

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 3rd July, 2025

10.00 am

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 3rd July, 2025, at 10.00 am
Council Chamber, Sessions House, County
Hall, Maidstone

Ask for: **Ruth Emberley**
Telephone: **03000 410690**

Membership (13)

Reform UK (8)

Mr M Brown, Mr A Cecil, Mr R
Palmer, Mr M Paul, Ms I Kemp, Mr O
Bradshaw, Mr J Finch and Mr A
Kibble

Liberal Democrat (2)

Mr M Munday and Mr G R Samme

Conservative (1)

Mr H Rayner

Green (1)

Mr M Hood

Labour (1)

Mr A Brady

Independent Members (2)

Ms C Black and Dr D Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Election of Chair
3. Election of Vice-Chair
4. Apologies and Substitutes
5. Declarations of Interest in items on the agenda for this meeting

6. Minutes of meeting held on the 20 March 2025 (Pages 1 - 12)
7. Roles and Responsibilities of External Audit - Visual Presentation Item (*no papers*)
8. 2024/2025 External Audit Plan for Kent County Council (Pages 13 - 68)
9. 2024/2025 External Audit Plan for Kent Pension Fund (Pages 69 - 108)
10. Corporate Risk Register (Pages 109 - 166)
11. Update on the preparation of the Annual Governance Statement 2024/25 (Pages 167 - 168)
12. Counter Fraud Annual Report 2024-25 (Pages 169 - 204)
13. Internal Audit Progress Report (Pages 205 - 250)
14. Internal Audit Plan 2025-26 (Pages 251 - 278)
15. Commercial and Procurement Oversight Board Update Report - *To Follow*
16. Treasury Update Report (Pages 279 - 298)

Exclusion of the Press and Public

RESOLVED 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 paragraphs 1, 2, 3 and 4 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

17. Counter Fraud Progress Report 2024-25 - Exempt (Pages 299 - 300)
18. Internal Audit Progress Report - Exempt (Pages 301 - 308)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 25 June 2025

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, 20 March 2025.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Mr M A J Hood, Mr C Passmore (Vice-Chairman) and Mr O Richardson

ALSO PRESENT: Mr R Gough, Mr P Oakford

IN ATTENDANCE: Ben Watts (General Counsel) Mrs A Beer (Chief Executive) Mr J Betts (Interim Corporate Director Finance), Katy Reynolds (Governance Advisor) Mark Scrivener (Head of Risk and Delivery Assurance), Jonathan Idle (Head of Internal Audit and Counter Fraud), James Flannery (Counter Fraud Manager), Kevin Holyoake (Counter Fraud Specialist), Helina Bhat (Counter Fraud Technician), Cath Head (Head of Financial Operations), Joe McKay (Acting Chief Accountant) Andrea Melvin (Commercial Accounting Manager), Paul Dossett (Grant Thornton), Lucy Nutley (Grant Thornton), Parris Williams (Grant Thornton), Zargham Malik (Grant Thornton).

VIRTUAL ATTENDANCE: Mr D Watkins (Cabinet Member for Adult Social Care and Public Health), Mrs Camilla Black, Richard Ellis (Director for Integrated Commissioning) Sangeeta Surana (Pension Fund and Treasury Investment Manager).

UNRESTRICTED ITEMS

288. Introduction/Webcasting

(Item 1)

289. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Bond, Mr Webb, Mr Whiting and Dr Horne. Mrs Black sent her apologies and attended the meeting virtually via Microsoft Teams.

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

(Item 3)

There were no declarations of interest.

291. Minutes of the meeting held on 23 January 2025

(Item 4)

It was held that the minutes of the meeting which took place on the 23 January 2025 were a correct record and that a paper copy be signed by the Chair.

292. Verbal Update on Committee Business

(Item 5)

1. The verbal update was delivered by the Governance Advisor, Katy Reynolds.
2. The key points were as follows:
 - a) In relation to action GA005, Committee Members attended a commercial services group visit on the 18 March 2025 and received further input regarding the governance of the Kent County Council wholly owned companies.
 - b) Some of the open actions included in the Committee Action Tracker were being worked on during the pre-election period and could only be closed once the new Member induction had started.
3. In answer to a Member's question concerning Task GA016 - The Loans to Schools - it was confirmed by the General Counsel, Mr Ben Watts, that this item would be added to the next agenda of the first Kent County Council cycle. It was also confirmed by the Internal Audit Manager that a follow up report had recently been issued and would feature in the Internal Audit Report scheduled for presentation at the June 2025 Governance and Audit Committee meeting.
4. RESOLVED to note the verbal update on Committee business.

293. Verbal Update on Management Actions

(Item 17)

1. The verbal update on Management Actions was presented by the Chief Executive, Mrs Amanda Beer. A PowerPoint slide presentation was shared by the General Counsel, Ben Watts.
2. The three specific areas discussed during the Management actions update included:
 - a) **The culture shift approach to Management Actions** – Mrs Beer explained that, in addition to improving the completion of Management Actions by a specified timeframe, the Corporate Management Team (CMT) looked at embedding a greater focus on becoming a learning organisation. It was agreed by the CMT that an Organisational Learning Panel would be established. The panel would focus on the outcome of Internal Audits, complaints and other areas where the organisation received feedback on performance.

The CMT, Directorate Management Team (DMT) and Service Teams had focused on agreed timescales and shared learning from the ongoing work. It was intended that this approach to learning and development would continue after the backlog had been cleared.

The process of receiving the Management actions (which arose from audits) had become more robust and communications between Internal Audit and services directorates were more focused on the impact of the audit work. This was to ensure that outcomes were both meaningful and sustainable. It was confirmed that the context of this work was embedded in the Importance of Business Basics.

Governance and standards on Procurement had been re-written and Financial Management had been revised.

The position of Freedom of Information requests had improved.

- b) **Progress against the completion of actions** – Since the last Governance and Audit Committee meeting, several further actions had been closed. It was confirmed that in the current reporting period, there were 32 late actions. Of these:

- 4 actions have been verified as implemented
- 4 actions have been closed, with Management accepting risk
- 1 action had been superseded
- 5 actions have revise dates (following discussions with Internal Audit)

The remaining 18 actions have information being considered by Internal Audit, with a view to implementation.

- c) **The outcome of the deep dive activity referenced in the last report to the Committee** – following the initial paper brought to the Governance and Audit Committee, it was confirmed that both CMT and Internal Audit agreed that there were 5 areas where further progress could be made. Following a discussion and further review of the 5 actions by CMT in early March 2025, further learning in relation to how actions are agreed had been discussed, along with a firm commitment to progress in the timescales outlined.

Further deep dives would be conducted on the worst performing actions to continue improvement where needed.

3. In answer to Members' questions and comments, the following was said:

- a) The overall, long- term aim was to get 100% of the Management Actions delivered on time, although there will always be occasions where this is not possible, albeit for good reason. It was hoped that the current backlog would be cleared by the Autum of 2026.
- b) In relation to the actions where Management had accepted risk, a validation process would be conducted with Internal Audit and then Members would be updated via the Microsoft Teams site, ahead of Committee meetings. This would enable Members to see the complete cycle of audit activity.
- c) The Learning Organisation Panel was being set up by the Complaints Lead, Pascale Blackburn-Clarke, and was in very early stages of

development. Nominees from Internal Audit, Analytics, Risk Management and the Complaints Team would be working with service directorates to look for themes across the organisation and create significant action plans to address and improve on these areas. The Terms of Reference was in the process of creation and would be shared with the Committee when complete.

4. RESOLVED to note the verbal update on Management Actions.

294. External Audit - Audit Findings for Kent County Council 2023 - 2024 (Item 6)

1. The Interim Corporate Director of Finance, Mr John Betts, suggested that items 7, 8 and 9 be taken at the same time. This was agreed by the Chair.
2. Mr Betts confirmed that the External Audit Findings for Kent County Council 2023-2024 and Auditor's Annual Report for 2023-2024 were brought before the Committee in December 2024, however at the time, Grant Thornton proposed that further work needed to be undertaken. This was now complete and therefore the unqualified audit opinion could be finalised. It was explained to Members that the Statement of Accounts and the Annual Governance Statement and had to be re-approved and the letters of representation re-signed.
3. It was confirmed that nothing material had changed since the papers were considered at Committee in December 2024.
4. As the External Audit Findings and External Auditor's Annual Report had previously been examined, it was agreed that the papers would not be reviewed in detail.
5. Mr Paul Dossett of Grant Thornton explained to Members that the additional work completed had not impacted the Financial Statements. There had been some minor disclosures which the Council had executed. In terms of the Value for Money portfolio, there had been no changes to the recommendations, only minor wording alterations to the report. Mr Dossett confirmed that the audit could now be signed off.
6. Mr Watts confirmed that the Council had resolved the final outstanding areas, which meant the last two actions from the prior year were now closed.
7. RESOLVED to note the External Auditor's Finding for Kent County Council 2023/24 for assurance.

295. External Audit - Auditor's Annual Report 2023 - 2024 (Item 7)

1. Mr Dossett provided a brief update to Members on the position of the Auditor's Annual Report 2023-2024, in conjunction with Item 7.
2. RESOLVED to note the External Auditor's Annual Report on Kent County Council 2023/24 for assurance.

296. 2023 - 2024 Accounts Update, Accounting Policies Update including IFRS 16 Implementation and External Audit Timetable
(Item 8)

1. The report was presented by the Acting Chief Accountant, Mr Joe McKay.
2. Mr McKay confirmed there were no material changes to the accounts, or the Kent County Council Pension Fund accounts since they were initially approved at Committee on the 13 December 2024.
3. In preparation for the 2024/2025 accounts, the significant changes to accounting policies had been highlighted to Members in the report, the most significant being IFRS 16 leases. Members were drawn to the relevant sections of the report which provided in depth detail on the standard, implementation progress to date and explanations around some of the Kent County Council judgements.
4. It was explained to Members that the change would mean that, for assets where the Council was *the lessee*, in most cases these would be represented as Right of Use Assets in the balance sheet and would have a corresponding lease liability. For the assets where Kent County Council was *the lessor*, the accounting would remain the same.
5. Mr McKay drew section 13 of the report to Members' attention which addressed the questions posed by Grant Thornton in their report brought to the last Governance and Audit Committee.
6. Mr McKay also drew Members' attention to section C of the report which contained the timetable for the 2024-2025 accounts and highlighted that the accounts would be published at the end of June 2025, instead of the end May. It was hoped that the accounts would be brought to Committee for review in September 2025, well in advance of the audit backstop deadline for 2024 – 2025.
7. In answer to Members' questions and comments, the following was said:
 - a) It was legislation set out by the Ministry of Housing, Communities and Local Government (MHCLG) that allowed for an additional month of preparation for the draft accounts, before publication on the 30 June 2025. This temporary deadline was created as part of the wider work to re-align the audit timetabling for the accounts.
 - b) Mr Watts confirmed that the Annual Governance Statement would adhere to the same timetable.
8. A Member requested further information in relation to leases and Peppercorn rents. It was noted that this could be addressed by someone from the Commercial Property Team at a later Committee meeting.
9. RESOLVED to:
 - Note the update on the 2023-24 Statement of Accounts;
 - Approve the 2023-24 Statement of Accounts and Annual Governance Statement;

- Note the change to accounting policies for the adoption of IFRS 16 Leases;
- Note the provisional external audit timetable for the 2024-25 Statement of Accounts.

297. External Audit - Annual Plan for Kent County Council 2024 - 2025 (Item 9)

1. The report was presented by Lucy Nutley of Grant Thornton.
2. Ms Nutley drew Member's attention to page 323 of the reports pack which set out some of the challenges and the responses to them. It was confirmed that this information had been replicated to all the Kent District Councils audited by Grant Thornton. The monitoring of these challenges and the Council's responses would continue throughout the year in the Financial Statements and Value for Money work, as well in the years leading up to, and beyond, local government reorganisation.
3. Ms Nutley drew Members' attention to page 324 of the reports pack which set out the changes to auditing, as a result of the Reform of Local Audit and are ongoing.
4. As a result of IFRS 16 implementation, the anticipated values of the disclosed leases coming on to the balance sheet and rebasing of the PFI liabilities, had been noted as a significant risk of material misstatement for 2024 – 2025.
5. Other risks of materialist statement included:
 - Management override of controls, which was considered a presumed risk.
 - The risk of fraud and error and revenue recognition which had been rebutted for the Council, along with the risk of fraud and error and expenditure recognition.
 - The valuation of land and buildings (including investment property) to be a significant risk.
 - The valuation of the pension fund asset or liability.
6. Ms Nutley drew Members' attention to page 343 which set out the Group Audit Scope and Risk Assessment approach and asked the Committee to note that, due to changes in the group and the internal standard on auditing for group audits, this was still in progress and an updated approach would be brought to the next Committee meeting.
7. Ms Nutley commented that following up of key recommendations previously raised, as well as focusing on the progress the Council had made in implementing the recommendations, would be key to Grant Thornton's work this year. Members were directed to page 357 which set out the external auditor's proposed fees.
8. In answer to Members' questions and comments, the following was said:
 - a) The work which focused on scrutinising the process of the Commercial Services Group was ongoing and as such did not have a specified date for determination. This was due to a change in the standard and therefore auditors wanted to ensure they were acting correctly.

- b) Part of the audit work involved looking at property disposals; in view of the details contained within the external auditor's annual plan for 2024-2025 concerning local government reorganisation, disposals and value for money would be examined closely.
 - c) Past local government reorganisations, albeit smaller in nature, had been reviewed to see where improvement could be made across a range of areas, to ensure they were all captured by the audit process. In terms of Value for Money work, this would be assessed by following the public money to see if the decisions had been made.
 - d) It was confirmed that Grant Thornton audit all the Kent districts.
 - e) The Adult Social Care & Health directorate spending was featured as part of Grant Thornton's Value for Money work and continued to be one of the biggest risk areas. The challenges the Council faced in relation to this were recognised and how the savings could be made and the development of such strategies would be looked at. It was confirmed that the Council had taken notice of advice from external auditors previously and therefore the audit would continue within the framework and understanding that Members, Cabinet Members and statutory officers were aware of their roles and responsibilities. It was confirmed that Grant Thornton had not identified any new concerns at this stage.
9. RESOLVED Members to note the External Auditor's Annual Plan for Kent County Council 2024-2025 for assurance.

298. External Audit - Auditor's Plan for Kent Pension Fund 2024 - 2025
(Item 10)

- 1. The report was presented by Mr Parris Williams, from Grant Thornton.
- 2. It was confirmed that all risk assessment work had been completed and that no changes were required to made to the Kent Pensions Fund 2024-2025 plan.
- 3. It was confirmed that IFRS 16 implementation did not affect the Kent Pension Fund and therefore plan was consistent with the prior year.
- 4. Mr Williams drew Members' attention to page 382 of the reports pack and highlighted some of the key aspects and judgements.
- 5. A Member raised a question concerning the risk to the Kent Pension Fund, following the Mansion House speech, in which central Government gave confirmation that they did not accept ACCESS in its current form (as a pool). A reference to the cost of moving the fund was requested. It was confirmed that, whilst there was not a separate aspect of the auditor's annual report of the Value For Money, it could be included in the main Auditor's Annual report. Mr Williams highlighted the important of ensuring the accuracy of what was included in the financial statement from the ACCESS pool was appropriate at the balance date.
- 6. RESOLVED to note the External Auditor's Plan for the Kent Pension Fund for assurance.

299. Informing the Audit Risk Assessment for Kent Pension Fund 2024 - 2025

(Item 11)

1. The report was presented by the Pension Fund and Treasury Investment Manager, Ms Sangeeta Surana.
2. It was confirmed that Grant Thornton had made enquiries with Management on several areas including fraud laws and regulations, related parties and accounting estimates. These enquiries were designed to inform the risk assessment of the audit for the Kent Pension Fund, in line with the previous year.
3. Ms Surana confirmed there was nothing further to bring to the Committee's attention.
4. RESOLVED to note the 2024/2025 Management responses to the inquiries.

300. Oracle Cloud Programme Implementation - Change to the Scheme of Delegation Limits

(Item 16)

1. The report was presented by the Head of Finance, Mrs Cath Head.
2. In answer to a Member's question, Mr Betts explained that the report was an appendix to the existing Financial Regulations and the purpose was to clarify where the limits lay. This had been achieved by aligning Management responsibilities with financial responsibilities. It was intended that the Oracle Programme would systemise the level of accountability.
3. RESOLVED to:
 - Endorse the new scheme of delegation structure and limits in principle and note that these will be used in the design and testing of the Oracle Cloud Programme.
 - Agree that, following the trial, the proposed permanent changes to the matrix (and financial regulations) are recommended to County Council prior to the go live date of August.

301. Counter Fraud Update

(Item 12)

1. The report was presented by the Counter Fraud Manager, Mr James Flannery.
2. In answer to Members comments and questions, the following was said:
 - a) The data included in the report did not include the statistics from the fourth quarter, as this information still needed to be reviewed.
 - b) There was no legal duty to inform the billing authority when a property was being used for commercial purposes. Local Authorities were required to link

up with revenue teams and planning teams in order to pass the information on to the Valuation Office Agency (VOA) who would begin the process of making them liable for business rates.

- c) Further information would be sought from colleagues in the District Councils and raised at the Kent Intelligence Network, in order to address a Member's question regarding an automated completion process between building enforcement and Council tax Revenue officers.
 - d) Mr Watts confirmed that he would also raise the enquiry with the Kent Secretaries.
 - e) Mr Flannery explained that there were specific circumstances where the planning department were unaware that diversification of certain buildings and change of use had occurred and as such, there had been no engagement with the local authority.
 - f) In terms of referral volume, it was explained to Members that this issue was covered during the Counter Fraud Conference, which was run by the Public Sector Fraud Authority (PSFA). The PSFA were going to be awarded new powers that would enable referred issues to be escalated to central government, who would then be able to examine the mechanisms in place and take a national approach.
 - g) It was confirmed that a waste enforcement team were in place within the Growth, Environment and Transport directorate and the Counter fraud team liaised with them over waste fraud and waste crimes.
3. RESOLVED to:
- Note the Counter Fraud progress report for 2024/25 and reported irregularities from 01 October 2024 to 31 December 2024;
 - Note the progress of the Counter Fraud Action Plan for 2024/25.

302. Review of the Risk Management Strategy, Policy and Programme *(Item 13)*

1. The Leader of the Council, Mr Roger Gough, highlighted the importance of training for officers and new Members to the Committee.
2. The report was presented by the Head of Risk and Delivery Assurance, Mr Mark Scrivener.
3. In answer to Members comments and questions the following was said:
 - a) The risk management arrangements were reviewed annually by Internal Audit. Key areas of focus were discussed and the most recent audit theme for 2024-2025 was risk culture. The Risk Policy was last subjected to significant change, approximately 3 years ago.
 - b) Head of Internal Audit, Mr Jonathan Idle, confirmed that, from an Internal Audit perspective, the current approach to risk management was successful.

- c) Mr Dossett confirmed from an external audit perspective, risk management was covered as part of the Governance section of the Auditor's Annual Report and the risk management strategy, implementation and reporting were examined as part of this. Mr Dossett confirmed that no concerns had been raised with the risk management strategy and was satisfied with the process.
4. Thanks and recognition were given to Mr Scrivener and his team for their work.
5. RESOLVED to:
 - Approve the Risk Management Policy & Strategy 2025-2028; and
 - Note the report on the Risk Management Programme for assurance.

303. Internal Audit External Quality Assessment *(Item 14)*

1. The report was presented by the Head of Internal Audit, Mr Jonathan Idle.
2. Some of the highlights and key points were as follows:
 - a) Mr Idle drew Members' attention to paragraph 1.3 of the report and confirmed that the paper set out the plan for the EQA process which needed to be undertaken.
 - b) The proposed assessment method was included in section 2 of the report and the difference between a full assessment and a validated self-assessment was clarified for Members.
 - c) An issue regarding the standards relating to external quality assessments had been raised by Mr Idle and other Heads of Internal Audit with the Institute of Internal Auditors. Guidance on this aspect was expected in due course.
 - d) Mr Idle drew Members' attention to Table 2 on page 491 which set out the actions for the Internal Audit and External Quality Assessment process. Table 3 set out the timeline for work completion.
 - e) It was indicated to Members that an independent assessor for the external quality assessment would be procured.
3. In answer to Members' questions and comments, the following was said:
 - a) Mr Idle confirmed that the outcome of the external quality assessment would be presented to Committee as soon as it was ready.
 - b) As there was a self-assessment against every standard, this assessment option was considered the most appropriate and cost-effective option for the Council, as opposed to a full assessment.
4. RESOLVED to:

- Endorse the approach for the External Quality Assessment of the Council's Internal Audit function; and

Approve the nominated Project Sponsor for the exercise.

304. Review of Statutory Accounts of Companies which Kent County Council has an Interest

(Item 15)

1. The report was presented by the Commercial Accounting Manager Andrea Melvin.
2. In answer to Members' comments and questions, the following was said:
 - a) Ms Melvin confirmed that she would review Kent County Council's interest and involvement with the Aylesham & District Community Workshop Trust Ltd and update the Committee once these points had been addressed.
 - b) Mr Watts confirmed that the Selection and Member Services Committee determined the outside body organisations which the Council had an interest. After each administrative cycle, a report is produced that sets out which Member would be appointed and the nature of the Council's involvement. It was confirmed that Members would be updated, once the report had been considered at the Selection and Member Service Committee.
 - c) It was confirmed that dividends were declared after the year end and so the figures contained in the accounts would relate to the previous trading year.
 - d) For Kent PFI Holdings 1 Ltd, the amount paid would primarily be the unitary charge, which was the payment the Council made to the company for the provision of the services. It was explained that the company would have taken a loan at the beginning of the contract period to pay for the construction and ongoing capital costs, therefore the debt would exist until the contract ended.
 - e) Ms Melvin confirmed that she would try to find out more about the loss made by the TRICS Consortium Ltd and provide an answer to Committee.
 - f) It was drawn to the Committee's attention that Members are responsible for the nomination of Board Members, therefore it was not possible to say why some of the companies had not had a recent Kent County Council representative, appointed as a Trustee.
 - g) The debt on Kent PFI Holdings 1 Ltd would reduce as the contract period continued and the amount paid by the Council would be partly covered by the PFI grants the Council received. The capital element would be covered by the PFI grant and the ongoing revenue element (running costs) would be covered by the Council and the schools.
 - h) Mr Watts confirmed there was a regular report provided by the section 151 officer in relation to the performance of the companies that the Local Authority directly owns.

- i) The Cabinet Member for Communications and Democratic Services, Mr Dylan Jeffrey confirmed that he would review the details of Kent County Council appointed Trustees and provide as response as soon as practicable.
 - j) Due to the outstanding number of questions, it was agreed that Members would collate their questions and submit them for address.
3. RESOLVED to note the contents of this report for assurance.

305. Other items which the Chairman decides are urgent
(Item 18)

- 1. There were no other items arising.
- 2. The Chair gave thanks to officers, auditors and fellow Members for their help and assistance during her time as Chair of the Governance and Audit Committee.

Audit Plan for Kent County Council

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Year ending 31 March 2025

3 July 2025



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01 Key developments impacting our audit approach

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Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
 - An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
 - And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.
-

Challenges of Local Government Reorganisation (LGR)

On 16 December 2024, the Minister for State for Local Government and English Devolution Jim McMahon, wrote to all Councils in remaining two-tier areas and neighbouring small unitaries to set out the plans for a joint programme of devolution and local government reorganisation.

On 5 February 2025, a list of places was announced who had opted in to join the government's Devolution Priority Programme, which would aim to have mayoral elections in May 2026. On the same date, the Minister asked all Councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. For those selected in the 'first wave', they have until 21 March 2025 to develop interim plans, with final plans required by 9 May 2025. Kent County Council and Medway Council had applied to be part of the Devolution Priority Programme, which would see the May 2025 elections postponed and replaced with elections to a Mayoral Strategic Authority in 2026. The application was not taken forward by the Government.

Whilst clearly the proposals are at a strategic level, there are potential impacts on decision making at a local level in the period up to the formal reorganisation taking effect. Of particular concern for some existing bodies is the fact that where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, they may well end up being repurposed to cover an overspend incurred by a successor body. Thus, there is potentially an incentive for bodies to run down reserves prior to the formal merger, to ensure these balances are utilised for the purposes intended when originally set aside. The same may apply for balances such as the Community Infrastructure Levy, which again is at risk of being utilised for different purposes than was planned in any successor body.

Auditors will be keeping a close eye, as part of their Value for Money work, for any schemes or projects which look to be evidence of reserves being run down in advance of LGR. Whilst Authorities ultimately will still have powers to make some spending decisions in advance of LGR, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond May 2026, which is when the first batch of elected mayors are expected to be in place. The fiduciary duty of Members to ensure that the Council to which they are elected manages public funds in a responsible way, maximising their value and use for public benefit is paramount in the lead up to LGR.

In order to help ensure appropriate decisions are made during this period, some questions for Committees to consider include:

- Where earmarked reserves are being utilised, are Committees clear these reserves are being used for the intended plans?
- Where projects are going to run beyond the timeframe of LGR, are Committees comfortable the decision making would stand an appropriate level of challenge and scrutiny?
- Have local residents been consulted in any development plans to ensure they are in line with local needs?
- Do reserve balances remain at a prudent and appropriate level – LGR does not absolve key staff from their statutory responsibilities, particularly around setting a balanced budget and holding a prudent level of reserves.

Where auditors see evidence of funds being utilised in an unintended manner or to the detriment of relevant stakeholders, they will focus on this as part of their Value for Money work and may potentially consider using their statutory powers where they feel they have sufficient evidence to do so.

Other areas of note during this period should include:

- In the short term LGR is likely to require more capacity from a personnel and Senior Officer perspective than less and thus genuine cost savings are unlikely for a few years
- As mentioned earlier, effective governance and stewardship will remain key throughout – thus it is important the likes of Internal Audit, Counter Fraud and the risk management processes remain strong and alert during this period
- Financial statements remain important and should be produced on time during this period and the relevant backstop dates should continue to be met.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

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- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
 - Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Kent County Council has not been impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding: Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care and SEND.

Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

- In recent years, the Council has been impacted by significant spend in adult and children’s social care beyond the level budgeted, leading to the use of reserves to balance the financial position. We note the significant level of work undertaken by the Council to manage and control this spend in the light of increasing levels of demand across the county.
 - Our Auditor’s Annual Report for 2023/24 noted good progress overall with spending control and savings plans during 2023/24. However, spend on adult social care and health remains stubbornly high. Special educational needs and disability (SEND) is the other area where the Council struggles to contain spend due to ever increasing demand for the services. Despite the Council participating in a safety valve agreement (and complying with its terms), the Council’s dedicated schools grant deficit continued to grow in 2023/24.
- Following the Council elections on 1 May 2025, the majority of Members elected have limited experience of local government, local government finance and accounts and the local audit regime.

Our Response

- Our Value for Money work will continue to review and assess the significant risks to the Council’s ongoing financial sustainability.
- Our audit approach will not change, however, we will take all opportunities to aid new Members in their role by running training sessions as appropriate

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.
 - The FRC issued revisions to ISA (UK) 600 ‘Audits of group financial statements (including the work of component auditors)’. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.
- Our 2024/25 audit work will include a detailed review of the authority’s implementation of IFRS 16. More information can be found on the next slide.
 - Our 2024/25 audit work will include enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Acting Corporate Director Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We will continue to have regular, formal meetings with the Chief Executive at least twice a year, and with the Acting Corporate Director Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures we have begun to look at the Council's implementation process for IFRS16 and plan to perform detailed review and testing in advance of the final audit fieldwork.

The Backstop

Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 29 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Government National Context – Local Audit Recovery

Kent County Council has not been impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

There was a delay in finalising the 2023/24 audit opinion, due to additional work being undertaken following further information received, primarily regarding the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. An exemption from the 28 February 2025 backstop date for 2023/24 accounts was obtained and the unqualified opinion for 2023/24 was signed on 21 March 2025.



02 Introduction and Headlines

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Introduction and headlines



Purpose

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

Respective responsibilities

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

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

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

Introduction and headlines (continued)

Significant risks

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

- Management override of control (presumed risk)
- Closing valuation of land and buildings and investment property
- Valuation of defined benefit asset/liability
- Implementation of IFRS 16.

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

Materiality

We have determined planning materiality to be £55.5m (PY £42m) for the Council, which equates to 1.8% of the Council's prior year gross operating costs. For the Group we have determined planning materiality to be £56m (PY £43m) on the same benchmark.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors. As all of these errors were judgemental and projected, we have made not change to our benchmark of performance materiality which remains at 65% of materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.275m (PY £2.1m) for the Council and Group.

Group Audit

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

- Global Commercial Services Group Ltd

Which in turn consolidates the following subsidiaries:

- Commercial Services Kent Ltd
- Bowerhouse II Solar Ltd
- PeopleTech Services Ltd
- Commercial Services Trading Ltd
- CSG Global Education
- Landscapes for Learning Ltd
- Lifecycle Management Group Ltd
- Prospects Payroll Ltd
- Groupe WF Education
- WF Education Group Holdings Ltd
- WF Education Group Ltd
- Gen2 Property Ltd
- Invicta Law Ltd
- Cantium Business Solutions Ltd
- EDSECO Ltd

The Council is also party to a number of joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP
- Halton and Kent Commercial Services LLP
- Hackney and Kent Commercial Services LLP
- Kent Waste Management LLP
- UK Teach Ltd

The Council's subsidiary companies are subject to an external audit by UHY Hacker Young (component auditor). The work we perform, as group auditor, is determined based on the financial significance of each subsidiary. Our planned approach for the group audit and assessment of subsidiary significance is set out on page 25.

No significant risks of material misstatement have been identified at the planning stage that relate solely to the Group and group audit.

Introduction and headlines (continued)

Value for Money arrangements

Our 2023/24 judgement on your arrangements to secure value for money identified there were three significant weaknesses across the following categories:

- Financial sustainability
- Governance

Further details of the weaknesses identified are on page 34 of this report.

Our planning work for 2024/25 is not yet complete, but given timing of reporting, we expect the significant weaknesses identified in 2023/24 to still be present.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

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Audit logistics

Our planning work has been started and will be followed up with an interim audit that will take place in late March 2025. Our final audit fieldwork will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report on the Council's VFM arrangements.

Our proposed fee for the audit is £462,551 (PY: £446,964) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

03 Identified risks


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Significant risks identified

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


Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	Our work will include, but not limited to: <ul style="list-style-type: none">• Evaluating the design effectiveness of management controls over journal entries• Review of accounting estimates, judgements and decisions made by management• Testing of journals entries, selected on a risk basis• Review of unusual significant transactions• Review of contract waivers and any incidences of non-compliance with procurement regulations

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have identified and completed a risk assessment of all revenue streams for the Council and Group. Having considered the risk factors set out in ISA240 and the nature of the Council and the Group’s revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• There is little incentive to manipulate revenue recognition.• Opportunities to manipulate revenue recognition are very limited.• The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for Kent County Council or the Group</p>	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have identified and completed a risk assessment of all expenditure streams for the Council and Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p> <p>Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.</p>	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Valuation of land and buildings (including investment property)	The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions	<p>The Authority revalues its land and buildings on a rolling four-yearly basis so that management can ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p> <p>Our work will focus in the areas where we consider the risk to be most pertinent:</p> <ul style="list-style-type: none">• assets which are material by value;• assets where the valuation movement differs significantly to what we would expect based on indices;• assets where we are aware of a significant change in any of the key assumptions from the prior period; and• any other factors which in our auditor judgement increases the risk of material misstatement in a particular asset	<p>Our work will include but will not be limited to:</p> <ul style="list-style-type: none">• Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.• Evaluating the competence, capabilities and objectivity of the valuation expert.• Writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.• Engaging our own valuer to assess the instructions to the Council’s valuer, the Council’s valuer’s report and the assumptions that underpin the valuation.• Testing revaluations made during the year to see if they had been input correctly into the Council’s asset register and financial statements.• Assessing the value of a sample of assets in relation to market rates for comparable properties. This will include operational land and buildings as well as investment properties.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset/liability	The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.	<p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£38m in the Council's balance sheet at 31 March 2024, having reduced from £62m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund liability as a significant risk.</p>	<p>Our work will include, but not be limited to:</p> <ul style="list-style-type: none"> Updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. Evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. Assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. Assessing the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards. Assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. If a pension asset is recorded, ensuring that the asset recorded in the financial statements meets the requirements of IFRIC 14. Undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Obtaining assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.


Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of leased assets and rebasing of PFI liabilities	The implementation of IFRS 16 which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated.	The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. An initial review performed by the Council indicated the impact would be £23.7m, however, this did not include the recalculation of the PFI liabilities or peppercorn lease agreement.	<p>Our work will include, but not be limited to:</p> <ul style="list-style-type: none">• Documenting our understanding of the processes and controls put in place by management to ensure that the Council's lease agreements are not materially misstated.• Reviewing steps implemented by management to identify leases which are impacted by IFRS16 and confirming they meet the requirements of the CIPFA Code of Audit Practice (Code).• Reviewing and reperforming calculations to determine the future lease liabilities using present value calculations• Reviewing and reperforming calculations on PFI liabilities to ensure they meet the requirements of IFRS 16 and the Code.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Going Concern	In common with other local authorities, our value for money work in recent years has identified significant risks regarding the financial sustainability of the Council. The S25 report from February 2025 recognises the risks that the Council faces in the future, planned use of reserves but also the replenishment of reserves in future years. The High Needs Block and its funding remains a risk to the Council but is partially outwith its control.	<p>We have considered the ongoing and future financial pressures faced by the Council in planning the audit. We are satisfied that the going concern basis of accounting remains the correct basis behind the preparation of the accounts. We will keep this under review during the year and throughout our appointment as external auditors of the Council.</p> <p>Our Value for Money work will continue to consider the financial sustainability of the Council.</p>



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

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

- giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

04 Group Audit

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Scope of group audit

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

Subsidiary Level						Organisation Type	Risk of material misstatement to the group	Auditor	Audit scope	Specific account balances in scope	Statutory audit
1	2	3	4	5	6						
Kent County Council Group								Grant Thornton UK LLP			Yes
	Kent County Council					Local Authority	Yes	Grant Thornton UK LLP			Yes
	Global Commercial Services Group Ltd					100% owned subsidiary	Yes	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			Yes
	Cantium Business Solutions Ltd					100% owned subsidiary	No				Yes
	EDSECO Ltd (the Education People)					100% owned subsidiary	No				Yes
	Invicta Law Ltd					100% owned subsidiary	No				Yes
	Gen2 Property Ltd					100% owned subsidiary	No				Yes
	Commercial Services Trading Ltd					100% owned subsidiary	No				Yes
	CSG Global Education Ltd					100% owned subsidiary	No				Yes
	Landscapes for Learning Ltd*					100% owned subsidiary	No				Yes
	Lifecycle Management Group Ltd					100% owned subsidiary	No				Yes
	Prospects Payroll Ltd					100% owned subsidiary	No				Yes
	Kent Waste Management LLP*					50% owned jointly controlled operation	No				Yes
	UK Teach Ltd*					50% owned jointly controlled operation	No				Yes
	Groupe WF Education*					100% owned subsidiary	No				Yes
	WF Education Group Holdings Ltd*					100% owned subsidiary	No				Yes
	WF Education Group Ltd*					100% owned subsidiary	No				Yes
	Commercial Services Kent Ltd					100% owned subsidiary	Financially Significant Component			Revenue, Expenditure	Yes
	Bowerhouse II Solar Ltd					100% owned subsidiary	No				Yes
	PeopleTech Services Ltd*					100% owned subsidiary	No				Yes
	Hampshire & Kent CS LLP					50% owned jointly controlled operation	No				Yes
	Luton & Kent CS LLP					50% owned jointly controlled operation	No				Yes
	Surrey & Kent CS LLP					50% owned jointly controlled operation	No				Yes
	Dudley & Kent CS LLP					50% owned jointly controlled operation	No				Yes
	Dorset & Kent CS LLP					50% owned jointly controlled operation	No				Yes
	Halton & Kent CS LLP*					50% owned jointly controlled operation	No				Yes
	Hackney & Kent CS LLP*					50% owned jointly controlled operation	No				Yes

* - newly acquired organisation in 2024/25

Audit scope

- Audit of the entire financial information of the component
- Specific audit procedures designed by the group auditor
- Analytical procedures at group level

Group audit scope and risk assessment (continued)

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of UHY Hacker Young will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the UHY Hacker Young audit documentation and meeting with appropriate members of management.

We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

We have issued instructions as group auditor to the component auditor.

