attended to provide engagement and feedback. One enforcement day in Maidstone delivered.
CFT-05	Prevent	Social Care fraud risks - ASCH	Financial Abuse Review	To progress a review of the approach taken by ASCH safeguarding on addressing financial abuse against vulnerable adults.	Support in place, challenge and support provided on a case by case basis, including engagement with Kent Police in progress.
CFT-06	Prevent	Fraud Risks – ASCH	To deliver fraud culture work/ awareness sessions ASCH	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.	Supporting Living main area of engagement – Task and Finish group on invoicing Counter Fraud Leading on this.
CFT-07	Prevent	Fraud Risks - CYPE	To deliver fraud culture work/ awareness sessions CYPE	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.	In progress – Awareness session delivered to East Kent Social Worker teams. Fraud Awareness to East Kent Social Worker Team Risk Assessment and reporting requirements for overpayments within LAS payment system.
CFT-08	Prevent	Fraud Risks - GET	To deliver fraud culture work/ awareness sessions across GET	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.	Working through Relationship management meetings at present to map out.
CFT-09	Prevent	Fraud Risks - CED/ DECD	To deliver fraud culture work/ awareness	To create and deliver a communication and engagement strategy that meets the need of the Services in addressing fraud/ financial crime risks.	Awareness to Client Financial Affairs on fraud awareness and forgery/counterfeiting of documents.

			sessions across CED/ DECD		
CFT-10	Prevent	No Recourse to Public Funds	Review of CF Process	To review the guidance, forms, and controls in place to enable effective assessments of someone's destitution. Review NRPf applications where these financial checks are required.	In progress- review of process completed, new financial assessment form completed and passed to service for review and implementation. NRPf checks being completed
CFT-11	Prevent	All risk areas to support the prevention and detection of fraud and corruption	Fraud Awareness	Agile awareness sessions to be delivered in conjunction with emerging risks	Bespoke engagement to: CYPE quality assurance Shared Lives management GET Economic Development Management
CFT-12	Pursue	Payroll Pension Blue Badge Concessionary fares Trade Creditors	Progression of NFI Data Matches	Coordinate the Council's and its LATCO's participation in the National Fraud Initiative, including the monitoring of matches being completed by the relevant team.	In progress further update to be provided in April 2024.
CFT-13	Pursue	Corporate Fraud	Kent Intelligence Network	Actively participate in the Kent Intelligence Network and develop data matching proposals to increase detection of fraud at KCC and across Kent authorities.	In progress – update included in report.
CFT-14	Protect	Counter Fraud Profession	Professional standards	Engagement with the Cabinet Office on the Counter Fraud Profession	Practitioners group updating standards. Onboarding Managers into profession being progressed.
CFT-15	Protect	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.	Provide advice and support on key fraud controls in specific audits.	In progress- Engagement plans reviewed.

CFT-16	Acknowledge	All fraud risk areas	Reactive Investigations	To manage and complete investigations into the financial irregularities reported to Internal Audit & Counter Fraud. Including criminal, civil and, where needed, disciplinary investigations. Providing management with any areas of improvements needed to reduce the risk of fraud or error occurring again.	In progress – outputs reported in main report.
CFT-17	Acknowledge	All fraud risk areas	Data Analytics	Providing advice/ guidance and data analytical support in order to identify fraud and error occurring.	Reviewed Supporting Living information to inform if data analytics can be used for reconciliation, data structure not in place to enable data analytics.

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

To: Governance and Audit Committee – 1 February 2024

Subject: Updated Financial Regulations and Scheme of Delegation

Classification: Unrestricted

Summary: This report summarises the updated Scheme of Delegation and Financial Regulations, prior to approval by County Council.

Recommendation: The Governance and Audit Committee are asked to approve the revised Financial Regulations (attached as Annex A) and Scheme of Delegation (attached as Annex B) and recommend that they are presented to County Council for adoption

1. Introduction

- 1.1. A Governance & Audit Subgroup comprising Members and Officers has reviewed and updated the Financial Regulations, with the intention of creating a more concise, easy to follow document whilst retaining the required content.
- 1.2. The KCC Scheme of Delegation has been reviewed and updated. Whilst there has been no major re-write or change to the format, amendments have been made to reflect changes in structures and working practices.
- 1.3. In line with the terms of reference of this Committee, the revised Scheme of Delegation and updated Financial Regulations need to be proposed and agreed to County Council.

2. Main Amendments to the Financial Regulations

- 2.1 The Council has a responsibility to ensure it establishes strong internal control procedures so that activities are conducted in an efficient, effective and well-ordered manner. Part of this includes devising and maintaining Financial Regulations, which are designed to detail the responsibilities, procedures and working practices adopted by the Council and provide essential instruction, guidance and advice in relation to day-to-day financial administration.
- 2.2 In KCC, the Financial Regulations have been updated annually for things like changes in legislation and structural and HR changes and have served their purpose well. However, eventually the document becomes unwieldy and more difficult to understand. So, given the financial challenges facing

the Council, it was an opportune time to strengthen and clarify financial accountabilities within the Regulations. Also, Internal Audit's report on compliance with Financial Regulations in September 2023 highlighted a lack of knowledge and understanding of the regulations and the External Auditors have commented on this too.

- 2.3 The proposed new Financial Regulations can be seen in full in Annex A. The current version of the Financial Regulations is on KNet [here](#).
- 2.4 The proposed new document is much shorter compared to the previous version (24 pages compared to 38), increasing usability whilst retaining the required content. This should begin to address the issue of staff understanding and will be reinforced by a communication strategy and a training offer, alongside comprehensive guidance documentation on Knet.
- 2.5 The overall approach has been only to detail what must be done (rather than list general accountabilities or what is expected). The structure has also been amended to reflect the normal annual financial cycle (budget setting, monitoring and decision making, final accounts). But it was acknowledged that the Regulations also need sections on financial administration, systems and processes and external arrangements.
- 2.6 There is also a new section on the key accountabilities of major posts and Member bodies right at the start (section 2), including a new section on the responsibilities of Directors. There is also a new matrix style page summarising 'who does what' that allows user to quickly navigate to their relevant sections, depending on their role in the Council.
- 2.7 Maintained schools are also subject to these Financial Regulations, insofar as they are consistent with the provisions of the Scheme for the Financing of Schools, under Section 48 of the School Standards and Framework Act 1998. Once approved, a version of the Regulations that reflects roles in schools will be published.

3. Main Amendments to the Scheme of Delegation

- 3.1 The amendments made to the Scheme of Delegation can be seen in detail at Annex B, as they are presented showing all tracked changes.
- 3.2 The main areas of change to highlight are:
 - the name of the former 'Strategic Commissioning Service' has been changed to 'Commercial and Procurement Division',
 - the new role of 'Commercial & Procurement Officer/Senior Buyer' within the revised Commercial and Procurement Division structure has been added,
 - the section title 'Procurement & Invoice Approval Process' has been changed to 'Procurement & Payment Approval Process' to include the use of purchase cards for making some payments when invoicing is not an option.

- 'Purchase Card Payment' and the associated note 19 have been added, as the use of purchase cards when appropriate is established practice.
- note 20 has been added to reflect the accepted practice of Responsible Managers formally delegating authority to Nominated Managers and Additional Approvers to authorise expenditure.
- Titles have been updated in the notes section to reflect the current roles and service structures.

Background Documents

Annex A - Proposed new Financial Regulations

Annex B - Proposed new Scheme of Delegation

John Betts
Acting Corporate Director Finance

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KENT COUNTY COUNCIL FINANCIAL REGULATIONS

January 2024

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1. INTRODUCTION

What are Financial Regulations?