05 Our approach to materiality

Page 40

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Planned audit procedures
<div data-bbox="94 344 129 772" data-label="Page-Header">Page 41</div> <div data-bbox="129 358 188 422" data-label="Text">01</div> <div data-bbox="226 358 402 386" data-label="Section-Header">Determination</div> <div data-bbox="226 394 1294 551" data-label="Text"> <p>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements</p> </div>	<ul style="list-style-type: none"> • We determine planning materiality in order to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
<div data-bbox="129 621 188 685" data-label="Text">02</div> <div data-bbox="226 615 392 644" data-label="Section-Header">Other factors</div> <div data-bbox="226 651 1294 715" data-label="Text"> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements</p> </div>	<ul style="list-style-type: none"> • An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> – instances where greater precision is required
<div data-bbox="129 735 188 799" data-label="Text">03</div> <div data-bbox="226 729 570 758" data-label="Section-Header">Reassessment of materiality</div> <div data-bbox="226 765 1169 801" data-label="Text"> <p>Our assessment of materiality is kept under review throughout the audit process</p> </div>	<ul style="list-style-type: none"> • We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
<div data-bbox="129 849 188 913" data-label="Text">04</div> <div data-bbox="226 841 983 869" data-label="Section-Header">Matters we will report to the Governance and Audit Committee</div> <div data-bbox="226 876 1327 1129" data-label="Text"> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> </div>	<ul style="list-style-type: none"> • We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.775m (PY £2.275m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£56,000,000	£55,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year. We considered 1.8% to be an appropriate rate to apply to the gross expenditure benchmark. This is an increase on the prior year (1.5%) due to a change in the benchmark range allowed in our methodology.
Performance Materiality	£36,400,000	£34,500,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Specific materiality for Senior Officer remuneration	N/A	£20,000	<p>Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.</p> <p>We have therefore assessed a specific materiality for senior officer remuneration that is £20k per each senior officer. Note this is not a cumulative amount and will be applied to each senior officer.</p>

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06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

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IT application	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journal entries	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Fixed Asset Register (Excel)	Property, plant and equipment, investment properties and leases	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs

07 Value for Money Arrangements

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Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R Significant weaknesses in arrangements for financial sustainability identified. Two key recommendations made relating to adult social care and health directorate and the high needs block.	Risk of significant weakness in arrangements. While improvements were noted in the Council's arrangements for achieving financial sustainability during our 2023/24 audit, we consider that a risk of significant weakness remains.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: <ul style="list-style-type: none"> • Delivery of efficiencies and controlling overspends in Adult Social Care • Control of expenditure on SEND services and the high needs block • Effective budgetary control and delivery of savings in with Council Plans • Delivery and affordability of the capital programme
Governance	R Significant weakness in governance arrangements identified. Key recommendation made relating to high priority Internal Audit recommendations.	Risk of significant weakness in arrangements	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: <ul style="list-style-type: none"> • Effective and timely implementation of high priority internal audit recommendations • Demonstrating improvement in the Council's key decision-making arrangements in line with prior governance findings • Preparation for local government reorganisation
Improving economy, efficiency and effectiveness	A No risks of significant weakness reported; one improvement recommendation made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

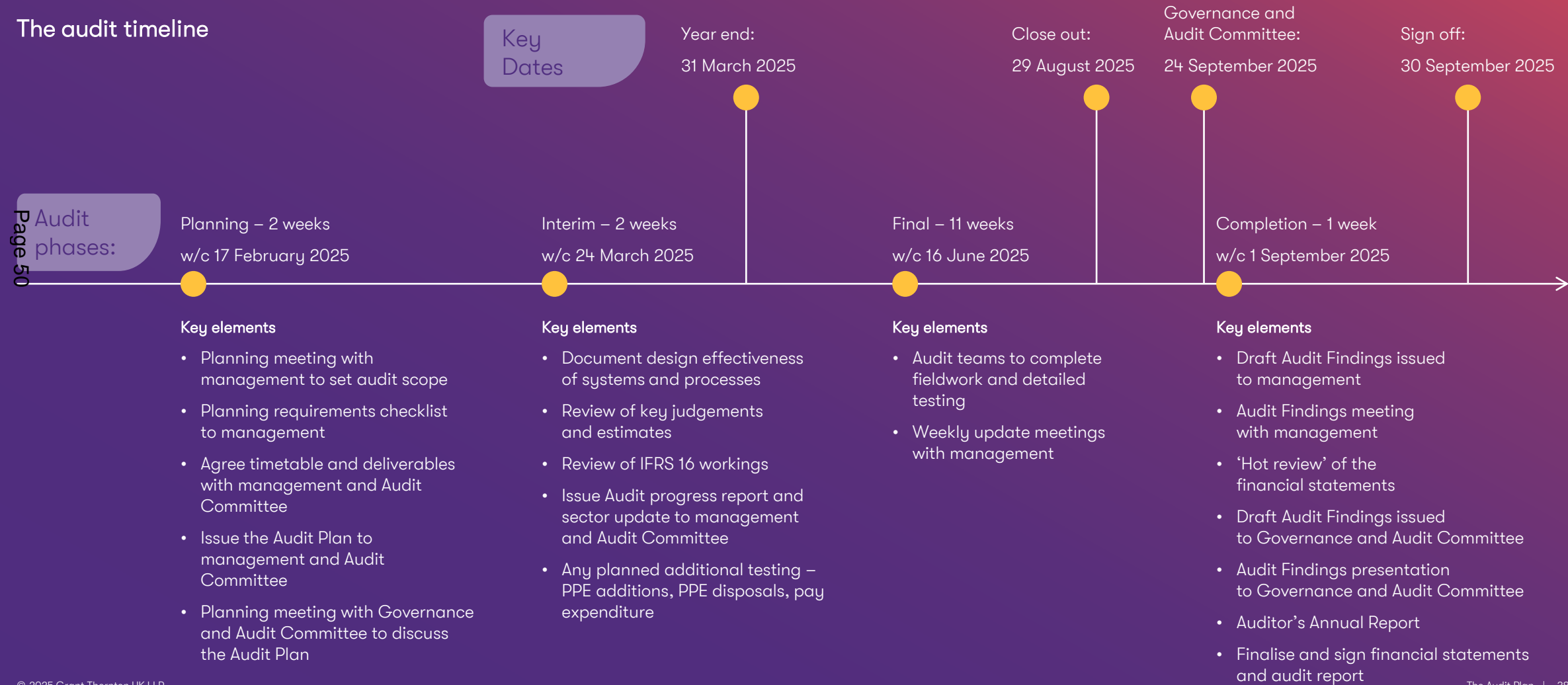
- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

08 Logistics

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Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Page 51	<div>Paul Dossett Engagement Lead/ Key Audit Partner</div> <ul style="list-style-type: none">Paul is the key contact for senior management and the Governance and Audit CommitteeResponsible for overall quality assurance and audit opinion	<div>Lucy Nutley Senior Audit Manager</div> <ul style="list-style-type: none">Lucy is responsible for overall audit management and quality assurance of audit workKey contact for the finance teamWill oversee the Value for Money work and its conclusions	<div>Zargham Malik Audit Manager</div> <ul style="list-style-type: none">Zargham will support Lucy with overall audit managementResponsible for resource managementKey contact for the finance team and the audit team	<div>Thomas Foster VFM Lead Manager</div> <ul style="list-style-type: none">Thomas will lead on our Value for Money workResponsible for meeting with Officers and Members and concluding on the efficacy of arrangements for obtaining value for money														
	<table><tr><th></th><th>Service delivery</th><th>Audit reporting</th><th>Audit progress</th><th>Technical support</th></tr><tr><td>Formal communications</td><td><ul style="list-style-type: none">Annual client service review</td><td><ul style="list-style-type: none">The Audit PlanAudit Progress and Sector Update ReportsThe Audit FindingsAuditor's Annual Report</td><td><ul style="list-style-type: none">Audit planning meetingsAudit clearance meetingsCommunication of issues log</td><td><ul style="list-style-type: none">Technical updatesChief accountant's workshop</td></tr><tr><td>Informal communications</td><td><ul style="list-style-type: none">Open channel for discussion</td><td></td><td><ul style="list-style-type: none">Communication of audit issues as they arise</td><td><ul style="list-style-type: none">Notification of up-coming issues</td></tr></table>		Service delivery	Audit reporting	Audit progress	Technical support	Formal communications	<ul style="list-style-type: none">Annual client service review	<ul style="list-style-type: none">The Audit PlanAudit Progress and Sector Update ReportsThe Audit FindingsAuditor's Annual Report	<ul style="list-style-type: none">Audit planning meetingsAudit clearance meetingsCommunication of issues log	<ul style="list-style-type: none">Technical updatesChief accountant's workshop	Informal communications	<ul style="list-style-type: none">Open channel for discussion		<ul style="list-style-type: none">Communication of audit issues as they arise	<ul style="list-style-type: none">Notification of up-coming issues		
	Service delivery	Audit reporting	Audit progress	Technical support														
Formal communications	<ul style="list-style-type: none">Annual client service review	<ul style="list-style-type: none">The Audit PlanAudit Progress and Sector Update ReportsThe Audit FindingsAuditor's Annual Report	<ul style="list-style-type: none">Audit planning meetingsAudit clearance meetingsCommunication of issues log	<ul style="list-style-type: none">Technical updatesChief accountant's workshop														
Informal communications	<ul style="list-style-type: none">Open channel for discussion		<ul style="list-style-type: none">Communication of audit issues as they arise	<ul style="list-style-type: none">Notification of up-coming issues														

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

09 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Kent County Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £462,551.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Entity	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent County Council financial statement audit	446,964	462,551
Fee variation – Additional technical review	9,494	
External expert – building valuations		10,000
Total (Exc. VAT)	456,458	472,551

An additional fee will be charged for audit work performed on the implementation of IFRS 16. This will be calculated based on the amount of time spent by the audit team and IT audit team and will be reported to those charged with governance at a later date. We are unable to estimate the value of this fee at this point.

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

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

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- Actuarial valuation of the defined benefit pension liability
- RICS compliant valuation of land and buildings and investment property

Previous year

In 2023/24 the scale fee set by PSAA was £446,964. The actual fee charged for the audit was £456,458.

10 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers. In this context, we disclose the following to you:

Matter	Threats	Safeguards	Conclusion
Paul Dossett, the Key Audit Partner, is currently serving his eighth year on the engagement. This extension has been discussed and agreed with you and approved by PSAA and the Grant Thornton ethics team.	Familiarity	An Engagement Quality Control Reviewer has been appointed to review key judgements made on the audit file.	We have concluded that our independence is not compromised due to safeguards in place
Paul will be rotated from the audit at the end of the 2024/25 audit.			

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Independence considerations (continued)

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council and Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council and Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council and Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council and Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council and Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to 20 March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return 2023-24	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total scale fee for the audit of £462,551 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	15,000		

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

11 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Council and Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions.		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

12 Delivering audit quality

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Delivering audit quality

Page 61

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

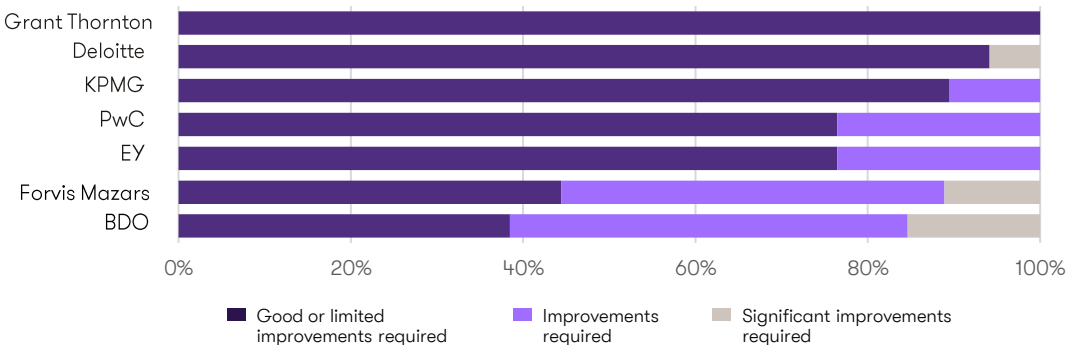
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



15 Appendices

Page 62

New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Glossary

AAR	Auditor's Annual Report
AGS	Annual Governance Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
Code	CIPFA Code of Practice on Local Authority Accounting
FRAB	Financial Reporting Advisory Board
FRC	Financial Reporting Council
Group Accounts	Consolidated financial statements showing the financial position and performance of the Council and its wholly owned subsidiaries
IAS 19	International Accounting Standard 19 – <i>Employee Benefits</i>
IFRIC 14	International Financial Reporting Interpretation Committee 14 – <i>The limit on a defined benefit asset, minimum funding requirements and their interaction</i>
IFRS 16	International Financial Reporting Standard 16 – <i>Leases</i>
ISA	International Standards on Auditing
LGPS	Local Government Pension Scheme
Materiality	A value assessed by the audit team to establish what level of misstatement could reasonably be expected to influence the decisions of someone reading the financial statements. This is assessed as a percentage of gross revenue expenditure
MHCLG	Ministry of Housing, Communities and Local Government
MRP	Minimum Revenue Provision
NAO	National Audit Office (responsible for issuing the Code annually)
NNDR	National Non-Domestic Rates

Performance Materiality	A value assessed by the audit team at a lower level than materiality to determine the extent of misstatement in individual account balances that, when aggregated could reasonably be expected to influence the decisions of someone reading the financial statements. This is assessed as a percentage of materiality
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RICS	Royal Institute of Chartered Surveyors
TCWG	Those Charged With Governance (the Governance and Audit Committee at Kent County Council)
Trivial	A value assessed by the audit team under which misstatements are not reported to TCWG
VFM	Value For Money
WGA	Whole of Government Accounts

Audit Opinions

Unqualified / Unmodified	The financial statements are judged to have no material misstatements contained within.
Qualified	The financial statements are judged to be materially misstated, but the misstatement is not pervasive OR The auditor has been unable to obtain sufficient appropriate evidence to support their opinion, but the matter is not pervasive
Adverse	The financial statements are judged to be materially misstated and the misstatement is pervasive
Disclaimed	The auditor has been unable to obtain sufficient appropriate evidence to support their opinion and the matter is pervasive

External auditor powers

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, the external auditor in local government has a range of powers available to them. We set these out below.

Audit Recommendation	Recommendations made by the external auditor as a result of issues identified during the course of the financial statements audit that when implemented will improve the control framework and / or reduce the impact on the financial statements
Improvement Recommendation (VFM)	Recommendations made by the external auditor that if implemented should improve the arrangements for securing value for money in place at the Authority, but are not made as a result of identifying significant weaknesses in the arrangements for securing value for money
Key Recommendation (VFM)	The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money at an Authority they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'Key Recommendations'
Statutory Recommendation	Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.
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.
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.
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: <ul style="list-style-type: none"> • 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.
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.

Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from 1 April 2025.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code in future years.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code in future years.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code in future years.

The Grant Thornton Digital Audit – Inflo

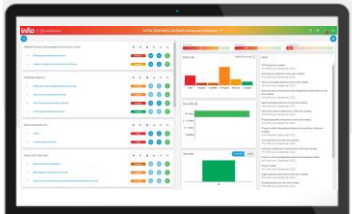
A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

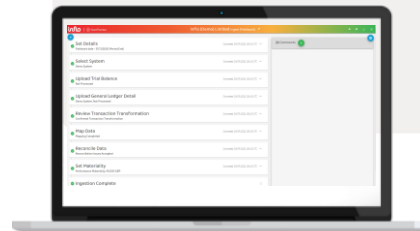


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

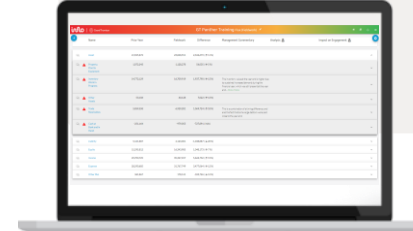


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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External Audit Plan for Kent Pension Fund

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Year ending 31 March 2025

July 2025



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01 Key developments impacting our audit approach

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government’s strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
 - Coordinating the system – including leading the local audit system and championing auditors’ statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
 - Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Context

Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund’s annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. The work and fee proposal are detailed in this audit plan. On the Page 29, the plan, outlines the four contractual stage payments linked to specific audit milestones.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We continue to engage well with your finance team and will agree the appropriate approach for 2024/25.
- We would like to offer a formal meeting with the Head of Pensions and with the Director of Finance at least twice yearly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to:
 - meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date, and
 - In line with best practice, offer to meet in private with the full Governance and Audit Committee.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Governance and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

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02 Introduction and Headlines

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Introduction and headlines



Purpose

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

Respective responsibilities

- The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Kent Pension Fund. We draw your attention to these documents in the links below.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

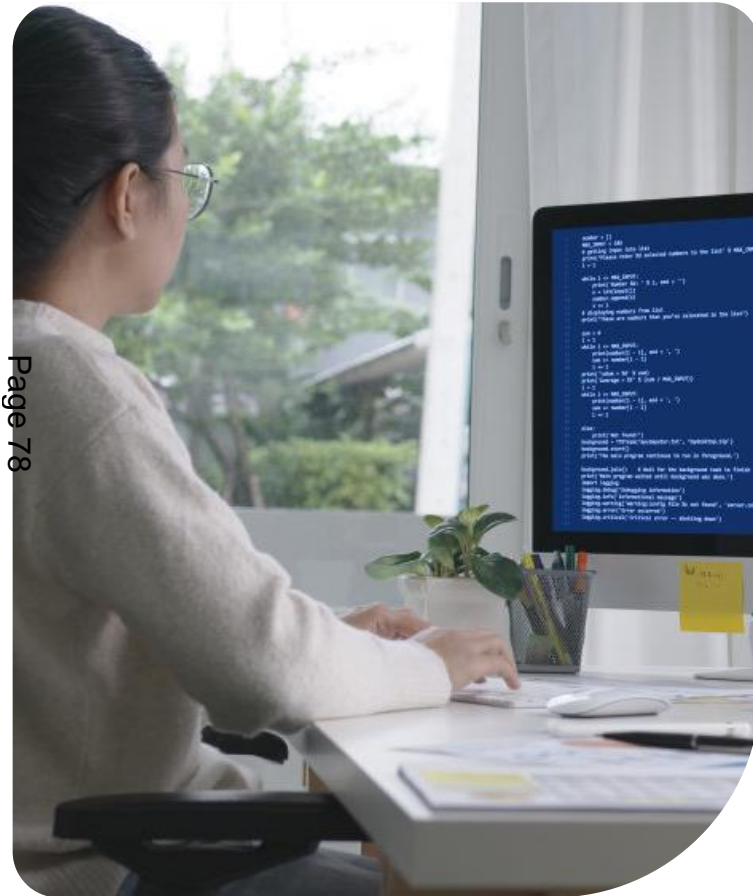
Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund’s financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

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

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

Introduction and headlines (continued)



Significant risks

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

- Management override of control
- Valuation of Level 3 investments
- Valuation of Directly held properties

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

Materiality

We have determined planning materiality to be £122.1m (PY £118.3m) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £35.3m (PY £31.85m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are “clearly trivial” to those charged with governance. Triviality has been set at £6.11m (PY £5.9M). We have set our performance materiality at 75% of headline materiality £91.58m (PY £88.75M).

We will revisit our determination of materiality after receipt of your draft financial statements. If we make a revision to materiality, we will communicate this to you in our audit finding report.

Audit logistics

Our interim visit will take place in March 2025 and our final visit will take place in July 2025 to September 2025. Our key deliverables are this Audit Plan our Audit Findings Report and the Audit Report (opinion).

Our proposed fee for the audit is £121,429 (PY: £117,279) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian independently values the Pension Funds Level 1 and some of Level 2 Investments. This means we will be able to triangulate valuations included in the financial statements for these investments to custodian and investment manager confirmations. However, for those not independently valued we will carry out further audit procedures to gain assurance over the valuations of these investments, for instance for level 2 investments we will agree these to market information, where available and we will supplement this with other information (e.g. the financial statement for pooled property funds) where market information is not readily available.

We have complied with the Financial Reporting Council’s Ethical Standard (revised 2024) and we, as a Firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

03 Identified risks


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Significant risks identified

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


Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls <div>Significant</div>	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none">• evaluate the design and implementation effectiveness of management controls over journals entries;• analyse the journals listing and determine the criteria for selecting high risk unusual journals;• Identify unusual journals entries made during the year and at the account production stage for appropriateness and corroboration;• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
<div>Valuation of Level 3 Investments (excluding directly held properties)</div> <div>Significant</div> <div>Relevant Assertion(s) Valuation</div> <div>Applicable Assertion(s) Existence, Rights & Obligations, Presentation</div> <div>Planned level of control reliance None</div>	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	<p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £1.03bn excluding directly held properties) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.</p> <p>Under ISA 315 significant risk often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodian as valuation expert to estimate the fair value as at 31 March 2025.</p>	<p>We will:</p> <ul style="list-style-type: none">• Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls;• review the nature and basis of estimated value and consider what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the code are met;• independently request year-end confirmations from investment managers and the custodian;• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period;• where available review investment manager service auditor report on design and operating effectiveness of internal controls;• evaluate the competence, capabilities and objectivity of the valuation expert; and• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
<div>Valuation of Directly Held Property</div> <div>Significant</div> <div>Relevant Assertion(s) Valuation</div> <div>Applicable Assertion(s) Valuation, Rights & Obligations, Presentation</div> <div>Planned level of control reliance None</div>	The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.	The Pension Fund has directly held property within its Level 3 investment portfolio and will be valued by management’s expert as at 31 March 2024. The valuations represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £461.77m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk.	<p>We will:</p> <ul style="list-style-type: none">• Obtain an understanding of the management processes and evaluate the design and implementation effectiveness of the associated controls;• Evaluate management’s processes and assumptions for the calculation of the estimates, the instruction issued to the valuation experts and the scope of the work;• Evaluate the competence, capabilities and objectivity of the valuation expert;• Write to the valuer to confirm the basis on which the valuations were carried out;• Engage our own valuer to assess the instruction to the fund’s valuer report and the assumption that underpin the valuation;• Challenge the information and assumption used by the valuer to assess completeness and consistency with our understanding; and• Test on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent pension fund’s financial record.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
<div>The revenue cycle includes fraudulent transactions</div> <div>Rebutted</div>	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
<div>The expenditure cycle includes fraudulent transactions</div>	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate expenditure recognition;• opportunities to manipulate expenditure recognition are very limited; and• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an 'other risk' is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
<p>Valuation of Level 2 Investments</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s)</p> <p>Valuation</p> <p>Applicable Assertion(s)</p> <p>Existence, Rights & Obligations, Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly (PY: £5.03bn). As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.</p>	<p>We will:</p> <p>Where we can rely on the valuation from the custodian (investments valued independently by custodian):</p> <ul style="list-style-type: none"> Document our understanding of the processes in place by management in relation with level 2 investments; Agree the valuation to the confirmation received from the investment manager; Agree the valuation to the confirmation received from the custodian; Obtain and review a service auditor's report on internal controls for the custodian; Review management's classification in the fair value hierarchy for a sample of level 2 investments. <p>Where we cannot rely on the valuation from the custodian (Investments not independently valued by custodian):</p> <ul style="list-style-type: none"> Document our understanding of the processes in place by management in relation with level 2 investments; Agree the valuation to the confirmation received from the investment manager; Agree the valuation to the confirmation received from the custodian Agree the valuation back to quoted prices at year-end where available; Compare the valuation to purchase and sale transactions near the reporting date (where appropriate); Review the guidelines under which the investment has been valued (where appropriate); Obtain and review a service auditor's report on internal controls for the investment manager; Review management's classification in the fair value hierarchy for a sample of level 2 investments; Carry out more detailed testing where the planned procedures do not provide sufficient assurance.
<p>Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26</p> <p>Significant class of transactions</p> <p>Relevant Assertion(s)</p> <p>Valuation</p> <p>Applicable Assertion(s)</p> <p>Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (PY: £7,924m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>While there is a risk of misstatement in this estimate, we do not consider this be a significant risk for current year as the estimate is disclosure only and it is not a full triennial valuation year.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as 'other risk'.</p>	<p>We will:</p> <ul style="list-style-type: none"> document our understanding of the processes in place by management in relation with Actuarial Present value of promised retirement benefits; evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; test the consistency of disclosures with the actuarial report from the actuary; and undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. We will obtain assurance that the membership data testing conducted in the previous year remains reliable for the valuation as of 31 March 2025.

Other risks identified (continued)

Risk	Description	Planned audit procedures
Benefits payable <div>Significant class of transactions</div> Relevant Assertion(s) Accuracy Applicable Assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure (PY: £303.18m).</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• Gain an understanding of the fund's process in relation with benefits payable;• Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;• Gain an understanding of the Fund's system for accounting for pension benefits expenditure;• Test a sample of lump sums to relevant source information and compare them to the lump sum payment out of pension fund bank account;• Examine a sample of pensions to validate eligibility, conduct pension recalculations, verify pensions against payslips, and compare payslip amounts with the payment from the pension fund bank account; and• Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
Contributions receivable <div>Significant class of transactions</div> Relevant Assertion(s) Completeness Applicable Assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	<p>Contributions from employers and employees represents a significant percentage of the Fund's revenue (PY : £321.21m).</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• Gain an understanding of the fund's process in relation with contribution receivables;• Evaluate the Fund's accounting policy for recognition of contributions for appropriateness;• Gain an understanding of the Fund's system for accounting for contribution income;• Test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and• Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained;• Gain assurance over changes to admitted/scheduled bodies.• Gain assurance over the completeness of employer contribution through agreeing total contribution for each employer to employer contribution records.

Other matters

Other work

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

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

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

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

- Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

04 Our approach to materiality

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	<p>Determination</p> <p>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. Users of the pension fund’s financial statement are aware of the regulated environment and the nature of the scope of the organization’s activities.</p> <p>We have not identified any sensitivities regarding users expectations We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines. Based on our analysis, we established the materiality of the Fund's financial statements using the gross investment assets as of March 31, 2024. At the planning stage, the materiality for the Fund's financial statements is £122,100,000, representing 1.5% of your gross investment assets. The benchmark remains consistent with the prior year at 1.5%, and we have not identified any factors that would warrant a reduction in this percentage.</p>	<ul style="list-style-type: none">• We determine planning materiality in order to:<ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
02	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements</p>	<ul style="list-style-type: none">• An item may be considered to be material by nature when it relates to instances where greater precision is required.• Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
03	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process</p>	<ul style="list-style-type: none">• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	<p>Matters we will report to the Governance and Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none">• We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.• In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £6,105k (PY £5,900k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.
	<p>Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)</p>	



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	122,100,000	In determining the planning materiality for the audit, we have considered user expectations, and the level of risk associated with this engagement. Given that Kent Pension fund is a large pension fund with a higher profile, we have set materiality as 1.5% of gross investment assets, which we consider an appropriate threshold for planning purpose. We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm’s guidelines. This analysis also indicates that 1.5% is an appropriate benchmark. Last year, we used the same benchmark (1.5%) to determine materiality, and we see no justification for reducing it further.
Performance materiality for the Fund’s financial statements	91,575,000	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year’s audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	6,105,000	Triviality is based on a percentage 5% of the overall materiality
Specific Materiality for Fund Account	35,300,000	This benchmark is calculated as a percentage of the fund expenditure as of 31 March 2024, which has been set at 10%. In determining this benchmark, we considered that the Kent pension fund does not have complex contributions and benefits, and there is consistency in the accounting system used by the pension fund, reducing the risk of misstatement. Therefore, we believe that 10%, the same as last year, will be an appropriate benchmark for fund accounts materiality.
The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.		
Performance materiality for the fund account	26,475,000	Performance materiality is calculated as 75% of the total materiality of the fund account. Considering the review of the previous year's audit work, during which no significant deficiencies or misstatements were identified, we have determined that maintaining the 75% level is appropriate and consistent with the prior year's approach.

*We have determined that there is no requirement to establish separate triviality for the fund account. As a result, we have chosen to utilize the main triviality threshold for our audit procedures.

05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund’s financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
Low	<p>Lack of review of Journals</p> <p>In our review of management override of control we note that Journals can be posted and approved by the same person.</p> <p>Risk</p> <p>Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of error, omissions or irregularities going undetected, as there is no independent review of transactions.</p>	<p>Management response: Journaling is done based on supporting information which is clearly identifiable, without the need of estimation and application of judgement. None of these involve making a cash payment and therefore of low financial risk to the Fund. We do not therefore exercise separation between creating and approving journals for these categories of transactions. However, as you will have seen we have an extensive regime of reconciliations of all the above transactions both during the year as well as at the year end. In the case of investments these reconciliations include third party Custodian records as well the reporting from investment managers and for contributions income, the reconciliations involve year end returns from each employer at each employee level. The year end account preparation process also includes variance analysis at each subjective level to identify any mis posting or unusual items which may not be picked up through the reconciliations. We believe that as a result of the nature of journals both the likelihood and the impact of any mis-posting is low and can be easily and efficiently rectified through the reconciliations</p> <p>We believe that these reconciliations provide an efficient and effective control over the posting of journals and is a proportionate tool to mitigate any risk. However, we are also reviewing journal controls as a result of the Oracle Cloud Programme</p>
Low	<p>Outside of General ledger adjustments</p> <p>We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and market values of the investment assets are reconciled and recorded through outside ledger reconciliation excel sheet. We would expect all the transaction to be routed through general ledger.</p> <p>Risk</p> <p>There is an increased risk of human errors and misstatement where investments change in MV are recorded on manual spreadsheet.</p>	<p>Management response: We do not believe that the current system that is in place for recording and reconciling the investment values presents any greater risk of errors and misstatements. As you are aware all investments transactions, including purchases, sales and income and expenditure are already recorded on the general ledger. Additionally, the Pension Fund has a robust process of recording and reconciling all investment valuations against Fund manager as well as independent custodian records (which takes into account both holdings as well as pricing) periodically as well as at the year end. Whilst we accept that it would be preferable to have all investment market values reflected in the general ledger, we are conscious of the effort, and time that will be required for such a project. We will investigate this further and look at opportunities to move this in due course.</p>

06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the stated level of assessment:

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IT application	Audit area	Planned level IT audit assessment
Oracle	Financial reporting	<ul style="list-style-type: none">Detailed ITGC assessment (Design effectiveness only) *
Pension Administration System – Altair	Member Data/Benefit payable/contribution receivables	<ul style="list-style-type: none">Detailed ITGC assessment (Design effectiveness only)

* The financial reporting system is hosted by the administrating authority (The County Council) of whom Grant Thornton are also the auditor for and will perform a review of, this review will be used for the pension fund audit.

07 Logistics

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Logistics

The audit timeline



*It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council.

Our team and communications

Grant Thornton core team



Parris Williams

Engagement Lead

- Key contact for senior management and Governance and Audit Committee
- Overall responsible for overall quality controls, account's opinion, final authorisation of reports



Zargham Malik

Audit Manager

- Audit planning
- Quality assurance of audit work
- Drafting reports & overall responsibility of audit engagement.



Tram Nguyen

Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion	<ul style="list-style-type: none">• Audit Plan to be shared in draft with management for comments	<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

08 Fees and related matters

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Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent Pension Fund Audit	105,099	116,779
Auditor’s expert used for the valuation of direct property investment	4,650	4,650
ISA 315	7,530	-
Total (Exc. VAT)	117,279	121,429

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Our fee estimate:

The scale fee set by PSAA has increased from £105,099 to £116,779. A large part of the increase is due to the requirements of ISA 315 now being included within the base scale fee set by PSAA.

The 2023/24 fee variation in relation to our auditor’s expert used to gain assurance on the valuation of direct property investment is still subject to PSAA approval. The fee variation is based on the invoice Grant Thornton received from the work we commissioned by an external valuer. The 2024/25 is therefore an estimate based on the actual cost of this work in 2023/24. We do not envisage a significant change in the scope of the work of our auditor’s expert.

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Kent Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors The scale fee set out in the PSAA contract for the 2024/25 audit is £116,779.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

09 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). **In this context, there are no matters that we are required to report.**

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund’s and/or Administering Authority’s board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to a current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we add safeguard.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
Page 10 Grant Thornton IAS19 Assurance letters to the NAO in respect of the admitted body Habbfleet Development Corporation*	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit is £121,429 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is fixed fee and there is no contingent element to it. These factor all mitigate the perceived self-interest threat to an acceptable level.
Total non-audit fees (excluding VAT)	3,500		

*It is important to note that IAS 19 report provided to the auditors of local authorities and NHS bodies are included within the scale fee. However, any IAS 19 report requested by the auditors of bodies outside this scope is not covered by the scale fee and is therefore treated as a non-audit fee. We have received a formal request from the National Audit Office (NAO), and we are therefore proposing a fee of £3,500 – consistent with the fee charged for the 2023/24 audit.

This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

10 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

11 Delivering audit quality

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Delivering audit quality

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Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

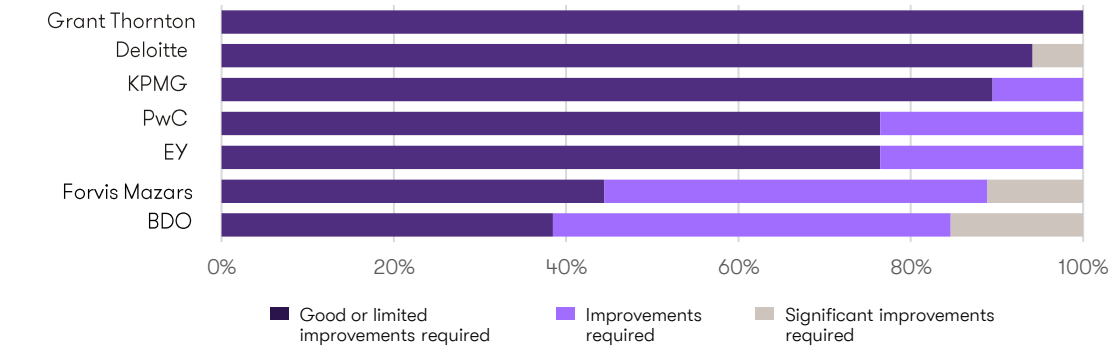
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



12 Appendices

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The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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From: Brian Collins, Deputy Leader of the Council
Amanda Beer, Chief Executive Officer

To: Governance and Audit Committee – 3rd July 2025

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary: Governance & Audit Committee receives the Corporate Risk Register twice each year for assurance purposes, in addition to more regular updates throughout the year where required, given the challenging risk environment that the Council is operating within.

FOR ASSURANCE

1. Background

- 1.1 Under the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk.
- 1.2 The Corporate Risk Register contains the risks deemed most significant to the authority's ability to achieve its objectives and fulfil its statutory duties. The risks are owned by members of the Corporate Management Team. The register is regularly reviewed and updated to reflect any significant new risks or changes in risk exposure that arise due to internal or external events; and to track progress against mitigating actions.
- 1.3 The Council, along with the local government sector as a whole, continues to operate in the midst of an extremely challenging operating environment, experiencing significant uncertainty and organisational pressures.
- 1.4 The risk landscape is always evolving and will continue to be monitored. For instance, the Government's Spending Review, announced on 11th June, has outlined the overall spending envelope for the local government sector from next year, although it will not be until the provisional local government finance settlement is announced at the end of 2025 that further detail will be available. An important, associated element will be the outcome of the current consultation on local government funding reform.
- 1.5 The local government sector also urgently requires clarity on how Government intends to address billions of pounds in accumulated local

authority deficits linked to services for children with special educational needs and disabilities (SEND), which threatens the financial stability of councils. The statutory override that keeps deficits off councils' balance sheets was set to expire at the end of March 2026, but has now been extended to March 2028.

- 1.6 In addition, KCC is working with district councils across Kent, as well as Medway Unitary Authority, to progress a business case for local government reorganisation.

2. Corporate Risk Register summary

- 2.1 The Corporate Risk Register was last presented to Governance & Audit Committee for assurance in January 2025. Regular risk updates to senior management have continued throughout the year.
- 2.2 The register contains 18 risks, 13 of which are rated as 'High'. Changes to the risk register since last reported to this Committee are summarised below:

NEW RISK

- 2.3 CRR0066 – Adult Social Care and Health (ASCH) Directorate Recommissioning Programme. It was previously reported to this Committee that a risk relating to the four major contracts currently progressing through the commissioning process, totalling over £600m in current spend, had been added to the Integrated Commissioning divisional risk register in the Adult Social Care and Health (ASCH) directorate. The risk focuses on potential non-delivery of required activity within expected timescales. Given the scale of spend and rating of the risk as High, it has been escalated to the Corporate Risk Register, although at time of report compilation, the commissioning activity is meeting key programme milestones.

RISK REDUCTION

- 2.4 CRR0059 – Risk of significant adverse variance to the level of savings and income agreed in KCC's budget. Achieving the legal obligation to set a balanced budget has proved increasingly challenging in recent years for councils. The KCC Corporate Director for Finance's section 25 assurance statement to County Council in February 2025 outlined the considerable risks facing the authority in delivering a balanced budget due to a number of factors including the current economic environment, the single year finance settlement for local government, the scale of savings required, and the growing demands on core statutory services. Therefore, there is a critical dependency that all of the measures set out in the draft budget and medium term plan, including delivery of savings, managing growth, minimising borrowing, and maximising council tax increases and precepts, are implemented to ensure the Council

continues to demonstrate financial sustainability. All budget savings proposals underwent extensive scrutiny before the budget was approved, and monitoring processes are in place to detect any concerns. Consequently, the risk rating has been brought down from its previous maximum level, although still High.

REVISED RISKS

- 2.5 CRR0068 - Delivery Against Safety Valve Agreement and CRR0067 – SEND Delivery Improvement. While there was a strong rationale previously to combine the aspects of SEND improvement and High Needs Funding Block deficit, these have now been separated across two risks in order to reflect their evolution and differentiate between their current risk profiles. Significant progress is being made from a SEND improvement perspective, evidenced by the Improvement Notice being removed, but financial concerns and the imperative of meeting Safety Valve targets are still prevalent in their own right.
- 2.6 Risk CRR0042: Border fluidity, infrastructure and resilience (in relation to the introduction of the EU's Entry / Exit System) is to be reviewed in the coming weeks, as updated scenario modelling data from central government is due to be received. This will allow KCC and partners to assess and adjust preparations, including training exercises as necessary, ahead of scheduled implementation from November 2025. There is continued focus on ensuring KCC services are reviewing their business continuity plans in the run up to implementation. A phased implementation approach may well enable the rating of this risk to be reduced.
- 2.7 CRR0052: Adaption of KCC to climate change impacts. This risk has been revised to ensure it relates to the adaptation of the services the Council provides to short, medium and long-term impacts of a changing climate and the need to embed environmental considerations in our operating model to ensure resilience.
- 2.8 The Council's Risk Management Policy & Strategy states, "*corporate risks are subject to "deep dive" reviews by Corporate Board and the Governance & Audit Committee, with those responsible for the management of risks present, at an appropriate frequency, depending on the nature of the risk.*" Therefore, the Committee may wish to consider whether any corporate risks or mitigating controls require more in-depth review for assurance purposes.
- 2.9 The Corporate Risk Register is attached in appendix 1, along with headline details of directorate risks at appendix 2.

3. Monitoring and Review

- 3.1 The risks within the Corporate Risk Register, their current risk level and progress against mitigating actions are reported to Cabinet quarterly via the KCC Quarterly Performance Report.

4. Recommendation

4.1 The Governance and Audit Committee is asked to:

- a) NOTE the report for assurance.

Report Author:

Mark Scrivener, Head of Risk and Delivery Assurance

Email: mark.scrivener@kent.gov.uk

Relevant Director

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

Email: David.whittle@kent.gov.uk

Corporate Risk Register - Summary Risk Profile – June 2025

Low = 1-6 Medium = 8-15 High =16-25

Risk No.*	Risk Title	Current Risk Rating	Target Risk Rating	Direction of Travel since Jan 2025
CRR0009	Future financial and operating environment for local government	High (25)	High (16)	⇔
CRR0053	Asset management and degradation and associated impacts, linked to capital programme affordability.	High (25)	High (16)	⇔
CRR0015	Sustainability of the social care market	High (25)	Medium (15)	⇔
CRR0014	Cyber and information security resilience	High (20)	High (20)	⇔
CRR0003	Securing resources to aid economic recovery and enabling infrastructure	High (20)	High (16)	⇔
CRR0064	Delivery of effective Adult Social Care services	High (20)	Medium (15)	⇔
CRR0042	Border fluidity, infrastructure and resilience	High (20)	Medium (12)	⇔
CRR0068	Delivery against Safety Valve Agreement	High (20)	Medium (12)	REVISED RISK
CRR0045	Maintaining effective governance and decision making in a challenging financial and operating environment	High (16)	Medium (10)	⇔

CRR0059	Risk of significant adverse variance to the level of savings and income agreed in KCC's budget.	High (16)	Medium (9)	DECREASE
CRR0058	Capacity and capability of the workforce	High (16)	Medium (9)	↔
CRR0066	Adult Social Care recommissioning programme	High (16)	Medium (8)	NEW RISK
CRR0052	Adaptation of KCC Services to climate change impacts	High (16)	Medium (12)	REVISED RISK
CRR0039	Information Governance	Medium (15)	Medium (9)	↔
CRR0063	Capacity to accommodate and care for Unaccompanied Asylum-Seeking (UAS) Children	Medium (12)	Medium (12)	↔
CRR0067	SEND Delivery Improvement	Medium (12)	Medium (8)	REVISED RISK
CRR0049	Fraud and Error	Medium (10)	Low (5)	↔
CRR0065	Implementation of fit-for-purpose Oracle Cloud System	Medium (10)	Low (5)	↔

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

NOTE: Current & Target risk ratings: The 'current' risk rating refers to the current level of risk taking into account any mitigating controls already in place. The 'target residual' rating represents what is deemed to be a realistic level of risk to be achieved once any additional actions have been put in place. On some occasions the aim will be to contain risk at current level.

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

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APPENDIX 1: KCC Corporate Risk Register

Risk Register - Corporate Risk Register

Current Risk Level Summary

Current Risk Level Changes

Green	0	Amber	5	Red	13	Total	18
				1	-9	1	-9

0	1	1	0	3
0	0	0	5	5
0	0	0	2	0
0	0	0	0	1
0	0	0	0	0

Risk Ref	CRR0009	Risk Title and Event			Assigned To	Last Review da	Next Review	
Future financial and operating environment for Local Government					John Betts	09/04/2025	30/09/2025	
Levels of spending and growth pressures across services outstrip the Council’s core spending power, threatening the financial sustainability of KCC, its partners and service providers.								
In order to set a balanced budget, the council is likely to have to continue to make significant year on year savings.								
Quality of KCC commissioned / delivered services suffers as financial situation continues to worsen.								
Continued delays and uncertainty surrounding review of local government funding impacts on KCC’s medium term financial planning.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action	Control / Action	Target Date	Target Risk	
The Government’s Autumn Budget 2024 statement and subsequent Local Government Finance Settlement covered 2025-26, with no indicative allocations for subsequent years, although there was a promise of multi-year settlements from 2026-27 onwards. This means that the forecasts for later years are speculative, consequently planning has to be sufficiently flexible to respond accordingly.	Unsustainable financial situation and potential drawdown from reserves, ultimately resulting in need to request Exceptional Financial Support from Government, or issue a section 114 notice.	High		• Developing better scrutiny of spending bids and more detailed savings plans, to improve the overall robustness of the budget setting process, thereby improving financial resilience.	John Betts A	-Accepted	30/09/2025	High
	Failure to deliver statutory obligations and duties or achieve social value.	25		• Processes in place for monitoring delivery of John Betts savings and challenging targets to bear down on future cost growth, as well as the budget as a whole.	John Betts	Control		
	Potential for partner or provider failure – including sufficiency gaps in provision.	Major (5)						
	2025-26 and the medium term to 2027-28 are likely to	Very Likely (5)						
	Reduction in resident satisfaction and reputational damage.			• Quarterly budget meetings between Chief Executive and Corporate Director for Finance with Corporate Directors as relevant.	John Betts	Control		
				• Forecasts for future spending growth to be revised as necessary once estimates become more certain and only finalised in controllable budgets once uncertainties have been resolved.	John Betts	Control		

Risk Register - Corporate Risk Register

<p>continue to be exceptionally challenging and will require significant spending reductions. Even though overall net cash is increasing, this is not sufficient to keep pace with forecast spending demands. There is also no certainty that additional central government funding to address spending pressures in social care will be baselined/continued for future years. The Government is also consulting on local government funding reform, which seeks views on the approach to local authority funding reform through the local government finance settlement that comes into effect from 2026-27.</p> <p>The level of savings required in 2025-26 and over the medium term continues to be higher than in recent years, driven largely by growth in spending rather than cuts in funding, representing a new challenge. A significant financial risk for the Council is the continuing and increasing underlying deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG).</p> <p>An English Devolution White Paper was published at the end of 2024, which signals significant changes to the</p>	<p>Increased and unplanned pressure on resources.</p> <p>Decline in performance.</p> <p>Legal challenges resulting in reputational damage to the Council.</p> <p>Impact on Council Tax.</p>			<ul style="list-style-type: none"> Regular "Star Chamber" budget reviews involving the Chief Executive Officer, section 151 Officer and Corporate Directors to scrutinise progress against agreed budget savings. John Betts Robust budgeting and financial planning in place via Medium Term Financial Planning (MTFP) process, including stakeholder consultation. John Betts Regular review of HM Treasury forecasts and Government planned spending levels for Local Government. John Betts Budget Recovery Strategy - Securing Kent's Future - set to address the in-year and future years' financial pressures the council is facing and the specific and broader action that can be taken to return the council to financial sustainability. Amanda Beer KCC Strategic Reset Programme established and reprioritised to focus on key budget delivery programmes. Amanda Beer Financial analysis conducted after each Chancellor of the Exchequer Budget Statement to review potential implications for future local government settlements. Dave Shipton Ensure evidence of any additional KCC spend required to cover impacts relating to new burdens imposed. Dave Shipton Ongoing policy analysis of the devolution agenda and devolution deals agreed by the government. David Whittle Engagement with CCN, Society of County Treasurers and other local authorities and Government of potential opportunities and issues around devolution, local government reorganisation and public service reform. David Whittle Regular monitoring and oversight of progress against KCC's 'Safety Valve' agreement with the Department for Education (DfE). Sarah Hammond 	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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Risk Register - Corporate Risk Register

operating environment for the local government sector, including local government reorganisation.			<ul style="list-style-type: none"> • KCC Quarterly Performance Report monitors key performance and activity information for KCC commissioned or delivered services. Regularly reported to Cabinet. 	Matthew Wagner	Control		
			<ul style="list-style-type: none"> • Ongoing monitoring and modelling of changes in supply and demand in order to inform strategies and service planning going forward. 	Matthew Wagner	Control		
			<ul style="list-style-type: none"> • Regular analysis and refreshing of forecasts to maintain a level of understanding of volatility of demand which feeds into the relevant areas of the MTFP and business planning process. 	Corporate Directors CD	Control		
			<ul style="list-style-type: none"> • Assessing impact and responding to Government plans with the potential for significant financial implications for the Council, including adult and children's social care, charges to waste collection arrangements etc. 	Corporate Directors CD	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0053	Risk Title and Event				Assigned To	Last Review da	Next Review
Asset Management and Degradation and associated impacts, linked to Capital Programme affordability				John Betts	09/04/2025	30/09/2025		
Impact on ability to meet operational requirements and/or statutory duties.								
Increase in maintenance backlogs.								
Emergency works on essential sites are prioritised to avoid serious health and safety incidents, with knock-on impacts for non-priority sites.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
Assets not being invested in sufficiently or adequately maintained now will require future additional spend to maintain with the possibility of reactive costs which may create a revenue pressure. Ongoing investment to maintain and modernise our assets competes with the priority to protect frontline services from effects of public sector funding restraint. The level of borrowing to fund the capital programme and the impact on the revenue budget is significant. The uncertainty includes capital expenditure funded by grants, many of which are crucial to delivery of statutory services. There are a number of geo-political uncertainties in the current environment which	Business interruption due to increasing level of reactive / emergency repairs, or parts of estate decommissioned (in whole or partially if deemed unsafe).	High		Papers to Secretary of State seeking approval to increase school financial thresholds	Joanne Taylor	A -Accepted	31/03/2026	High
	Health and safety incidents (potentially serious) associated with asset degradation.	25		10 year 24-34 capital programme published. This identified projected costs for some of the rolling programmes and a separate section of potential stand-alone projects which are markers, and will need to have a full business case and identified funding planned, evaluated and agreed.	Cath Head	Control		16
	Inability to meet statutory duties e.g. lack of appropriate school place provision.	Major (5)		Lobbying of Government in relation to capital funding.	John Betts	Control		Serious (4)
	Non-priority sites may not be maintained to a sufficient standard and may not be safe and fit for purpose, leading to building closures.	Very Likely (5)		Review of current policy of no new external borrowing agreed in principle with senior Members, with potential impact on the capital programme from 2026/27.	John Betts	Control		Likely (4)
	Delays result in additional inflationary costs.			Asset safety factors associated with our assets are given priority during the budget setting process.	John Betts	Control		
	Funding annual rolling programmes from borrowing is unsustainable.			An annual programme of planned preventative maintenance is undertaken at KCC sites by the relevant Facilities Management contract partners	Tony Carty	Control		
	Reputational damage as a result of building closures or any impact on service delivery.			Health and Safety Team in place in advisory capacity to ensure compliance with Government and HSE guidelines.	Maria Kelly	Control		
				Premises Officers in place to visit schools and support them with forecasting maintenance budgets.	Joanne Taylor	Control		

Risk Register - Corporate Risk Register

<p>additionally impact on the financial and operating environment.</p> <p>Inflationary pressures impact on the capital programme significantly.</p> <p>Expectations of key stakeholders on capital spend.</p> <p>Risks associated with changes in legislation related to developer contributions. This could lead to a requirement for significant forward funding.</p>			<ul style="list-style-type: none"> • The most urgent works will be completed on the agreed, prioritised sites. 	Joanne Taylor	Control		
			<ul style="list-style-type: none"> • Infrastructure works with Assistant Education Directors to communicate to schools regarding their obligations for maintenance and their responsibilities for repairs under financial thresholds 	Joanne Taylor	Control		
			<ul style="list-style-type: none"> • External funding bid for 'schools rebuilding programme' (DfE) was submitted, and successful for Birchington Primary School. 	Joanne Taylor	Control		
			<ul style="list-style-type: none"> • Review of KCC estate – Future Assets Programme. Business cases for each of the three workstreams are being developed (Office Estate, Community Buildings, Specialist Assets) with associated consultations. 	Rebecca Spore	Control		
			<ul style="list-style-type: none"> • Lobbying central Government re capital grants relating to Highways. 	Haroona Chughtai	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0015	Risk Title and Event			Assigned To	Last Review da	Next Review	
Sustainability of the Social Care Market					Richard Smith	30/04/2025	30/07/2025	
Social Care market is not sustainable. Inability to obtain the right kind of provider supply at affordable prices. Significant numbers of care home closures or service failures. Increases in hand backs of care Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
Local Authorities have a statutory duty to provide a viable and sustainable social care market to meet the needs of the local population who meet Care Act eligibility. The main risks associated with care market instability are: Financial – As a result of the increasing cost and complexity of demand for services and constrained local authority budgets compounded by recent inflation and the Autumn Budget announcement of increases in employers' National Insurance contributions and the National Living Wage. Workforce – recruitment and retention are difficult across all grades in adult social care. Turnover is higher than other sectors. Providers struggle to compete with other sectors such as retail. There are particular challenges	Gaps in the care market for certain types of care or in geographical areas meaning difficulty in placing some service users. Unable to offer care packages immediately leading to delays with discharging from Health Services Reduction in quality of care provided due to workforce pressures Significant numbers of care home closures or service failures.	High		• Development of micro providers market with partner Community Catalysts. Quarterly contract management reviews take place including focus on performance against targets (engagement and set up).	Kate Silver	Control		Medium
		25 Major (5)		• Provider support team in place	Paula Parker	Control		15 Major (5)
		Very Likely (5)		• Daily risk assessment for people in the community awaiting packages of care and short term bed provision for those at high risk	Mark Albiston	Control		Possible (3)
				• KCC linked to ADASS South East and Kent Integrated Care Alliance monitoring of overseas worker issues	Richard Ellis	Control		
				• Engagement with Integrated Care Board around joint commissioning opportunities	Richard Ellis	Control		
				• Regular engagement with provider and trade organisations	Richard Ellis	Control		
				• Older Persons Accommodation Strategy refreshed, which analyses demand and need and sets the future vision and direction for accommodation to support vulnerable Kent residents alongside the Adult Social Care Strategy - Your Life, Your Wellbeing	Richard Smith	Control		
				• Pipeline prioritisation tool is in place for Strategic Commissioning projects, shared with DivMT and Director of Strategy Policy, Relationships and Corporate Assurance	Chris Wimhurst	Control		

Risk Register - Corporate Risk Register

<p>in Kent in home care. Overseas workers have created some additional capacity but changes in social care visa rules excluding families has reduced applications from overseas care workers. The social care visa route also attracted operators seeking to exploit that rather than support the sector. There has been an increased risk of exploitation and overseas workers have been displaced when operators have had their licences revoked. This has created a lot of additional work for ASCH in ensuring that the needs of those that draw on care and support continue to be met.</p>				<ul style="list-style-type: none"> • Analytics function utilises data to inform decision making before moving commissioning activity forward. • Use of a fee negotiation tool to support fee uplift conversations with providers • ASCH Commissioning Intentions 2022 - 2027 - describes how we plan to create person-centred and flexible care and support options which address the challenges and opportunities adult social care faces. It supports the delivery of 'Making a difference every day' strategy 2022-2027 • Ongoing monitoring of Home Care market and market coverage. Commissioners and operational managers review the capacity of the Home Care market with a view to developing a strategy to ensure market coverage. • Ongoing Contract Monitoring, working in partnership with the Access to Resources team • KCC is part of local and regional Quality Surveillance Groups that systematically bring together the different parts of the health and care system to share information, identify and mitigate risks to quality, including those relating to care providers. • New contracts commenced relating to Disability and Mental Health Residential Care services. • Contract for Discharge Services presented to Cabinet Committee and approved by the Cabinet Member. • Ensuring contracts have indexation clauses built-in, managed through contract monitoring 	<p>Matthew Wagner</p> <p>Simon Mitchell</p> <p>Simon Mitchell</p> <p>Simon Mitchell</p> <p>Simon Mitchell</p> <p>Simon Mitchell</p> <p>Simon Mitchell</p> <p>Michael Bridger</p>	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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Risk Register - Corporate Risk Register

			<ul style="list-style-type: none">Continue to work innovatively with partners, including health services, districts and boroughs, and providers to identify any efficiencies across the wider sector.	ASCH Divisional Directors	Control		
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Risk Register - Corporate Risk Register

Risk Ref	CRR0014	Risk Title and Event			Assigned To	Last Review da	Next Review
Cyber & Information Security Resilience					Lisa Gannon	26/03/2025	26/06/2025
Confidentiality, integrity and availability of data or systems is negatively impacted or compromised leading to loss of service, data breaches and other significant business interruptions.							
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action	Control / Action	Target Date	Target Risk
Malicious (intentional) actions against KCC from individuals, cyber criminals and state sponsored attacks.	Data Protection breach and consequent Information Commissioner’s Office (ICO) sanction.	High		• Data Protection and Information Governance training is mandatory and requires staff to refresh periodically. Progress rates monitored regularly.	Paul Royel A -Accepted	30/06/2025	High
	Damages claims.	20					20
	Reputational Damage.	Major (5)					Major (5)
Supply chain compromise including third party data transfers, vulnerabilities in purchased equipment and supplier system breaches.	Potential significant impact on business interruption if systems require shutdown until magnitude of issue is investigated.	Likely (4)		• Reviewing visibility of Group risk profile regarding cyber security, to provide reassurance that the use of any shared resources or other inter dependencies from a cyber perspective are continually understood.	James Church A -Accepted	30/06/2025	Likely (4)
	Loss or corruption of data.						
	Loss of key systems potentially impacting ability to deliver statutory services.			• Data Protection and Information Governance training is mandatory and requires staff to refresh periodically. Progress rates monitored regularly.	Benjamin Watts A -Proposed	30/06/2025	
Human error leading to staff revealing information or taking actions which assist malicious actor in being able to affect systems or data, including responding to phishing emails and losing account credentials.	Partners unable to discharge their duties			• Supply chain risk management program including keeping an inventory of all ICT suppliers and third party data transfers, cyber requirements built into procurement, regular assurance of supplier security to ISO 27001 and Cyber Essentials, and regular risk assessments carried out to identify supply chain risks.	James Church Control		
	Complaints						
Compromise of physical security controls and/or infrastructure including unauthorised access to data centres, network cables and natural disaster (flood, fires etc.)				• Security engagement, training and awareness. Ongoing program of security engagement, training and awareness, upskilling staff to reduce human error. This includes communications, e-learning and training for staff.	James Church Control		
Gaps in existing resources and capabilities, including technological controls and resource challenges in providers' operational teams.				• Frequent security audits, penetration tests and compliance submissions External review of security posture provides validation that our controls work and are being managed effectively.	James Church Control		

Risk Register - Corporate Risk Register

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			<ul style="list-style-type: none"> • Multiple layers of logical, physical and administrative security controls Defence in depth is a key cyber security concept that the Authority adheres to, involving multiple layers of security control for protection from various threats. 	James Church	Control		
			<ul style="list-style-type: none"> • Cyber standards and risk assessment have been included into the central ICT commissioning framework 	James Church	Control		
			<ul style="list-style-type: none"> • Internal assurance programme including audits, risk assessment and vulnerability management Completion of internal audits and assurance audits to ensure cyber is being managed effectively. Continuing to action audit recommendations via the Consolidated Security Action Plan. Risk assessments completed on new implementations to ensure that cyber risks are highlighted and treated. Vulnerability management activities to identify and treat vulnerabilities in good time. 	James Church	Control		
			<ul style="list-style-type: none"> • Investment in and implementation of new controls and technologies including capabilities of M365 E5 licenses. Cyber security threats are constantly evolving and therefore new tools and capabilities are required to keep up and mitigate the risk. 	James Church	Control		
			<ul style="list-style-type: none"> • Additional messages warning staff of cyber threats are being sent out regularly. 	Diane Christie	Control		
			<ul style="list-style-type: none"> • Messages to encourage increased awareness of information security amongst staff are to be communicated to align with key implementation milestones of the ICT Transformation Programme. 	Diane Christie	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0003	Risk Title and Event			Assigned To	Last Review da	Next Review		
Securing resources to aid economic growth and enabling infrastructure					Simon Jones	10/04/2025	09/07/2025		
The inability to secure sufficient funding, including contributions from development, to deliver the infrastructure necessary to support growth may require gap funding in order for KCC to fulfil its statutory duties. Deferral of developer contributions and / or elongated planning consents leads to delayed or compromised infrastructure.									
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk	
The economy in Kent & Medway has been impacted by various global events, and the impacts could be disproportionate across the county (e.g. in coastal areas). The Kent & Medway Economic Framework was developed and aims to act as a stimulus for sustainable and inclusive economic growth. The Council actively seeks to secure the resources/funding necessary to provide the infrastructure and programmes required to support growth but these are often difficult to secure. At a local level there is often a significant gap between the overall costs of the infrastructure required and the Council's ability to secure sufficient funds through the current funding systems, including Section106 contributions, Community Infrastructure Levy and other growth levers. Government spending restraint and evolving priorities may result in essential	Key opportunities for growth missed.	High		• Kent Design Guide to be refreshed to ensure consistency with national policy and legislation supporting the delivery of high quality design in new development.	Tom Marchant	A -Accepted	31/07/2025	High	
	The Council finds it increasingly difficult to fund services and match-fund infrastructure across Kent and fully mitigate the overall impact of housing growth on KCC services and, therefore communities.	20 Major (5)							
	Kent becomes a less attractive location for inward investment and business.	Likely (4)			• Local Transport Plan 5 approved by County Council and due to commence.	Lee Burchill	Control		16 Serious (4)
	Our ability to deliver an enabling infrastructure becomes constrained.				• Multi-agency Kent and Medway Employment Task Force continues to operate to tackle skills gaps, evidenced by the Local Skills Improvement Plan and support current and future labour market needs through developing the 'Get Kent & Medway Working Plan' and delivering the new 'Connect to Work' and 'Skills Bootcamps' programmes to help reduce economic inactivity and support local employers to tackle skills gaps.	Steve Samson	Control		Likely (4)
	Reputational risk associated with delayed delivery of infrastructure required.								
Additional revenue costs incurred due to infrastructure delays and operational costs increasing.				• Specific business support packages, including the Kent & Medway Business Fund, Recover Pivot & Scale, Kent & Medway Growth Hub signposting, advice and events etc.	Steve Samson	Control			
				• Strong engagement of private sector through Kent and Medway Economic Partnership (KMEP), Business Advisory Board, Kent Developer Group, KMEP Sector Groups, Team Kent work etc.	Steve Samson	Control			

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<p>infrastructure programmes being delayed or cancelled. Central Government has recently indicated that it is minded to cease funding for post-Local Enterprise Partnership responsibilities in 2025-26 and much new funding for growth programmes is being targeted at Mayoral Combined Authority areas rather than counties - this presents a risk of short-term lack of financial resource to support economic development activity in any period prior to devolution being implemented in Kent & Medway.</p>				<ul style="list-style-type: none"> • Kent & Medway Economic Framework Steve Samson A Phase 1 implementation plan has been implemented for Kent & Medway Framework with KMEP sub groups and local stakeholders for taking forward the ambitions and action areas set out in the framework including developing a prioritised economic and infrastructure projects pipeline to focus and secure future funding resource and inform government of priorities. A new round of Growing Places Fund (capital loans) is being prepared to support projects that contribute to economic growth with a view to launching a first call for projects during 25-26. • Kent & Medway Economic Framework Implementation Plan progressed. Steve Samson • Monitoring of socio economic data and trends and development of responses to changed economic trends through Kent & Medway Economic Dashboard and new KMEP work stream data sets. Steve Samson • New contracts put in place to support the visitor economy and inward investment services to attract businesses to the county and bring in additional revenue for local companies. Regular contract monitoring and reporting to ensure businesses are supported. Steve Samson • Ensure that KCC continues to take a strategic leadership role for the Kent & Medway Functional Economic Area and to liaise with key government departments to make the case for specific resource allocations to tackle barriers to growth in Kent (& Medway) despite Kent not being part of the Devolution Priority Programme. Steve Samson 	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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Page 129			<ul style="list-style-type: none"> Teams across the Growth, Environment and Transport directorate work with each individual District on the preparation of an Infrastructure Delivery Plan including priorities for spending CIL receipts (where applicable) and Section 106 contributions to mitigate the impact of growth on County Council infrastructure and services. 	Tom Marchant	Control		
			<ul style="list-style-type: none"> Respond to Government consultations on proposals to reform the planning system in England, including the measures set out within the Planning and Infrastructure Bill and its provisions relating to the new duty to prepare Spatial Development Strategies. 	Tom Marchant	Control		
			<ul style="list-style-type: none"> Infrastructure Mapping Platform has been successfully piloted in East Kent and will now be delivered across Kent and Medway setting out the infrastructure needed to deliver planned growth. 	Tom Marchant	Control		
			<ul style="list-style-type: none"> The KCC Developer Contributions Guide has been updated and adopted. 	Tom Marchant	Control		
			<ul style="list-style-type: none"> Regular dialogue with government departments. 	Stephanie Holt-Castle	Control		
			<ul style="list-style-type: none"> MasterGov (DEF Software) is used to track developer contributions from the Council's initial request for developer contributions through to the issue of invoice for payment and provides the evidence base to support the annual preparation of the Infrastructure Funding Statement. 	Stephanie Holt-Castle	Control		

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Risk Ref	CRR0042	Risk Title and Event			Assigned To	Last Review da	Next Review		
Border fluidity, infrastructure and resilience					Simon Jones	09/04/2025	09/07/2025		
That changes in border customs, checking and processing routinely disrupt local communities and both the strategic and local road networks.									
That the Government does not provide sufficient capital and revenue financial support to departments, agencies, local authorities and other infrastructure stakeholders necessary to address the necessary infrastructure, legislation and controls to ensure a long term plan for frictionless border movements.									
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk	
Changes at the UK border with Europe means additional controls now exist on the movement of goods and people between the UK and the EU. The UK Government and the EU have introduced new border controls and further changes are being introduced including the new Entry/Exit System (EES) and European Travel Information and Authorisation system (ETIAS). KCC has been working with partners at a local and national level to assess potential implications for the county and prepare for various scenarios. KCC is reliant on coherent, coordinated governance and information across Government to aid the Local Authority and partners locally in planning their contingency arrangements and responding	Significant slowdown in the existing flow of goods and people through the Kent Ports leads to long delays in accessing the Port of Dover and Eurotunnel.	High		• KCC contributes to the Kent & Medway Resilience Forum Operation Fennel Plan, and other multi-agency plans and capabilities relating to traffic management.	Toby	Control		Medium	
		20						12	
		Major (5)						Serious (4)	
		Likely (4)			• Working with Government to develop short, medium and long-term plans & capabilities for border resilience, including infrastructure and technological solutions.	Toby	Control		Possible (3)
		Impacts on strategic traffic routes as a result of Operation Brock and other traffic management measures, leading to an increase in local and pan Kent road journey times, impacting communities and businesses.			• Regular presentations to Cabinet Committee on potential impacts relating to people and goods.	Simon Jones	Control		
		Significant detrimental impact on the county's economic competitiveness, attractiveness for inward investment and quality of life for Kent residents.			• Regular engagement with senior colleagues in relevant Government Departments.	Simon Jones	Control		
					• KCC are the lead agency for EES, coordinating other responding agencies in the Kent and Medway Resilience Forum to prepare for the impacts of EES.	Andy Jeffery	Control		
		Significant increase in imported goods subject to statutory checks by Trading Standards including consumer goods and animal feeds.			• Work with Government departments to secure funding to support improving access to the borders.	Andy Jeffery	Control		
				• Preparation for impacts of two separate but interconnected schemes that will affect non-EU citizens travelling to most EU countries; implementation of the EU Entry/Exit System (EES) system and the EU European Travel Information and Authorisation System (ETIAS).	Andy Jeffery	Control			
	Imported animals now subject to welfare checks at Border controls posts, breaches of welfare subject to investigation by			• A KCC EES meeting planning structure has been implemented which manages EES on behalf of CDRF.	Andy Jeffery	Control			

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<p>appropriately.</p> <p>KCC continues to work with Kent & Medway Resilience Forum (KMRF) partners and government in anticipation of the new implementation date for EES. This is dependent on revised EU legislation allowing for a phased introduction of the levels of checks over a period of several months, anticipated to begin at some point between May & November 2025.</p>	<p>Trading Standards.</p> <p>Shortages and delay may impact supply chains.</p> <p>Interruption and effect on business services, both statutory and discretionary, such as: Adult's and children's social care workers being able to reach necessary areas. Care homes in the affected areas. Officers and Community Wardens working in affected areas and those officers who live in affected areas but deliver face to face services. Critical infrastructure including schools, KCC buildings and other KCC responsible areas.</p>			<ul style="list-style-type: none"> • The annual KCC Resilience Training & Exercising Programme allows for staff training and testing (and review of) internal KCC business continuity and incident response plans. • A KCC EES internal comms plan has been created and implemented throughout the phases of work completed in preparation for EES. The comms plan provides communication with staff via direct and group email, KNet and the various meeting structures. The frame of the comms plan is general information, business continuity and ensuring managers are aware of all necessary actions to support their teams and includes: <ul style="list-style-type: none"> - EES border procedures overview - BCP testing requirements - Training exercises in preparedness for impacts of EES - FAQs - General health and safety messaging - Traffic information - Ongoing updates on EES implementation and impacts • KCC lead in planning, response and recovery phases and support multi-agency communications in the event of a major emergency. <p>There are four external comms plans in place, as follows:</p> <ul style="list-style-type: none"> - KCC EES Communications Plan (reviewed monthly) - KMRF Media and Comms Plan (reviewed annually) - Driver Welfare Comms Plan (reviewed twice a year) - Media and Comms Group (set up as required) 	<p>Andy Jeffery</p> <p>Diane Christie</p> <p>Christina Starte</p>	<p>Control</p> <p>Control</p> <p>Control</p>		
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			<ul style="list-style-type: none">• KCC services are continually reviewing business continuity arrangements, taking potential scenarios into consideration, with co-ordination via Directorate Resilience Groups.	Service Managers	Control		

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Risk Ref	CRR0064	Risk Title and Event			Assigned To	Last Review da	Next Review	
Risk of Failing to Deliver Effective Adult Social Care Services					Richard Smith	30/04/2025	30/07/2025	
Impact on outcomes for people who draw on care and support and unpaid carers								
Potential that people will come to harm and the Council will be unable to ensure that their safeguarding statutory duty under S.42 of the Care Act 2014 will be fully met.								
Non-compliance with Care Act 2014, the Mental Health Act 1983, the Mental Capacity Act 2005 and associated legislation, and the regulatory requirements of the Care Quality Commission.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
The Council is at risk of failing to deliver effective Adult Social Care services and there is the potential to not meet requirements of statutory services under the Care Act 2014, the Mental Health Act 1983, the Mental Capacity Act 2005 and associated legislation, and the regulatory requirements of the Care Quality Commission.	Failure to fulfil our duty of care could result in serious harm or detriment or in extremely rare cases death to a person with significant impact on families, carers and support networks. This could in turn result in prosecution, having to pay compensation and a negative impact on the reputation of the Council.	High		• ASC SMT have established monthly meetings with connect2Kent to ensure we proactively monitor the timely deployment of key interim personal into statutory front line roles. This started about 6 months ago and an ongoing arrangement.		Mark Albiston	Control	Medium
		20						15
			Major (5)					
The Council has been impacted by: - continued central government funding restraint - Demographic changes - Increased demand for services - Demand led statutory services which can be difficult to predict - Increasing costs due to increasing complexity of health and social care needs. - Increasing costs due to cost of living	Reputational impact. Public perception of the council being willing to accept poor standards of care. Low public confidence in social care	Likely (4)		• Adult Social Care (ASC) directorate has developed comprehensive performance management tools that help identify and targeted weekly action to reduce the length of time people are having to wait for Care Needs Assessments (CNAs), reviews, open safeguarding concerns, open safeguarding risk assessments, open safeguarding enquiries. Weekly emails (for action) are sent to assistant directors and monitored through governance and assurance meetings. (already in place and ongoing)		Mark Albiston	Control	Possible (3)
	A loss of trust in the Council's ability to safeguard people who live in Kent.							
	Overspending on the budget which may impact the wider council.			• Adult Social Care Connect (changes to our front door) will be rolled out from 14th October 2024 with a focus on developing strength based care act assessments at first point of contact		Mark Albiston	Control	

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<p>pressure/inflation/interest rates/utilities.</p> <ul style="list-style-type: none"> - increasing costs from social care market providers - recruitment and retention of staff - recovering from the impacts of the Covid-19 pandemic on the sector, including the NHS Recovery Plan 			<ul style="list-style-type: none"> • Workforce is structure around two key areas of practice: Director and Assistant Director roles are aligned to the structure. (a) prevention, early intervention, and short term support (b) long term support and adult safeguarding. 	Mark Albiston	Control		
			<ul style="list-style-type: none"> • Safeguarding adults' improvement plan agreed by DMT in September 2024 and progress will be monitored by DMT 	Mark Albiston	Control		
			<ul style="list-style-type: none"> • ASC have commissioned a managed service to undertake targeted statutory safeguarding enquiries focus on people with longest wait times 	Mark Albiston	Control		
			<ul style="list-style-type: none"> • ASC have commissioned a managed service to undertake an initial 650 targeted reviews in TSCK and West Kent. 	Mark Albiston	Control		
			<ul style="list-style-type: none"> • Minimum targets for completed CAN's and reviews per full time worker per week have been established and this is supported by a forward look productivity tool to evidence how ASC will reduce the number of people and time they have to wait for an assessment of their needs, and or review (in place since April 2024) 	Mark Albiston	Control		
			<ul style="list-style-type: none"> • ASC have set out transformation and sustainability business plans which sets out the actions we will take to (a) prevent, reduce, and delay needs for care and support at the first point of contact through new models of care and support (b) drive our approach to new models of care and support (sustainability) following individual reviews. These have been in place since April and are due for mid-point review. 	Mark Albiston	Control		

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Risk Ref	CRR0068	Risk Title and Event			Assigned To	Last Review da	Next Review	
Delivery Against Safety Valve Agreement					Sarah Hammond	18/06/2025	18/09/2025	
Inability to manage within budget and reduce accumulated deficit on Dedicated Schools Grant reserve and the statutory override on the deficit is lifted Failure to meet the terms of the Safety Valve agreement.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
There has been a significant increase in the number of children receiving Special Educational Needs and Disability support and the Council's Dedicated Schools Grant (DSG) budget is overspending on the High Needs Block. Continued funding of the deficit on the DSG reserve by net surplus balances in other reserves is unsustainable, and a continuance of the situation would negatively impact the financial resilience of the Council. Consequently, meeting the needs of children and young people with SEND within available resources is becoming ever more challenging and the ability to forecast costs in future years is difficult. Funding has not kept pace with the rise in demand and three quarters of local authorities have deficits in their DSG grant budget as a result of High Needs cost pressures.	In the event Kent County Council fails to adequately address the Dedicated Schools Grant deficit, including failing to meet the terms of the Safety Valve agreement, there would be: Major Financial Risk: Inability to manage within budget and reduce accumulated deficit on Dedicated Schools Grant reserve would result in adverse impact on the financial resilience of Kent County Council. Major Service Provision Risk: Children with SEND do not meet sufficient progress within the available financial resource. Adverse impact on outcomes for vulnerable children and young people. Significant Reputation Risk: Dissatisfaction from families and potential for adverse press at a local level.	High		• KCC has entered into a “Safety Valve” agreement with the Department for Education (DfE), enabling Kent County Council (KCC) to receive funding over a 5-year period to substantially fund the accumulated deficit on the Dedicated Schools Grant (DSG) High Needs Block (HNB). The agreement requires commitment to areas of review and improvement identified by Department for Education (DfE) to bring in year spend in line with the in-year budget by 2027/28. A financial contribution from the Council is also expected. • Continual lobbying of Government on two matters; increased funding in both the short and medium term, and structural changes to government policy to help reduce the demand i.e. via County Council Network, Association of Directors of Children’s Services. Includes provision of evidence of the impact of the High Needs pressures on the quality of education children receive, schools, other providers and the Local Authority.	John Betts	Control		Medium
		20						12
		Major (5)						Serious (4)
		Likely (4)						Possible (3)

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<p>The long term outcomes for young adults with SEND and having had an EHCP remain negatively unremarkable when benchmarked against the costs of maintaining those EHCPs. 55% of all ECHPs ceased for 20-25 year olds were stepped down due to the young adult not wishing to continue with education or training AND not being in work, Higher Education training or apprenticeship.</p> <p>To address the situation, Kent County Council entered the DfE Safety Valve programme March 2023 covering the financial years 2022-2023 to 2027-2028. The Council will need to bring High Needs spending back into balance over the medium term and contribute to repaying the historic deficit.</p>						

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Risk Ref	CRR0059	Risk Title and Event			Assigned To	Last Review da	Next Review	
Risk of significant adverse variance to the level of savings and income agreed in KCC’s budget.					John Betts	09/04/2025	31/07/2025	
Risk of significant adverse variance to the level of savings and income agreed in KCC’s budget.								
Spending growth pressures significantly exceeds forecasts.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. The most significant savings requirements are in adult social care. Urgent action is required to ensure revenue spending is at a sustainable level, both within the current financial year 2025-26 and over the medium term (see CRR0009) to safeguard the council's financial resilience and viability.	The level of reserves as % of revenue and sustainability of reserves based on recent levels of drawdown put the council at the top of the lower quartile of county councils.	High 16 Serious (4) Likely (4)	25 ↓ -9	• Council’s Budget Strategy, linked to Securing Kent’s Future, confirmed at County Council Budget meeting in February 2024 and confirms key principles to abide by.	John Betts	Control		Medium 9 Significant (3) Possible (3)
	Council reserves further depleted below a sustainable position.			• Finance and performance monitoring progress reports will be considered at Cabinet meetings to ensure the focus on Securing Kent’s Future remains until the council’s financial position is stabilised.	John Betts	Control		
	Impact on service delivery.			• Budget monitoring will continue to include a full report on all budgets on a quarterly basis with exception reports in the intervening months focussing on the largest and most volatile areas of spending.	John Betts	Control		
	More imminent danger of financial failure – ultimately requesting Exceptional Financial Support from Government, or issuing of section114 notice by Corporate Director Finance (s151 Officer).			• Savings delivery plans and monitoring processes in place.	John Betts	Control		
	Negative impact on MTFP three year plan.			• Analysis and enhancements to financial reporting introduced to better identify the underlying drivers for the main budget variances and the impacts and dependencies of management action and policy choices to reduce the forecast overspend.	John Betts	Control		
					• The Council's Financial Regulations (and delegation levels within), “Spending the Council’s Money” and Code of Corporate Governance, to ensure they remain fit for purpose in the current environment.	John Betts	Control	

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			<ul style="list-style-type: none"> Robust delivery plan information developed for 2025/26, particularly with ASCH – milestones, risks, dependencies etc with Strategic Reset Board oversight. 	Dave Shipton	Control		
			<ul style="list-style-type: none"> To maximise scope of effective scrutiny by all Members, there has been a review of meetings and agendas to ensure appropriate focus on core activity on the budget, key decisions and performance relating to “Securing Kent’s Future”, including regular finance update reports to Cabinet, Scrutiny Committee and Policy and Resources Committee. 	Benjamin Watts	Control		
			<ul style="list-style-type: none"> Regular Strategic Reset Programme (SRP) engagement with Directors following approval of delivery plans in April 2025. <p>Monthly presentation of delivery plan monitoring and exceptions to the SRP Programme Board for April to June and then to be reviewed.</p>	Brett Appleton	Control		
			<ul style="list-style-type: none"> Analytics function used to undertake detailed analysis of the main areas of overspend. 	Matthew Wagner	Control		
			<ul style="list-style-type: none"> Equality Impact Assessment screening will be completed for any alternative and / or additional savings necessary under the recovery plan. 	Corporate Management Team	Control		
			<ul style="list-style-type: none"> Budget Recovery Plan - Securing Kent’s Future - developed to outline a pathway to future financial sustainability. This includes focusing predominantly on the material spending areas of council activity and those with the greatest forecast variances from the approved budget. 	Corporate Management Team	Control		
			<ul style="list-style-type: none"> Any adverse variations to agreed savings / income are swiftly identified with compensating actions agreed with management. 	Corporate Management Team	Control		

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				• Resource Accountability Statements signed off by Corporate Directors.	Corporate Management Team	Control		

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Risk Ref	CRR0058	Risk Title and Event			Assigned To	Last Review da	Next Review
Capacity and capability of the workforce					Paul Royel	18/06/2025	18/09/2025
Workforce capacity challenges - insufficient staff to meet service demands.							
Capacity pressures within the management, and leadership teams potentially impacting time for reflection and decision making.							
Impact on budgets from use of agency staff/contractors to fill roles to support service delivery.							
There is a risk that services may not have the capacity to deal with the additional demand and associated cost pressures or may have to reduce quality to meet the need.							
Complaints from Kent residents							
Lack of depth / resilience of key personnel or teams.							
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action	Control / Action	Target Date	Target Risk
KCC is experiencing increasing demand for services due to whole system pressures which placing pressure on the existing capacity of the workforce. As a result of the complexity and volatility of issues being faced in the organisation, capacity within the management, and leadership teams is stretched. Increasing complexity of issues being faced by KCC require capable and experienced officers with potentially different skill sets. The financial position of the Council limits the ability to manage in spikes operational	Adverse impact on productivity	High		• Review spans and layers of management in order to make sure we have the right people in the right places doing the right things.	Paul Royel A -Accepted	30/04/2026	Medium
	Negative impact on performance and / or delivery of statutory functions or services.	16 Serious (4)		• Promote learning opportunities including the coaching network, webinars and networking opportunities.	Paul Royel A -Accepted	30/04/2026	12 Serious (4)
	Lack of experienced staff with specialist skills	Likely (4)		• Post implementation review of pay strategy to ensure it remains competitive and sustainable for the future.	Ian Allwright A -Accepted	30/04/2026	Possible (3)
	Reliance on interim and agency staff potentially impacting stability of teams and consistency of service.			• Promote the reward and recognition mechanism in place as part of communications about our new Pay Strategy, including individual recognition for exceptional work and the employee package.	Ian Allwright A -Accepted	30/04/2026	
	Inability to progress service development.			• Review our good conversation tool to look in more depth about the way career development conversation can be supported.	Kirsty Ireland A -Accepted	30/04/2026	
	Low staff morale and negative impact on wellbeing, potentially leading to burn out.			• Targeted advice, support and interventions available via HR business partners for areas of particular recruitment / retention concern relating to key roles.	Paul Royel Control		
	Loss of discretionary effort/goodwill.						