- 1.1 The County Council is responsible for providing a wide range of services for residents, businesses and visitors, which involves receiving and spending large sums of money each year. Financial Regulations aim to ensure that the County Council protects and makes the best use of the money it receives and spends.
- 1.2 Financial Regulations are the regulatory framework within which the financial affairs of the County Council operate. They clarify responsibilities and provide a framework for decision making. They reflect how statutory powers and duties are discharged, as well as setting best professional practice.

Who do Financial Regulations apply to?

- 1.3 All Members and all Officers of the County Council must abide by the Financial Regulations and any breach may be considered a disciplinary offence and could lead to dismissal. [Kent Scheme Terms and Conditions](#).
- 1.4 All officers with financial responsibilities must read, understand and comply with these regulations. The Financial Regulations also set out the financial responsibilities of Members and Senior Officers (particularly the Chief Executive, Corporate Directors, Directors, the Chief Finance Officer (also known as the Section 151 Officer) and the Monitoring Officer (General Counsel).
- 1.5 In these regulations, references to responsibilities are assigned as follows, irrespective of any changes there may be to job titles:

“Section 151 Officer” refers to the post responsible for making arrangements for the proper administration of the financial affairs of the Council, under Section 151 of the Local Government Act 1972.

“Monitoring Officer” refers to the post responsible reporting on matters they believe to be illegal or amount to maladministration, matters relating to the conduct of councillors and the operation of the council’s constitution, under Section 5 of the Local Government and Housing Act 1989 as amended by paragraph 24 of Schedule 5 Local Government Act 2000.

“Chief Executive” refers to the post responsible for ensuring that all the authority’s functions are properly co-ordinated as well as organising staff and appointing appropriate management (also known as the Head of Paid Service).

Maintenance of Financial Regulations & Financial Rules

- 1.6 The Section 151 Officer is responsible for reviewing these regulations.
- 1.7 Supporting the Financial Regulations are a detailed set of Finance Rules, which prescribe the procedures to be followed in the day-to-day work of the County Council. These rules have the same status as if they were included in the body of these regulations. Financial rules are found at [Financial Procedures](#).

KCC Finances: Summary of Who Does What

The general advice for ALL staff is at 2.2 and the summary for Directors at 2.14

	Members	Leader	S151 Officer	Chief Executive	Corporate Directors	Monitoring Officer
General	2.2, 2.3, 2.5, 2.6 & 2.7	2.4	2.11	2.9	2.13	2.10
Revenue Budget Setting			3.7	3.4	3.8	
Capital Programme Setting		3.10	3.11	3.9	3.12	
Reserves and Provisions			3.13 – 3.15			
Key Decisions & Financial Implications	4.1		4.3		4.4, 4.5	
Kent Pension Fund			4.6			
Financial Control Framework			5.9			
Revenue Budget Monitoring and Control					5.1	
Virements		5.4	5.4	5.4		
Capital Budget Monitoring		5.8		5.8	5.7, 5.8	
Accounting Policies, Records & Returns	6.3		6.1		6.2	
Annual Statement of Accounts			6.4		6.5	
Audit Requirements			6.6		6.7	
Risk Management and Insurance			7.3		7.4	
Internal Control & Preventing Fraud			7.5, 7.7		7.8	
Assets & Stocks			7.10		7.9	
Treasury Management & Banking	7.13		7.14, 7.17			
Cash & Procurement Cards			7.21		7.22	
Staffing Costs			7.25		7.26	
Systems			8.2		8.3	
Income & Write Offs	8.4		8.5, 8.6		8.7	
Ordering and Paying			8.9		8.10	
Taxation			8.12		8.13	
Trading Accounts					8.15	
Overheads and Internal Recharges			8.16			
Partnerships			9.2		9.1	
External Funding			9.5		9.3, 9.4	
Work for Third Parties		9.8	9.6		9.7	
Companies			9.9		9.11	9.10

2. OVERALL FINANCIAL RESPONSIBILITIES

Introduction

- 2.1 This section sets out the roles of Members and Officers in the management of the County Council's finances. Financial management covers all financial accountabilities relating to the running of the Council, including the policy framework and budget. The County Council is a single entity with devolved accountabilities but the overall responsibility for financial administration of the Council remains with the Section 151 Officer.

Personal Responsibilities

- 2.2 Any person concerned with the use or care of the County Council's resources or assets MUST ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Concerns may also be raised via the [Whistle Blowing Procedure](#).

Member Responsibilities

- 2.3 County Council MUST approve:
- i. the Budget and Policy Framework, monitor compliance and respond to Scrutiny referrals on matters of non-compliance;
 - ii. the annual budget and the County Council share of Council Tax and Council Tax precept;
 - iii. the capital strategy, including prudential indicators for capital finance and borrowing; and the policy on Minimum Revenue Provision (MRP);
 - iv. the annual treasury management strategy and reserves policy;
 - v. the limits for virement or other budget changes and decision making procedure rules, including limits for key financial decisions;
 - vi. any expenditure proposed by the Leader or the Cabinet that is outside the limits referred to in above;
 - vii. Contracts Standing Orders.
- 2.4 The Leader (or their delegate)¹ MUST propose the Medium-Term Financial Plan, Budget, budget strategies, Council Tax and prudential indicators to the Council.
- 2.5 Within their allocated responsibility area and approved budget, Individual Cabinet Members MUST take account of legal, financial liabilities and risk management issues when taking decisions, including due consultation with and the taking of advice from officers.
- 2.6 The Scrutiny Committee (and any groups reporting into it) is responsible for reviewing or scrutinising decisions made, or other action taken, in connection with the discharge of any executive or non-executive functions as defined in the [Constitution](#). The

¹ Under the Constitution, these Leader responsibilities may be delegated.

Scrutiny Committee is responsible for considering Executive decisions that are 'called in' after being taken but prior to implementation.

- 2.7 The purpose and responsibilities of the Governance & Audit committee are summarised in the Constitution. In addition, the Governance & Audit Committee MUST also ensure that the Council's Counter Fraud Team is effective, has sufficient resource, experience and expertise to tackle fraud and corruption and that the Council has in place policies and procedures for the combating of fraud, bribery and corruption, and money laundering.

Officer Responsibilities

- 2.8 The full details of delegations to Chief Officers is set out in section 11 of the Constitution. The following sets out the key responsibilities of the Chief Executive, Monitoring Officer, Section 151 Officer, Corporate Directors and Directors, as they relate to financial issues, for ease of reference.
- 2.9 The Chief Executive MUST ensure:
- i. the provision of professional advice to all parties in the decision making process, including financial information;
 - ii. that arrangements are in place for internal control and the inclusion of the Annual Governance Statement in the annual accounts;
 - iii. that, in consultation and with the agreement of both the Monitoring Officer and the Section 151 Officer, the reporting of any matter to County Council, where the proper functioning of the County Council is at risk.
- 2.10 The Monitoring Officer MUST advise whether decisions of the Executive are in accordance with the Budget and Policy Framework. Actions that may be 'contrary to the Budget' include:
- initiating a new policy for which no budget exists;
 - committing expenditure in future years above the approved budgeted level;
 - breaching virement limits;
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase beyond that provided for in the approved budget.
- 2.11 The majority of the responsibilities of the Section 151 Officer are covered in the Constitution or elsewhere within these Regulations. In addition, the Section 151 Officer MUST:
- i. maintain counter fraud systems, including and anti-corruption strategies and measures;
 - ii. provide financial information and professional financial advice to support the proper financial planning of the authority;
 - iii. advise the Council on its overall financial resilience;
 - iv. issue advice and guidance to underpin the Financial Regulations;
 - v. ensure that statutory and other accounts and associated claims and returns in respect of grants are prepared;
 - vi. ensure that the MRP calculation is prudent;
 - vii. take ownership of the Council's corporate financial system.

2.12 In accordance with Section 114 of the 1988 Act, the Section 151 Officer MUST nominate a staff member to deputise for them.