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<p>demand by way of recruitment.</p> <p>To support capacity, use of agency staff is increasing.</p> <p>Newly qualified professionals in services require adequate time and support from senior officers, which has secondary capacity impacts.</p> <p>Impacts of supporting secondments on teams and services with limited capacity or on difficult to resource roles.</p> <p>As well as national skills shortages in key areas, attracting suitably qualified, skilled and experienced staff, and retaining them to ensure sufficient capacity and capabilities to deliver services continues to be reported as a challenge across directorates. This is influenced by internal and external factors such as the financial position of the Council, local and national elections and the subsequent political uncertainty.</p>	<p>Impact on delivery of projects to expected time scales.</p> <p>Employer and Service Reputational damage</p> <p>Negative impact on budgets and savings plans</p>		<ul style="list-style-type: none"> • Workforce planning and appropriate career development and succession planning mechanisms in place. Paul Royel • Delivery of the People Strategy for 2022 approved by Personnel Committee Paul Royel • KCC's Organisation Design principles set out and periodically refreshed and monitored to ensure they remain fit for purpose. Paul Royel • Workforce profile report for the Personnel Committee gives detailed analysis on staffing levels and provides comparator information on previous years – now being provided more regularly to Personnel Committee for Member oversight and scrutiny. Paul Royel • Communication, implementation and measurement of the impact of the People Strategy. Paul Royel • Delivery of the Change Support Hub to provide suite of tools, knowledge, models, videos and change related resources to support leaders, managers, staff, and project delivery teams. The aim of the Change Hub is to aid employees to build change understanding and skills at a time right for them, to support the delivery of KCC ambitions through its many change programmes. Janet Hawkes • Delivery of Management Development activities to provide clarity and guidance for KCC managers on their responsibilities and accountabilities, including focus on key areas, such as digital, hybrid, equality, inclusiveness. Janet Hawkes • Regular staff survey conducted, followed by facilitation of engagement and action plans with senior management. Includes predictive analytics to explore key drivers of intention to leave to enable appropriate responses to develop. Diane Christie 	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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			<ul style="list-style-type: none">• Exit and retention surveys in place to identify drivers for both leavers and for those who chose to stay	Diane Christie	Control		
			<ul style="list-style-type: none">• Promoting even more regular communications between managers and their teams while working remotely via "Good Conversations" tools etc.	Diane Christie	Control		
			<ul style="list-style-type: none">• Communications and engagement campaigns will be delivered to support the implementation and embedding of People Strategy priorities. In particular, building awareness, understanding and use of our employee package will support staff retention.	Kirsty Ireland	Control		
			<ul style="list-style-type: none">• Implementation of action plans arising from latest staff survey.	Corporate Management Team	Control		

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Risk Ref	CRR0045	Risk Title and Event				Assigned To	Last Review da	Next Review
Maintaining effective governance and decision making in a challenging financial and operating environment.				Amanda Beer		05/06/2025	05/09/2025	
<p>Members are unwilling or unable to agree necessary policy (service) decisions within required timescales to deliver a legally balanced budget and sustainable medium term financial plan (MTFP).</p> <p>Members agree a budget requiring unrealistic and undeliverable efficiency savings leading to significant in year overspends.</p> <p>Statutory officers (S151, Monitoring Officer, Head of Paid Service) are required to use their powers to intervene or alert the Council to inappropriate/illegal decision making.</p>								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
The continuation of a challenging financial and operating environment for Local Government (see risk CRR0009) will require difficult policy decisions to be made in a timely manner, which requires continued effective governance and decision making as well as robust internal control mechanisms. Examples from other local authorities has shown the impact that ineffective decision making can have on financial resilience. KCC's constitution explicitly references the demarcation of Member and Officer roles, which consequently places dependency on the effectiveness of the member governance of the Council.	Decisions challenged under judicial review on the appropriateness of the decision-making within KCC. Monitoring Officer / Head of Paid Service statutory report to Council. Reputational damage to the Council. Section 114 Notice issued by the Section 151 Officer.	High		• Medium Term Financial Plan and Budget Book agreed by Full Council and support/briefings provided for all political groups by officers on budget development options	John Betts	Control		Medium
		16						10
		Serious (4)						Major (5)
		Likely (4)		• Effective internal audit arrangements in place and robust monitoring arrangements for the delivery of internal audit recommendations to Governance & Audit Committee	John Betts	Control		Unlikely (2)
				• Appropriately detailed and timely financial monitoring reports considered by Cabinet and Cabinet Committees	John Betts	Control		
				• Governance reviews from across the Local Government sector are analysed to identify any lessons learned and reported to relevant stakeholders, including Governance & Audit Committee.	John Betts	Control		
				• Appropriate officer development and training programme in place and overseen by CMT	Paul Royel	Control		
In October 2023 the External Auditors issued a report on governance arrangements at the Council, which identified 22 recommendations including around strategic arrangements				• Budget Recovery Strategy - Securing Kent's Future - set, to address the in-year and future years' financial pressures the council is facing and the specific and broader action that can be taken to return the council to financial sustainability.	Amanda Beer	Control		
				• Appropriate performance reporting of service and corporate performance to Cabinet, Cabinet Committee and Full Council	David Whittle	Control		

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<p>for delivering priorities, effective challenge to and scrutiny of decisions and the Councils structure, systems and behaviours.</p> <p>The External Auditors referred to their October 2023 report in their Annual Report of 2022/23, raising a key recommendation in regard to significant weaknesses in arrangements for governance, and noted that the same recommendation had been made in 2021/22. This was supported by findings in the Monitoring Officers annual governance statement who has noted that improvements need to be made if governance is to be effective, in both the 2021/22 and 2022/23 reports.</p> <p>The external auditor stated that there have been areas of improvement during the year including workshops, review of written governance processes and a Member development survey, however they also concluded that the culture, behaviours and standards should also keep pace with improvement work.</p>				<ul style="list-style-type: none"> • Appropriate and effective corporate risk management procedures in place for the Council • Operating standards for KCC officers that support KCC's constitution published on KNet, signposting officers to essential policy information and additional guidance on specific topics, to help officers discharge their responsibilities effectively. • Informal governance arrangements authorised by the KCC Constitution have been published on KNet as a practical guide for how officers work with elected Members to help them support effective decision making for our service users, residents and communities. • Regular reporting to Governance & Audit Committee of implementation of the actions identified within Annual Governance Statements, and actions raised at Governance and Audit Committee, in addition Members and key stakeholders have access to PowerBi suite which captures all actions and progress to date. • Key and significant decision-making process in place for Executive decisions and appropriately published Forward Plan of Executive Decisions • Annual Governance Statement (AGS) arrangements in place with returns made across both senior and statutory officers • Democratic Services support effective Committee governance and scrutiny arrangements. • Member and Officer codes of conduct in place and robustly monitored and enforced • Member development and training programme in place and overseen by Selection and Member Services Committee 	<p>David Whittle</p> <p>David Whittle</p> <p>David Whittle</p> <p>Benjamin Watts</p> <p>Benjamin Watts</p> <p>Benjamin Watts</p> <p>Benjamin Watts</p> <p>Benjamin Watts</p> <p>Benjamin Watts</p>	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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Risk Register - Corporate Risk Register

			<ul style="list-style-type: none">• Completion of the activities required, including the review of the Constitution, to ensure that the Chief Executive Officer (CEO) has a fit for purpose support and governance structure (as agreed by the County Council) to continue the effective discharge of duties.	Benjamin Watts	Control		
			<ul style="list-style-type: none">• Following the publication of the 2021/22 AGS, a dedicated team was assembled within the Governance, Law and Democracy function to improve the awareness and application of governance and decision making across the council.	Benjamin Watts	Control		
			<ul style="list-style-type: none">• Provision for Chief Officers to seek written direction from Executive Members within the KCC Constitution	Benjamin Watts	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0052	Risk Title and Event				Assigned To	Last Review da	Next Review	
Adaptation of KCC Services to Climate Change impacts.						Simon Jones	09/05/2025	09/08/2025	
There is a risk that a failure to adapt KCC services to climate change leads to adverse impacts on and increased costs to the Council, as a result of damage to or loss of physical and financial assets, staff sickness and lower productivity, transport disruption, and others.									
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action			Control / Action	Target Date	Target Risk
A lack of adaptation by the Council services (including those delivered and commissioned by KCC) to climate change as a result of inadequate planning and a lack of resourcing.	KCC bears significant financial costs due to the destruction/deterioration of its assets and services. Services responsible for the safety and wellbeing of staff and the general public are placed under greater demand for their services, resulting in greater expenditure and lower productivity. Kent's residents experience a decline in the quality of services that KCC provides across the county, leading to customer dissatisfaction and reputational damage.	High		• Delivery of the KCC Climate Change Adaptation Plan (including service level climate change adaptation risks and incorporating climate adaptation into project and BAU activity delivery, etc.).	Helen Shulver	A -Accepted		Medium	
		16		• Building environmental risks into KCC project work and the delivery of the KCC Environment Plan.	Helen Shulver	A -Accepted		12	
		Serious (4)		• Delivery of KCC's Net Zero Plan (2030).	Helen Shulver	Control		Serious (4)	
		Likely (4)		• Strategic Statement – Priority 3 re Environment	Matthew Smyth	Control		Possible (3)	
				• Delivery of the Kent Environment Strategy and Energy and Low Emissions Strategy.	Matthew Smyth	Control			
				• Estate rationalisation and building in additional measures to reduce emissions.	Rebecca Spore	Control			
				• ISO 14001 accreditation (the international standard for Environmental Management Systems) implemented and maintained	Matthew Williams	Control			

Risk Register - Corporate Risk Register

Risk Ref	CRR0066	Risk Title and Event			Assigned To	Last Review da	Next Review	
ASCH recommissioning programme					Richard Ellis	14/04/2025	14/07/2025	
Commissioning activity not delivered within expected timescales								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action	Control / Action	Target Date	Target Risk	
The current contractual arrangements for: Older Persons Residential & Nursing (OPRN £209m extended contract ends 31/3/2026), Care & Support in the Home (CSIH £71m extended contract ends 31/3/2027), LD/PD/MH residential care – (£148m extended contract ends 14/6/2026) and Supported Living (£180m extended contract ends 14/6/2027) do not meet the services needs nor its ambitions. For example, they do not give sufficiency of supply, leading to use of off-framework providers with loss of control of quality and price; there is overuse of care home placements because alternatives do not meet needs; and there is a disconnect between the commissioning intentions and operational practice. Care Act duties sit with KCC, not providers, who can choose whether to accept a person into their care or not, which creates a power imbalance.	ASC spend is not optimised and outcomes are poorer than they might be.	High		• Continuing with the micro enterprise market development work to create more diverse supply and alternative workforce	Kate Silver	Control	Medium	
	The ASC overspend is directly impacted if the Council has to spend money in the wrong places and at higher cost.	16					8	
	We are supporting more people in care home than in a home of their own.	Serious (4)			• Open framework approach to allow more new providers to join	Richard Ellis	Control	Serious (4)
	Savings targets are not being met in part because of the constraints of the current contracts.	Likely (4)			• Reinforce the right to transfer packages of care from providers who choose not to join the framework	Richard Ellis	Control	Unlikely (2)
					• The recommissioning activities are complex and potentially high risk and therefore part of the Council's Strategic Reset Programme (SRP) and so receive support to ensure they are delivered successfully. Regular progress updates are provided to the Strategic Reset Programme Board.	Richard Ellis	Control	
					• Recruitment of 3 x experienced commissioners to focus on the delivery of the recommissioning projects - ring fenced from day to day commissioning activities.	Richard Ellis	Control	
					• Engagement with the care sector regarding specifications and proposed contract terms	Richard Ellis	Control	
					• Fixed price model banded by category of need, with ranges reflective of the increasing demands of delivery	Richard Ellis	Control	
				• Activities in place to restrict the use of off framework placements: Provider order of approach Finance monthly monitoring Exceptions are agreed by Assistant Directors	Richard Ellis	Control		

Risk Register - Corporate Risk Register

<p>Whilst local authority is half of the sectors income source, providers may choose to work with the NHS and private fee payers only.</p> <p>The timescales to deliver these large programmes of work concurrently present capacity challenges for the commissioning team.</p> <p>The current market conditions and sentiment is generally negative in relation to local authorities in general and KCC in particular.</p> <p>The impact of the Autumn Budget is likely to be profound, with the potential for more providers to seek to exit completely or exit local authority business.</p>						
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Risk Register - Corporate Risk Register

Risk Ref	CRR0039	Risk Title and Event			Assigned To	Last Review da	Next Review	
Information Governance					Benjamin Watts	02/04/2025	02/07/2025	
Failure to embed the appropriate processes, procedures and behaviours to meet regulations. Failure to meet regulatory reporting deadlines. KCC is currently not meeting reporting requirements for SAR and FOI requests. Information security incidents (caused by both human error and / or system compromise) resulting in loss of personal data or breach of privacy / confidentiality. Council accreditation for access to government and partner ICT data, systems and network is withdrawn. Providers and or suppliers processing KCC data fail to embed the appropriate processes and behaviours. Poor data quality negatively impacts AI algorithms								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
The Council is required to maintain the confidentiality, integrity and proper use, including disposal of data under the Data Protection Act 2018, which is particularly challenging given the volume of information handled by the authority on a daily basis. The Council has regulatory obligations into the management of SAR/FOI/EIR requests United Kingdom General Data Protection Regulations (UK GDPR) came into effect that have introduced significantly increased obligations on all data controllers, including the Council. Officers working remotely and increasing information security threats. There is insufficient resource available to undertake comprehensive oversight / assurance activity that provides assurance on	Information Commissioner's Office sanction (e.g., undertaking, assessment, improvement, enforcement or monetary penalty notice issued against the Authority). Serious breaches under UK GDPR could attract a fine. Increased risk of litigation. Reputational damage. Bias presenting in AI algorithms impacting outcomes and decision making Loss of trust in automated decisions	Medium		• Service to complete data mapping process for their respective areas	Information A	-Accepted	31/08/2025	Medium
		15			Asset Owners			9
		Significant (3)		• Supply chain risk management program including keeping an inventory of all ICT suppliers and third party data transfers, cyber requirements built into procurement, regular assurance of supplier security to ISO 27001 and Cyber Essentials, and regular risk assessments carried out to identify supply chain risks.	James Church	Control		Significant (3)
		Very Likely (5)		• Data breach process enhanced by automated system, changes included auto reminders to services where further information is required. More data is available on service performance in relation to breach management and also allow for timely escalation where appropriate	Peter Healey	Control		Possible (3)
				• Senior Information Risk Owner for the Council appointed with training and support to undertake the role.	David Whittle	Control		
				• Caldicott Guardian appointed with training and support to undertake the role	Richard Smith	Control		
				• Overarching policy for use of Artificial Intelligence is in place and has been communicated to the wider organisation	Benjamin Watts	Control		

Risk Register - Corporate Risk Register

<p>compliance with existing information governance standards.</p> <p>There is a critical dependency on the Council's Local Authority Trading Companies (CBS) and other material third parties to support Information Governance compliance for the KCC systems and network.</p> <p>KCC services' requirement for non-standard systems creates vulnerabilities.</p> <p>Failure to manage data lawfully when using automated decision making via algorithms.</p>			<ul style="list-style-type: none"> • Staff are required to complete mandatory training on Information Governance and Data Protection and refresh their knowledge every two years as a minimum. 	Benjamin Watts	Control		
			<ul style="list-style-type: none"> • IG policies and procedures have been consolidated. Communications campaign about to commence authority wide. Policies reviewed regularly. Data Protection Officer in place to act as a designated contact with the ICO. 	Benjamin Watts	Control		
			<ul style="list-style-type: none"> • Management Guide/operating modules on Information Governance in place, highlighting key policies and procedures. 	Benjamin Watts	Control		
			<ul style="list-style-type: none"> • Corporate Information Governance Group established, chaired by the DPO and including the SIRO and Caldecott Guardian acting as a point of escalation for information governance issues and further escalation to the Corporate Management Team if required 	Benjamin Watts	Control		
			<ul style="list-style-type: none"> • Privacy notices as well as procedures/protocols for investigating and reporting data breaches reviewed and updated 	Caroline Dodge	Control		
			<ul style="list-style-type: none"> • Information Resilience and Transparency team in place, providing business information governance support. 	Caroline Dodge	Control		
			<ul style="list-style-type: none"> • The data capture mapping capture form is in place. Policy guidance requires Information Governance leads to review data maps with the services on a bi annual basis, or as and when a new DPIA is created reflected on the data map. 	Hannah Rumball	Control		
			<ul style="list-style-type: none"> • Data Protection Impact Assessment (DPIA) is supported with a matrix detailing the type of data and its usage. KCC testing of Microsoft Copilot is moving into its second phase, and the DPIA remains a live document and will be updated accordingly. 	Hannah Rumball	Control		
			<ul style="list-style-type: none"> • Cross Directorate Information Governance Working Group in place. 	Hannah Rumball	Control		

Risk Register - Corporate Risk Register

			<ul style="list-style-type: none">• ICT Commissioning function has necessary working/contractual relationship with the Cantium Business Solutions to require support on KCC ICT compliance and audit.	Sverre Sverreson	Control		
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Risk Register - Corporate Risk Register

Risk Ref	CRR0063	Risk Title and Event				Assigned To	Last Review da	Next Review	
Capacity to accommodate and care for Unaccompanied Asylum-Seeking (UAS) Children						Sarah Hammond	18/06/2025	18/09/2025	
In the event of a significant increase of UAS children arriving in Kent there may be insufficient resource to provide suitable social work assessment capacity, placements and support for UAS children in a timely fashion.									
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk	
In recent years, large numbers of unaccompanied children have arrived in the UK and claimed asylum. Because almost all of these children enter the UK in Kent, KCC is the local authority responsible for accommodating and looking after them in the first instance, in addition to those who already live in its area. In July 2023 the High Court ruled that KCC must accommodate and look after all UAS children arriving into the County, pending transfer to other local authorities under the National Transfer Scheme. This has resulted in KCC being required to expand their social work and reception centre services to meet this ruling as it presents numerous pressures on an already stretched service, and for the council as a whole.	Impacts on vulnerable children (both UAS children and potential knock-on impacts for Kent looked after children). Risks KCC being unable to fulfil its statutory responsibilities to all children effectively. Significant additional budget pressures on the Authority, impacting on its financial resilience. However, this impact is reducing as funding has been secured from the Home Office and DfE (revenue and capital).	Medium 12 Serious (4)		• The Council has utilised / re purposed available buildings to increase accommodation capacity.	Rebecca Spore	Control		Medium 12	
		Possible (3)		• UAS Steering Group in place to coordinate support efforts across the organisation. The steering group brings together key representatives across the organisation including social work, finance, analytics, HR and infrastructure.	Sarah Hammond	Control		Serious (4) Possible (3)	
	Legal consequences.								
	Reputational damage.								
				• Intensive negotiations with Home Office and Department for Education following the receipt of funding up to March 2025. Negotiations were focused on the significant changes needed to the NTS as future modelling showed there would be a gap in the future without these.	Sarah Hammond	Control			

Risk Register - Corporate Risk Register

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			<ul style="list-style-type: none"> Additional support has been secured from the Home Office and Department for Education in the form of additional funding (capital and revenue) to ensure the cost to accommodate and look after all UAS children arriving to Kent is fully funded by central government. Central government revenue funding is informed by KCC's estimated costs, with a proportion based on fixed costs to protect KCC from fluctuations in demand across a given year. There is close ongoing communication with the Home Office and DfE. 	Sarah Hammond	Control		
			<ul style="list-style-type: none"> Transport arrangements have been put into place to ensure children and young people can be efficiently transported from the Kent Intake Building to their KCC placement ahead of the final destination under the National Transfer Scheme, which the Home Office is responsible for providing the transportation to. 	Alex Stringer	Control		
			<ul style="list-style-type: none"> UAS child numbers are continually monitored and reviewed to assess capacity and aid planning. An emergency response plan is in place between KCC, Home Office and Department for Education (DfE) which includes an early warning system that notifies the Home Office and DfE when capacity fills up. 	Alex Stringer	Control		
			<ul style="list-style-type: none"> Best endeavours are being applied to ensure assessments are completed for every child that arrives in port and find appropriate placements, despite resourcing challenges. 	Alex Stringer	Control		
			<ul style="list-style-type: none"> Recruitment of required social care staff to ensure there is sufficient staffing in place in terms of operational delivery. A proportion of posts will be permanent and a proportion will be filled by agency staff to enable flexibility and adaptability in line with demand. 	Alex Stringer	Control		

Risk Register - Corporate Risk Register

			<ul style="list-style-type: none">• Registering of reception centres with Ofsted to meet regulations.	Alex Stringer	Control		
			<ul style="list-style-type: none">• Recruitment of required reception centre staff to ensure there is sufficient staffing in place ahead of new reception centres opening. The recruitment and start dates for new staff is being planned to enable to robust induction ahead of the centre formally opening. A proportion of posts will be permanent and a proportion will be filled by agency staff to enable flexibility and adaptability in line with demand.	Alex Stringer	Control		
			<ul style="list-style-type: none">• Fostering placements (in-house and independent) have been block commissioned to ensure placements for UAS children who are under 16.	Alex Stringer	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0067	Risk Title and Event			Assigned To	Last Review da	Next Review	
SEND Delivery Improvement					Sarah Hammond	18/06/2025	18/09/2025	
Insufficient improvement in areas identified within Ofsted timescales and children with SEND do not meet sufficient progress within the available financial resource. Insufficient resources and focus on the new inspection framework. Failure to maintain effective and continued delivery progress against the APP.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
The Kent local area inspection by Ofsted and the CQC for children with SEND took place in January 2019. This inspection found nine significant areas of weakness across the local area which resulted in a Written Statement of Action being issued. In September 2022, the Local Area was revisited by Inspectors from both Ofsted and the CQC, who found that the area had not made sufficient progress in addressing the weaknesses as set out in their letter dated 9 November 2022. An Improvement Notice was subsequently issued 31 March 2023. Concurrent to this event KCC was also in discussion with the DfE regarding participating in a financial recovery programme, known as Safety Valve, as a potential approach to addressing the growing actual and projected overspend in the High Needs	In the event the Kent local area fails to continue to adequately mitigate weaknesses identified in its special educational needs and disability (SEND) provision there would be: Serious Service Risk: Adverse impact on outcomes for vulnerable children and young people. Serious Compliance Risk: Should the Secretary of State not be satisfied with the Council's progress at any stage, they may choose to invoke statutory powers of intervention (s497A Education Act 1996) to direct the Council to take any further actions deemed necessary to secure the improvements required in SEND services. Potential for legal action if statutory time limits or processes are not met. Significant Reputation Risk: Dissatisfaction from families and potential for adverse press at a national and local level for a prolonged period.	Medium		• Delivery of SEND Improvement Programme, which includes delivery of requirements detailed in the Kent Accelerated Progress Plan.	Sarah Hammond	A -Accepted	30/12/2025	Medium
		12		• The Council has produced for approval by the Department for Education (DfE) and NHS England (NHSE) an Improvement Plan (Accelerated Progress Plan) to deliver appropriate and sustainable improvement, covering the areas identified in the Ofsted and CQC revisit report of 9 November 2022, as well as recommendations made by the Department.	Sarah Hammond	Control		8
		Serious (4)		• Continual lobbying of Government on two matters; increased funding in both the short and medium term, and structural changes to government policy to help reduce the demand i.e. via County Council Network, Association of Directors of Children's Services. Includes provision of evidence of the impact of the High Needs pressures on the quality of education children receive, schools, other providers and the Local Authority. Ongoing lobbying of Government to pause the existing SEND inspection framework.	Sarah Hammond	Control		Serious (4)
		Possible (3)		• Local area SEND Strategy developed in collaboration with partners, which goes beyond the Written Statement of Action to enable sustained improvement and transform Kent's SEND offer.	Sarah Hammond	Control		Unlikely (2)

Risk Register - Corporate Risk Register

<p>Funding Block.</p> <p>To address the identified weaknesses an Improvement Plan (Accelerated Progress Plan - APP) was formalised by the Local Area September 2023 against which Outcome and Impact based KPIs are being scrutinised and addressed.</p> <p>Progress against APP actions has been made and the Improvement Notice was lifted August 2024 on the understanding that the provision of SEND services remains a priority. Progress continues on outstanding APP actions which are subject to regular review and DfE oversight.</p> <p>The Government have indicated that they are not going to pause or suspend the new inspection framework for SEND. This risk for Kent is that the focus remains on the previous nine areas of weakness which are at odds with the new inspection framework. This could result in insufficient resource being directed to addressing the key issues in the new framework.</p>				<ul style="list-style-type: none"> • Robust programme management in place, ensuring appropriate alignment between project workstreams and overall programme delivery arrangements. Sarah Hammond • KCC SEND Transformation Strategic Board in place, with responsibility for coordinating activity and tracking improvement progress, reporting into the partnership Strategic Improvement and Assurance Board. Sarah Hammond • Kent and Medway Children and Young People's Programme Board joint governance mechanism with Health partners (sub-group of Integrated Care Board) Sarah Hammond • Independently chaired Strategic Improvement and Assurance Board (now Kent SEND Partnership Board) established, including representation from the Local Authority (including Members and cross directorate colleagues), Health, Learning and Teaching settings, representatives of parents and carers, and where appropriate young people. Sarah Hammond 	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		

Risk Register - Corporate Risk Register

Risk Ref	CRR0049	Risk Title and Event			Assigned To	Last Review da	Next Review	
Fraud and Error					John Betts	09/04/2025	30/09/2025	
<p>Failure to prevent or detect significant acts of fraud or error from internal or external sources, in that within any process or activity there are risks that:</p> <ul style="list-style-type: none">- false representations made to make a gain or expose another to a loss- failure to notify a change of circumstances to make a gain or expose another to a loss- abuses of position, in which they are expected to safeguard to make a gain or expose another to a loss. <p>Given the size and complexity of KCC, with a significant number of payments going to a wide range of suppliers and other public bodies, whom have a legitimate need to amend their bank details, that this process is used to submit a fraudulent change of bank details (mandate fraud) to KCC in order to divert funds.</p> <p>Compromise of physical security controls and/or infrastructure including unauthorised access to ICT systems could lead to fraudulent access and/or use of data.</p>								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
<p>As with any organisation, there is an inherent risk of fraud and/or error that must be acknowledged and proactively managed.</p> <p>The fraud threat posed during emergency situations is higher than at other times, and all public bodies should be attuned to the risks facing their organisations and the public sector. This is further impacted by inflation and the cost-of-living crisis. It is critical that management implements a sound system of internal control and always demonstrates commitment to it, and that investment in fraud prevention and detection technology and resource is sufficient. This includes ensuring that new emerging</p>	Financial loss leading to pressures on budgets that may impact the provision of services to service users and residents.	Medium		• KCC is part of the Kent Intelligence Network (KIN), a joint project between 12 district councils, Medway Council, Kent Fire & Rescue and Kent County Council which analyses and data matches financial and personal information to allow fraudulent activity in locally administered services to be detected more proactively within Kent		Control		Low
	Reputational damage, particularly if the public see others gaining services or money that are not entitled to, leading to resentment by the public against others.	10 Moderate (2)		• An agreed Memorandum of Understanding is in effect with partners (District Councils, Police and Fire Service) outlining the minimum standards expected to be applied by collection authorities (District Councils) to address fraud and error relating to council tax and business rates. Additional work jointly funded to identify and investigate high risk cases based on each authority's share of the tax base. This supports the work of the KIN.		Control		5 Minor (1) Very Likely (5)
	Potential legal challenge.	Very Likely (5)		• Multiple layers of logical, physical and administrative security controls.				
	Reputational damage.			Linked to CRR0014 Cyber Security Corporate Risk.				
	Poor service delivery.							
Potentially enabling Serious Organised Crime.								

Risk Register - Corporate Risk Register

<p>fraud/error issues are sufficiently risk assessed.</p> <p>As part of the Economic Crime and Corporate Transparency Act (ECCT), a new corporate criminal offence of 'Failure to Prevent Fraud' has been introduced. The offence is intended to hold large organisations to account if they profit from fraud. Under the offence, large organisations may be held criminally liable where an employee, agent, subsidiary, or other "associated person", commits a fraud intending to benefit the organisation.</p>			<ul style="list-style-type: none"> • KCC reserves the right to carry out a dip sample of due diligence vetting checks in partnership with contract managers to verify declarations of non-involvement. Clare Maynard • Scheme of Delegation - compliance with Delegation Matrix and Spending the Council's Money Clare Maynard • Procurement standards reviewed, including rules relating to "Spending the Council's Money", which have been clarified, to ensure relevant controls are in place to mitigate e.g. declarations of interest for procurement fraud, authorisation levels etc. Clare Maynard • All tendering specification now include a requirement for the tenderer to provide details on what procedures they have in place to prevent fraud from occurring within the contract, both in the service delivery and invoicing into KCC. Support in evaluating these procedures will be obtained from the Counter Fraud Team as part of the overall evaluation process. Clare Maynard • Clear process within relevant Commissioning Departments for procurement under the PCR threshold Clare Maynard • With supplier consent, within the Tender Selection Questionnaire and subsequent contract Terms and Conditions. Clare Maynard • Communication of mandate fraud / cyber security to KCC supply chain. Clare Maynard • Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity. Jonathan Idle • Mandatory training - Data Protection and Information Governance training is mandatory and requires staff to refresh periodically. Benjamin Watts <p>Linked to CRR0014 Cyber Security Corporate Risk.</p>	<p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p> <p>Control</p>		
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Page 159			<ul style="list-style-type: none"> • Communication, including messaging to encourage increased awareness of information security amongst staff. 	Diane Christie	Control		
			Linked to CRR0014 Cyber Security Corporate Risk.				
			<ul style="list-style-type: none"> • Whistleblowing Policy in place for the reporting of suspicions of fraud or financial irregularity 	James Flannery	Control		
			<ul style="list-style-type: none"> • Training and awareness raising is conducted periodically and is included in the Counter-Fraud action plan. 	James Flannery	Control		
			<ul style="list-style-type: none"> • Preventing Bribery Policy in place, presenting a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. 	James Flannery	Control		
			<ul style="list-style-type: none"> • Anti-fraud and corruption strategy in place and reviewed annually 	James Flannery	Control		
			<ul style="list-style-type: none"> • Counter Fraud Action plan in place to manage resources in conducting reactive and proactive work across KCC. 	James Flannery	Control		
			<ul style="list-style-type: none"> • Participate in the National Fraud Initiative exercise every two years to identify any fraud and error within key risk areas. 	James Flannery	Control		
			<ul style="list-style-type: none"> • KCC Counter Fraud & Trading Standards are a member of the Kent Fraud Panel to help inform current fraud trends and emerging risks that may impact KCC and its residents. 	James Flannery	Control		
			<ul style="list-style-type: none"> • Mandate fraud risks are communicated as part of the fraud awareness sessions. 	James Flannery	Control		
			<ul style="list-style-type: none"> • Systems of internal control which aim to prevent fraud and increase the likelihood of detection e.g. financial controls such as authorisation of payments and spend. 	Corporate Management Team	Control		

Risk Register - Corporate Risk Register

			<ul style="list-style-type: none">The Corporate Management Team is required to engage the Counter Fraud Team regarding all new policies, initiatives and strategies as per the anti-fraud and corruption strategy, and have relevant fraud risk assessments and mitigating controls in place on specific fraud risks associated with their areas.	Corporate Management Team	Control		

Risk Register - Corporate Risk Register

Risk Ref	CRR0065	Risk Title and Event				Assigned To	Last Review da	Next Review
Implementation of fit-for-purpose Oracle Cloud system.						Simon Jones	26/03/2025	26/06/2025
Oracle Cloud system not fit-for-purpose.								
Cause	Consequence	Current Risk	Previous Current Risk	Control / Action		Control / Action	Target Date	Target Risk
This is a critical programme for the organisation, replacing the current outdated infrastructure. It is a large and complex programme, which carries with it significant inherent risk. There have been reports in the public domain about other implementations that have been fraught with difficulties, so it is important that this organisation-wide risk features on the Corporate Risk Register for visibility and that the programme demonstrates robust governance, change and programme management, especially at a time where organisational capacity is stretched, with several major change activities in train.	1. Most impact on finance - unable to carry out month/year end, paying suppliers/providers/clients and staff and receive payments in to the Authority. 2. Services unable to carry out operational duties. 3.Costs to the Oracle Cloud programme will increase as resources to the programme extended. 4. Reputational impact to the Authority. 5.Increased costs will impact the MTFP and Securing Kent's Future.	Medium		• Right skills in place to carry out User Acceptance Testing (UAT).	Ramzan Amin	Control		Low
		10		• UAT phases - control points for sign off.	Ramzan Amin	Control		5
		Major (5)		• Programme Team to provide Internal communications with regular updates and key messages so that information is given in a timely matter.	Ramzan Amin	Control		Major (5)
		Unlikely (2)		• Build & Functional Test phases for each module built in to the programme with sign off required at end of each 'build' phase.	Ramzan Amin	Control		Very Unlikely (1)
				• Pre UAT & Training schedule as part of the programme.	Ramzan Amin	Control		
				Owner of control sits with the Service Implementation partner who sit outside of KCC.				
				• Transition / change management planning to be completed.	Ramzan Amin	Control		
				• Agree date of 'change freeze' across all applications that interface with Oracle	Simon Jones	Control		
				• Cloud readiness assessment (with Service Leads) phase undertaken to map out current processes and how these will fit to the new system taking on board 'ADOPT not ADAPT'	Simon Jones	Control		
				• Oracle Cloud Board Members to ask their respective areas to ensure that the programme is aware of any proposed changes to the current Oracle System or associated 3rd party systems to enable the programme to impact assess as otherwise it could result in additional costs.	Simon Jones	Control		

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APPENDIX 2 - Directorate Risk Registers - Summary Risk Profiles June 2025

Risk No.	Risk Title	Current Risk Rating	Target Risk Rating	Direction of Travel since Jan 2025
Children, Young People and Education				
CY0045	Growing demand and limited supply of affordable accommodation – children’s services.	High (25)	Low (6)	Increase from Medium (12)
CY0040	Availability of affordable specialist providers for disabled children and children with complex needs	High (16)	Medium (12)	↔
CY0048	Safeguarding vulnerable children	Medium (15)	Medium (15)	↔
CY0042	Home To School Transport cost pressures	Medium (12)	Medium (12)	Reduction from High (16)
CY0009	Children not in full time education not receiving a suitable education	Medium (12)	Low (6)	↔
CY0049	Providers struggling to achieve Supported Accommodation registration with Ofsted - Children's Services	Medium (12)	Low (4)	↔
CY0032	Information Governance	Medium (9)	Medium (9)	↔
CY0046	Quality in care – Children’s	Medium (9)	Low (6)	↔
CY0034	Business continuity and resilience	Medium (8)	Low (4)	↔
CY0030	Management of the CYPE Directorate in year budget	Risk Withdrawn (related to 2024/25 year)		
Growth, Environment and Transport				
GT0025	Capital Investment and Asset Management	High (25)	High (16)	↔
GT0036	UK Emissions Trading Scheme	High (20)	High (16)	Escalation from ECE Division
GT0031	Recruitment and retention challenges for key roles.	High (20)	High (16)	↔

GT0020	Identification, planning and delivery of Medium-Term Financial Plan targets	High (20)	High (16)	↔
GT0027	Provision of suitable ICT systems	Medium (12)	Medium (12)	↔
GT0021	Resources provided to the directorate (availability and quality)	Medium (12)	Medium (12)	↔
GT0001	Health and Safety considerations	Medium (10)	Medium (10)	↔
GT0026	Net Zero sufficiency of funding	Risk incorporated as part of broader divisional risk (EW0025) – <i>government policy and funding to support delivery of environment agenda.</i>		
GT0019	Delivery of in-year budget targets	Risk withdrawn (related to 2024/25 year)		
Chief Executive’s and Deputy Chief Executive’s Departments				
CED0003	Departmental resource capacity	High (16)	Medium (9)	↔
CED0004	Modernisation of financial operations	High (16)	Medium (8)	↔
DCED0006	Preparations for the introduction of the EU Entry / Exit System (EES)	Medium (15)	Low (5)	↔
DCED0003	Departmental resource capacity	Medium (12)	Medium (9)	↔
DCED0004	External supplier resource capacity	Medium (12)	Medium (12)	↔
DCED0002	Anti-bribery and Corruption	Low (4)	Low (4)	↔
Adult Social Care and Health				
AH0005	Risk of significant overspend to the level of savings in the ASCH budget.	High (25)	High (20)	↔
AH0043	Deprivation of liberty safeguards	High (20)	High (16)	↔

AH0044	Safeguarding – protecting adults at risk	High (20)	Medium (15)	↔
AH0033	Adult Social Care workforce recruitment and retention	High (20)	Medium (9)	↔
AH0055	Management of outstanding debt	High (20)	Medium (12)	New Risk
AH0037	Information Asset Management	High (16)	Medium (9)	Increase from Medium (9)
AH0050	Provider Payments - system failure resulting in providers not being paid on time and/or correctly	High (16)	Medium (12)	New Risk
AH0038	Information Governance	Medium (9)	Medium (9)	↔
AH0047	Provider failure	Risk now being held on Integrated Commissioning register.		

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From: Ben Watts, General Counsel

To: Governance and Audit Committee, 3 July 2025

Subject: Update on the Preparation of the Annual Governance Statement 2024/25

Status: Unrestricted

1. Introduction

- a) The Annual Governance Statement 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 output within the Council.
- b) The Governance and Audit Committee plays a key role in openly discussing issues and challenges as they arise and providing political oversight of the governance arrangements for the Council. The Annual Governance Statement forms a central part of the Committee's work and in addition to reflecting on activity from the prior year, defines a work programme for the year ahead.
- c) At the meeting on 3rd July 2025, the General Counsel will provide a short presentation to include an introduction to both the Annual Governance Statement and an update on the preparation of this year's statement and the role of the Committee in shaping it.
- d) It is anticipated that the final draft of the Annual Governance Statement 2024/25 will be brought to the September meeting of the Governance and Audit Committee for consideration.

2. Recommendations

The Governance and Audit Committee is asked to:

- a) NOTE the update on the preparation of the Annual Governance Statement 2024/25.

3. Background Documents

None.

4. Report Author and Relevant Director

Ben Watts, General Counsel
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COUNTER FRAUD ANNUAL REPORT 2024-25

Introduction

The roles of the Counter Fraud function are to:

- Receive, track and, where required, investigate financial irregularities (fraud and error) that occur within Kent County Council;
- Provide advice and support to management in mitigating the risk of financial irregularities occurring within their area; and
- Provide awareness and assess the risk of financial irregularities with management and front-line staff.

The Counter Fraud team (CFT) work alongside Internal Audit as one function to support work in providing an 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 Governance and Audit Committee are asked to:

- Note the Counter Fraud Annual Report including quarter 4 progress for 2024/25 and reported irregularities from 01 January 2025 to 31st March 2025;
- Note the progress of the Counter Fraud Action Plan for 2024/25 (Appendix B);
- To review, comment and approve the Counter Fraud Action Plan for 2025/2026 (Appendix C).

Key Messages

- Kent Intelligence Network (KIN) outcome for 2024/ 2025 has identified **£3.4m**, with KCC benefiting **£1.8m (0.07% of revenue spend)** from this activity;
- A rise in procurement referrals is showing a greater awareness of this risk within Directorates;
- Actual loss: Actual losses for 2024/ 2025 amount to **£1m (0.04% of revenue spend)** with the majority subject to full recovery;
- Counter Fraud Plan: Updates on progression against the Counter Fraud Plan can be found within the report and at **Appendix B**.
- The proposed Counter Fraud Action plan at **Appendix C**, includes activity to explore the use of AI to prevent counterfeit/ forged documents, as well as supporting an audit on anti-corruption controls within KCC.
- The biennial National Fraud Initiative is in progress with the outputs of this work in **Appendix D**, this has identified savings of **£230k** .

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Proactive Work – January 2025 to March 2025

Awareness Campaigns – January 2025 to March 2025.

In January 2025, over 250 middle managers at the T200 event received awareness training. The training focused on the current and emerging fraud and error risks and how management can identify and mitigate these risks, including the support from Counter Fraud Specialists in completing fraud risk assessments.

In March 2025, the CFT assisted the Serious and Organised Crime Team with their inaugural Learn and Lunch initiative. A bespoke fraud awareness presentation was delivered to 41 council officers.

Due to work pressures on the reactive side, there was a reduction in proactive work delivered in this last quarter.

Proactive Work – 2024/2025

The Counter Fraud Team have delivered the following key proactive work through 2024/25:

- 23 fraud related training sessions delivered to over 1,000 individuals;
- Knet campaign that aligned to international fraud awareness week;
- Training to over 100 school finance staff and governors;
- Supported in the development of a grant acceptance process to prompt the need for fraud risk assessments;
- Three fraud risk assessments completed.

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Irregularity Referrals – January 2025 to March 2025 Overview

A further 120 irregularity referrals were received from January 2025 to March 2025, bringing the total number of referral to 518 received for 2024/ 2025. This is an increase of 51 referrals (**11%**) against the number of referrals received in 2023/ 2024. An increase in referrals is a good indication of awareness of the need to report irregularities to Internal Audit and Counter Fraud to assess where an investigation is required, ensure risks are assessed and mitigated, identifying lessons to be learnt and financial recovery occurs.

As shown in the subsequent slides and **Appendix A**, there has been increases in irregularities relating to:

- Contract Management – Invoice of services not delivered/ overpayments due to data inputting errors;
- No Recourse to Public Funds (NRPF) – Increase in the number of people claiming support due to destitution and not being able to access public funds;
- Blue Badge misuse – Use of stolen and deceased badges in particular;

The types and volumes of irregularities reported are shown in **Appendix A**

National Fraud Initiative

The National Fraud Initiative (NFI) is operated by the Cabinet Office, and it mandates that Local Authorities provide data to detect fraud and error, with fines being imposed for non-compliance. The NFI is run every two years and requires specific data sets to be provided for this purpose. The Counter Fraud Team have engaged with relevant system owners who have extracted and submitted this data to the NFI, this was completed in October 2024.

Work has started to clear the matches with details of each match and savings identified in **Appendix D**. In total, savings of £230k have been identified.

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Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health

There has been a further 17 irregularities (excluding blue badges) reported to Internal Audit and Counter Fraud between January 2025 to December 2025, bringing the total number of referrals to 56.

Procurement

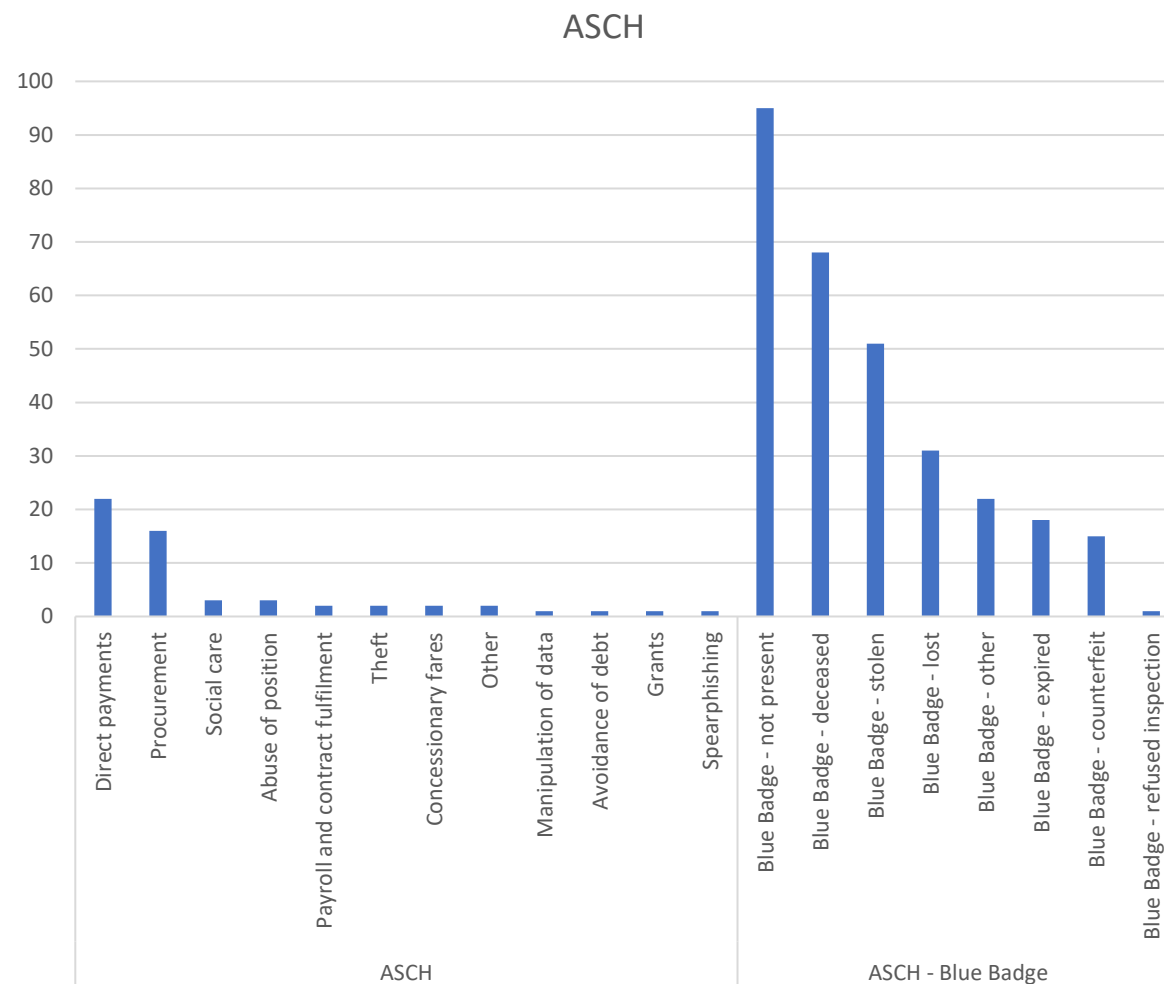
- further referrals (in addition to the five referrals already received) has been received relating to provider invoicing which are currently being progressed with the service to identify what losses may have occurred.

Direct Payments

- There have been 6 cases relating to irregularities within direct payments. Total losses amount to £25k for these 6 cases, bringing the total losses for the 44 referrals relating to direct payments to £30k. All amounts are subject to full financial recovery.

Theft

- Theft of another laptop has been reported, following engagement by the Counter Fraud Team this has been successfully recovered.



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Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health - Continued

Blue badges:

There has been a further 85 referrals relating to blue badges received from January 2025 to March 2025, bringing the total number of referrals in 2024/25 to 301 which is comparable to the same level of referrals received in the same period for 2023/ 2024. The outcomes of these referrals are:

- 239 Penalty Charge Notices being issued across Kent resulting in an estimated £8,365 of additional parking revenue.
- 160 Warning Letters to reminder users of the appropriate use.
- 88 badges removed from being misused again.
1 prosecution.

Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education

No Recourse to Public Funds:

The Counter Fraud Team provide a due diligence check to validate someone's circumstances when applying for funding under the Childrens Act.

There have been a further 13 referrals for destitution checks from January 2025 to March 2025, bring the total number to 37.

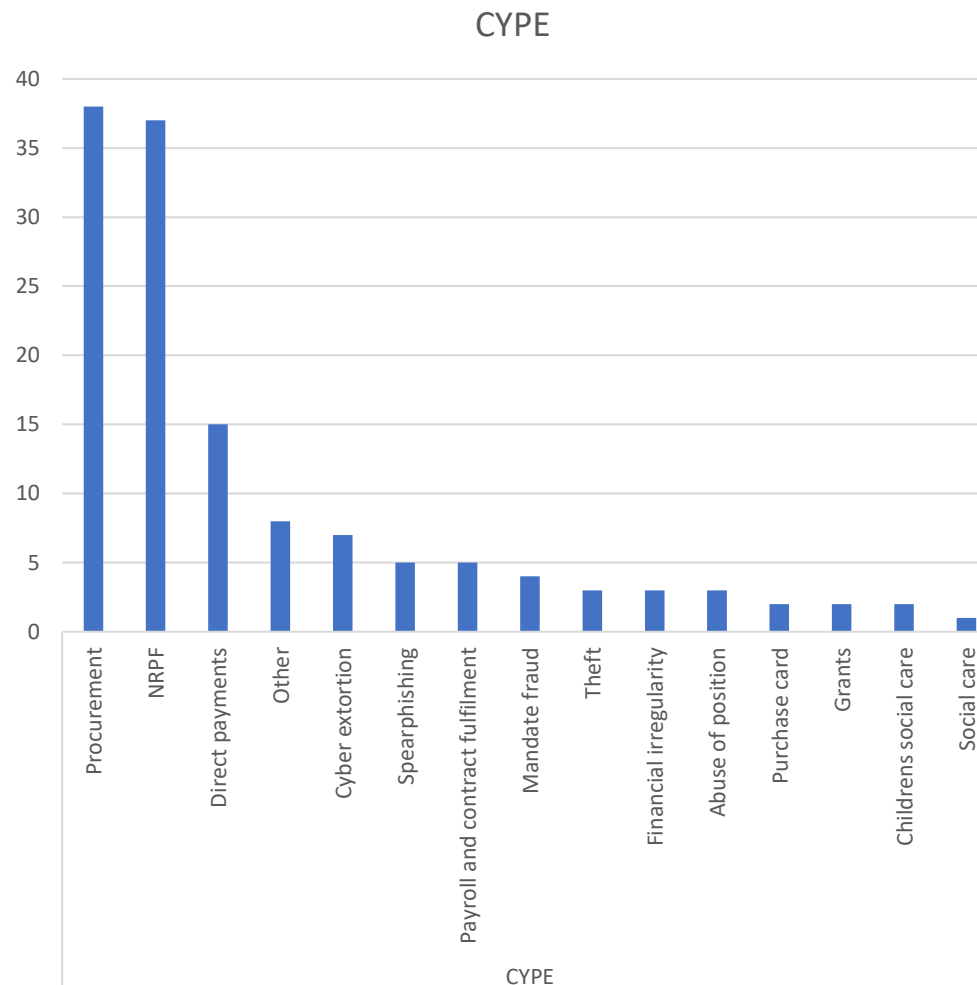
Through these checks, positive assurance can be provided that the person is destitute and public funds are being used to support KCC statutory duties.

Direct Payments:

There has been five referrals relating to direct payment irregularities from January 2025 to March 2025, with losses amounting to £3.6k, bringing the total number of referrals received for 2024/2025 to 13 referrals amounting to £15k. All amounts are subject to full financial recovery.

Home to School Transport

A further 10 irregularities relating to home to school transport invoicing have been reported, bringing the total number of irregularities for 2024/25 to 18, with a total loss of just over £25k.



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Irregularity Referrals by Directorate and Fraud Type – Children Young People and Education - Continued

Essential Living Allowance (ELA):

Management identified 68 irregularities within Essential Living Allowance payments being paid to young people that KCC have a statutory duty to support. ELA payments are made to young people who do not have access to money due to their age (16-17) or immigration status, meaning they cannot access public funds such as Universal Credit. It was identified that payments continued after the young person became entitled to public funds but their ELA had not ceased.

This resulted in a loss of £177k with £40k recovered from the young persons Kent Cards, leaving £137k to be recovered. Overpayments ranged from £17 to £6k. A management letter has been issued raising four issues for management to address these being:

- Policy / guidance – improvements in the policy / guidance was needed to ensure there were relevant authorisation controls in place for payments;
- Procedures – improvements in the way Kent cards are stored, issued and tracked was needed to ensure there was a clear audit trail of when Kent Cards are issued to young people;
- Reconciliations – improvements in how payments to young people is reconciled to ensure entitlement should continue/ cease;
- Historic payments – to determine if the irregularities identified have also occurred to young people who have left the service.

Management have accepted the findings of this review and are implementing management actions to address these issues and seek financial recovery.

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Irregularity Referrals by Directorate and Fraud Type – Growth, Environment and Transport

Concessionary fares:

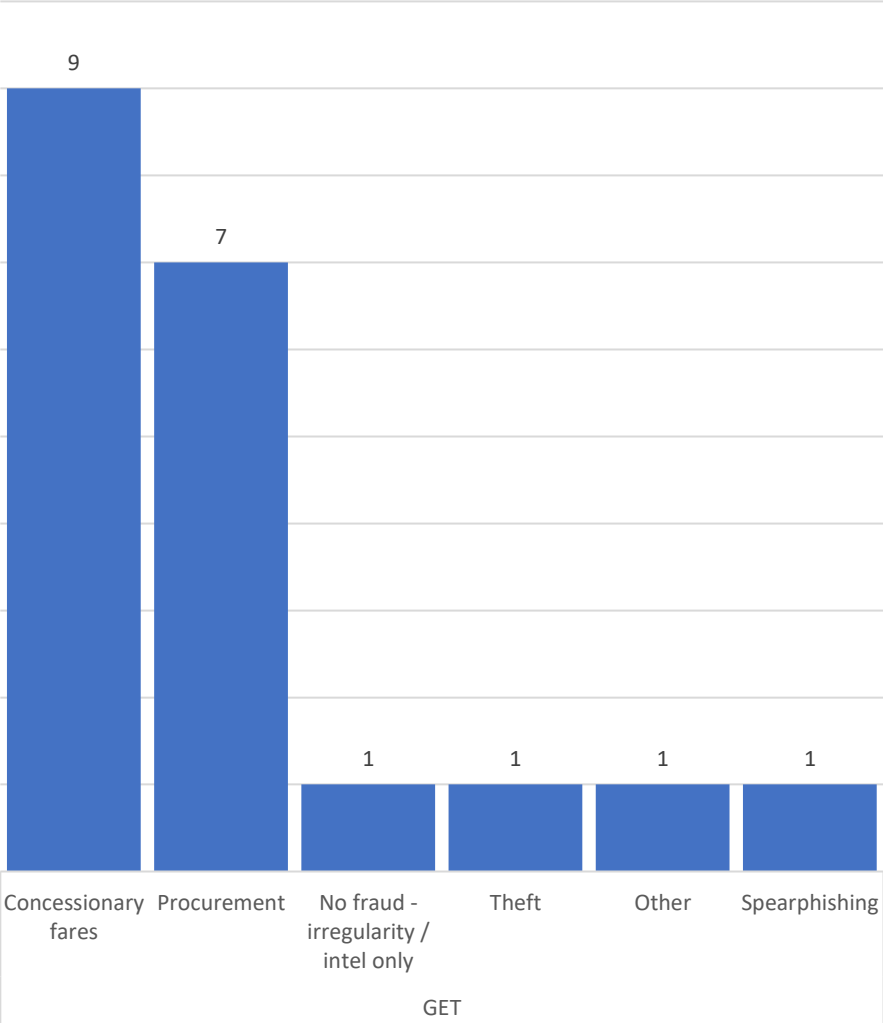
3 further referrals relating to misuse of people's concessionary bus pass have been reported. The actual loss is difficult to calculate, however the Department for Transport places a potential loss of £113 where fares are misused through the avoidance of paying bus fares. This brings the total number of referrals to 9 for 2024/2025.

The NFI mortality match resulted in 3558 Concessionary bus passes matches, from the 2599 Concessionary bus passes required cancelling. This provides an estimated saving of £98,762 based on the cost of reimbursement to bus operators. There is also an estimated future saving provision of £197,524 based on preventing any future use of the pass.

Blue Badges:

Although the Blue Badge scheme is administered by ASCH, the majority of misuse occurs within on-street parking bays, thus having an impact on the amount District/ Borough Councils receive from this income and in turn the amount they could potentially return to KCC.

Growth, Environmental and Transport



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Irregularity Referrals by Directorate and Fraud Type – Chief Executive/ Deputy Chief Executive Departments

Pensions

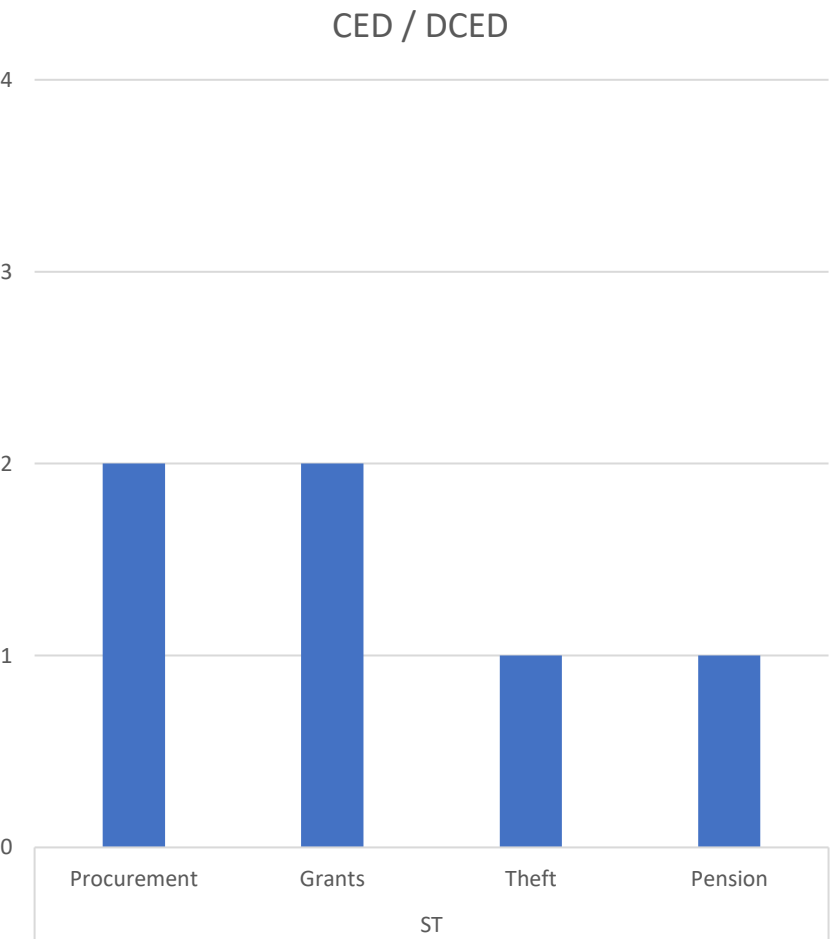
An irregularity within pensions that resulted in a potential theft of someone’s pension has been progressed. Due to human error by the pension recipient an incorrect bank account was provided that resulted in payments being made to an unrelated party.

Through the banking protocol details of the unrelated party was provided to support civil recovery, through engagement by Counter Fraud, it was established the person had received £9k over 6 years and had spent the money. Repayment plan has been established.

The NFI identified 250 matches between pension and mortality data, 242 have been checked, there was £5,538 in overpayments identified with an estimated £130,579 in future loss savings.

Procurement

Two referral have been received and are currently under investigation.



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Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 March 2025

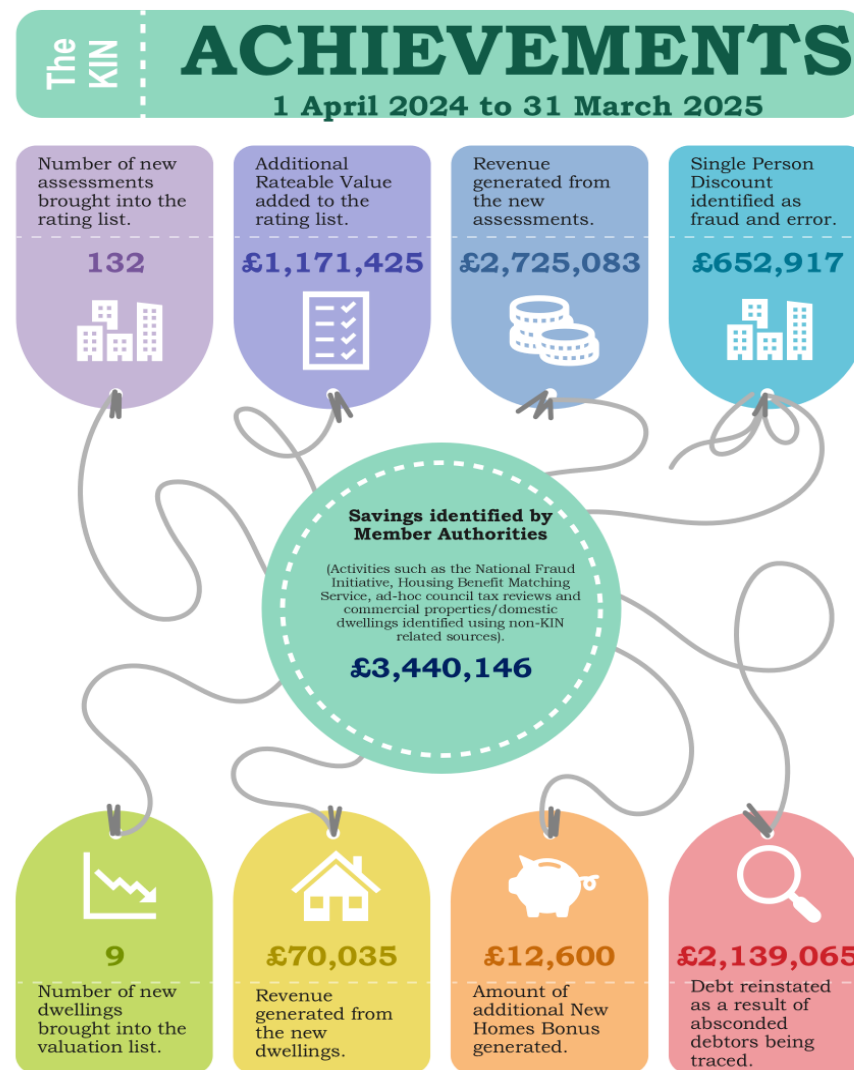
The KIN continues to provide valuable financial support to KCC, Police, Fire Authority and District Councils and the outcomes for the period 1 April 2024 to 31 March 2025, set out below, show the results and financial returns achieved.

Business Rates:

32 commercial properties, amassing a combined rateable value of £1,171,425, have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the businesses occupying these properties are now liable for business rates.

The additional business rates revenue generated from the identification of these missing properties is £2,725,083 of which broadly 9% (£245,257) 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 £994,472; and
- A ‘future loss prevention’ provision of 3 years of £1,730,611. This represents the amount of additional income that would have been lost if the respective properties had not been identified by KIN.
- It is also pertinent to highlight that on 31 March there were 111 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 117 cases which are currently under investigation by billing authorities.



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Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 March 2025

Council Tax

The KIN also helped to identify dwellings missing from the valuation list and an additional 9 dwellings have been identified in this financial year.

The additional council tax revenue generated from the identification of these missing properties is £70,035, of which broadly 73% (£51,125) 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 is £20,034; and
- A 'future loss prevention' provision of 3 years of £50,001. This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

It is also pertinent to highlight that on 31 March there were 5 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 10 cases which are currently under investigation by billing authorities.

Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts and KCC. It is estimated that the 9 dwellings identified will generate £12,600, of which 20% (£2,520) comes to KCC.

In respect of the £2,139,065 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 £1,497,345, once collected, and this would amount to £1,093,061.

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Kent Intelligence Network (KIN) Overview – 01 April 2024 to 31 March 2025

Finally, the proactive work being done in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £652,917, of which broadly 73% (£476,629) comes to KCC, once collected.

In total, the financial benefit to KCC from the KIN related initiatives and successes detailed above amounts to £1,868,592.

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 £400,954 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.

Solely in respect of KIN related work, the financial return to KCC for 2024/25 is £1,447,928 (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).

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Counter Fraud Action Plan 2024/2025

Updates to the 2024/25 Counter Fraud Action Plan are set out in Appendix B.

The balance between pro-active and re-active work continues to be a challenge within resource levels. Resource levels below include staff working within the shared service with Tonbridge and Malling Council (0.2 FTE Counter Fraud Manager, 1 FTE Counter Fraud Technician & 0.8 FTE Intelligence Officer).

The Action Plan is being delivered for 2024/ 25 with an increase of awareness being seen through more irregularities being reported, this helps inform areas of risk and where needed inform audits in these areas.

Counter Fraud Resources

Position	Current number of employees
Counter Fraud Manager	1
Counter Fraud Specialists	3
Counter Fraud Technician	2
Intelligence Officer	0.8
Intelligence Assistant	1

Two of the team are on maternity leave, with one position being filled through another member of the team acting up (with their position being backfilled with a temporary contract) and temporary contract for the other position.

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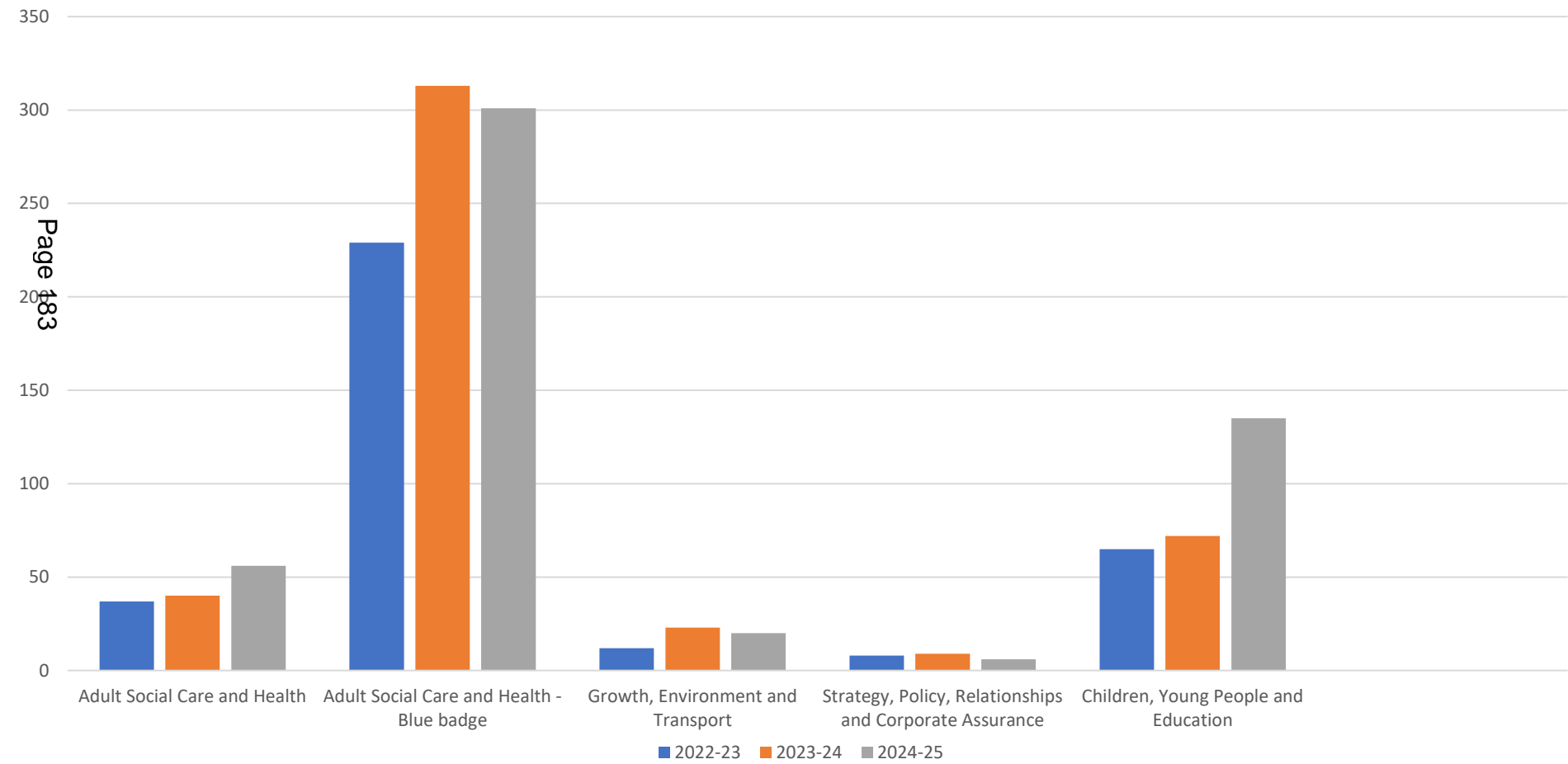
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Appendix A - Year on Year Comparison – by Directorate

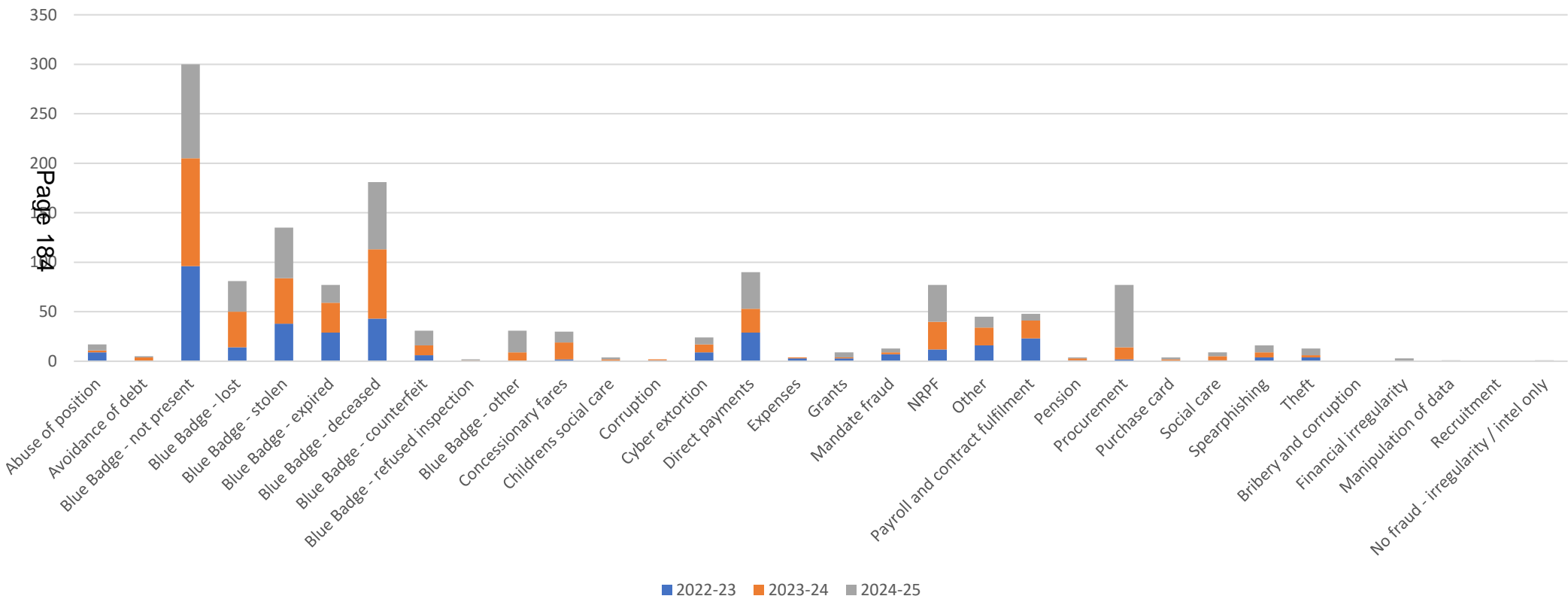
While Blue Badge cases still represent the largest number of referrals the Counter Fraud service receives, there has been increases of referrals in relation to contract management (procurement). ASCH and CYPE represent the highest proportion of our caseload.



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Appendix A - Year on Year Comparison – by Fraud Type

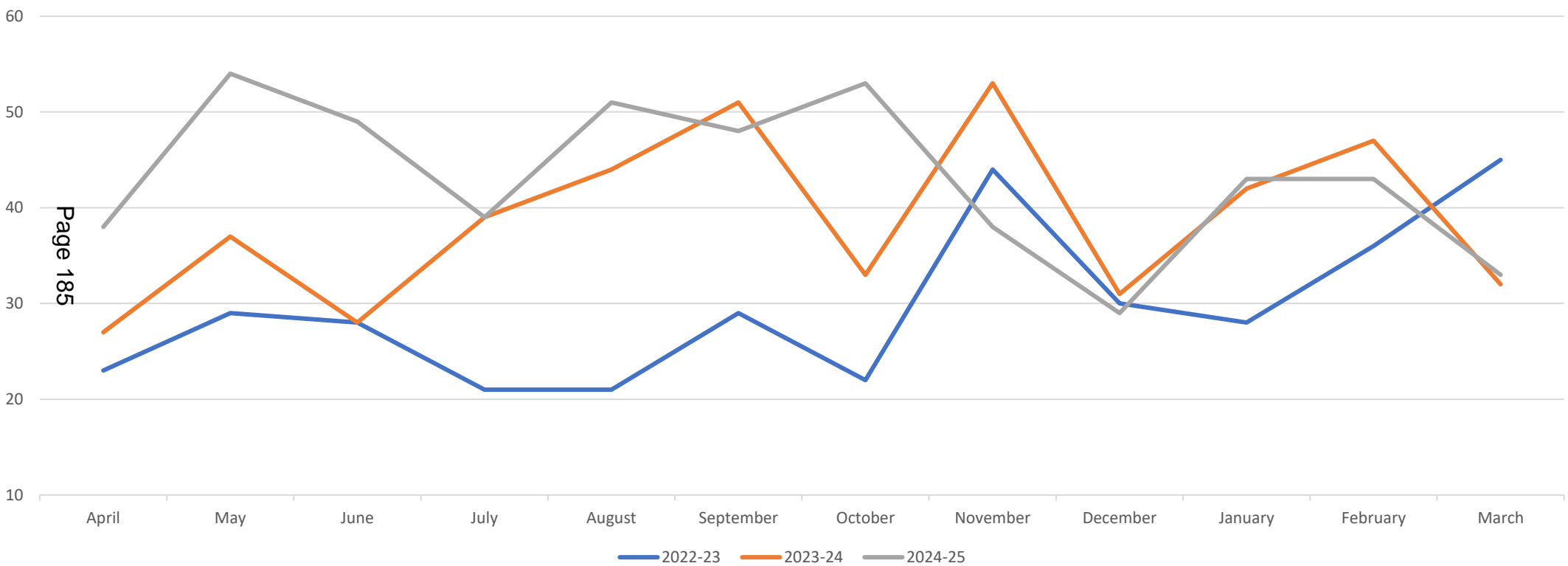
This slide demonstrates that Direct Payments have historically been the biggest risk of fraud after blue badges. This year however, the number of procurement related and NRPF referrals received has a greater financial risk to KCC.



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Appendix A - Year on year comparison – by Month Received

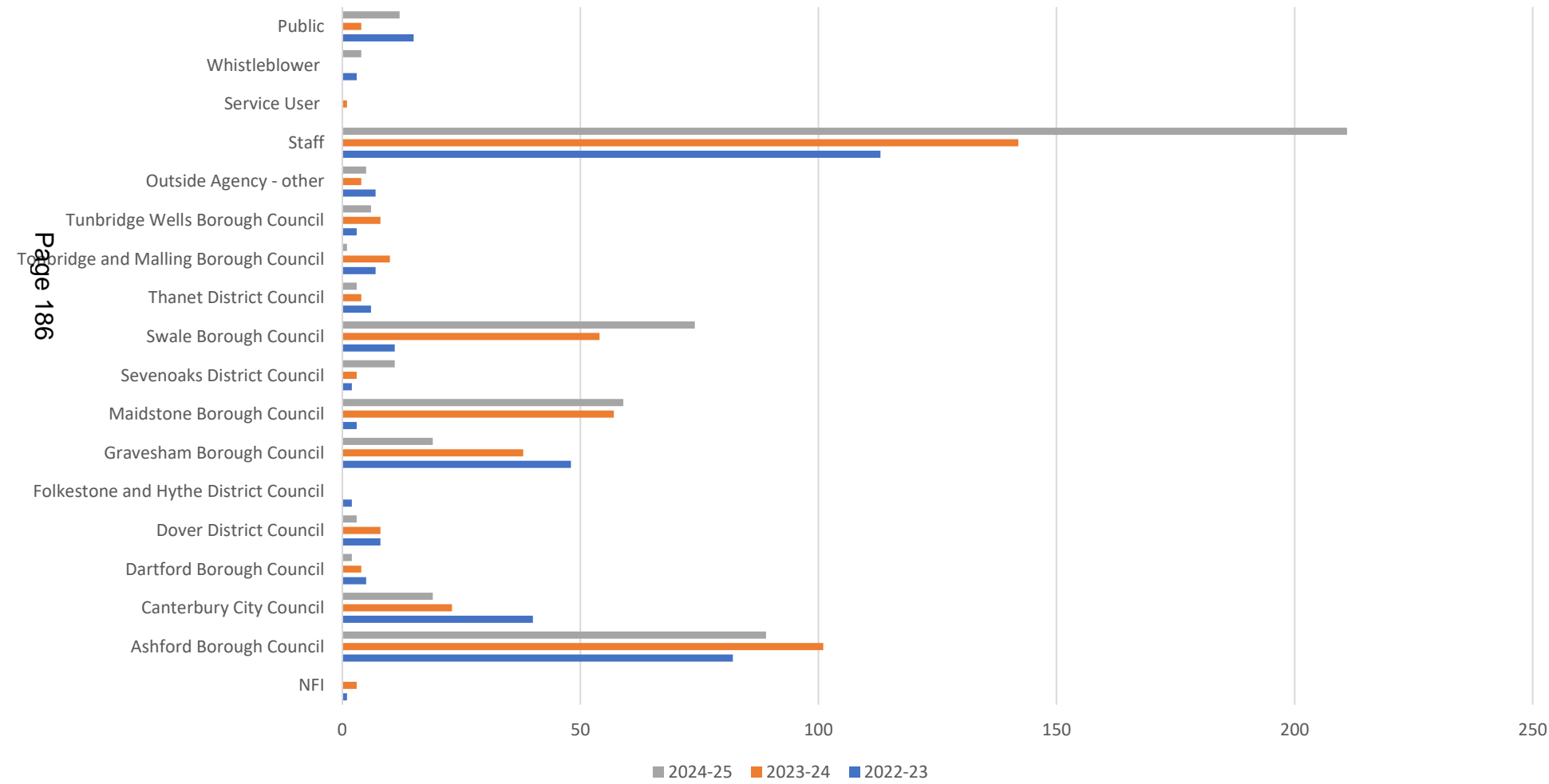
Referrals from April 2024 to March 2025 are still averaging over 40 per month.