2.13 The Corporate Directors MUST:

- i. operate financial processes that underpin operational controls, including a scheme of delegation;
- ii. control expenditure and income, monitor performance and take action to remain within agreed capital and revenue budgets;
- iii. consult with the Section 151 Officer and seek approval regarding any matters outside of the budget and policy framework which may affect the County Council's finances materially, before any commitments are incurred;
- iv. only sign contracts on behalf of the Council when the expenditure to be incurred is budgeted for;
- v. promote the financial management standards set by the Section 151 Officer in their Directorates and monitor adherence to standards and practices;
- vi. ensure that budget estimates that reflect agreed service plans are prepared, and that these are in line with issued guidance;
- vii. ensure that a robust counter fraud and anti-bribery culture exists within their Directorates.

2.14 Directors and those reporting to them with budget responsibilities MUST:

- i. Support their Strategic Director in fulfilling their financial responsibilities;
- ii. Promote a culture of probity and sound financial control;
- iii. Plan and deliver the major financial activities in their services;
- iv. Promote financial accountability across the Directorate and act as escalation point where there are financial or budget issues;
- v. In consultation with the finance service, ensure that a framework is maintained for support and advice to all staff involved in financial management and administration in their service;
- vi. Ensure that every report to Cabinet, County Council or Scrutiny contains a financial implications section that sets out any financial impact or commitments arising from the proposals, and which has been approved by the Section 151 Officer in advance of publication;
- vii. Ensure that claims for funds (including grants and 'match funding') are made in accordance with financial instructions issued by the Section 151 Officer;
- viii. Ensure that budget planning information, service revenue and capital monitoring and service outturn reports are provided in accordance with corporate timetables.

3. FINANCIAL PLANNING

Introduction

- 3.1 Financial planning is the process of projecting income and expenditure with the corporate strategy of the County Council. The revenue budget is the expression in financial terms of the delivery of the corporate strategy of the Council over the subsequent year. The capital programme is the expression in financial terms of plans to purchase, construct or improve assets with a lasting value to deliver the corporate strategy over the medium to long term.
- 3.2 In terms of financial planning, the key elements are:
- the Corporate Strategy
 - the Revenue Budget
 - the Capital Programme
- 3.3 County Council MUST:
- i. Approve the policy framework and budget. The policy framework comprises a number of statutory plans and strategies laid out in the Constitution;
 - ii. Approve procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework;
 - iii. Agree the level at which the Cabinet and executive members may reallocate budget funds from one service to another.

Revenue Budget

- 3.4 The Chief Executive and Section 151 Officer together MUST ensure that a revenue budget is prepared on an annual basis for consideration by the Leader and Cabinet before submission to the County Council
- 3.5 The Section 151 Officer MUST propose to the Leader the general format of the Budget.
- 3.6 The Leader MUST issue guidelines on budget preparation to Cabinet Members and Corporate Directors on budget preparation, on the recommendation of the Section 151 Officer.
- 3.7 The Section 151 Officer MUST:
- i. report to the County Council, when the Budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for;
 - ii. make any technical changes to the version of the budget approved by County Council and notify all Members of any such change included in the final published budget book.
- 3.8 The Corporate Directors MUST ensure that budget estimates reflect agreed service plans, are realistic and prepared in line with guidance issued by the Section 151 Officer.

Capital Programme

- 3.9 The Chief Executive and Section 151 Officer MUST ensure that a medium-term capital programme and financing plan is prepared on an annual basis for consideration by the Leader before submission to the County Council.
- 3.10 The Leader MUST develop and propose the capital programme to the County Council in consultation with the Section 151 Officer.
- 3.11 The Section 151 Officer MUST:
- i. advise on the setting of any prudential indicators;
 - ii. establish procedures to evaluate and appraise capital expenditure proposals;
 - iii. build in the revenue implications of debt costs from additional borrowing;
 - iv. ensure surety is in place where external funding is contributing to the delivery of any capital project proposed for the capital programme (e.g. bonds, parent company guarantees or letters of intent).
- 3.12 The Corporate Directors MUST:
- i. ensure that capital proposals reflect agreed service plans and are prepared in line with guidance issued.
 - ii. consult with the Section 151 Officer, the relevant Cabinet Member and the Cabinet Member for Finance where it is proposed to bid for funding from external sources to support capital expenditure;
 - iii. ensure that appropriate approval for any capital project proposed has been sought.
 - iv. ensure that VAT implications of capital projects have been considered.

Reserves, Provisions and Contingent Liabilities

- 3.13 The Section 151 Officer MUST:
- i. propose and ensure compliance with the Council's Reserves Policy;
 - ii. ensure that reserves are not only adequate but also necessary;
 - iii. ensure that no money is transferred into reserves each financial year without prior agreement with him/herself.
- 3.14 The Section 151 Officer MUST ensure that provisions are set up for any liabilities of uncertain timing or amount that have been incurred.
- 3.15 The Section 151 Officer MUST ensure that contingent liabilities are noted in budget considerations, where a reliable estimate cannot be made.

4. FINANCIAL DECISION MAKING

Key Decisions – Cabinet Members

- 4.1 Cabinet Members are responsible, within their allocated responsibility area and approved budget, for taking decisions as agreed by the Leader of the County Council.
- 4.2 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions Cabinet Members must comply with the County Council's Financial Regulations.

Financial Implications of Reports

- 4.3 The Section 151 Officer MUST:
 - i. monitor the quality of the financial implications information included in reports, to ensure Members have access to all relevant financial information when making decisions;
 - ii. provide financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.
- 4.4 The Corporate Directors MUST ensure:
 - i. that reports include all financial impacts or implications - including current and future years, capital and revenue, on all affected Directorates, including the impact on corporate resources and that a copy of the report is submitted to the Section 151 Officer or nominated representative for clearance;
 - ii. reports are compiled in accordance with best professional practice by suitable staff; and provides a sound basis for financial decision-making;
 - iii. in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions or the [Medium Term Financial Plan](#).
- 4.5 Corporate Directors are reminded that these requirements extend to the legal reasonableness and financial prudence of all decisions taken by either Members or Officers.

The Kent Pension Fund

- 4.6 The Section 151 Officer MUST, in accordance with the Local Government Pension Scheme regulations:
 - i. ensure the proper administration of the financial affairs of the Fund.
 - ii. having taken appropriate professional advice, prepare and submit to the Pension Fund Committee: regular reviews of investment strategy, monitoring of investment managers, arrangements for admitted employers and reporting on the pensions administration service.
 - iii. prepare and publish the Pension Fund's annual report and accounts.

5. FINANCIAL CONTROL

Revenue Budget Monitoring and Control

5.1 Corporate Directors MUST:

- i. have a robust system in place for monitoring activity levels which drive major budget headings;
- ii. report to the Section 151 Officer and to the relevant Cabinet Member on variances within their own areas;
- iii. ensure spend remains within the service's overall cash limit, by taking appropriate corrective action, alerting the Section 151 Officer and Cabinet Member to any problems;
- iv. ensure that a budget manager is identified for each item of income and expenditure under their control;
- v. ensure prior approval by the Leader and the relevant Cabinet Member of new proposals, which fulfil one or more of the following criteria:
 - a. create financial commitments in future years in excess of existing budgets
 - b. change existing policies, initiate new policies or cease existing policies
 - c. materially extend or reduce the Council's services
 - d. exceed the limit defined by the Council as a key financial decision
 - e. exceed any limit set by the Leader as requiring reference to them or a Cabinet Member
- vi. where approval has been granted under iv above, ensure it is set out in any reports to Committee or County Council;
- vii. ensure compliance with the scheme of virement;
- viii. ensure robust measures are in place to combat fraud and corruption;
- ix. ensure Resource Accountability Statements (RAS) are completed and complied with by budget managers.

Virements

5.2 Virements are the authorised transfer of a budget from one expenditure head to another. If such transfers do not:

- change the purpose for which the funding was approved
- involve new policy or policy change
- involve an increasing commitment in future years that cannot be contained within existing approved budget allocations

then they will be considered technical adjustments and Corporate Directors may make such changes, providing they notify the Section 151 Officer in advance. Examples include additional grant or other external income receivable during a financial year, changes to grant rules or realignment of resources to approved business plans.

5.3 Also, if such transfers relate to an approved budget or a contingency intended for allocation during the year, its allocation will not be treated as virement, provided that the amount has been used in accordance with the purposes for which it was established and the Section 151 Officer has agreed the basis and the terms, including financial limits, on which it will be allocated.

5.4 If a change to the purpose of the funding is required, so that funding will be used for a purpose different to that for which it was approved, then a virement is required. This

must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. Virements MUST be approved as follows :

Less than £200,000	Chief Executive or relevant Corporate Director(s) in agreement with the appropriate Cabinet Member(s) and the Section 151 Officer
From £200,000 up to (but not including) £1m	the relevant Cabinet Member(s) in agreement with the Cabinet Member for Finance, relevant Corporate Director(s) and Section 151 Officer
£1m and above	The Leader or Cabinet

NB multiple virement requests to / from the same budget heads will be treated cumulatively

- 5.5 Transfers involving a new policy or a change in an existing policy require prior approval by the Leader and Cabinet Member and Committee, with approval set out in any reports to formal Committees or County Council.

Treatment of year-end balances

- 5.6 Cabinet MUST agree the detail of any annual roll forward of under and overspending on budgets.

Capital Budget Monitoring

- 5.7 The Corporate Directors MUST:

- i. prepare reports reviewing the capital programme provisions for their services, in line with the timetable set by the Section 151 Officer;
- ii. prepare regular returns of estimated final costs of schemes in the approved capital programme for inclusion in the report to Cabinet on the overall Capital programme position;
- iii. report promptly to the Section 151 Officer on any proposed variations to the Capital Programme during a financial year;
- iv. report promptly to the Section 151 Officer circumstances where additional County Council capital resources will be required to implement an approved project, where additional resources cannot be identified from within the Portfolio programme concerned;
- v. report to the Section 151 Officer on any proposed additions to the Capital Programme, resulting from the receipt of additional grant or other external funding.

- 5.8 Resources may be vired from one capital project or heading as follows provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy changes:

Less than £50,000	the Chief Executive or relevant Corporate Director(s)
From £50,000 up to (but not including) £200,000	the relevant Corporate Director(s) in agreement with the relevant Cabinet Member(s) and the Section 151 Officer
£200,000 up to (but not including) £1m	the relevant Cabinet Member(s) in agreement with the Cabinet Member for Finance, Corporate Director(s) and Corporate Director of Finance
£1m and above	the Leader or Cabinet

5.9 The Section 151 Officer MUST:

- i. monitor income and expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis;
- ii. administer the County Council's scheme of virement and monitor, record and report to the Cabinet on the impact on revenue budgets;
- iii. prepare and submit, with Corporate Directors, joint reports to the Cabinet in respect of any revenue expenditure for which the Corporate Director concerned is unable to identify appropriate resourcing from within the existing budget;
- iv. prepare and submit regular reports to the Cabinet on progress against the approved capital programme, highlighting any variances and detailing any requests for amendments to approved programmes.

6. FINANCIAL ACCOUNTING & AUDIT

Accounting Policies

- 6.1 The Section 151 Officer MUST ensure that the accounting policies, practices and procedures adopted by the County Council reflect professional standards and recommended good practice.

Accounting Records and Returns

- 6.2 The Corporate Directors MUST:
- i. comply with the adopted accounting policies, practices and procedures;
 - ii. ensure the proper retention of accounting records in accordance with the requirements established by the Section 151 Officer ([Retention Schedule](#));
 - iii. ensuring that all claims for funds including grants are made by the due date and in line with the [\(Corporate Grant Procedure\)](#);
 - iv. provide information required for, or to ensure completion of, all statutory and other financial returns by the due dates;
 - v. operate control accounts as agreed by the Section 151 Officer.

The Annual Statement of Accounts

- 6.3 The Governance and Audit Committee MUST approve the annual [Statement of Accounts](#) of the Authority and the Pension Fund on behalf of the Council.
- 6.4 The Section 151 Officer MUST:
- i. ensure that the County Council's and Pension Fund annual Statement of Accounts are prepared by the required statutory date and in accordance with the current Code of Practice;
 - ii. liaise with external audit on the completion of the Statement of Accounts and the arrangements for the audit of these;
 - iii. ensure that adequate documentation is available to support the Statement of Accounts.
- 6.5 The Corporate Directors MUST supply the Section 151 Officer with information required to complete the Statement of Accounts, in accordance with the agreed annual timetable.

Audit Requirements

- 6.6 The Section 151 Officer MUST ensure:
- i. that external auditors are given access at all premises, personnel, documents and assets necessary for the purposes of their work;
 - ii. that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided as soon as reasonably practicable.

6.7 Corporate Directors MUST:

- i. notify the Head of Internal Audit & Counter Fraud immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources;
- ii. ensure that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
- iii. ensure that all records and systems are up to date and available for inspection;
- iv. ensure that when information is requested in connection with inspections, audits, reviews and investigations the information requested is provided in a timely manner and not be unreasonably delayed.

7. FINANCIAL ADMINISTRATION

Introduction

- 7.1 Robust systems must be developed and maintained to identify and evaluate all significant strategic, operational and financial risks to the Authority, including the proactive participation of all those associated with planning and delivering services.

Risk Management and Insurance

- 7.2 The Governance & Audit Committee MUST approve the Council's Risk Management Strategy and Policy and review the effectiveness of risk management. The Director of Strategy, Policy, Relationships and Corporate Assurance (SPRCA) is responsible for the Authority's [Risk Management Policy and Strategy](#).
- 7.3 The Section 151 Officer MUST, in consultation with the Cabinet Member for Finance, ensure that there are sufficient arrangements in place to protect the Council against insurable risks.
- 7.4 Corporate Directors MUST regularly review the effectiveness of risk management arrangements within their Directorates and ensure compliance the Council's overall insurance arrangements.

Internal Control

- 7.5 The Section 151 Officer MUST provide advice on effective systems of internal control that deliver the requirements of Financial Regulations.
- 7.6 Corporate Directors MUST establish sound arrangements for planning, appraising, authorising and controlling their operations, ensuring they and their teams fully comply with system of internal controls and act promptly to address any issues raised by Internal Audit, the external auditor or in the Annual Governance Statement.

Preventing Fraud and Corruption

- 7.7 The Section 151 Officer MUST develop, review and maintain an Anti-Fraud and Corruption Strategy, including ensuring there is an effective counter fraud function.
- 7.8 Corporate Directors MUST ensure compliance with the [Anti-fraud and Corruption Strategy](#) and with systems of internal control to prevent, detect and pursue fraud and corruption, including engaging with Counter Fraud Specialists when developing new policies, initiatives and strategies.

Assets & Stocks

- 7.9 Corporate Directors MUST:
- i. ensure that records and assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place;

- ii. maintain and review annually inventories of equipment, plant and machinery which has a value of over £200 or is portable or vulnerable to theft;
- iii. Ensure compliance with issued procedures in respect of all [asset disposals](#);
- iv. write off the value of obsolete stock in their Directorates.

7.10 The Section 151 Officer, in conjunction with the Chief Executive, MUST issue guidelines for the disposal of equipment, plant and machinery.

Intellectual Property

7.11 The Chief Executive, in conjunction with the Monitoring Officer, MUST develop and disseminate best practice guidance regarding the treatment of intellectual property.