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Appendix A - Year on Year Comparison – by Source of Referral

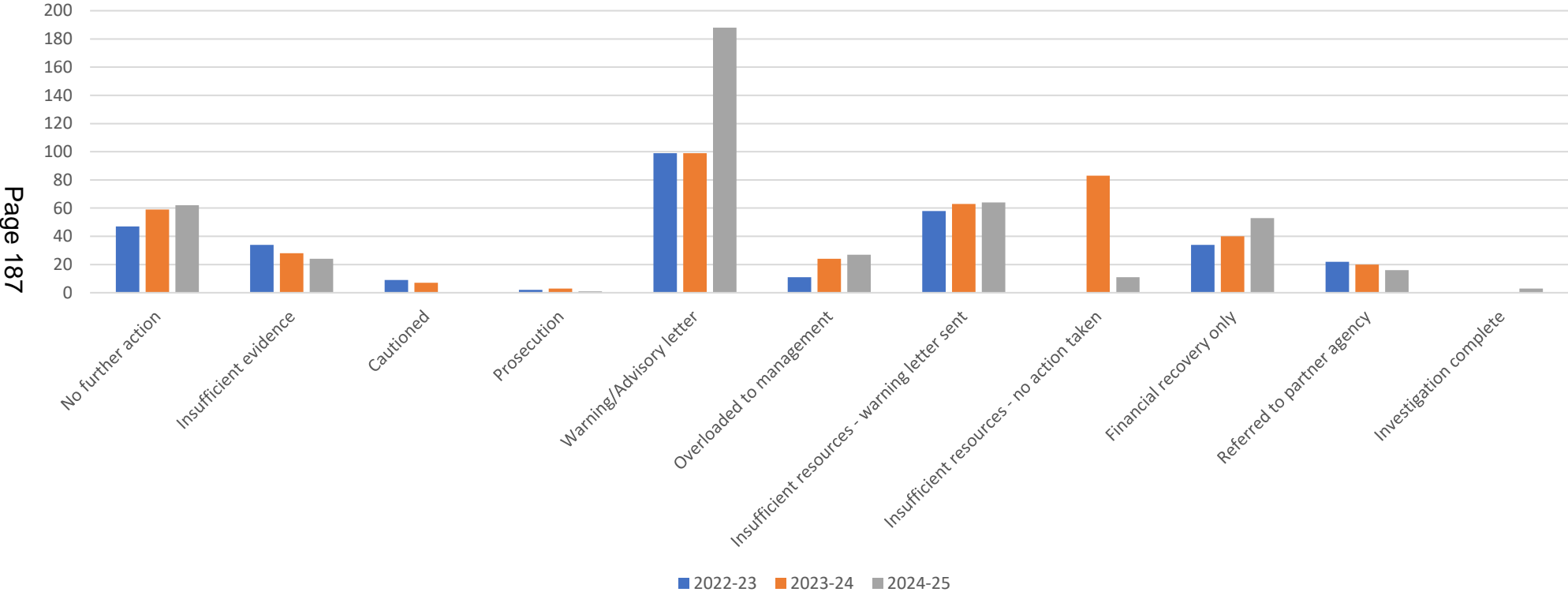
Relationship management/ awareness is working as in most cases, the number of referrals received from KCC staff is increasing.



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Appendix A - Year on year comparison – by outcome

The increase in the number of referrals, in particular blue badge referrals, has resulted in some referrals not being progressed due to work on more complex cases taking priority.



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Blue Badge Referrals – By type and Referring Parking Team

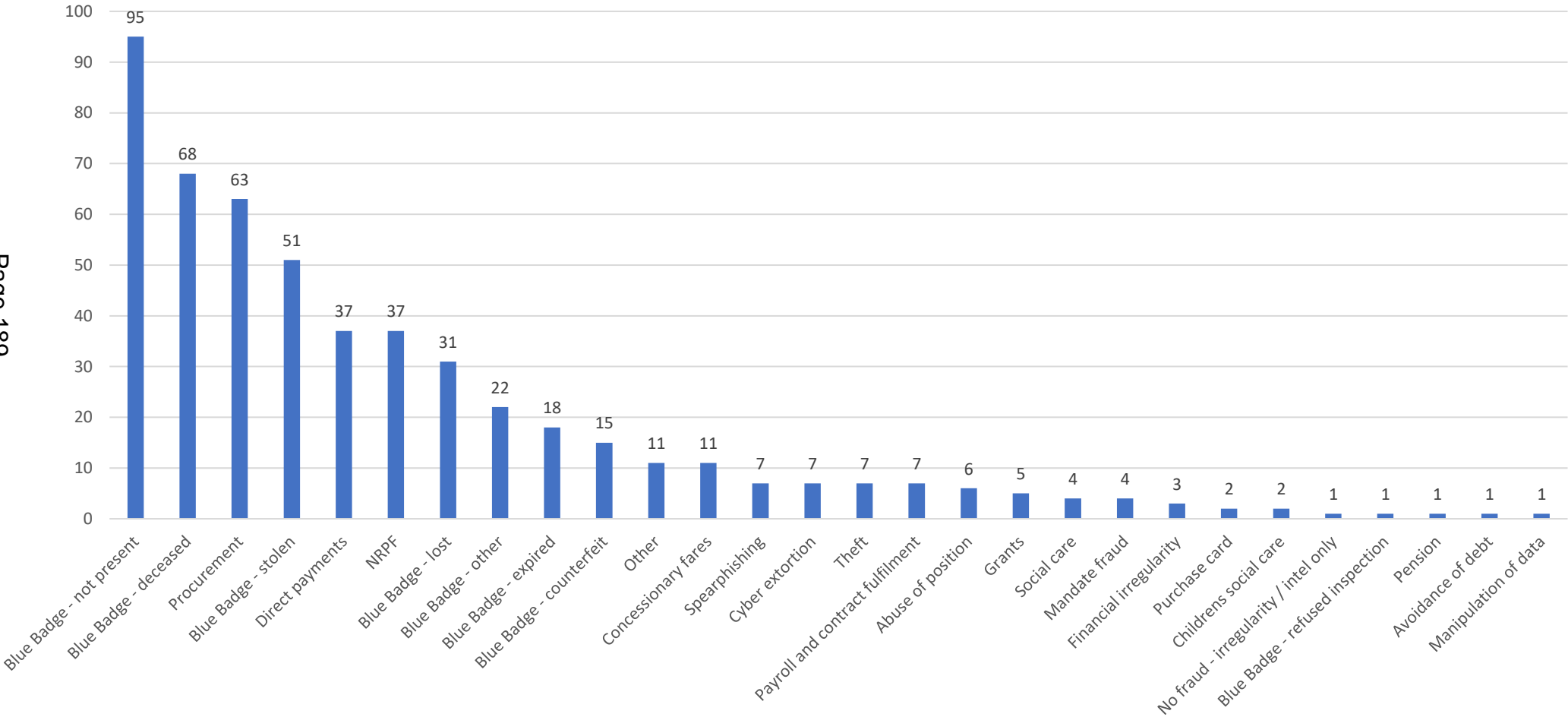
Ashford Borough Council continue to detect more blue badge misuse than other District/ Borough Councils, however we continue to see a marked increase of referrals being received from Maidstone and Swale councils.

Blue Badge misuse type	Number of referrals
Blue Badge - counterfeit	15
Blue Badge - deceased	68
Blue Badge - expired	18
Blue Badge - lost	31
Blue Badge - not present	95
Blue Badge - other	22
Blue Badge - stolen	51
Blue Badge - refused inspection	1
Total	301

Parking Enforcemnt Area	Number of referrals
Ashford Borough Council	89
Canterbury City Council	19
Dartford Borough Council	2
Dover District Council	3
Gravesham Borough Council	19
Maidstone Borough Council	59
Outside Agency - other	2
Public	6
Sevenoaks District Council	11
Staff	7
Swale Borough Council	74
Thanet District Council	3
Tonbridge and Malling Borough Council	1
Tunbridge Wells Borough Council	6
Total	301

Appendix A: Fraud and Irregularity Referrals by Fraud Type April 2024 to March 2025

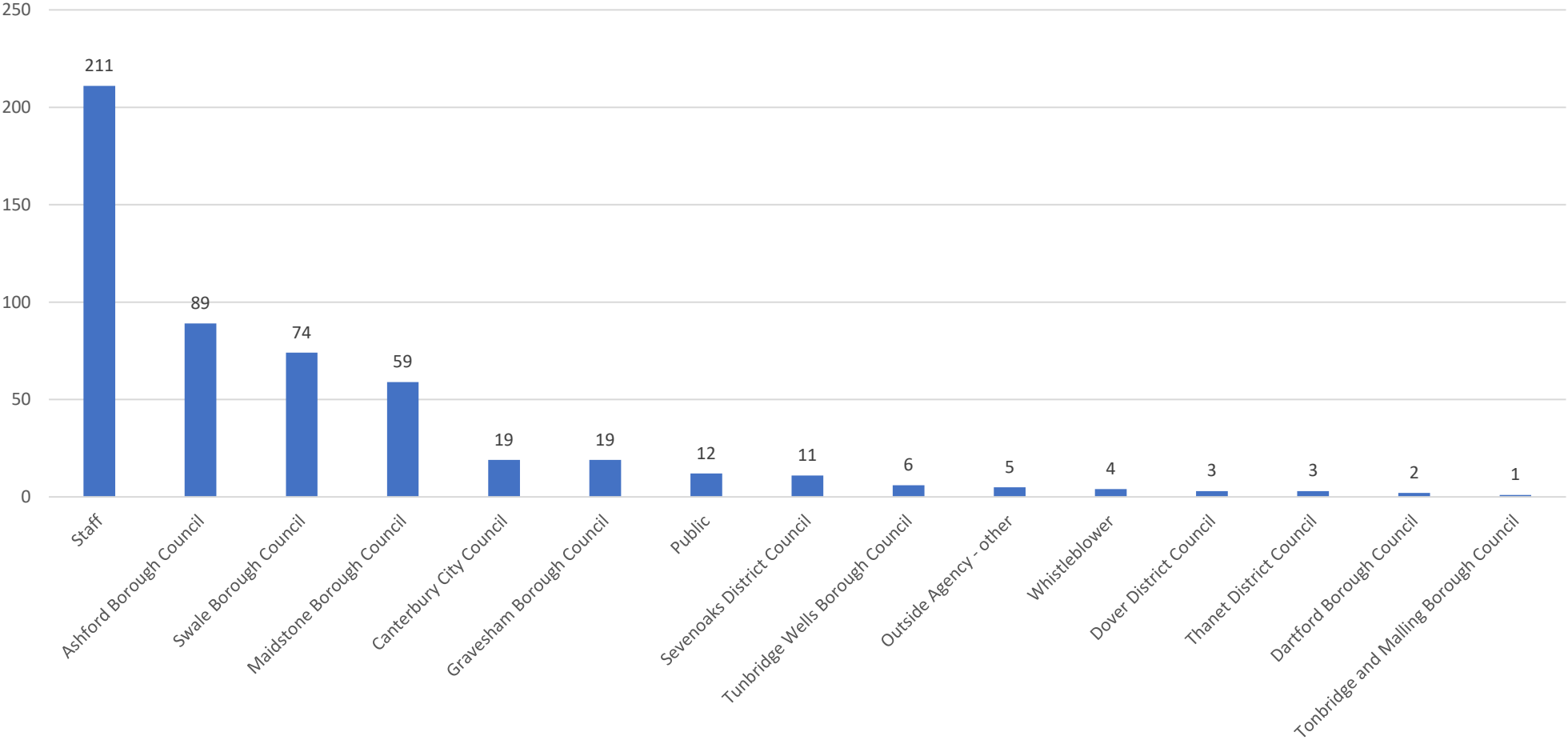
Referrals by Fraud Type



Appendix A: Fraud and Irregularity Referrals by source April 2024 to December 2024

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Referrals by Source



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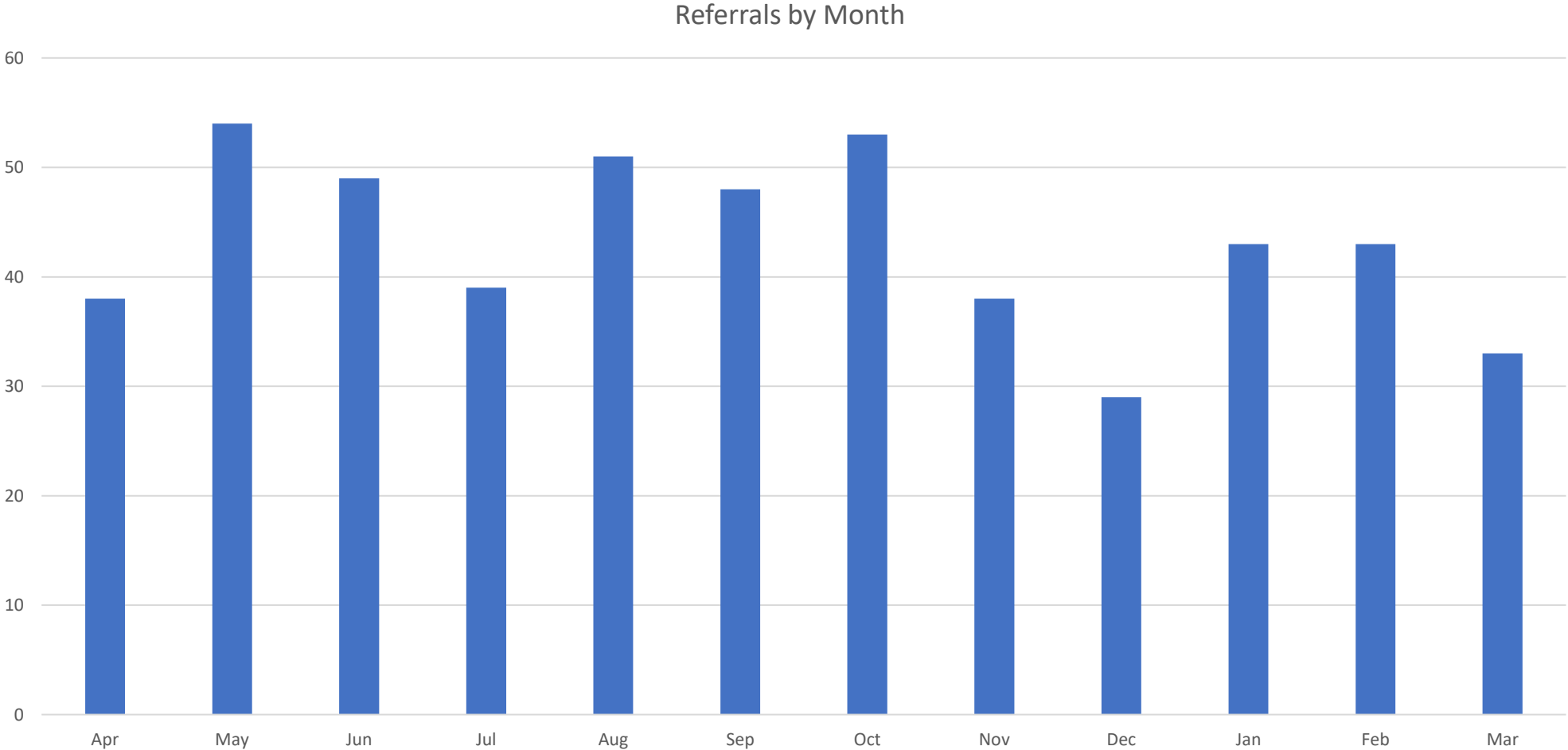
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Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	A quarterly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	Completed – Counter Fraud Progress Report provided to Governance and Audit Committee in May 2024, September 2024, March 2025 and June 2025. In addition, fraud and error awareness presentation to Cabinet completed.
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.	Completed – Reviewed and presented to Governance and Audit Committee in March 2025.
	Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). To work with Governance and Law to embed fraud risk assessments within the Key Decision process.	In progress – Key decision app still in development. Grant acceptance process adopted with requirement for fraud risk assessments to be obtained. Fraud risk assessments completed for Grants – Multiply, and one in progress for boot camp grants. Procurement processes updated to ensure questions on fraud prevention controls are included in questions on the invite to tender applications.
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.	On Going – Meetings held with senior officers. Attendance at the task and finish group for supporting living to challenge and support management. Support provided and available to ASCH on reconciliation processes for invoicing.
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.	In progress – Substantial assurance provided on the whistleblowing arrangements.

Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	<p>Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach.</p> <p>The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture (including failure to prevent fraud) and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.</p>	On-going see proactive section in main report for update.
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.	On-Going – Draft engagement plans review by Counter Fraud Manager and/ or Counter Fraud Specialist to provide advice to IA.
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.	Completed – Communication plan supported by internal communications supporting the delivery of key messages.
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Resources will be allocated and based on specific expertise and knowledge – this means matches can be dealt with promptly. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.	<p>In progress – Data specification and project timetable shared with services, data received and uploaded to the NFI. Expecting output from data match mid-December.</p> <p>Engagement with services next step to inform approach to investigate and clear matches.</p>
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents.	In progress – See update on KIN

Appendix B: Fraud Action Plan 2024/25

Pillar	Activity	Detail	Update
Pursue Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps	Investigations	<p>The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure;</p> <ul style="list-style-type: none"> that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee Appropriate sanctions are applied. 	In progress – outcomes and referral rates reported in main report.
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.	In progress – SE County Council Fraud Hub engagement, London Fraud Investigation Group engagement, Kent Fraud Panel engagement.

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Appendix C: Fraud Action Plan 2025/26

Pillar	Activity	Detail
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	A quarterly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.
	Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). To work with Governance and Law to embed fraud risk assessments within the Key Decision process.
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.

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Appendix B: Fraud Action Plan 2025/26

Pillar	Activity	Detail
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture (including failure to prevent fraud) and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Resources will be allocated and based on specific expertise and knowledge – this means matches can be dealt with promptly. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents.
	Artificial intelligence – Counterfeit/ Forgery	To explore the use of AI as a directional tool to identify counterfeit/ forged documents used to access services.
	Anti – Corruption Audit	To support on the Group of States against Corruption (GRECO) audit on Anti-Corruption controls at KCC.

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Appendix C: Fraud Action Plan 2025/26

Pillar	Activity	Detail
Pursue Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps	Investigations	<p>The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure;</p> <ul style="list-style-type: none"> that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee Appropriate sanctions are applied.
	Partnership Working	<p>To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.</p>

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Appendix D: National Fraud Initiative outturn

Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Pensions	Pensions/Pension Gratuity to DWP Deceased	The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.	250	242	£5,538.66	£130.579
	Deferred Pensions to DWP Deceased	The purpose of the match is to identify instances where the former employee has passed away, but payment of any widow/dependant entitlement may not have commenced.	45	45	£0	£0
	Pensions to Payroll	To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally, abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement.	179	179	£0	£0
	Pensions to Payroll	To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally, abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement.	201	201	£0	£0

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Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Page 199 Payroll	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.	6	0		
	Payroll to Payroll	The criteria for a match are a person having one full-time post plus at least one other post elsewhere.				
	Payroll to Payroll - Email Address	Payroll Data Matched on Email Address or Phone Number: The purpose of these matches is to identify fraudsters that may changed their names or are using false identities to avoid detection. There is evidence to indicate they often keep the same phone number or email address for convenience or to facilitate the fraudulent activity.				
	Payroll to Payroll - Phone Number	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.	1	0		
		Payroll Data Matched on Email Address or Phone Number: The purpose of these matches is to identify fraudsters that may changed their names or are using false identities to avoid detection. There is evidence to indicate they often keep the same phone number or email address for convenience or to facilitate the fraudulent activity.				
	Payroll to Pensions	To identify cases where employees who have gone back into employment after drawing a pension that could result in an abatement of pension.	7	0		
		Although investigation of these cases would normally be undertaken by the pension scheme, details of the matches where earnings in excess of £15,000 (for the six months the data submission covers i.e. £30,000 per annum) have been provided to allow you to identify any sensitive cases i.e. involving senior employees or employees in a position of trust.				
	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account (report 80) or the same address (report 81) to identify employees with interests in companies with which your organisation is trading.	2	0		
		This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.				
	Payroll to Creditors	The match identifies instances where an employee and creditor are linked by the same bank account (report 80) or the same address (report 81) to identify employees with interests in companies with which your organisation is trading	9	0		
		This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.				

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Appendix D: National Fraud Initiative outturn

Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Blue Badge	Blue Badge Parking Permit to Blue Badge Parking Permit	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	18	0		
	Blue Badge Parking Permit to Blue Badge Parking Permit	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	2	2	£0	£794
	Blue Badge Parking Permit to DWP Deceased	Individuals who have a blue badge have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified.	2476	0		
	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	208	0		
	Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	364	0		
	Blue Badge Parking Permit to Blue Badge Parking Permit - Email Address	The purpose of this match is to identify people who may have committed fraud by obtaining more than one blue badge.	182	0		
	Blue Badges to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1	0		
	Blue Badges to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	8	0		

Appendix D: National Fraud Initiative outturn

Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Concessionary Fares	Concessionary Travel Passes to DWP Deceased	Individuals who have a concessionary travel pass have been matched to deceased records. This will identify cases where a permit holder has died, but the local authority may not have been notified	3558	3558	£98,762	£197,524
	Concessionary Travel Passes to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1			
	Concessionary Travel Passes to Amberhill Data	Identity fraud happens when fraudsters use a false identity or somebody else's identity details to support their criminal and deceptive activities. The NFI uses the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify potential fraud being perpetrated against NFI participating bodies through the use of these false identities including fraud by false representation (Section 2 - Fraud Act 2006).	1			

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Appendix D: National Fraud Initiative outturn

Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Page 202 Creditors	Duplicate creditor by address detail	To identify multiple creditors operating at the same address. These may represent simple errors, where the same creditor may have been set up twice using a slightly different spelling, for example LIMITED and LTD, or an attempt to obscure fraudulent activity.	19	0		
	Duplicate creditors by bank account number	This output shows where the same bank account details appear on more than one record. Of particular interest is where the same bank details are shown against suppliers with different names. These may indicate where a supplier has changed trading name but the standing data has not been updated to reflect this or there are links between companies with different trading names.	16	0		
	Duplicate records by reference, amount and creditor reference	This match highlights possible duplicate payments in excess of £500 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff	1	0		
	Duplicate records by amount and creditor reference	This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	23582	0		
	VAT overpaid	This report identifies instances where VAT may have been overpaid. This is based on the information provided within the NFI invoice history data submission and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by the NFI exercise.	127	0		
	Duplicate records by invoice number and amount but different creditor reference and name	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	12	0		
	Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	2	0		
	Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	This match highlights possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.	10	0		

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Type	Match name	Purpose of match	Total number of matches	Cleared	Overpayments	Total Savings
Procurement	Procurement - Payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage. To do this we have matched your payroll data to companies house information and then to your creditors data.	3	0		
	Procurement - Payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage. To do this we have matched your payroll data to companies house information and then to your creditors data.	11	0		
MOR	Multiple occurrence report	Report 9999 brings together individuals who appear as a match in more than one of the NFI reports. This can alert investigators that there may be more than one issue to consider and potentially save time avoiding duplication of work on a match found later on.	887	0		

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By: Jonathan Idle – Head of Internal Audit
To: Governance and Audit Committee – 3 July 2025
Subject: **INTERNAL AUDIT PROGRESS REPORT**
Classification: Unrestricted

Summary:

This Progress Report details summaries of completed Audit reports between for the period January – June 2025.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period January to June 2025.

FOR ASSURANCE

1. Introduction

- 1.1 Professional Internal Audit Standards 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 January to June 2025 together with the resulting conclusions, where appropriate.

2. Recommendation

- 2.1 Members are requested to note the Internal Audit Progress Report for the period January to June 2025.

3. Background Documents

Internal Audit Progress Report.

Jonathan Idle, Head of Internal Audit

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T: 03000 417840

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INTERNAL AUDIT PROGRESS REPORT

GOVERNANCE AND AUDIT COMMITTEE

July 2025

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 15 summaries of completed/ update for ongoing work between January and June 2025.

2. Key Messages

- 14 audits have been finalised in the period reported and 1 progress update is included. **Appendix A**
- 20 audits from the 2024-25 rolling Audit Plan are currently in progress. **Appendix B**
- Implementation rates for agreed management actions has improved from the previous reported figures to 62% from 31% implementation as reported to the Governance and Audit Committee in January 2025. **Appendix C**

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Appendix E - Definitions

3. Resources

In accordance with the Public Sector Internal Audit Standards and Global 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:

- A Trainee Auditor has been successfully recruited to the Internal Audit Team.
- A recruitment exercise is currently underway to fill the vacant post for the Audit Manager within the team.
- New Audit Management software has been adopted by the Internal Audit Team which should provide a number enhancements to Internal Audit Processes.
- There is adequate technology available to support the completion of the Rolling Internal Audit Plan including data analytics tools such as PowerBi.

4. 2024-25 Internal Audit Plan

This report also provides an update on the work completed between January and June 2025. The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2024-25 Audit Plan.

Table 1- Rolling Audit Plan Status

Status	Number of Audits	%
Not yet started	0	0
In Progress	20	45
Complete	24	55
On Hold	0	0
Total	44	

* RB18-2024 - Loans to Schools and ICT04-2024 – Movers, Joiners and Leavers opinions are not included in 2024-25 assurance opinions as this was included in the Annual 2023-24 Audit Opinion.

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Table 2 – Summary of Audits by Committee Meeting

Governance & Audit Committee – June 2025			
No	Audit	Opinion	Prospects for Improvement
17	ICT03-2025 - Cyber Security Assurance Map (EXEMPT)	Assurance Map	N/A
18	ICT04-2025 – KCC Website Review (EXEMPT)	N/A – Advisory	N/A
19	ICT05-2025 - KCC Incident Response Plan (EXEMPT)	Substantial	Good
20	RB21-2025 - Treasury Management	High	Very Good
21	RB33-2025 – Education – Alternative Provision (Pupil Referral Units)	Adequate	Good
22	RB08-2025 – Key Decision-Making Process	Adequate	Good
23	RB09-2025 - Decisions on Accepting Grant Funding	N/A – Advisory	N/A
24	RB51-2025 – Sundry Debt Recovery – Cancellation of Invoices Follow-up	Follow-up	N/A
25	RB49-2025 – School Themed Review – Safeguarding	Substantial	N/A
26	RB35-2025 – School Capital Programme – Basic Need and High Needs Allocation	Adequate	Very Good
27	RB15-2025 – Public Health Services Transformation	Adequate	Good
28	RB26-2025 – Procurement Follow-up	Follow-up	N/A
29	RB50-2025 - Loans to Schools Follow-up	Follow-up	N/A
30	RB52-2025 – Data Security and Protection Toolkit (DSPT)	High	Good
31	RB55-2025 – Oracle Cloud Programme – Business Readiness	TBC	TBC

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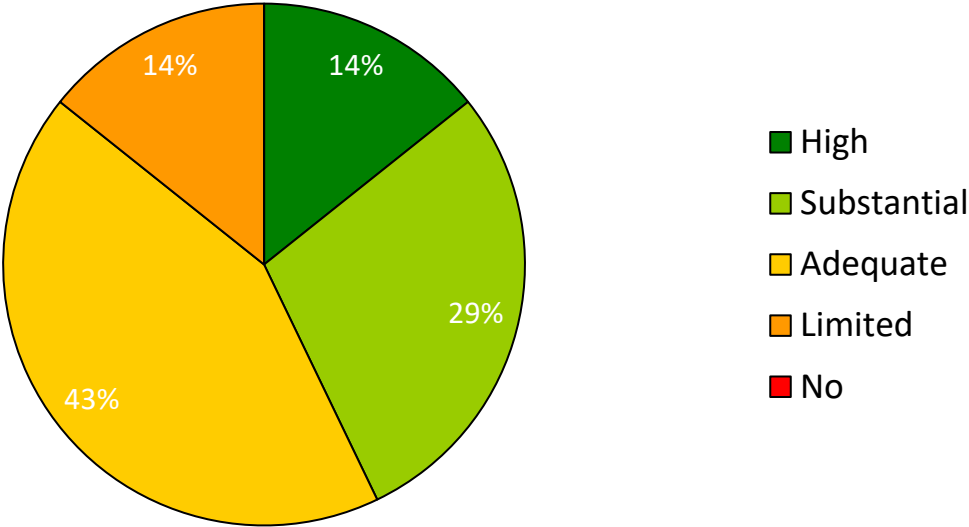
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2024-25 Audit Assurance Levels and Prospects for Improvement of Audits

Assurance Levels 2024-25



Assurance Level	No	%
High	2	14%
Substantial	4	29%
Adequate	6	43%
Limited	2	14%
No	0	0%

Prospects for Improvement	No	%
Very Good	3	24%
Good	9	69%
Adequate	1	7%
Uncertain	0	0%

* RB18-2024 - Loans to Schools and ICT04-2024 – Movers, Joiners and Leavers opinions are not included in 2024-25 assurance opinions as this was included in the Annual 2023-24 Audit Opinion.

** Other audit coverage, such as advisory and embedded assurance, will be incorporated into the Annual Opinion where appropriate.

5. Issue Implementation

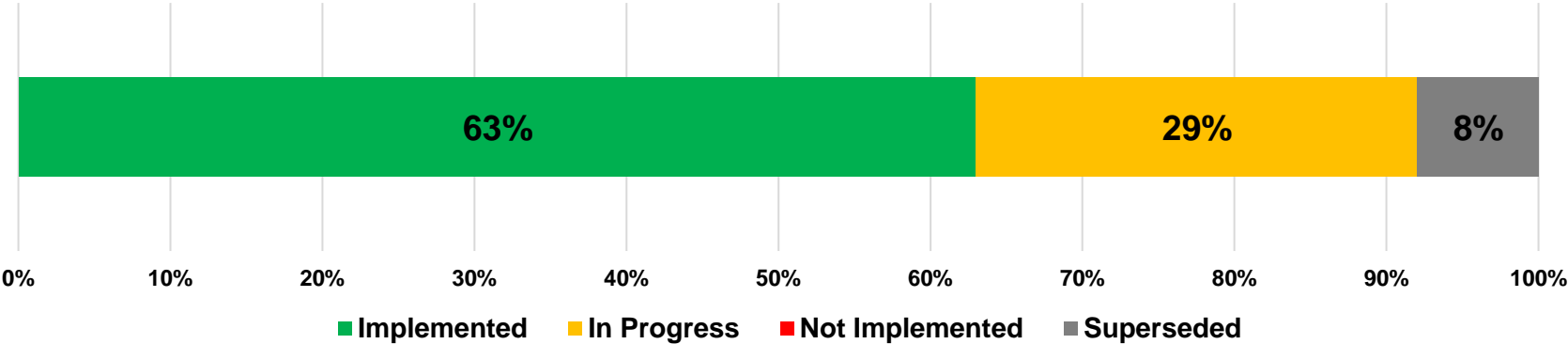
Details of the current position on the ‘Implementation of Agreed Management Actions’ is set out at **Appendix D**. This details the implementation status of 37 actions categorised by the assurance level assigned to the original report. This also includes results of programmed follow-up audits undertaken. There has been an increase on implementation rates since this was last reported to Governance and Audit Committee in January 2025 from 31% to 62%.

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	18	19	11	12	6	6	0	0	1	1
Total %			61%	63%	33%	32%	0%	5%	6%	0%

KCC Implementation of Management Actions



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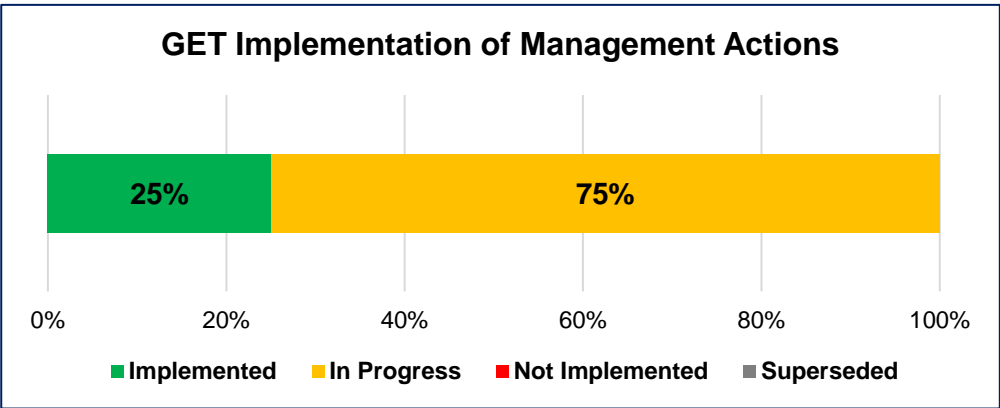
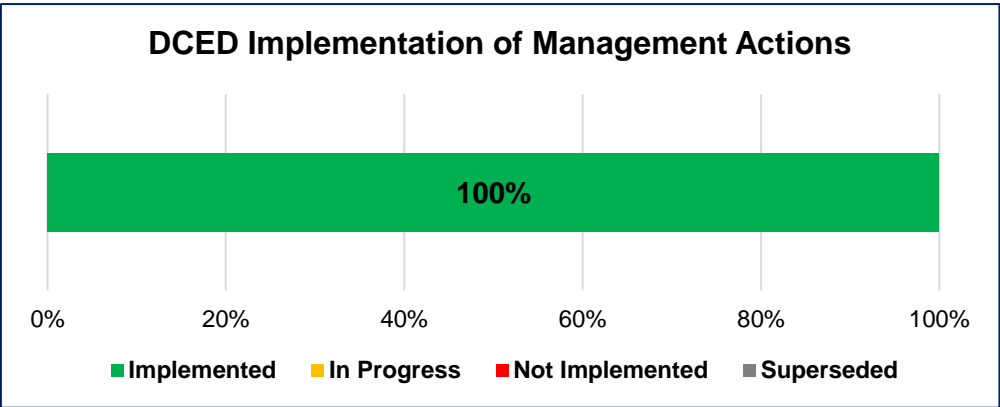
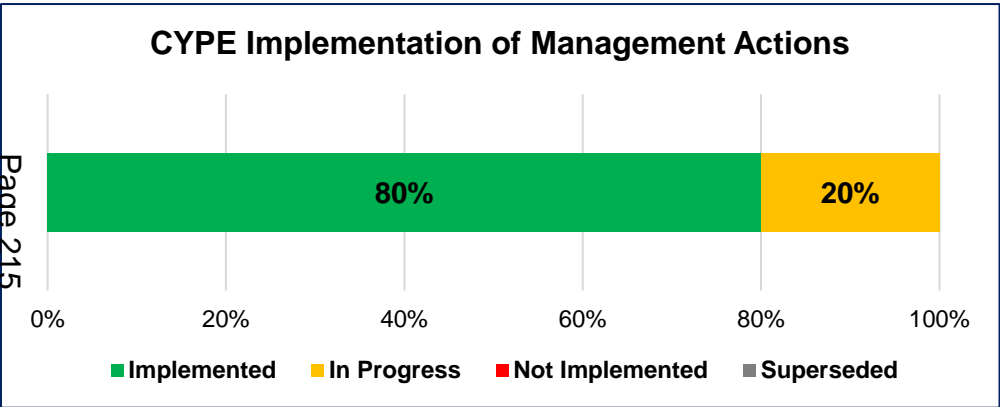
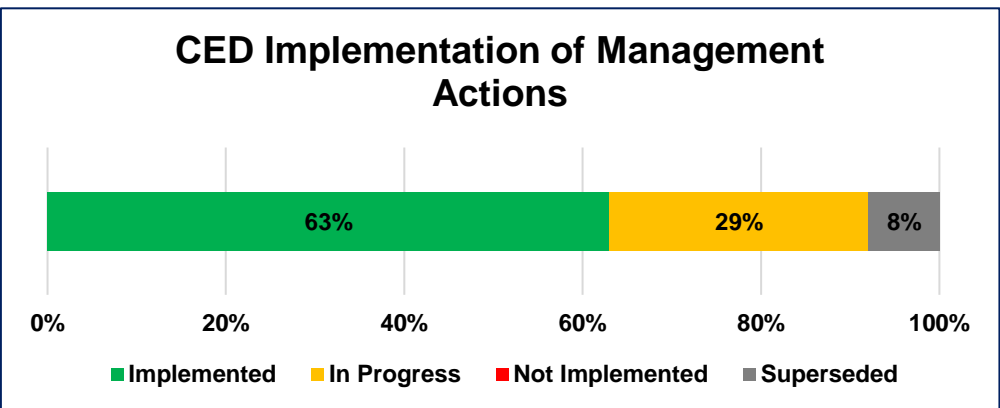
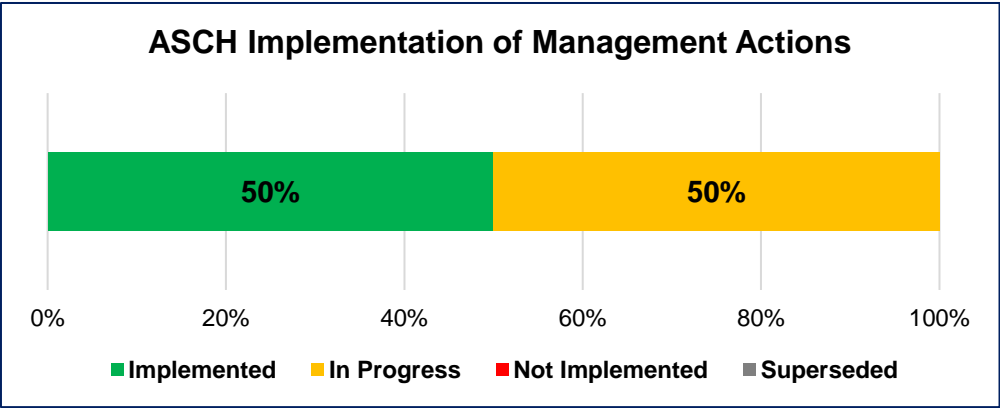
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	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	1	1	1	0	0	1	0	0	0	0
CYPE	3	2	2	2	1	0	0	0	0	0
GET	3	1	1	0	2	1	0	0	0	0
CED	11	13	7	8	3	4	0	0	1	1
DCED	0	2	0	2	0	0	0	0	0	0
Total	18	19	11	12	6	6	0	1	1	0
Total %			61%	63%	33%	32%	0%	0%	6%	5%

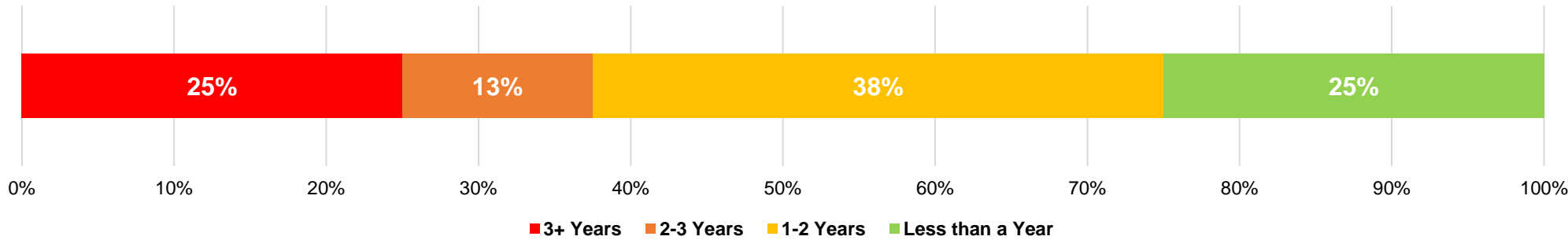
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Progress on issues for the period found that 6 issues remain “in progress”. Of which 1 High and 1 medium priority are longstanding issues which have remained open past their original implementation date and updates and revised implementation dates are detailed below.

Age of Issues "in Progress"



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3+ Years “In Progress”				
Ref	Audit	Priority	Original Date	Revised Date
CS04-2020	Imprest Accounts Issue 3 - Security	High	30/09/2020	31/03/2026
Update - CYPE/ Finance are liaising with the Counter Fraud Team for advice on the processes/ controls for collection / delivery service required for imprest accounts. An interim process has been put in place in the short term until an adequate provider can be procured.				