7.12 Corporate Directors MUST ensure ensure compliance with the guidance and ensure staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council;

Treasury Management

7.13 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer. The Council also nominates the Treasury Management Group and Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

7.14 The Section 151 Officer MUST

- i. report to the Cabinet Member for Finance on:
 - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
 - b. suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
- ii. report to the Council on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs;
- iii. establish procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
- iv. ensure all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

Loans to third parties and acquisition of third party interests

7.15 The Section 151 Officer MUST ensure, jointly with the Corporate Directors, that loans are only made to third parties with the approval of the County Council, the Leader, Cabinet or the Cabinet Member for Finance.

Trust Funds and funds held for third parties

- 7.16 Corporate Directors MUST arrange for all Trust Funds to be held, wherever possible, in the name of the Council and ensure that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

Banking

- 7.17 All arrangements with bankers must be made only by the Section 151 Officer, who is authorised to operate any bank accounts considered necessary for the efficient operation of the Council's activities. The Section 151 Officer MUST issue guidance on the use of bank accounts.
- 7.18 Once approved, Corporate Directors MUST operate bank accounts within issued [Cash Handling and Banking](#) guidelines.

Imprest Accounts and Cash

- 7.19 The Section 151 Officer MUST issue guidance on the arrangements for the monitoring and review of [imprest accounts](#) and cash withdrawn via [purchase card cash systems](#).
- 7.20 Corporate Directors MUST ensure the operation of approved cash and bank imprest accounts are in accordance with procedures issued by the Section 151 Officer.

Credit Cards and Purchase Cards

- 7.21 The Section 151 Officer MUST prescribe the procedures for the use of credit cards and purchase cards.
- 7.22 Corporate Directors MUST ensure the use of credit cards and purchase cards is in accordance with the procedures issued ([Purchase Card](#)).

Receiving & Making Card Payment

- 7.23 The Section 151 Officer MUST ensure that card payment arrangements including chip and pin terminals and web based systems, set up for agreed purposes and assigned to nominated staff, are compliant with Payment Card Industry Data Security Standards (PCI DSS).
- 7.24 Corporate Directors MUST maintain secure card payment arrangements in accordance with the procedures issued.

Staffing Costs

- 7.25 The Section 151 Officer MUST ensure there are arrangements in place for the accurate and timely payment of staff and associated payroll deductions and returns to Government departments.

- 7.26 Corporate Directors MUST advise the Executive Members on the budget necessary in any given year to cover estimated staffing levels and adjust staffing numbers to meet changing operational needs within the approved budget provision.
- 7.27 An ex-gratia payment is a payment made as compensation or settlement to employees in respect of loss or damage which occurred during the performance of their duties. It does not reflect payments made when someone leaves the organisation (as that is dealt with via compromise agreements). The Corporate Directors are responsible for approving reasonable ex gratia payments of £6,000 or less and for ensuring that a record of such payments is maintained. For ex gratia payments in excess of £6,000, Corporate Directors MUST obtain the approval of the relevant Cabinet Member, the Cabinet Member for Finance and the Section 151 Officer.

8. FINANCIAL SYSTEMS AND PROCEDURES

Introduction

- 8.1 Sound systems and procedures are essential to an effective framework of accountability and control.

Systems

- 8.2 The Section 151 Officer MUST ensure the County Council has appropriate IT systems for financial purposes. This includes a Business Continuity Plan, in the event of any incident affecting systems used to deliver services for financial purposes.
- 8.3 Corporate Directors MUST:
- i. Obtain the approval of the Section 151 Officer for any changes to the existing financial systems or the establishment of new systems that contain (or underpin) financial information;
 - ii. Ensure the proper operation of financial processes in their own Directorates, with any changes to agreed processes that impact on financial information agreed with the section 151 Officer;
 - iii. Ensure staff receive relevant financial training, which has been approved by the Section 151 officer.

Income & Write Offs

- 8.4 The Governance & Audit Committee MUST approve the policy for writing off debts, as part of the overall framework of accountability and control.
- 8.5 The Section 151 Officer MUST specify the procedures to be followed in collecting income and writing off debts. This includes ensuring, in consultation with the Corporate Directors, that adequate provision is made for potential bad debts arising from uncollected income.
- 8.6 The Section 151 Officer is authorised to write-off the following types of debt where:
- i. the debtor has entered into liquidation, bankruptcy, debt relief order or is deceased and there are no funds nor estate on which to claim for recovery of the debt;
 - ii. The Monitoring Officer has reviewed the case and recommends write-off;
 - iii. the debtor cannot be located and all tracing efforts are exhausted;
 - iv. collection efforts have been exhausted, uneconomical to pursue further;
 - v. the debt is statute barred under the Limitations Act 1980 and the Care Act 2014.
- 8.7 The Corporate Directors MUST:
- i. comply with the agreed [Debt Management Policy](#) and Debt Policy of the Council;
 - ii. write-off of irrecoverable debts in their Directorates of up to £10,000 in consultation with the Section 151 Officer;
 - iii. ensure there is an annual review of fees and charges, and that proposals are approved by the Leader or relevant Cabinet Members;

- iv. ensure official receipts are issued and any other documentation for income collection purposes is maintained;
- v. ensure the security of cash handling.

8.8 Other than the above, all debt write offs over £10,000 MUST be put forward by the relevant Corporate Director to the Section 151 Officer for their decision, in consultation with the Cabinet Member for Finance. The relevant Corporate Director will also submit a report to the Governance & Audit Committee, setting out the operational reasons for the write-off.

Ordering and Paying for Works, Goods and Services

8.9 In order to ensure that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered, the Section 151 Officer MUST provide guidance on ensuring that:

- goods or services have been confirmed as received
- expenditure has been properly incurred and is within budget provision
- prices accord with orders, quotations, tenders, contracts or catalogue prices
- the correct accounting treatment of VAT has been applied, and
- the payment is correctly coded

8.10 The Corporate Directors MUST ensure that:

- i. systems and processes are in place in their Directorates to comply with guidance published by the Section 151 Officer;
- ii. the Council's corporate financial systems are used for payment, or where specialist systems are used, this is by agreement with the Section 151 Officer;
- iii. orders are raised for works, goods or services (or where this is not possible, it is with the prior approval of the Section 151 Officer);
- iv. goods and services are checked on receipt to verify that they are in accordance with the order;
- v. payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;
- vi. payments are not made in advance of goods being supplied, work done or services rendered, except with the approval of the Section 151 Officer;
- vii. all undisputed invoices are settled within 30 days of receipt;
- viii. the Directorate obtains best value from purchases by following the guidance in the Knet Procurement pages [Commissioning and Procurement - how to buy anything](#) and comply [Spending the Council's Money](#).

8.11 Deviation from the delegated authority matrix [Delegation Matrix](#) is not generally expected. However, if a different financial limit is required the amendment should be requested via a business case and approved as follows:

Requester	Approver
Budget Manager	Head of Service
Head of Service	Service Director
Service Director	Corporate Director

Taxation

8.12 The Section 151 Officer MUST:

- i. maintain the County Council's tax records, making all tax payments, receiving tax credits and submit tax returns by their due date as appropriate;
- ii. advise Corporate Directors, in the light of guidance issued by appropriate bodies and relevant legislation, on all taxation issues that affect the County Council.

8.13 Corporate Directors MUST:

- i. Where they are owners of financial systems, maintain appropriate records, making tax payments, receiving tax credits and submit tax returns by their due date as appropriate;
- ii. Consult with, and seek advice from, the Section 151 Officer on the potential tax implications of any new initiatives for the delivery of Council activity and Services, including those that could impact on "partial exemption".

Trading Accounts

8.14 Trading accounts are used to determine whether a Council activity that is generating income (usually by selling services internally or externally) is covering all its costs, including overheads. The Section 151 Officer MUST publish guidance on the establishment and operation of trading accounts.