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6. 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.

Grant work is 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 2024-25, the Team has to date, audited and certified 11 government grants with a value of **£60,166,000**.

Details of all certifications for 2024-25 can be seen at **Appendix D**.

8. 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 D**

(A) Adult Social Care and Health	(B) Children, Young People and Education
A1. RB15-2025 – Public Health Services Transformation	B1. RB33-2025 – Education – Alternative Provision (Pupil Referral Units) B2. RB49-2025 – School Themed Review – Safeguarding B3. RB35-2025 – School Capital Programme – Basic Need and High Needs Allocation B4 RB50-2025 - Loans to Schools Follow-up
(C) Growth, Environment and Transport Cross Directorate	(D) Chief Executive
	D1. RB21-2025 – Treasury Management D2. RB51-2025 – Sundry Debt Recovery - Cancellation of Invoices Follow-up D3. RB08-2025 – Key Decision-Making Process D4. RB09-2025 - Decisions on Accepting Grant Funding D5. RB26-2025 – Procurement Follow-up
(E) Deputy Chief Executive	(F) Cross Directorate
E1. ICT03-2025 – Cyber Security Assurance Map EXEMPT E2. ICT04-2025 – KCC Website Review EXEMPT E3. ICT05-2024 – KCC Incident Response Plan EXEMPT	F1. RB52-2025 – Data Security and Protection Toolkit (DSPT) F2. RB55-2025 – Oracle Cloud Programme – Business Readiness

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A1. RB15-2025 – Public Health Services Transformation

Audit Opinion

ADEQUATE

Prospects for Improvement

GOOD

Introduction

As part of the 2024/25 Internal Audit Plan, it was agreed that Internal Audit would review the Public Health Service Transformation Programme (PHSTP). This was an assurance engagement, focusing on the initiation and start-up of the PHSTP.

The review of services is a normal part of the commissioning cycle. However, the transformation work aims to support opportunities to look across services and consider how KCC can maximise impact through better supporting cross cutting themes, gaps or learning. The PHSTP commenced in July 2023. The intention is for new commissioning arrangements for each service to be in place no later than 1 April 2026, with many starting before this date.

Internal Audit has considered project management best practice, alongside elements of KCC project and programme guidance, in forming conclusions. It is recognised that whilst named a programme, it is essentially a large recommissioning exercise, and it is intended that findings are representative of this.

Key Strengths

- ✓ The PHSTP aligns to the Council Strategic Statements. This is most clearly laid out at the service level.
- ✓ Approval to progress with the PHSTP was attained from Health Reform and Public Health Cabinet Committee (HRPHCC). Prior to this, the concept was presented at Corporate Management Team.
- ✓ Governance groups and their roles were outlined. a Delivery Group and Steering Group were established. These were approved by HRPHCC.
- ✓ Benefits were defined at a service level and these aligned to the overarching programme aims. Business cases were developed at the service level and detailed the expected benefits.

- ✓ There were no critical success factors defined at the programme level, however carefully considered critical success factors have been developed at service level.
- ✓ A Project Manager, Project Officer and Project Administrator were recruited to aid the delivery of the programme. An agile approach was taken to staffing within the services, and there are examples of being responsive to need and additional resources being sought. Risks, Assumptions, Issues and Dependencies (RAID) logs demonstrate that resourcing risks were considered. As such there is evidence that staff capacity was considered. However, concerns regarding resourcing were raised (see issues).
- ✓ A budget was set for the programme which was monitored and reported into Steering group. Financial risks to the programme's success were considered.
- ✓ The programme has had access to professional procurement advice.
- ✓ There was no specific quality assurance plan at the programme level, however evidence of quality being considered was evident via: quality assurance task and finish group review of proformas; Service model presentations to internal governance groups for comment, and; Peer review by Surrey County Council.
- ✓ Stakeholders were identified at the service level. A review of stakeholder engagement for one service, the Therapeutic Support Service, demonstrated a thorough consideration of stakeholders to be contacted regarding the programme.
- ✓ Progress at project and programme level is reported into Steering Group, DMT, and HRPCC.

Areas for Development

Issue 1 – Programme Planning -

Medium

- Some programme management elements were not completed, which may have impacted on programme delivery.

Issue 2 – Risk Register -

Low

- Some details on the RAID log were not kept up to date.

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A1. RB15-2025 – Public Health Services Transformation

Prospects for Improvement

Prospects for improvement is rated as **Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
GOOD	GOOD	GOOD

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	NA
Medium Risk	1	1	NA
Low Risk	1	1	NA

B1. RB33-2025 – Education – Alternative Provision (Pupil Referral Units)

Audit Opinion

ADEQUATE

Prospects for Improvement

GOOD

Introduction

As part of the 2024/25 Internal Audit Plan, it was agreed that Internal Audit would review the effectiveness of Pupil Referral Unit (PRU) Management Committees to provide oversight and scrutiny.

There are currently five PRUs that are maintained by Kent County Council (KCC). The schools provide education for children who are unable to attend mainstream school for different reasons such as exclusions and sickness.

Each PRU maintained by KCC has a Management Committee that should be in line with their Instrument of Governance to provide oversight and scrutiny in an advisory role. The Management Committee are expected to be involved in most decision making to help ensure effective running of the schools. Management Committees are required to include different member types including a staff member, community members, which may be Headteachers of other local schools, local authority members and a parent member. This form of membership is to help ensure diversity of perspective of the decisions raised within committees.

The Education People (TEP) provide statutory requirements for the PRU, this includes training on subjects such as finance and governance for the Management Committee members.

This training is to help Management Committee members have an understanding of their role within the oversight and scrutiny of the school; there is currently no mandatory training expected of the committee members. Within their services, The Education People (TEP) School Improvement Team perform quality assurance visits to maintained PRUs. The quality assurance toolkit which has been designed by KCC, TEP School Improvement and PRU Headteachers, includes a review of the Management Committees of each school and is used during the TEP visits. This toolkit is also available to PRUs which are non-maintained. KCC and TEP provide advice and support when needed; there are three PRU Heads and Chairs meetings per year which can be used as a forum to raise challenges, and there are also Best Practice meetings between KCC and the PRUs to discuss examples of good practice six times per year.

Key Strengths

Policies and Guidance

- ✓ TEP have a model term of reference that is utilised by all the PRUs covering the remit of Management Committees with clear responsibilities for the Headteacher and Management Committee. The terms of reference are reviewed by the PRUs on a regular basis. Contract with TEP.
- ✓ The Contract between KCC and TEP clearly outlines expectations.
- ✓ The Contract had recently been reviewed by the contract manager.

Guidance and Training

- ✓ Training is available to Management Committee members from TEP and there is a timetable of available sessions.
- ✓ TEP maintain an attendance record to document what sessions have been utilised by the PRUs.
- ✓ A survey of 20 Management Committee members including all 5 PRUs found that 17 respondents (85%) were aware of the available routes to TEP and KCC to raise concerns or receive guidance. These routes are also due to be recomunicated in the PRU Service Level Agreement (SLA) to increase the awareness of available routes and contacts.
- ✓ The same survey identified that 100% of respondents felt that their roles and responsibilities within the Management Committee are clear.

Meetings

- ✓ All Management Committee meetings for the last 12-24 months for each PRU were reviewed by Internal Audit and exceeded the minimum statutory requirement of 3 meetings per year.
- ✓ A sample of 10 Management Committee meetings covering all PRUs found that the meetings were quorate with each schools current committee members.
- ✓ Standard agenda items for all meetings included conflicts of interest, review of minutes and action plans. Meeting minutes were sufficiently detailed to demonstrate scrutiny and decision making.

Quality Assurance

- ✓ TEP have adopted the quality assurance toolkit, reviewing aspects of the PRUs including the Management Committee. TEP is currently in the process of completing all of the first visits for each PRUs and providing feedback on the quality assurance form.
- ✓ Feedback of the quality assurance visit includes a rating and next steps for the PRUs to achieve where necessary.

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B1. RB33-2025 – Education – Alternative Provision (Pupil Referral Units)

Key Strengths Continued

- ✓ KCC also hold 3 PRU meetings between the Headteachers and Chairs for further discussion around any issues or concerns the PRUs have.
- ✓ Six Best Practice meetings are held between KCC and the PRUs on an annual basis to communicate and discuss positive practice examples and challenges.

Areas for Development

Issue 1 - Key Performance Indicators – Pupil Referral Units –

Medium

- Due to a change in Ofsted measurement of PRU performance, there are currently no KPIs to monitor the PRUs.

Issue 2 - Key Performance Indicators – The Education People -

Medium

- There are currently no key performance indicators (KPIs) to assure KCC that TEP are providing the service as laid out in the contract.

Issue 3 - Management Committee Term of Reference –

Low

- One of the 5 PRUs did not have a fully completed terms of reference missing details of individually delegated governors.

Issue 4 - Management Committee Training -

Medium

- Training for Management Committee members is not mandatory, and members are often Headteachers of other local schools. Uptake of the TEP training is low for PRU Management Committee Members, with only members from 2 PRUs attending the Governance conference in 2024.
- The Survey issued to 20 members out of approximately 50 found that only 12 respondents (60%) had accessed the training available from TEP with only one member not finding the training beneficial.
- The survey highlighted that 14 respondents (70%) felt that further training on their role within the Management Committee would be beneficial.

Issue 5 - Management Committee Instrument of Governance -

Medium

- Four of 5 of the PRUs Management Committee members are not in line with their Instrument of Governance which defines how many/the make-up of the Management Committee.

Issue 6 - Best Practice Meeting Documentation -

Low

- The six best practice meetings are currently not documented to record attendance or minutes.

Prospects for Improvement

Prospects for improvement is rated as **Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
VERY GOOD	GOOD	GOOD

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	NA
Medium Risk	4	4	NA
Low Risk	2	2	NA

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B2. RB49-2025 – School Themed Review - Safeguarding

Audit Opinion	SUBSTANTIAL
Prospects for Improvement	N/A

Introduction

Safeguarding and promoting the welfare of children offers a safe and supporting environment for all in Kent Maintained Schools (KMS). It is the responsibility of everyone, including professionals and those who come into contact with children to play a responsible role in safeguarding children and consider what is in the best interest for the child.

KCC and schools have several statutory obligations to promote the welfare and safeguard children under the following legislations:

- *Education Act 2002*: Directs the Local Authority (LA) to follow guidance given by the secretary of state.
- *Children Act 2004*: Places duties on key agencies in a local area, including KCC to make arrangements to work together with other partners locally to safeguard and promote the welfare of all children in the area.
- *Education and Skills Act 2008*: Places several key responsibilities on LAs to ensure young people are engaged in education or training.
- *Promoting the Health of Looked After Children Statutory Guidance 2015*: Provides a framework for LAs to ensure the health and wellbeing of looked after children. This means that looked after children have access to physical and mental healthcare, which supports their well-being and development.
- *Children and Social Care Act 2017*: This is a significant piece of legislation in the UK that outlines various responsibilities for LAs to improve support for looked-after children and care leavers, promote child welfare, and regulate social workers.
- *Working Together to Safeguarding Children 2023*: Provides a comprehensive framework for LAs and other agencies to work together to protect and promote the welfare of children.

The latest Ofsted inspection, published in July 2022, rated the KCC Children’s Services inspection as outstanding. However, some of the areas of improvement included enabling social workers to manage their caseloads and workload effectively. Further, the number of pupils identified as not in full-time education in Kent is higher than the national average.

As part of the 2024/25 Audit Plan, it was agreed that Internal Audit would undertake a review of safeguarding arrangements across a sample of maintained schools. The aim of the audit was to provide assurance that safeguarding arrangements are adequately designed and effectively implemented to safeguard children.

The schools were visited during February 2025

Opinions of Individual Schools

Opinion	Number of Schools
High	6 (55%)
Substantial	4 (36%)
Adequate	1 (9%)
Limited	0 (0%)
No Assurance	0 (0%)

B2. RB49-2025 – School Themed Review - Safeguarding

Key Strengths Policies & Procedures

- ✓ School policies include adequate coverage of safeguarding with up-to-date coverage across the school website.
- ✓ Safeguarding is promoted on the school website.
- ✓ Policies are comprehensive, up to date, regularly reviewed and available to all members of staff.

Physical Security

- ✓ There is a secure visitor sign-in system for the premises.
- ✓ There is an adequate system in place to prevent unauthorised access to the school premises.
- ✓ There are adequate systems in place regarding the collection of children.

Vetting Process

- ✓ Comprehensive DBS checks and safer recruitment practices are in place.
- ✓ The single central record is comprehensive, and vetting checks are up to date.
- ✓ DBS checks had been undertaken for all members of staff.
- ✓ Vetting and checking records are up to date and complete.

Designated Safeguarding Lead (DSL)

- ✓ The Designated Safeguarding Lead (DSL) and their deputies have received suitable and up to date training.
- ✓ The school has robust mechanisms in place to manage safeguarding concerns via its safeguarding process with records held securely and access restricted.
- ✓ There are regular opportunities for the dissemination of any new safeguarding information to all staff.
- ✓ A governor has taken the lead responsibility for safeguarding.

Online Safety

- ✓ Effective filtering and monitoring systems are in place for online safety.
- ✓ Appropriate systems are in place to block harmful content without impacting learning.
- ✓ Pupils are taught online safety as part of the wider school curriculum.

Managing Allegations

- ✓ Prompt action is taken on safeguarding concerns with records retained.
- ✓ Staff are aware and understand the allegations process.
- ✓ There is a centralised reporting system for recording concerns, monitoring changes in behaviour, attendance and managing safeguarding concerns.
- ✓ There is a whistleblowing procedure.
- ✓ A referral system is in place for behaviour management, intervention, support, and communication to those involved.
- ✓ Records are held securely and access restricted to authorised staff.
- ✓ There are out of hours arrangements in place should a safeguarding concern be raised.

Training & Awareness

- ✓ Staff induction policy. This is clear and sets expectations regarding behaviour and the safeguarding of children to new starters, volunteers, supply teachers and contracted staff.
- ✓ Safeguarding training is covered every September, and training will be performed online when staff join after September.
- ✓ The governors are aware of their safeguarding responsibilities and their training in relation to safeguarding is up to date.

Areas for Development

- No Issue were raised as part of the themed report

Policies & Procedures

- For two schools, not all policies on the website were up to date. One of the schools had changed the date on the policies but had not updated the content.

Physical Security

- Signing in records for visitors and volunteers indicated that some did not sign out.
- At one of the schools the auditor was not asked for an ID confirmation / check by reception.

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B2. RB49-2025 – School Themed Review - Safeguarding

Areas for improvement continued

Vetting Process

- No High or Medium issues were raised.

Designated Safeguarding Lead (DSL)

- There is no structured rota for DSLs working out of hours and during half-term/holidays.

Managing Allegations

- Although staff are informed about suicide and self-harm behaviour; there is not a quick reference to highlight warning signs.

Online Safety

- No High or Medium issues were raised.

Training & Awareness

- Several governors are not up to date with their statutory training including safer recruitment and safeguarding. There is no evidence of monitoring attendance and participation to ensure governors are current with their training.
- Teachers rely on trust for children to hand over their phones without checking, and there are no structured policies, secure storage, or regular checks in place.

Summary of Management Actions

	No. of Issues Raised	Mgt Actions Implemented	Mgt Actions Outstanding
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	0	0	0

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B3. RB35-2025 – School Capital Programme – Basic Need and High Needs Allocation

Audit Opinion	ADEQUATE
Prospects for Improvement	VERY GOOD

Introduction

As part of the 2024/25 Internal Audit Plan, and as requested by the Corporate Director of Children’s, Young People and Education (CYPE), it was agreed that Internal Audit would review the effectiveness of the governance process in relation to the Basic Need and High Needs Capital Allocation Programmes for Schools.

This audit evaluated the governance framework, funding allocation process, and monitoring and reporting mechanisms. Internal Audit benchmarked these against best practices to ensure compliance with relevant legislation and policies, and to evaluate the effectiveness of risk management strategies.

Key Strengths

Governance Framework

- ✓ The governance framework is transparent and subject to regular review.
- ✓ Roles and responsibilities are clearly defined.
- ✓ There is good collaboration between CYPE, Infrastructure, Finance, and Health & Safety, evidenced by regular attendance at the Education Asset Board.
- ✓ The Education Asset Board’s structured approach to managing and prioritising capital requests includes periodic feedback, monitoring of projects, regular and detailed updates, and clear documentation of actions and decisions.
- ✓ Projects sampled were compliant with health and safety regulations and met legal standards.
- ✓ Detailed risk registers and action plans are in place, ensuring proactive identification and mitigation of risks, monitored through regular meetings and reviews with project managers, quantity surveyors, and programme managers.
- ✓ Risk registers for specific capital schemes are highly detailed and address overarching risks.

Funding Allocation Process

- ✓ The process for the allocation of funds ensures transparency and fairness, adhering to best practices and legal requirements. This process is guided by the Kent Commissioning Plan, which sets the overall framework of need and goes through a formal governance process in Education.
- ✓ Projects are prioritised based on urgency of need, funding availability, strategic importance, and community impact, ensuring effective resource allocation in alignment with the Kent Commissioning Plan.

Areas for Development

Issue 1 - Governance Framework **Low**

- Frequency of conflict-of-interest management.

Issue 2 - Funding Allocation Process **High**

- The Corporate Director needs to be provided with increased oversight of the Capital Programme Budget.

Prospects for Improvement

Prospects for improvement is rated as **Very Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
VERY GOOD	VERY GOOD	VERY GOOD

Summary of Management Actions

	No. of Issues Raised	Mgt Actions Implemented	Mgt Actions Outstanding
High Risk	1	1	NA
Medium Risk	0	0	NA
Low Risk	1	1	NA

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Audit Opinion

FOLLOW-UP

Prospects for Improvement

N/A

Introduction

As part of the 2024/25 Audit Plan, Internal Audit conducted a follow-up review of Loan Approval to Schools. The original audit, reported in 2024, identified two high-risk issues and two medium-risk issues, resulting in a ‘Limited Assurance’ rating and a ‘Good’ Prospects for Improvement rating. The final report was issued in September 2024, and the agreed management action date was September 2024.

Issue	Summary of Original Issue
Issue 1 - Payment holidays	The internal procedure to approve payment holidays, and other deviations to repayment agreements, is undocumented.
Issue 2 - 10% of revenue budget threshold	The governance procedures for approving high value loans or longer repayment periods requires sufficient evidence for justification, however there is no recorded or documented criteria for what constitutes sufficient evidence.
Issue 3 - Affordability checks for additional loans	Two of the loans included within the audit sample were for the same school, whilst it was evidenced that the original loan had been subject to application procedures and affordability checks, testing on the second loan found that records had not been retained regarding the application or affordability checks and therefore it cannot be confirmed that these checks were undertaken.
Issue 4 - Roles and responsibilities	Confirmation that applications have had sign off from the Education Asset Board (if appropriate) is a check box for completion on the Loan Application Form. SFS colleagues were however, unclear in their understanding of the responsibilities of the Education Asset Board or the Assistant Directors of Education (ADE) in the loan approval process.

The aim of this follow-up review was 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 four previous issues being reviewed, all have been implemented

Summary of Progress Made

	Original Issues Raised	Implemented	Issues Outstanding	Risk Accepted
High Risk	2	2	0	0
Medium Risk	2	2	0	0
Low Risk	0	0	0	0

Issue Status

Issue	Risk Rating	Status
Issue 1 - Payment holidays	Medium	Implemented
Issue 2 - 10% of revenue budget threshold	High	Implemented
Issue 3 - Affordability checks for additional loans	High	Implemented
Issue 4 - Roles and responsibilities	Medium	Implemented

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Audit Opinion	HIGH
Prospects for Improvement	VERY GOOD

Introduction

Treasury Management (TM) is defined by the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Treasury Management Code of Practice as:

“The management of the Authority’s borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The CIPFA Code of Practice on TM and the CIPFA Prudential Code require local authorities to determine and set the Authority’s TM Strategy, and its Strategy relating to investment activity. Kent County Council (KCC) had an average balance of £536.5m in 2023-24 for Treasury Investments and an average borrowing of £783.8m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key objectives of the Strategy covering the borrowing requirements and investment arrangements:

- The Council’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.
- The Council’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income.

KCC’s Investment Strategy has been developed with regard to the TM Code and the Guidance.

On the 31st March 2024, Kent County Council’s Treasury Investment balance was £451.6m with a turnover in investments of £3,441.6m and a borrowing principal outstanding of £771.9m.

Treasury Management was last audited in March 2019 receiving an “high” assurance audit opinion.

Key Strengths
Policies & Procedures

- ✓ There are appropriate governance and reporting arrangements in place to enable oversight and scrutiny of Treasury Management activities and performance.
- ✓ There is a comprehensive Treasury Management Strategy with sufficient detail to provide a structure for investment activity. The Strategy and the documented procedures conform to CIPFA guidance. Objectives are clearly set out and the Strategy had been appropriately approved.
- ✓ There are formalised Environmental, Social, and Governance (ESG) considerations in the 2024/25 KCC Treasury Management and Annual Investment Strategy.

Accountability, Responsibility & Oversight

- ✓ There is a comprehensive Treasury Operations Manual which clearly details the roles and responsibilities of personnel involved in the TM function.
- ✓ Staff are qualified for the roles that they undertake and there are suitable arrangements in place to maintain and update skills.
- ✓ There is an induction plan for new starters.
- ✓ Information presented in committee reports is accurate and aligned to the source data.
- ✓ Key risks have been identified and are understood, with appropriate responses in place.
- ✓ There is segregation of duties for the recording and authorisation of transactions.
- ✓ System access is appropriately restricted and controlled, there is a dual authentication process when requesting access for new users.

Leavers

- ✓ All leavers had been removed from the system on a timely basis and their access successfully removed.

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D1. RB21-2025 – Treasury Management

Key Strengths continued

Investment Decisions

- ✓ All investment decisions have been documented and approved in accordance with the Treasury Strategy.
- ✓ All investments reviewed had been appropriately approved and were in line with the Council's Treasury Management Strategy.
- ✓ Clearing House Automated Payment System (CHAPs) payments had been appropriately authorised.
- ✓ All investments tested were within the approved Counter Party limits.
- ✓ Investment returns are monitored and reported, they were accurate and complete.
- ✓ The Treasury Management function is accurately reporting the investment position.
- ✓ Investment updates are consistently performed in accordance with regulatory requirements.
- ✓ Reconciliations were found to be promptly performed and accurate.

Cash Flow Forecasts

- ✓ Cash flow forecasts are maintained and regularly reviewed.
- ✓ Cash balances and corresponding transaction reports are downloaded and updated on a daily basis.
- ✓ The annual cash flow statement has been accurately documented and reported in compliance with the Treasury Strategy.

KPIs

- ✓ Treasury Indicators are well-defined and aligned with the Council's strategic objectives.
- ✓ Treasury indicators have been formally approved by the relevant authorities.
- ✓ Performance reports accurately reflect performance against the Treasury indicators and are produced regularly.

Areas for Development

- None

Prospects for Improvement

Prospects for improvement is rated as **Very Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
VERY GOOD	VERY GOOD	VERY GOOD

Summary of Management Responses

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

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D2. RB51-2025 – Sundry Debt Recovery - Cancellation of Invoices Follow-up

Audit Opinion	FOLLOW-UP
Prospects for Improvement	N/A

Introduction

As part of the 2024/25 Audit Plan, Internal Audit conducted a follow-up review of Debt Recovery (Sundry Debt). This audit, which was initially reported in April 2024, identified 3 issues, and was allocated ‘**Limited assurance**’.

Issue	Summary of Original Issue
Issue 1 - Raising of Accounts Receivable (AR) Invoices	Testing identified a number of invoices were not requested to be raised promptly by the relevant services.
Issue 2 - Cancellation of Accounts Receivable (AR) invoices - Guidance	Guidance regarding the cancellation of invoices needs to be strengthened.
Issue 3 - Cancelled Invoices	There is a vast number of invoices being cancelled, without the monitoring of or sufficient authorisation limits.

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 final report for the original audit was circulated in April 2024. All Management Actions had been given an implementation date of August 2024. However, there were delays with the implementation of actions. Internal Audit have therefore reviewed the design of the new controls in place,, but have not been able to provide assurance over their effectiveness. As such, a further follow up will be required.

Revised dates between May 2025 and June 2025 have been provided for the two issues remaining open.

	Original Issues Raised	Implemented	Issues Outstanding	Risk Accepted
High Risk	1	0	1	0
Medium Risk	2	1	1	0
Low Risk	0	0	0	0

Issue Status

Issue	Risk Rating	Status
Issue 1 - Raising of Accounts Receivable (AR) Invoices*	Medium	In Progress
Issue 2 - Cancellation of Accounts Receivable (AR) invoices – Guidance	Medium	Implemented
Issue 3 - Cancelled Invoices*	High	In progress

* Updates and evidence have been provided following conclusion of the follow-up. Issue 3 has now been determined as implemented and good progress has been made to resolve issue 1 and waiting on the new process to embed prior to confirming implementation. The latest position on these issues is included within Appendix C.

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D4. RB08-2025 – Key Decision-Making Process

Audit Opinion	ADEQUATE
Prospects for Improvement	GOOD

Introduction

Internal Audit have completed a review of the Key Decision making process within the Council. A Key Decision is required when the proposal fulfils at least one of the following:

- Requires savings or expenditure of over £1m;
- Has a significant effect on a significant proportion of the community living or working within two or more electoral divisions;
- Adopts a major new strategy or framework that is not part of the Policy Framework; or
- Involves significant service development, either County-wide or in a particular locality.

As part of Internal Audit testing, a random sample of Key Decisions across all Directorates was selected, and the Report Author or given contact (as named within the report) were asked to provide information. Only 8 of 15 Officers responded, and this has limited the depth of conclusion that Internal Audit can draw from the sample testing.

Interviews with Directorate Governance Officers and a sample of Officers involved with Key Decisions, cited the following controls in place to reduce the likelihood of Key Decisions being missed and/or not identified in a timely manner:

- Directorate Governance Officers within each Directorate;
- Governance Meetings of various levels;
- Project registers and general business planning processes; and
- Training and guidance around Key Decisions.

In all Directorates there are regular meetings between Senior Officers and relevant Executive Members where potential and upcoming decisions are discussed. There is variation in whether these meetings are documented.

Guidance (KNet) states that Officers should contact the relevant Executive Member at the point of a possible Key Decision. From the sample testing completed, 7/8 responded that there had been early involvement of the Executive Member – although evidence was not consistently provided.

Democratic Services have provided several training opportunities for those who are likely to require a knowledge of the Key Decision making process, and Internal Audit fieldwork has received consistently positive feedback about the support and services provided by the Democratic Services Team. Testing identified that those most likely to have involvement in Key Decisions are not consistently up-taking training.

Internal Audit have identified areas in which guidance could be more explicit in the expectations and requirements of Officers around internal assessments required, and monitoring of spend against Key Decisions.

Key Strengths

- Democratic Services have provided training throughout the Council around Governance and Decisions. This included Governance Week in 2023 where there were sessions designed for Officers with different involvement around Key Decisions. Training is interactive and delivered by those with sufficient knowledge. Democratic Services worked alongside Directorate Governance Officers to identify Officers likely to require knowledge/have involvement around Key Decisions, and invitations to Governance week sessions were sent directly to these Officers. Training has also been provided in T200 sessions, at a Budget session in September 2024, and the Democratic Services Manager has provided many sessions to different departments and teams within KCC. Uptake and attendance at training is not consistent amongst those most likely to have involvement in decision making (see areas for development).
- From interviews and discussions with Directorate Governance Officers and Officers involved in Key Decisions around the Council, there was significant positive feedback regarding the service offered by Democratic Services and their knowledge and advice around the Governance process.
- Officers within Directorates reported that their Directorate Governance Officers were a good source of knowledge and support around Key Decisions.
- The Operational Delivery Team and Democratic Services have worked together to produce a Decision-Making App. This is intended to be live in May 2025, and is intended to automate and streamline the decision-making process and associated communications.

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D4. RB08-2025 – Key Decision Making Process

Areas for Development

Issue 1 - Uptake of relevant training around Key Decisions.

Medium

- Internal Audit selected a random sample of Senior Officers (Head of Service and above). By reviewing attendance records, it was identified that 3 of the 28 had attended 1 or more sessions during Governance Week, and a further 2 had attended the T200 session around Decision Making. Of the 4 Directorate Governance Officers, 3 had attended the relevant T200 forum and/or at least one of the Governance Week training sessions.
- As not all training has had attendance tracked, it is not possible to be sure whether training around Key Decisions is being attended by those in senior or relevant positions. However, inference from this Internal Audit fieldwork implies that this is not always the case.

Issue 2 - Assessments required for Key Decisions

Medium

- Democratic Services have advised Internal Audit that the intended practice for all Key Decisions is that every decision has to be reviewed by the Finance Business Partner as part of agreeing the 'financial implications' section for the FED and other decision documentation, and that Officers should seek advice from legal at an early stage as to what legal advice or support is required for progressing the decision so that relevant specialist legal advice can be commissioned if required.
- In reviewing relevant sections of KNet and The Operating Standards, Internal Audit found that the wording provided is not explicitly clear that the Finance Business Partner and Legal Services must be sought for every Key Decision. There are also slight variations between the KNet page, FED Entry Template and Operating Standards as to what specific considerations are required. This may cause ambiguity for Officers looking to follow guidance.

Issue 3 - Monitoring of expenditure taken against a Key Decision

Medium

- For Key Decisions taken where the reason (or one of the reasons) provided is expenditure over £1million, expenditure should be monitored so that if the agreed expenditure per the Key Decision is breached, Officers can request a further decision be taken such that more money can be delegated.
- Whilst Officers who responded to sample testing advised that they do track expenditure of Key Decisions, insufficient responses and evidence was provided for Internal Audit to provide assurance as to whether this is happening. Methods cited to track this spend included collaborative planning, project boards and Capital Schemes.

Prospects for Improvement

Prospects for improvement is rated as TBC based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
GOOD	ADEQUATE	GOOD

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	NA
Medium Risk	3	3	NA
Low Risk	0	0	NA

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Audit Opinion	N/A – ADVISORY
Prospects for Improvement	N/A

Introduction

In recognition that the receipt of grants supports KCC’s financial position and the provision of multiple services, it was acknowledged that grants frequently have associated stringent terms and conditions and create a resourcing burden in terms of the bid process and their subsequent management. On the 11th June 2024, a paper seeking the approval of the Corporate Management Team (CMT) recommended the introduction of a new review and approval process for grant bids. Approval has since been provided. The following recommendations were made:

- Page 233
- The adoption of a central electronic approval system for the review and approval of grant bids totalling and in excess of £100,000 by the Chief Executive, Section 151 Officer, and relevant Corporate Director.
 - Approvals being subject to review by the Monitoring Officer when proposed grant applications relate to an existing or planned future key decision.
 - Corporate Directors will give assurance that they will be accountable for the approval of bids, developed and submitted by their directorates totalling less than £100,000.
 - Compliance with the Financial Regulations as a future scheduled and focussed CMT agenda item.
 - The regular downloads of grant applications received, approved, and rejected are provided to the Section 151 Officer for the purpose of the budget strategy and the submission of KCC’s accounts.
 - Internal Audit being commissioned by the Chief Executive to undertake a review of compliance with the existing Grants Register, as part of the annual review process, reporting initially to the Chief Executive then the wider Corporate Management Team.

The aim of the audit was to provide advice that the proposed processes and procedures for the approval of grant bids which were designed and introduced by the Chief Executive’s Office are robust.

No audit opinion will be provided. It is planned that Internal Audit will undertake a review of the compliance with the new process.

This review covered the Fraud Risk Assessment performed in November 2024 by the Counter Fraud Team on the Multiply Programme which delivered maths training to adults aged 19 years and over without a level 2 qualification in maths. This review identified several concerns relating to the invoicing of providers.

As a result, a number of recommendations for improvement were made which have been followed up as part of this review.

Key Strengths

Electronic Approval System

- ✓ In November 2024, Internal Audit and Counter Fraud were approached to provide some advice on the content of the MS electronic form seeking approval of the application for external grant funding over £100,000. All recommended information has been included.
- ✓ All relevant information is required to be submitted to ensure that the grant bid aligns with the Council’s priorities, budget strategy and risk management.
- ✓ A dedicated email box has been set-up.
- ✓ The requirement of the Financial Regulations has been incorporated into the electronic approval system.
- ✓ The form requires approval by the Chief Executive, the Corporate Director of Finance and the relevant Corporate Director (triple-lock approval).
- ✓ Approval is required prior to applying for funding.
- ✓ Financial implications e.g. match funding are built into the budget strategy.
- ✓ A central grants register has been set-up.
- ✓ A template has been provided for directorate grant registers.

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D5. RB09-2025 - Decisions on Accepting Grant Funding

Key Strengths Continued

Policies & Procedures

- ✓ The Corporate Grant procedure was updated to reflect the new process in October 2024.
- ✓ Guidance has been made available on KNet for staff.
- ✓ Approval procedures are in line with the Financial Regulations.
- ✓ It is planned that the Corporate Management Team (CMT) will receive regular reports on the grant applications received.
- ✓ A central record of all accepted and rejected applications will be kept.

Staff Training

- ✓ Staff awareness and training on the new external grants process has been comprehensively rolled out.

Fraud Risk Assessments

- ✓ The Approval Form requires a fraud risk assessment to be performed.
- ✓ Advice and support on the performance of a Fraud Risk assessment is offered by the Counter Fraud Team via inclusion of their email address on the Approval Form.
- ✓ Due diligence checks are part of the Fraud Risk Assessment.

Lessons Learnt From Past Mistakes

- ✓ All recommendations raised by Counter Fraud have been fully implemented by Community Learning & Skills.

Areas for Development

Issue 1 - Electronic Approval System

Medium

- Any grants below the £100,000 threshold are required to be recorded centrally and proportionately by individual directorates.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	NA
Medium Risk	1	1	NA
Low Risk	0	0	NA

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D8. RB26-2025 – Procurement Follow-up

Audit Opinion	FOLLOW-UP
Prospects for Improvement	N/A

Introduction
As part of the 2024/25 Audit Plan, Internal Audit conducted a follow-up review of Procurement. The original audit, reported in 2023, identified two high-risk issue and two medium-risk issues, resulting in a ‘Limited assurance’ rating and ‘Good’ prospects for improvement rating. The final report was issued in August 2023 and the agreed management action dates were March 2024.

Issue	Summary of Original Issue
Issue 1 - Completeness and Accuracy of Contract Management System (CMS)	Assurance could not be provided that all contracts are being added or that records being input are accurate.
Issue 2 - Retention of Procurement Documentation in a Central Location	Sample testing identified that, for some procurements, not all documents had been retained and stored consistently in one central location.
Issue 3 - Use of Key Performance Indicators	There were no monitored central KPI's in relation to adherence to procurement procedures, the recording of contracts or storage of associated documents.
Issue 4 - Monitoring of Spend Versus Contracts	Oracle system does not have capacity to record contract numbers or values, subsequently automated tracking of spend against contracts as PO's are raised and invoices processed is not possible.

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

of these additional management actions will be tracked by Internal Audit.

Key Findings from Follow-up

The follow-up work has identified that of the four previous issues being reviewed, two have been implemented. Though two issues remain open, significant progress has been made to address.

As part of this follow-up review, additional management actions have been agreed. The implementation

	Original Issues Raised	Implemented	Issues Outstanding	Risk Accepted
High Risk	2	1	1	0
Medium Risk	2	1	1	0
Low Risk	0	0	0	0

Issue Status

Issue	Risk Rating	Status
Issue 1 - Completeness and Accuracy of Contract Management System (CMS)	Medium	In Progress
Issue 2 - Retention of Procurement Documentation in a Central Location	Medium	Implemented
Issue 3 - Use of Key Performance Indicators	High	Implemented
Issue 4 - Monitoring of Spend Versus Contracts	High	In progress

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Audit Opinion	HIGH
Prospects for Improvement	GOOD

Table 1 – Mandatory Assertions		
Ref	Assertion	Rating
1.1	The organisation has a framework in place to support Lawfulness, Fairness and Transparency.	✓
2.2	Staff contracts set out responsibilities for data security.	✓
3.1	Staff have appropriate understanding of information governance and cyber security, with an effective range of approaches taken to training and awareness	✓
3.2	Your organisation engages proactively and widely to improve information governance and cyber security, and has an open and just culture for information incidents.	✓
4.5	You ensure your passwords are suitable for the information you are protecting.	✓
5.1	Process reviews are held at least once per year where data security is put at risk following data security incidents.	✓
6.2	All user devices are subject to anti-virus protections while email services benefit from spam filtering and protection deployed at the corporate gateway.	✓
7.1	Organisations have a defined, planned and communicated response to Data security incidents that impact sensitive information or key operational services	✓
9.5	You securely configure the network and information systems that support the delivery of essential services.	✓
10.2	Basic due diligence has been undertaken against each supplier that handles personal information.	✓

Introduction

As part of this year’s submission for NHS England’s Digital Security and Protection Toolkit (DSPT), Internal Audit has independently assessed the data security and protection control environments of Kent County Council. Following NHS England’s mandatory scope for Category 3 organisations, which includes local authorities, Internal Audit assessed the Council’s control environments against 10 assertions.

Key Strengths

- The Council demonstrates compliance with each of the mandatory assertions tested, and meets the standards as set out by the DSPT. **See Table 1.**

The Council’s self-assessment process is robust, with good management, regular meetings, and a SharePoint list to gather all evidence in one place.

Areas for Development

None

Prospects for Improvement

Prospects for improvement is rated as **Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
N/A	GOOD	GOOD

Summary of Management Responses

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

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F2. RB47-2025 - Oracle Cloud Programme – Business Readiness

Introduction

The aim of the Oracle Cloud Programme (OCP) is to replace the Council’s current Oracle E-Business Suite (EBS) Solution, which is a critical system that has been in use for more than 20 years.

Internal Audit have been undertaking a review of the Oracle Cloud Programme Business Readiness to provide assurance that suitable controls are in place, so the business is ready for phase 1 OCP ‘go live’ in August 2025.

In line with our agile audit approach to provide timely assurance Internal Audit have provided 2 interim updates to management in May and June, the key observations are summarised below:

Internal Audit’s Observations:

Communication and Engagement:

The “Adopting Oracle, Adapting KCC” message is being consistently shared via meetings and KNet, K-mail and emails to staff.

Business Readiness Group (BRG):

- The OCP BRG’s purpose is to drive business readiness for the OCP by bringing together key service representatives from across KCC to make decisions, share information, and to ensure the organisation is prepared for go-live.
- The BRG includes around 80 users and membership selection was based on input from Subject Matter Experts, structure charts, and DMT meetings.
- Whilst BRG representation appears representative, data analysis of transactions is required to ensure representation is proportional to the services impacted.

Change Impact Assessments (CIAs) and Process Adaptation:

- The adaption of critical business processes is essential for business readiness and the go live decision therefore the audit trail for evidencing, monitoring and reporting progress needs to be robust.
- CIAs are used to evaluate the extent to which existing KCC process need to be adapted to adopt Oracle and support is offered to services about ‘how’ to amend their business processes.

- It is imperative that suitable Action Plans are put in place promptly, so services have time to adapt their processes and train their own staff, so they can run these processes effectively upon go live.
- Once action plans are implemented, they will be signed off by Team Leaders and DMT to provide the OCP board with assurance for the Go-No Go decision.

Key Controls:

- A Core Financial Controls audit will be considered for inclusion in the 2025/26 Audit Plan to test control effectiveness of amended processes.