8.15 Corporate Directors MUST:

- i. observe all statutory requirements in relation to trading activity, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged;
- ii. ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

Overheads and Internal Recharges

8.16 The Section 151 Officer MUST establish a framework for the charging of overheads and internal recharges and Corporate Directors MUST comply with the framework.

9 EXTERNAL ARRANGEMENTS

Partnerships

- 9.1 When entering into, or considering, a partnership, Corporate Directors MUST ensure that:
- i. the Council's financial and operational interests are protected;
 - ii. appropriate financial and legal advice is taken;
 - iii. a risk management appraisal is carried out;
 - iv. necessary approvals are obtained before negotiations are concluded;
 - v. the accounting and financial arrangements satisfy the requirements of the Council and allow for:
 - a. any required audit of the partnerships affairs; and
 - b. investigation by counter fraud specialists in the event of an allegation of fraud and or corruption.
- 9.2 Whenever the Council is entering into, or considering, a partnership, the Section 151 Officer MUST:
- i. promote the same financial administration standards of conduct in the partnership that apply throughout the Council;
 - ii. advise on any the financial implications (including tax treatment, limitation of liability, asset transfers and payment terms).

External Funding

- 9.3 Corporate Directors MUST obtain all necessary approvals, before applying for external funding.
- 9.4 When applying for and accepting external funding, Corporate Directors MUST ensure that:
- i. all external funding sought supports the Council's priorities;
 - ii. any matched funding requirements are identified and provided for in the budget prior to any agreement being concluded;
 - iii. the conditions of external funding agreements and any statutory requirements are complied with;
 - iv. expenditure met from external funding is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that audit requirements of the funding body can be met;
 - v. a record of external funding agreements is in place;
 - vi. all grants received are recorded in the central register, and in line with the [Corporate Grant Procedure](#).
- 9.5 The Section 151 Officer MUST:
- i. ensure that procedures are in place so that all financial implications resulting from entering into external funding agreements are identified;
 - ii. ensure that all external funding is received and is properly recorded in the Council's accounts;

- iii. maintain a record of expected grants in liaison with the Corporate Directors;
- iv. build in any agreed financial implications (e.g., matched funding) into the budget strategy.

Work for Third Parties

- 9.6 The Section 151 Officer MUST issue guidance on the financial aspects of contracts with third parties and external bodies.
- 9.7 The Corporate MUST ensure that:
- i. work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
 - ii. guidance issued by the Section 151 Officer is complied with and that all agreements and arrangements are properly documented.
- 9.8 The Leader or relevant Cabinet Member MUST approve the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £200,000.

Companies

- 9.9 The Section 151 Officer MUST advise on the financial implications resulting from the creation of a company including tax treatment, accounting arrangements and any service pricing and set up cost issues.
- 9.10 The Monitoring Officer MUST advise on the legal requirements and implications with respect to the creation and ongoing running of a company.
- 9.11 In respect of the creation and ongoing running of a company, Corporate Directors MUST ensure that:
- i. The [Companies Protocol](#) and the more detailed [Local Authority Companies Manual](#) guidance document is complied with;
 - ii. legal and financial advice provided by the Monitoring Officer and Section 151 Officer is complied with.

This scheme operates in conjunction with the Financial Regulations, the KCC Constitution, and KCC Financial Procedures

Finance Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic-Commissioning Commercial and Procurement Division				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Strategic-Commissioning Head of Commercial and Procurement	Head of Service (Portfolio 1&2)-/ Head-of-Commissioning-Support Strategic Procurement an Commercial Lead	Senior-Commissioning-Manager-/ Commercial-Manager- Commercial and Procurement Manager / Sourcing Support Team Lead	Senior-Commissioner-/ Commercial-Officers-/ Indirect-Procurement-Manager Senior Commercial and Procurement Officer	Commercial & Procurement Officer / Senior Buyer
Revenue Virement Limits												
Within Portfolio	1	Above-£1m £1m and above*	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **	-	-	-	-	-	-	-	-
Within Portfolio	2	-	Less than £200k	Less than £200k	-	-	-	-	-	-	-	-
Between Portfolios	1	Above-£1m £1m and above*	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **	-	-	-	-	-	-	-	-
Between Portfolios	2	-	Less than £200k	Less than £200k	-	-	-	-	-	-	-	-
Capital Virement Limits												
Within or across Portfolios	1	Above-£1m £1m and above*	From £200k up to (but not including) £1m **	From £200k up to (but not including) £1m **	-	-	-	-	-	-	-	-
Within or across Portfolios	3	-	From £50k up to (but not including) £200k	From £50k up to (but not including) £200k	-	-	-	-	-	-	-	-
Within or across Portfolios	4	-	-	Less than £50k	-	-	-	-	-	-	-	-
Writing off of obsolete stock	5	-	Over £10k	Up to £10k	-	-	-	-	-	-	-	-
Ex Gratia Payments	5 6	-	More than £6k	Up to £6k	-	-	-	-	-	-	-	-
Writing off irrecoverable debts	6- 7	-	Over £10k	Up to £10k	-	-	-	-	-	-	-	-

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Procurement & Invoice Payment Approval Process

Stage or Transaction Approval	Notes	Members		Officers				Strategic-Commissioning Commercial and Procurement Division				
		The Leader or Cabinet	Cabinet Member	CMT Director	Service Director	Service Head	Budget Manager	Head of Strategic-Commissioning Head of Commercial and Procurement	Head of Service (Portfolio 1&2)-/ Head-of-Commissioning-Support Strategic Procurement an Commercial Lead	Senior-Commissioning-Manager-/ Commercial-Manager- Commercial and Procurement Manager / Sourcing Support Team	Senior-Commissioner-/ Commercial-Officers-/ Indirect-Procurement-Manager Senior Commercial and Procurement Officer	Commercial & Procurement Officer / Senior Buyer
Contract Award Recommendation acceptance	7/15/16- 8/14/15	Unlimited*	Unlimited*	Up to £1m*	Up to £500k except where Property Management Protocol expressly differs	Up to £250k	Up to £50k	-	-	-	-	-
Contract/Framework Signature	8 9	-	-	Up to £1m, or over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £500k, or over £1m with Cabinet or Cabinet Member Decision to award and express authorisation of the Monitoring Officer to sign or seal*	-	-	Up to £1m, or over £1m with Leader, Cabinet, or Cabinet Member decision to award and express authorisation of the Monitoring Officer to sign or seal*	Up to £1m	Up to £500k	Up to £250k	-
Requisition or budget expenditure approval	9/10/16/20- 10/11/15/19	-	-	Unlimited where previously approved as designated signatory and where relevant authority is in place	Up to £1m*	Up to £500k	Up to £50k	-	-	-	-	-
Contract Authorisation (Creation of Order)	11 12	-	-	-	-	-	-	Unlimited when correct political or previously delegated authority is in place*	Up to £1m	Up to £500k	Up to £250k	Up to £100k
Variation Approval (Existing contract)	9,17 14, 18	Unlimited*	Unlimited*	Up to £1m*	Up to £500k	Up to £250k	Up to £50k	-	-	-	-	-

Variation Signature		-	-	Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	Unlimited with Cabinet or Cabinet Member Decision to award variation and express authorisation of the Monitoring Officer to sign or seal*	-	-	-	-	-	-	-	-
Receipt Confirmation	42 13	-	-	Unlimited	Unlimited	Unlimited	Unlimited	-	-	-	-	-	-
Invoice Payment	43/16/20	-	-	Unlimited	Up to £1m or over £1m where previous delegation from Cabinet or Cabinet Member is in place*	Up to £500k	Up to £50k	-	-	-	-	-	-
Purchase Card Payment	19	-	-	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate	As per the Purchase Card limit mandate

* These decisions/actions are subject to statutory recording and publication requirements. Seek advice from Democratic Services.

** These decisions/actions are subject to statutory recording and publication requirements when over £500k. Seek advice from Democratic Services.

Notes:

1. Virement of £200k to £1m has to be signed off by Portfolio Cabinet Member, **Chief Executive**, relevant Corporate Director(s), **Deputy Leader and** Cabinet Member for Finance and Corporate Director of Finance
Advice should be sought as to whether the Virement requires a formal Decision to be taken.
2. Virement less than £200k has to be signed off by the Corporate Director of Finance along with the relevant Cabinet Member(s) and Corporate Director(s).
3. Virement of £50k to £200k has to be signed off by the Corporate Director of Finance along with the relevant Cabinet Member(s) and Corporate Director(s).
- 4 **3a. Virement of up to (but not including) £50k has to be signed off by the relevant Corporate Director or the Chief Executive**
- 5 ~~4.~~ Write off of obsolete stock up to £10k is in consultation with the Corporate Director of Finance. Above £10k has to be signed off by the ~~be reported to~~ Corporate Director of Finance **and Deputy Leader** and Cabinet Member for Finance and then taken to **Scrutiny Governance and Audit** Committee for ~~write-off assurance~~.
- 6 5. Ex gratia payments above £6k Corporate Directors are responsible for obtaining approval from relevant Cabinet Member, **Deputy Leader and** Cabinet Member for Finance, and Corporate Director of Finance.
- 7 6. Write off of irrecoverable debts is completed in accordance with the Financial Regulations and consultation with the Corporate Director of Finance in his/her role of Section 151 Officer. Irrecoverable debts above £10k which do not meet an exemption under the Financial Regulations should be put forward by the relevant Corporate Director to the Corporate Director of Finance in his/her role of Section 151 Officer for his decision in consultation with the **Deputy Leader and** Cabinet Member for Finance. A report by the relevant Corporate Director will also be submitted to Governance and Audit Committee.
- 8 7. Award recommendation prepared by **Strategic Commissioning Commissioning and Procurement Division** lead
- 9 8. Authorities are only valid if Contract Award Recommendation acceptance has been approved; will also require a review schedule e.g. with Legal Services for non-standard contract use; decisions on signing under seal or under hand
- 10 9. Only valid for approved budgets/expenditure within plan – values will be used within i-Procurement
- 11 10. Procurement authorities relate to own budget only
- 12 11. For simple contracts only. Those that are required to be sealed as required in "Contracts and Tenders Standing Orders" must be dealt with by Legal Services.
- 13 12. May be exercised by any member of staff who can directly confirm correct receipt of goods, services or works
~~13. Relates to signature on invoices; post i-Procurement implementation this authority is no longer required (3-way system match provides authorisation)~~
~~14. Approval of a variation against an existing contract~~
- 14 15. Cabinet Member Approval where authority has been delegated, in some instances this may still require Cabinet Approval in line with the Constitution
- 15 16. For areas with high expenditure e.g. Highways, Property, ICT, approval level can be increased to £5m for Service Directors at Corporate Directors discretion
- 16 17. Variations/extensions must be sealed if the main contract is sealed unless specifically excluded in the contract
- 17 18. **Head of Procurement Commissioning Portfolio Outcome / Head of Commissioning Support Commercial and Procurement Manager / Sourcing Support Team Lead** can sign for up to £500k where delegated in writing by the relevant service Director
- 18 19. Each purchase card has a single transaction limit and monthly spend limit. The cards do not allow limits to be exceeded.
- 19 20. Responsible managers can formally delegate authority for smaller sums to Nominated Managers and Additional Approvers if Service Head agrees

By: Rory Love, Cabinet Member for Education and Skills
Sarah Hammond, Corporate Director of Children, Young People and Education

To: Governance and Audit Committee – 1 February 2024

Subject: SCHOOLS AUDIT ANNUAL REPORT- PERIOD APRIL 2022 TO MARCH 2023

Classification: Unrestricted

Summary: Kent County Council's (KCC) Chief Finance Officer (CFO) has to annually certify to the Department for Education (DfE) that there is a system of audit for Local Authority (LA) maintained schools that gives adequate assurance over the standards of financial management and the regularity and propriety of their spending.

FOR ASSURANCE

1. Introduction

- 1.1 The DfE requires that the CFO, (i.e., the Corporate Director of Finance), signs an annual assurance statement by the 31 May each year, confirming that there is a system of audit for schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.
- 1.2 The content of this report provides detail of processes, metrics and controls that give the necessary assurance needed for the CFO to sign the annual DfE assurance statement.

2. Approach

- 2.1 The following are the processes, metrics and controls that provide assurance over the financial management standards in LA schools. Unless stated otherwise, these processes are carried out by Schools Financial Services (SFS), a service within The Education People.
- 2.2 Financial Compliance Programme – Each LA school will receive a financial compliance visit at least once every four years that consists of 118 targeted questions covering 8 different areas of control including governance and leadership, financial planning and monitoring and procurement.
- 2.3 During the period April 2022 to March 2023, 99 schools were visited compared to a typical year of between 100 and 105 schools. The missing school converted to an Academy on the 31 March 2023. The compliance programme now meets the criteria of a school visit once every four years.
- 2.4 Appendix A provides an overview of the different areas of the compliance programme, whilst showing which categories had the most recommendations.

The spreadsheet also depicts how many of these were critical recommendations and how many were requires action.

- 2.5 Table 1 on Appendix A reflects the re-commencement of the Compliance programme after Covid. Table 2 shows the period April 2022 to August 2022. Ordinarily, data would be provided for a 12-month period, but during the summer of 2022 the compliance programme underwent a thorough review and as a consequence was updated. This resulted in an overall reduction in questions from 120 to 118, but also some minor adjustments within the categories.
- 2.6 For the period April 2022 to March 2023, of the 118 questions asked of each school, or 6,018 questions asked in total across all 99 schools:
- 208 questions (6.80% of the total compliance visit) came back with critical recommendations, meaning those schools did not fully comply with the Scheme for Financing Schools/Financial Controls.
 - 244 questions (8.25% of the total compliance visit) came back with requires action, meaning these areas need attention but were not as urgent or as serious as those classed a critical.
 - This means of the 118 questions asked of the 99 schools – 84.95% were compliant
- 2.7 Where a school receives a critical or requires action recommendation as a result of the compliance visit it receives a detailed report showing areas of non-compliance, the risks attached to continued non-compliance and detailed findings of the areas that need to be corrected. This final compliance school report is sent to the Chair of Governors and the Headteacher in a PDF format.
- 2.8 Following this, depending on the level and severity of non-compliance, schools will be asked to either send in evidence of compliance, or a follow-up compliance visit will take place.
- 2.9 For schools with critical recommendations, the main issues fell within the category of “Procurement”. The recommendations covered many areas not being adhered to by schools, such as budget holders not agreeing to a purchase prior to the order being placed. As result of this detailed discussions with the CYPE Schools finance team took place and Financial Control Number 7 was fully updated, placed on Kelsi and presented at Finance Information Groups.
- 2.10 Within the requires action recommendations, the area with most concern was “Bank Account and Petty Cash”, although a number of other categories were also not compliant.
- 2.11 In light of these findings via the compliance programme, we regularly provide topical updates and training in these areas. Examples being:
- Updates to all Kent Schools via the E-Bulletin or SFS Update emails on subjects which aid schools’ leaders and finance staff in being compliant

with funding, statutory returns and the STPCD.

- Training for Headteachers, Governors and finance staff on all aspects of school's finance, all of which refers back to the Scheme for Financing Schools and Financial Controls.
- Advice and guidance via our Helpdesk on all compliance and statutory related issues.

2.12 Schools Financial Value Standard SFVS - Schools complete an annual self-assessment which is agreed by governors and is sent to SFS as part of schools' statutory returns. This document is referred to when conducting a compliance visit and is referenced within the report against any recommendations made. All 304 LA schools (1 Nursery, 258 primary, 19 Secondary, 21 Special, 5 PRU) submitted a return that met the required deadline.

2.13 Budget and monitoring statutory returns – LA schools have to provide annually a 3 Year Budget Plan by the 31 May, 6 and 9 month monitoring during the year, and year end outturn. All schools have been compliant in providing these returns. SFS robustly scrutinise financial returns including using trend analysis, so that schools can be identified at the earliest opportunity if there is any sign of financial difficulties.

2.14 Traded financial services - SFS provides two types of traded financial service to schools. The benefit of this is twofold. The first is that it supports good financial management in schools. The second is that a gross profit margin of around 25% is achieved which contributes towards the cost of statutory services, for example the School Support Team who assist schools in or facing financial difficulty. The two types of traded services are:

- An individual school specific bursarial service for around 106 schools at any point in time throughout the year.
- A Help Desk service providing guidance and support on school specific finance related matters, where around 385 schools subscribe. For the period April 2022 to March 2023 there were 15,002 (phone calls 5,459, emails 9,543) logged and completed incidents.

2.15 Training - There is a comprehensive finance training programme for Headteachers, senior leaders, bursars and governors, and Finance Information Groups for bursars and other finance staff. During 2022-23 there were 93 training courses and 3 Finance Information Groups attended by over 981 delegates from Kent maintained schools and academies.

2.16 School Finance Systems Support – A key component in maintaining financial management standards in schools is to ensure that schools have the appropriate financial systems and tools to achieve this. KCC (via SFS) currently support a monitoring and budgeting system called Business Planning Software provided by a company called TES and a financial accounting system called Financial Management System 6 provided by Education Software Solutions. Currently SFS are in the process of becoming accredited with Bromcom, meaning from April 2024 we will be able to support this finance system as well.

- 2.17 KCC annual audit of accounts – Sample testing of schools’ financial statements are included in the annual KCC audit carried out by Grant Thornton.
- 2.18 Deficit Schools – If there was one statistic to evidence that there is good financial management in LA schools it is the number of schools in deficit, which should be considered in the context that Kent’s average Dedicated Schools Grant (DSG) National Funding Formula (NFF) per unit of funding is in the bottom 20%. At the end of the financial year 2021-22, 1.6% (5 schools) of Kent LA schools were in deficit, compared to LA national average of 8.8%. 1.5% (4 schools) of Kent LA primary schools were in deficit compared to 7.6% nationally.
- 2.19 At the end of the financial year 2022-23, 1.3% (4 schools) of Kent LA schools were in deficit. Unfortunately, we are unable to compare this against national statistics and averages as the figures are under embargo by the DfE until January 2024 at the earliest. The individual deficits of the four Primary schools are £41,004; £20,425; £53,472; and £134,632 making an average of around £62,383 per school. The national comparative data is not available. If Kent were to use the national average from 2022-23 of 7.6% they would have 20 LA primary schools in deficit.

3. Summary of Findings

- 3.1 Alongside the compliance programme, the analysis of returns, training programme and traded activities with schools, SFS regularly liaise and work with other colleagues who support schools. This includes meetings with Assistant Directors of Education, School Improvement Officers and Governors Service Officers to ensure KCC have a complete picture of a school, so that support can be provided to the Headteacher, finance staff and governors to ensure the school is financially well managed.
- 3.2 Additionally, SFS works closely with the Schools, High Needs and Early Years Manager and team to ensure the Scheme for Financing Schools and Budgetary controls are kept up to date, edited and communicated with key changes when necessary.
- 3.3 The comparative data shows favorably the number of schools in deficit and the value of the deficits, which strongly suggests that financial management controls in place and non financial support network is robust and effective for Kent LA schools.

4. Opinion

- 4.1 The compliance programme which is the backbone of assurance for KCC is a robust, objective, reliable, impartial, and accurate process. Moreover, it is supported by the analysis of statutory returns, the financial training programme, support for schools in deficit and preventing them going into deficit, traded work completed in schools and the schools’ own self assessments. All of this provide suitable assurance for the CFO to sign the annual DfE assurance statement.

5. Recommendations

- 5.1 Members are asked to note the contents of this report for assurance.

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Appendices

Appendix A - SFS Compliance comparison 2021-22 and 2022-23

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**Schools Financial Services Compliance
Comparison 2021-22 to 2022-23**

	Table 1 - from Sept 2021 to Mar 2022				Table 2 - from Apr 2022 to Aug 2022				Table 3 - from Sept 2022 to March 2023			
	Total 2021-22				Total 2022-23				Total 2022-23			
Total schools tested:	110				48				51			
Total questions within each compliance visit	120				120				118			
If process/procedure not in place:												
Total number of Critical recommendations	63				63				60			
Total number of Requires Action recommendations	57				57				58			
Total number of processes/procedures tested in all schools	13,200				5,760				6,018			
Total number of processes/procedures not in place for all schools tested	1,113				651				452			
% processes/procedures NOT in place	8.43%				11.30%				7.51%			

Definition Critical
Urgent management action is required to remedy a gap or failure of internal control that has led, or will lead, to non achievement of service or system.
Example: A school only places orders on the accounting system once the invoice is received, there is a high risk of overspending of the School budget and monitoring is incorrect.

Definition Requires Action
Timely management action is required to remedy weaknesses in internal control that could lead to non achievement of service or system objectives.
Example: A school mostly place orders on the accounting system before the order is placed, there is a low risk of overspending of the School budget and monitoring may sometimes be incorrect.

Critical recommendations by Category	Table 1				Table 2				Table 3			
	Total Questions Per School	Total Questions	Processes not fully in place	%	Total Questions Per School	Total Questions	Processes not fully in place	%	Total Questions Per School	Total Questions	Processes not fully in place	%
Governance & Leadership	8	880	65	7.39%	8	384	33	8.59%	7	357	17	4.76%
Finance Policy	2	220	17	7.73%	2	96	6	6.25%	2	102	12	11.76%
Financial Planning and Monitoring	6	660	65	9.85%	6	288	29	10.07%	6	306	24	7.84%
Bank Account and Petty Cash	15	1,650	153	9.27%	15	720	108	15.00%	13	663	44	6.64%
Financial Controls	15	1,650	37	2.24%	15	720	19	2.64%	15	765	22	2.88%
Payroll	7	770	101	13.12%	7	336	67	19.94%	7	357	30	8.40%
Procurement	7	770	109	14.16%	7	336	62	18.45%	7	357	54	15.13%
Assests	3	330	16	4.85%	3	144	11	7.64%	3	153	5	3.27%
	63	6,930	563	8.12%	63	3,024	335	11.08%	60	3,060	208	6.80%
Requires Action recommendations by category												
Governance & Leadership	12	1,320	123	9.32%	12	612	86	14.05%	13	663	79	11.92%
Finance Policy	12	1,320	119	9.02%	12	612	57	9.31%	12	612	59	9.64%
Financial Planning and Monitoring	9	990	80	8.08%	9	459	36	7.84%	9	459	34	7.41%
Bank Account and Petty Cash	3	330	62	18.79%	3	153	34	22.22%	3	153	14	9.15%
Financial Controls	9	990	18	1.82%	9	459	14	3.05%	9	459	1	0.22%
Payroll	0	0	4	0.00%	0	0	1	0.00%	0	0	0	0.00%
Procurement	6	660	64	9.70%	6	306	47	15.36%	6	306	24	7.84%
Assests	6	660	80	12.12%	6	306	41	13.40%	6	306	33	10.78%
	57	6,270	550	8.77%	57	2,907	316	10.87%	58	2,958	244	8.25%
Overall Total	120	13,200	1,113	8.43%	5,931	651	10.98%	6,018	452	7.51%		

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

Agenda Item 17

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