User Acceptance Testing (UAT):

- Ongoing tracking of UAT completion and is progressing well and slight delays have been absorbed into the planned contingency.
- Efficient use of time includes RAG rating issues and re-testing until problems are fixed.
- Support has been provided to testers and some defects are training needs. Some testers found scripts unclear, but improvements are planned for cycle 2.
- Team leads are helpfully translating technical jargon and providing feedback between the testers and the technical team.

Training:

- A draft training plan for iProc users is in place and identifying essential users for pre-go live training is a priority.
- Trainers meet daily with the Transformation Manager and use UAT feedback to inform their training plans.
- It is understood that training will be delivered via face-to-face sessions, Delta, and videos.
- Oracle Guided Learning provides step by step guidance within the software.

Go-No Go Criteria:

- The OCP Board is agreeing criteria, prioritising critical service readiness.
- The criteria and methods for measuring, monitoring and reporting need to be agreed swiftly, so progress towards achievement can be tracked.
- The go-no go decision is scheduled in good time ahead of the go live date.

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F2. RB47-2025 - Oracle Cloud Programme – Business Readiness

Cutover and Blackout Period:

- A contingency has been built into the cutover and blackout period.
- KNet communications outline key dates, impacts, and preparation steps.
- There has been engagement with teams and directorate resilience forums regarding updating Business Continuity Plans (BCPs) to bring forward or postpone payments.
- BCPs must be robust. Whilst it is the responsibility of individual teams to ensure they have their own up to date BCPs, it is important that the OCP Programme Management in addition to providing support, get assurance that robust plans are in place.
- Suppliers and customers should be contacted ahead of time, so they are aware of the impacts.
- Any manual work arounds being put in place during the black out period need to be closely scrutinised to ensure that spending controls are robust, Director-level authorisation is recommended for any high-risk spending.

Go Live Support:

- A team of 'floor walkers' to support users will be in the office at go live and remote support will be also be available.
- A 'hyper care package' is being put together to provide support and trouble shooting of technical issues following go live. This package should be taken to the OCP Board for their awareness and agreement.

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Appendix B – 2024-25 Rolling Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
CR01-2025	Oracle Cloud Programme	ONGOING			
CR02-2025	Section 117 Aftercare Payments	ONGOING			
CR03-2025	Process review of SEND Payments	REMOVED			
CR04-2025	Review of SEND Assurances	PLANNING			
CR05-2025	Highways Maintenance Term Contract	ONGOING	ADVISORY	N/A	January GAC
ICT01-2025	Artificial Intelligence	COMPLETE	SUBSTANTIAL	VERY GOOD	January GAC
ICT02-2025	Laptops Follow-up	DEFERRED			
ICT03-2025	Cyber Security Assurance Map	COMPLETE	ASSURANCE MAP	N/A	July GAC
ICT04-2025	KCC Website Review	COMPLETE	ADVISORY	N/A	July GAC
ICT05-2025	KCC Incident Response Plan	COMPLETE	SUBSTANTIAL	GOOD	July GAC
ICT06-2025	Backups	DEFERRED			
ICT07-2025	Payment Card Industry Data Security Standards (PCI DSS) Follow-up	DEFERRED			
ICT08-2025	Legacy Systems	DEFERRED			
RB01-2025	Securing Kent's Future - Delivery Plans	FIELDWORK			
RB02-2025	Compliance with Financial Regulations Follow-up	COMPLETE	FOLLOW-UP	N/A	January GAC
RB03-2025	Equality, Diversity & Inclusion including Equalities Act Follow-up	DRAFT REPORT			
RB04-2025	Restructures	DEFERRED			
RB05-2025	Business Continuity Planning (BCP)	DEFERRED			
RB06-2025	Effectiveness of Whistleblowing	COMPLETE	SUBSTANTIAL	GOOD	January GAC
RB07-2025	Establishments	DEFERRED			
RB08-2025	Key Decision-Making Process	COMPLETE	ADEQUATE	TBC	July GAC
RB09-2025	Decisions on Accepting Grant funding	COMPLETE	ADVISORY	N/A	July GAC
RB10-2025	Mosaic – Pay Portal	DEFERRED			

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Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
RB11-2025	Payment to Providers	DEFERRED			
RB12-2025	ASCH Referrals and Signposting	DEFERRED			
RB13-2025	3 rd Party Social Care Risks	DEFERRED			
RB14-2025	Commissioning & Transformation Board	ONGOING			
RB15-2025	Public Health Service Transformation	COMPLETE	ADEQUATE	GOOD	July GAC
RB16-2025	Public Health - Budget Forecasting & Expenditure	DEFERRED			
RB17-2025	Review of Specific Contract Award Lesson Learnt (EDLA)	COMPLETE	ADVISORY	N/A	January GAC
RB18-2025	KCC Governance Improvement Action Plan	PLANNING			
RB19-2025	Voluntary Community Sector	DEFERRED			
RB20-2025	Application of Spending Controls	PLANNING			
RB21-2025	Treasury Management	COMPLETE	HIGH	VERY GOOD	July GAC
RB22-2025	Contract Variations / Waiver Process and Approvals	FIELDWORK			
RB23-2025	Budget Savings including Follow-up	PLANNING			
RB24-2025	Standards of Public Life	DEFERRED			
RB25-2025	Contract Extensions Follow-up	FIELDWORK			
RB26-2025	Procurement Follow-up	COMPLETE	FOLLOW-UP	N/A	July GAC
RB27-2025	Modern Slavery	FIELDWORK			
RB28-2025	Use of Consultants	FIELDWORK			
RB29-2025	Contract Novation	FIELDWORK			
RB30-2025	Risk Management	FIELDWORK			
RB31-2025	KCC Registered Children's Care Homes	PLANNING			
RB32-2025	School Themed Review - Procurement	DEFERRED			
RB33-2025	Education - Alternative Provision (Pupil Referral Units)	COMPLETE	ADEQUATE	GOOD	July GAC

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RB34-2025	Decision Making (CYPE)	DEFERRED			
RB35-2025	Capital Programme (Schools)	COMPLETE	ADEQUATE	VERY GOOD	July GAC
RB36-2025	Disciplinaries	FIELDWORK			
RB37-2025	Facilities Management	COMPLETE	ADEQUATE	GOOD	November GAC
RB38-2025	Unaccompanied Asylum Seeking Children (USAC) Accommodation	DEFERRED			
RB39-2025	Payroll	PLANNING			
RB40-2025	Strategic Reset Programme (SRP)	DEFERRED			
RB41-2025	Border Control - EU Entry Exit System Checks (EES): - Business continuity - Emergency Planning - Supply Chain Management	COMPLETE	ADEQUATE	GOOD	November/ January GAC
RB42-2025	Economic Strategy Delivery	DEFERRED			
RB43-2025	Waste and Circular Economy	DEFERRED			
RB44-2025	Income and Sales	DEFERRED			
RB45-2025	Department for Environment, Food & Rural Affairs (DEFRA) Checking of Goods Changes	DEFERRED			
RB46-2025	Climate Adaptation	COMPLETE	ADVISORY	N/A	January GAC
RB47-2025	Oracle Cloud Programme - Programme Management	COMPLETE	LIMITED	ADEQUATE	January GAC
RB48-2025	Helping Hands Follow up	DEFERRED			
RB49-2025	School Themed Review – Safeguarding	COMPLETE	SUBSTANTIAL	N/A	July GAC
RB50-2025	Loans to Schools Follow-up	COMPLETE	FOLLOW UP	N/A	July GAC
RB51-2025	Sundry Debt Recovery - Cancellation of Invoices Follow-up	COMPLETE	FOLLOW UP	N/A	July GAC
RB52-2025	Data Security Protection Toolkit (DSPT)	COMPLETE	HIGH	GOOD	July GAC
RB53-2025	Annual Governance Statement Follow-up	PLANNING			
RB54-2025	Commercial & Procurement Oversight Board (CPOB)	FIELDWORK			

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RB55-2025	Oracle Cloud Program – Business Readiness	FIELDWORK			
RB06-2024	Kent Cards and Direct Payments – Policies and Practice	COMPLETE	LIMITED	GOOD	November GAC

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Appendix C – Implementation of Agreed Management Actions

3+ Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA03-2021	Records Management	Limited	Issue 3 - The Data Retention Schedule requires a full review	Medium	CED	Superseded
CA03-2021	Records Management	Limited	Issue 4 - Services may retain paper records beyond their statutory timescale	Medium	CED	In Progress
CA03-2021	Records Management	Limited	Issue 6 - There is no documented plan for record cleansing prior to transferring to SharePoint	High	CED	Superseded
CR04-2020	Provider Invoicing	Limited	Issue 5 - Financial Health Checks	High	ASCH	Implemented
CS04-2020	Imprest Accounts	No Assurance	Issue 3 - Security	High	CED	In Progress
CA01-2023	Annual Governance Statement	Limited	Issue 3 - Accuracy and Completeness of AGS Returns	High	CED	Implemented

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2-3 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA03-2021	Records Management	Limited	Issue 2 - The Information Asset Register is overdue for review	High	CED	In Progress
CA03-2022	Equalities Act 2010 Duties	Limited	Issue 2 - Publication of EqlAs	High	CED	Implemented
CA03-2022	Equalities Act 2010 Duties	Limited	Issue 1 - Content of EqlA	High	CED	Implemented
RB01-2022	Declarations of Interests Members	Adequate	Issue 1 - Register of Interests	High	CED	Implemented
RB01-2022	Declarations of Interests Members	Adequate	Issue 2 - Centralised Register of Members Interests	High	CED	Implemented
RB01-2022	Declarations of Interests Members	Adequate	Issue 3 - Key Decisions	Medium	CED	Implemented

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1-2 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
N/A	East Kent opportunities	Investigation	Issue 3 - Governance and Audit Committee Reporting	High	GET	Implemented
RB01-2023	Data Mapping	Adequate	Issue 3 - Data Mapping incomplete across the Council	Medium	CED	Implemented
RB07-2023	Climate Change	Limited	Issue 5 - Lack of Net Zero 2030 Programme Risk and Issues Register	Medium	GET	In Progress
RB07-2023	Climate Change	Limited	Issue 2 - Net Zero 2030 Governance	High	GET	In Progress
RB16-2023	Data Quality LAS System Risk of Overpayments	Limited	Issue 3 - Lack of control for ending services and lack of verification of actual hours	High	CYPE	In Progress
RB17-2023	Compliance with Financial Regulations	Limited	Issue 3 - Financial Regulations Training	Medium	CED	Implemented

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Less Than a Year						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
ICT03-2024	Supply Chain Cyber Security	Adequate	Issue 3 - Third Party Website Security	Medium	CED	Implemented
ICT03-2024	Supply Chain Cyber Security	Adequate	Issue 1 - Supplier Cyber Security Risk Assessment	Medium	CED	In Progress
RB07-2023	Climate Change	Limited	Issue 1 - Cost, Spend and Insufficient Funding	High	GET	In Progress
RB16-2024	Freedom of Information	Adequate	Issue 4 - Website Enhancements	Medium	CED	Implemented
RB17-2023	Compliance with Financial Regulations	Limited	Issue 4 - Single Source Justification, Direct Awards and Contract Extensions – Sample Testing	Medium	CED	Implemented
RB07-2024	Public Health Assurance Map	Assurance Map	Issue 2 - Training	Medium	ASCH	
RB09-2025	Decisions on Accepting Grant funding	Advisory	Issue 1 - Directorate Grant Registers <£100,000	Medium	CED	Implemented

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Programmed Follow-ups						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB18-2024	Loans to Schools	Limited	Issue 1 – Payment Holidays	Medium	CYPE	Implemented
RB18-2024	Loans to Schools	Limited	Issue 2 – 10% of Revenue Budget Threshold	High	CYPE	Implemented
RB18-2024	Loans to Schools	Limited	Issue 3 – Affordability Checks for Additional Loans	High	CYPE	Implemented
RB18-2024	Loans to Schools	Limited	Issue 4 – Roles and Responsibilities	Medium	CYPE	Implemented
RB30-2024	Sundry Debt Recovery – Cancellation of Invoices	Limited	Issue 1 – Rasiing of Accounts Receivable (AR) Invoices	Medium	CED	In Progress
RB30-2024	Sundry Debt Recovery – Cancellation of Invoices	Limited	Issue 2 – Cancellation of Accounts Receivable (AR) Invoices – Guidance	Medium	CED	Implemented
RB30-2024	Sundry Debt Recovery – Cancellation of Invoices	Limited	Issue 3 – Cancelled Invoices	High	CED	Implemented
CA07-2023	Procurement	Limited	Issue 1 - Completeness and Accuracy of Contract Management System (CMS)	Medium	CED	In Progress
CA07-2023	Procurement	Limited	Issue 2 - Retention of Procurement Documentation in a Central Location	Medium	CED	Implemented
CA07-2023	Procurement	Limited	Issue 3 - Use of Key Performance Indicators	High	CED	Implemented
CA07-2023	Procurement	Limited	Issue 4 - Monitoring of Spend Verus Contracts	High	CED	In Progress

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* For **RB30-2024 - Sundry Debt Recovery – Cancellation of Invoices**, updates and evidence have been provided following conclusion of the follow-up. Issue 3 has now been determined as implemented and good progress has been made to resolve issue 1 and waiting on the new process to embed prior to confirming implementation. Updated position has been reflected in the table above.

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Appendix D – Grant Certification

Grant Type	Description	Amount	Current Status
Department for Transport	Bus Service Operators Grant (BSOG) - Annual grant to support local bus services (reported previously)	£1,100,000	Complete
Department for Transport	Integrated Transport & Maintenance Block (reported previously)	£47,000,000	Complete
Department for Transport	Local Transport Block Funding - Pothole Fund (reported previously)	£4,300,000	Complete
Department for Transport	Bus Service Operator Grant for Walmer in Dover	£2,000,000	Complete
Sport England	Sport England 23-24	£900,000	Complete
Department of Health	Supplementary Substance Misuse Treatment & Recovery (SSMTRG) 24-25 (mid-year & end of year review)	£2,200,000	Complete
Department of Health	SSMTR - Housing Support Fund 24-25 (mid-year & end of year review)	£809,000	Complete
Department for Health	Inpatient Detoxification Treatment (IPD) 24-25 (mid-year and end of year review)	£814,000	Complete
Department of Health	Individual Placement Support (IPS) 24-25 (mid-year and end of year review)	£257,000	Complete
Department of Health	Rough Sleeping Drug & Alcohol Treatment 24-25(mid-year and end of year review)	£586,000	Complete
Department for Transport	Core Growth Hub - Midyear review	£200,000	Complete
Total		£60,166,000	

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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.

Substantial

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

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

Adequate

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

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

Limited

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

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

No Assurance

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

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

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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.
Page 250 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: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 3 July 2025

Subject: **ROLLING INTERNAL AUDIT PLAN 2025/26**

Classification: Unrestricted

Summary: This report details the proposed Rolling Internal Audit Plan for 2025/26.

Recommendation: FOR DECISION

Introduction

- The Global Internal Audit Standards (GIAS) and UK Application Note require the Internal Audit service to produce a risk-based audit plan. This paper sets out the proposed 2025/26 Internal Audit Plan (Plan), including a summary of the available resources.
- The 2025/26 Plan will be a rolling 6-month plan, to allow more flexibility to incorporate changing and emerging risks into the Plan, replacing the previous fixed annualised audit planning approach.
- This paper sets out the following:
 - The current priority audits. These audits have been prioritised using our risk-based assessment and evaluation methodology, following the criteria detailed below. Delivery will focus against priority audits identified and ensure sufficient coverage against 8 themes of Corporate Health, Corporate Risks and those linked to Securing Kent's Future. The audits contained in the plan will be risk assessed throughout the current year.
 - A reserve list of audits has also been included and will be considered should the risk landscape change for the priority audits. . The significance and priority of all potential audits identified within the audit planning process, will be continually risk assessed throughout the year.

2025-26 Internal Audit Plan

- The Global Internal Audit Standards (GIAS) and UK Application Note stipulates the need for the development of an Audit Plan.
- To enable the Internal Audit service to be more flexible and adaptive to changing priorities and emerging risks, the Plan for 2025/26 will be a 6-month rolling Plan. This dynamic approach will ensure optimum value to the Council and stakeholders and more effective deployment of audit resources.
- The Plan will be reviewed every 3 months by completing an assessment of all potential audits identified against the following criteria:

Significance How important is the activity to the Council in achieving its objectives, key plans and managing its risks?

Sensitivity How much interest would there be if things went wrong and what would be the reputational impact?

Time When is the best time for the audit to be completed?

- The quarterly review will also consider an evaluation of relevant business intelligence to identify new priorities / emerging risks and potential audit areas.
- Another key consideration when reviewing and updating the Plan throughout the year, will be to ensure there continues to be sufficient coverage of the 8 themes of Corporate Health, which are utilised to ensure there is sufficient coverage for the Head of Internal Audit's Annual Opinion in July 2026.
- Any amendments to the Plan will be reported to the Governance and Audit Committee.
- The Plan for 2025/26 is attached at **Appendix A**. This includes 96 audits (of which 45 are priority audits), which are spread across the Directorates as follows:

Directorate	Number of Priority Audits	Number of Reserve Audits
Cross-Directorate	9	3
Adult Social Care & Health	10	14
Chief Executives Department	5	14
Children, Young People and Education	7	6
Deputy Chief Executives Department	9	14
Growth, Environment & Transport	5	5
Total Audits	45	56

- The Plan has been developed through a risk-based planning process, including the following elements:
 - A review of the corporate and divisional risk registers and discussion with the Corporate Risk Manager.
 - Discussions with Corporate Directors, Directors and Heads of Service.
 - Attendance at Directorate Management Team meetings.
 - Horizon scanning to identify emerging risks and issues.

- Organisational Priorities linking to Securing Kent's Future.
 - A review of audits deferred from the 2024/25 Plan.
 - Undertaking an assessment to determine the required coverage needed for the Head of Internal Audit's Annual Opinion for 2025/26.
 - A review of the Council's Annual Governance Statement.
 - A review of previous cyclical / core audit work.
 - Identification of audit reviews to be followed up.
 - Consideration of other sources of assurance.
- The Plan includes some audits with specific scope areas where this has already been identified and some audits where the scope is still to be determined.
 - The Plan does not detail the number of days to be assigned to the individual audits, but it does illustrate the total days / resources available.
 - **Appendix A** sets out how the audits listed on the Plan map to the Reasonable Assurance – 8 Themes of Corporate Health.
 - **Appendix A** sets out how the audits listed on the Plan mapped to KCC's Corporate Risks.
 - **Appendix A** sets out how the audits listed on the Plan mapped to Securing Kent's Future.
 - In addition to the projects listed on the Plan, we also have **30** days set aside for grant certification work.
 - The outcomes from the 2025/26 Plan will provide the following:
 - Overall opinion and assurance to support the 2025/26 Annual Governance Statement.
 - Assurance against the mitigation of key corporate risks.
 - Assurance over the critical systems of the Council.
 - On-going advice and information to management on risks and controls.
 - Opportunities to provide management with value for money support and advice.
 - Excluded from Appendix A are detailed plans for:
 - Internal Audit coverage of the Global Commercial Services Group
 - Income generating and shared service work with Tonbridge and Malling Borough Council, Canterbury Cathedral, Kent and Medway Fire and Rescue Service, Parish Councils and audits of selected grants.

Resources

- Based on the current Team resources, the total days available for 2025/26 is **2509** days.
- The number of audit days available for the KCC 2025/26 Audit Plan is estimated to be **1,250**.
- A summary of the overall Audit Plan is illustrated below:

2025/26 KCC Audit Plan		Days
KCC		1250
Sub-Total		1250
External Clients		819
Grants		30
Sub-Total		849
Total		2099

- Based on the current staffing levels and assumptions, there is sufficient resource to deliver the 2025/26 Audit Plan.

Conclusions

- The Plan provides sufficient coverage of the Council's current and emerging risks and priorities, with sufficient flexibility to add further reviews onto the plan as needed. There will be sufficient resources to deliver the proposed Plan.

Recommendations

- Members are asked to:
 - Agree the proposed Rolling Internal Audit Plan for 2025/26 subject to emerging issues and assurance requirements.

Appendices:

Appendix A – 2025/26 Rolling Internal Audit Plan

Jonathan Idle
Head of Internal Audit
03000 417840



Kent County Council

Rolling Internal Audit Plan

Governance and Audit Committee

July GAC

2025-26 AUDIT RESOURCES

CLIENTS	DAYS
Kent County Council	1250
Grants	30
Other Clients	819
TOTAL	2099

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Reserve List

Reasonable Assurance
Model

Audits against
Corporate Risks

Audits against Securing
Kents Future

Cross Directorate

Adult Social Care &
Health (ASCH)

Chief Executive
Department (CED)

Childrens, Young People
& Education (CYPE)

Deputy Chief Executive
Department (DCED)

Growth, Environment &
Transport (GET)

Appendix A - Key
Performance Indicators

2025-26 AUDIT PLAN SUMMARY

DIRECTORATES							
PRIORITIES	CROSS DIRECTORATE	ASCH	CED	CYPE	DCED	GET	TOTALS
PRIORITY	9	10	5	7	9	5	45
RESERVE	3	14	14	6	14	5	56
TOTALS	12	24	19	13	23	10	101

KCC Internal Audit operate a Rolling Internal Audit Plan to enable flexibility to emerging risks and changes in assurance requirements with all priority audits undertaken throughout the year. Review of potential assurances against the Council's risks and from meetings with Officers across the Council has identified a range of potential assurance coverage which has been prioritised into "priority" and "reserve" audits. Internal Audit will focus deliver against priority audits identified and ensure sufficient coverage against 8 themes of Corporate Health, Corporate Risks and those linked to Securing Kent's Future. The audits contained in the plan will be risk assessed throughout the current year. The pillars of Corporate Health are as follows:

Corporate Assurance	Risk Management	Financial Control	Commissioning, Procurement & Partnerships
Change Management/ Programmes/ Projects	Information Technology & Information Security	Asset Management	Counter Fraud

Other sources of assurance where they have been assessed that reliance can be placed against them will contribute towards the Internal Audit Annual Opinion. This may include but not limited to Ofsted, Care Quality Commission (CQC) and Information Commissioners Office (ICO) findings for example.

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Reserve List

Reasonable Assurance Model

Audits against Corporate Risks

Audits against Securing Kents Future

Cross Directorate

Adult Social Care & Health (ASCH)

Chief Executive Department (CED)

Childrens, Young People & Education (CYPE)

Deputy Chief Executive Department (DCED)

Growth, Environment & Transport (GET)

Appendix A - Key Performance Indicators

Priority Audits (45)			
Adult Social Care & Health (ASCH) (10)		Chief Executive Department (CED) (5)	
<ul style="list-style-type: none"> Achievement of Savings ASCH – Securing Kents Future Adult Social Care Debt Recovery Commissioning and Transformation – Embedded Assurance Direct Payments including Follow up Information Governance - ASCH 		<ul style="list-style-type: none"> ASCH Contract Management and Future Planning of Contracts MOSAIC Pay Portal Safeguarding – Protecting adults at risk ASCH Provider Management Public Substance Misuse Health Campaigns 	
<ul style="list-style-type: none"> Budget Management Post-Implementation Review of Commissioning 		<ul style="list-style-type: none"> Personal Data - Invicta Law Core Financial Controls No Purchase Order No Pay 	
Children, Young People & Education (CYPE) (7)		Deputy Chief Executive Department (DCED) (9)	
<ul style="list-style-type: none"> Process review of SEND Payments Recommissioning of The Education People (TEP) - Transition of Early years service back to KCC COPE Assurance Map Education Health Care Plans (EHCP) Outcomes 		<ul style="list-style-type: none"> All Pay (Replacement of Kent Card) - Card Payments Essential Living Allowances - Follow-up Elective Home Education 	
<ul style="list-style-type: none"> Backups Business Continuity Planning Cyber Security Topical Requirements Health and Safety Laptops – Asset Management Legacy IT Work 		<ul style="list-style-type: none"> Managers - People Management Responsibilities (Objective Setting and Performance Management) Restructures Property Disposals 	
Growth, Environment & Transport (GET) (5)		Cross Directorate (9)	
<ul style="list-style-type: none"> Economic Strategy Emissions Trading Scheme Helping Hands Follow up 		<ul style="list-style-type: none"> Utility Works on Kent Network – Process and Alignment of Utility Works Highways Term Maintenance – Embedded Assurance 	
<ul style="list-style-type: none"> Fulfilling Best Value Statutory Duty Future Operating Environment – LGR Implementation Oracle Cloud Programme - Embedded Assurance Oracle Cloud Programme - Programme Management – Follow up 		<ul style="list-style-type: none"> Annual Governance Statement – Directorate Action Plans Payment Card Industry Data Security Standards (PCI DSS) Follow up New Contact Centre Contract Contract Management & Monitoring Ongoing Review of Identified Actions 	

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Reasonable Assurance Model
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Audits against Securing Kents Future
Cross Directorate
Adult Social Care & Health (ASCH)
Chief Executive Department (CED)
Childrens, Young People & Education (CYPE)
Deputy Chief Executive Department (DCED)
Growth, Environment & Transport (GET)
Appendix A - Key Performance Indicators

Reserve List Audits (56)		Section Navigation
Adult Social Care & Health (ASCH) (14)	Chief Executive Department (CED) (14)	Resources & Plan Summary
<ul style="list-style-type: none"> 3rd Party Social Care Risks ASCH Referrals and Signposting Deprivation of Liberty Safeguards Embedded Assurance Public Health Commissioning and Transformation Programme Payment to Providers Performance Management and Supervision Arrangements PREVENT referrals - Risk of radicalisation and protection of communities from extremist influences Public Health - Budget Forecasting & Expenditure Workforce recruitment and retention/stability - possible impact of transformation in ASCH. Prevention Programme Shared Costs with NHS Care Quality Commission (CQC) Action Plans/Outputs Information Asset Management Success of prevention services (e.g. Kent Enablement At Home (KEAH) / Technology Enhanced Lives (TELs)) Intervention and Enablement 	<ul style="list-style-type: none"> Data Protection Decisions on the Acceptance of Grant Funding Risk Management Savings improvement Programmes Contract Register Contract Management Database Supply Chain Management Budget Setting and Monitoring Partial VAT Exemption Refugee Resettlement Scheme Homes for Ukraine Procurement Act Serious and Organised Crime (SOC) Subcontracting by Providers 	Priority Audits
Children, Young People & Education (CYPE) (6)	Deputy Chief Executive Department (DCED) (14)	Reserve List
<ul style="list-style-type: none"> Care Leaver Payments Safeguarding Assurance Map Refresh Home Tutoring Establishments – Respite Centres Education Psychology Service High-Cost Placements 	<ul style="list-style-type: none"> Public Switched Telephone Network (PSTN) Communities Programme - SRP Managers - People Management Responsibilities (Sickness) Managers - People Management Responsibilities (Development) Managers - People Management Responsibilities (Health, Wellbeing and Attendance) Disposal of Assets Recruitment Bullying and Harassment Use of Social Media Desk Booking Arrangements Artificial Intelligence Follow-up Change Management Network Monitoring IT Project Management 	Reasonable Assurance Model
Growth, Environment & Transport (GET) (5)	Cross Directorate (3)	Audits against Corporate Risks
<ul style="list-style-type: none"> Active Travel Scheme Creative Economy Income and Sales Moving Traffic Offences Waste and Circular Economy 	<ul style="list-style-type: none"> Staff Capacity, Wellbeing & Future Working Arrangements Spending the Councils Money Unaccompanied Asylum-Seeking Children (UASC) Accommodation 	Audits against Securing Kents Future
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Audit Plan mapped to Reasonable Assurance – 8 Themes of Corporate Health (45)			
Corporate Governance (7)		Risk Management (8)	
<ul style="list-style-type: none"> Economic Strategy Fulfilling Best Value Statutory Duty Future Operating Environment – LGR Implementation Public Substance Misuse Health Campaigns Recommissioning of The Education People (TEP) - Transition of Early years service back to KCC 	<ul style="list-style-type: none"> Annual Governance Statement – Directorate Action Plans Ongoing Review of Identified Actions 	<ul style="list-style-type: none"> Business Continuity Planning Emissions Trading Scheme Health and Safety Safeguarding – Protecting adults at risk Utility Works on Kent Network – Process and Alignment of Utility Works 	<ul style="list-style-type: none"> Children’s Young People and Education (CYPE) Assurance Map Education, Health and Care Plans (EHCP) Outcomes Elective Home Education
Financial Control / VFM (10)		Commissioning, Procurement & Partnerships (5)	
<ul style="list-style-type: none"> Achievement of Savings Adult Social Care and Health (ASCH) – Securing Kents Future Adult Social Care Debt Recovery Budget Management Core Financial Controls Process Review of SEND Payments 	<ul style="list-style-type: none"> Direct payments – Follow up Helping Hands Follow up Essential Living Allowances – Follow-up No Purchase Order No Pay All Pay (Replacement of Kent Card) - Card Payments 	<ul style="list-style-type: none"> New Contact Centre Contract Contract Management & Monitoring 	<ul style="list-style-type: none"> Post-Implementation Review of Commissioning ASCH Provider Management ASCH Contract Management and Future Planning of Contracts
Change Management and Programmes/ Projects (4)		Asset Management (4)	
<ul style="list-style-type: none"> Commissioning and Transformation – Embedded Assurance Oracle Cloud Programme - Embedded Assurance 	<ul style="list-style-type: none"> Oracle Cloud Programme - Programme Management – Follow-up Highways Term Maintenance Contract 	<ul style="list-style-type: none"> Managers - People Management Responsibilities (Objective Setting and Performance Management) Property Disposals 	<ul style="list-style-type: none"> Restructures Laptops – Asset Management
Information Technology & Information Security (7)		Counter Fraud	
<ul style="list-style-type: none"> Backups Cyber Security Topical Requirements Information Governance – ASCH Legacy IT Work 	<ul style="list-style-type: none"> MOSAIC Pay Portal Payment Card Industry Data Security Standards (PCI DSS) Follow-up Personal Data - Invicta Law 		

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Audits against KCC Significant Risks

The detail below shows proposed Internal Audit coverage against high-risk areas from the Corporate Risk Register

CR0003	Securing resources to aid economic recovery and enabling infrastructure	High (20)
Ref	Audit	
RB37-2026	Economic Strategy	

CR0009	Future financial and operating environment for local government	High (25)
Ref	Audit	
RB02-2026	Future Operating Environment – LGR Implementation	

CR0014	Cyber and information security resilience	High (20)
Ref	Audit	
ICT01-2026	Backups	
ICT02-2026	Cyber Security Topical Requirements	
ICT03-2026	IT Legacy Works	

CR0015	Managing and working with the social care market	High (25)
Ref	Audit	
RB10-2026	Achievement of Savings Adult Social Care and Health (ASCH) – Securing Kents Future	
RB16-2026	MOSAIC Pay Portal	
RB18-2026	ASCH Provider Management	

CR0042	Border fluidity, infrastructure and regulatory arrangements	High (20)
Ref	Audit	
NO COVERAGE		

CR0045	Maintaining effective governance and decision making in a challenging financial and operating environment	High (16)
Ref	Audit	
RB14-2026	Information Governance - ASCH	
RB20-2026	Future Operating Environment – LGR Implementation	
RB08-2026	Annual Governance Statement – Directorate Action Plans	

CR0053	Asset Management and Degradation and associated impacts, linked to Capital Programme affordability	High (25)
Ref	Audit	
RB36-2026	Property Disposals	

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CR0059	Significant failure to bring forecast budget overspend under control within budget level assumed	High (25)
Ref	Audit	
RB11-2026	Adult Social Care Debt Recovery	
RB20-2026	Budget Management	
RB09-2026	Contract Management & Monitoring	
RB03-2026	Core Financial Controls	

CR0052	Adaptation of KCC Services to climate change impacts	High (16)
Ref	Audit	
RB38-2026	Emissions Trading Scheme	

CR0064	Risk of Failing to Deliver Effective Adult Social Care Services	High (20)
Ref	Audit	
RB12-2026	Commissioning and Transformation – Embedded Assurance	
RB17-2026	Safeguarding – Protecting adults at risk	

CR0058	Capacity and Capability of the Workforce	High (16)
Ref	Audit	
RB34-2026	Managers - People Management Responsibilities (Objective Setting and Performance Management)	
RB35-2026	Restructures	
RB21-2026	Post-Implementation Review of Commissioning	

CR0068	Delivery Against Safety Valve Agreement	High (25)
Ref	Audit	
NO COVERAGE		

CR0066	ASCH recommissioning programme	High (16)
Ref	Audit	
RB12-2026	Commissioning and Transformation – Embedded Assurance	
RB18-2026	ASCH Provider Management	
RB15-2026	ASCH Contract Management and Future Planning of Contracts	

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Audits with Link to Securing Kents Future		
Audit Title	Nature of Work	Priority
Fulfilling Best Value Statutory Duty	Assurance	Priority
Achievement of Savings – Securing Kents Future	Assurance	Priority
Mosaic – Pay Portal	Assurance	Priority
Commissioning & Transformation Board	Assurance	Priority

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2.1 Cross Directorate			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB01-2026	Fulfilling Best Value Statutory Duty	To provide assurance that KCC has the ability to evidence how the Council are fulfilling the Best Value statutory duty.	Assurance
RB02-2026	Future Operating Environment – Local Government Reorganisation Implementation	Embedded assurance to provide advice on Local Government Reorganisation.	Embedded Assurance
RB03-2026	New Contact Centre Contract	Post Implementation review of the new Contact Centre arrangements following the new procurement.	Assurance
RB04-2026	Ongoing Review of Identified Actions	To provide ongoing review against progress against agreed Management Actions.	Follow-up
RB05-2026	Oracle Cloud Programme - Embedded Assurance	To provide Embedded Assurance on the implementation of the Oracle Cloud Programme.	Embedded Assurance
RB06-2026	Oracle Cloud Programme - Programme Management – Follow up	To provide assurance that adequate progress has been made against the agreed management actions from the previous “Limited” assurance audit.	Assurance
RB07-2026	Payment Card Industry Data Security Standards (PCI DSS) Follow up	To provide assurance that adequate progress has been made against the agreed management actions from the previous “Limited” assurance audit.	Assurance
RB08-2026	Annual Governance Statement – Directorate Action Plans	To provide assurance on the adequacy, effectiveness and progress of Directorate Action plans from the Annual Governance Statement.	Assurance
RB09-2026	Contract Management & Monitoring	To undertake a review of Contract Management and monitoring arrangements in place to provide assurance on performance, delivery, achievement of outcomes and value for money.	Assurance

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Audit Title	Nature of Work
Staff Capacity, Wellbeing & Future Working Arrangements	Assurance
Spending the Councils Money	Assurance
Unaccompanied Asylum-Seeking Children (UASC) Accommodation	Assurance
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2. Risk Based Audits			
2.2 Adult Social Care & Health (ASCH)			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB10-2026	Achievement of Savings ASCH – Securing Kents Future	To provide assurance on the adequacy and effectiveness of savings plans as part of Securing Kents Future.	Assurance
RB11-2026	Adult Social Care Debt Recovery	To provide assurance on the adequacy and effectiveness of the ASCH Debt Recovery Process.	Assurance
RB12-2026	Commissioning and Transformation – Embedded Assurance	Continued embedded assurance on Commissioning and Transformation with ASCH.	Embedded Assurance
RB13-2026	Direct Payments including Follow up	To provide assurance that adequate progress has been made against the agreed management actions from the previous “Limited” assurance audit including a further review focused more on practice.	Follow up
RB14-2026	Information Governance - ASCH	To provide assurance on the adequacy and effectiveness of Information Governance arrangements within ASCH and ensure that this align to KCC Policies.	Assurance
RB15-2026	ASCH Contract Management and Future Planning of Contracts	To provide assurance on the adequacy and effectiveness of contract management and future planning of contracts within ASCH that are entering the end of their lifecycle.	Assurance
RB16-2026	MOSAIC Pay Portal	To provide assurance on the adequacy and effectiveness of the Mosaic Pay Portal to ensure there are adequate arrangements to safeguard against systems failure and Providers being paid accurately and on time.	Assurance
RB17-2026	Safeguarding – Protecting adults at risk	A Review of how safeguarding referrals are managed from receipt through to closure.	Assurance
RB18-2026	ASCH Provider Management	To provide assurance on the arrangements in place relating to Provider Failure, Providers leaving market and/or Providers refusing to join frameworks.	Assurance
RB19-2026	Public Substance Misuse Health Campaigns	To provide assurance on the adequacy and effectiveness of the Public Substance Misuse Health Campaigns and that grant funding has been utilised in alignment with agreements.	Assurance

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2. Risk Based Audits	
2.2 Adult Social Care & Health (ASCH)	
Reserve List	
Audit Title	Nature of Work
3 rd Party Social Care Risks	Assurance
ASCH Referrals and Signposting	Assurance
Deprivation of Liberty Safeguards	Assurance
Embedded Assurance Public Health Commissioning and Transformation Programme	Assurance
Payment to Providers	Assurance
Performance Management and Supervision Arrangements	Assurance
PREVENT referrals - Risk of radicalisation and protection of communities from extremist influences	Assurance
Public Health - Budget Forecasting & Expenditure	Assurance
Workforce recruitment and retention/stability - possible impact of transformation in ASCH.	Assurance
Prevention Programme	Assurance
Shared Costs with NHS	Assurance
Care Quality Commission (CQC) Action Plans/Outputs	Assurance
Information Asset Management	Assurance
Success of prevention services (e.g. Kent Enablement at Home (KEAH) / Technology Enhanced Lives (TELs)) Intervention and Enablement	Assurance

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2. Risk Based Audits			
2.3 Chief Executive Department (CED)			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB20-2026	Budget Management	To provide assurance that budget holders are adequately trained and are effectively managing the budgets in which they hold responsibility for.	Assurance
RB21-2026	Post-Implementation Review of Commissioning	To undertake a post implementation review of commissioning and determine whether desired outcomes have been achieved.	Assurance
RB22-2026	Personal Data - Invicta Law	A review of personal data arrangements at Invicta Law which will be reported jointly to both KCC and Global Commercial Services Group (GSCG).	Assurance
RB23-2026	Core Financial Controls	To provide assurance on the adequacy and effectiveness on core financial controls in place at KCC.	Assurance
RB24-2026	No Purchase Order No Pay	To provide assurance on the adequacy of the arrangements for the new “No Purchase Order No Pay” Policy .	Assurance

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2. Risk Based Audits	
2.3 Chief Executive Department (CED)	
Reserve List	
Audit Title	Nature of Work
Data Protection	Assurance
Decisions on the Acceptance of Grant Funding	Assurance
Risk Management	Assurance
Savings Improvement Programmes	Assurance
Contract Register	Assurance
Contract Management Database	Assurance
Supply Chain Management	Assurance
Budget Setting and Monitoring	Assurance
Partial VAT Exemption	Assurance
Refugee Resettlement Scheme	Assurance
Homes for Ukraine	Assurance
Procurement Act	Assurance
Serious and Organised Crime (SOC)	Assurance
Subcontracting by Providers	Assurance

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2. Risk Based Audits			
2.4 Children, Young People & Education (CYPE)			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB25-2026	Process review of SEND Payments	A consultancy process review of SEND payments.	Consultancy
RB26-2026	Recommissioning of TEP - Transition of Early years service back to KCC	<p>To provide assurance on the adequacy and effectiveness of the arrangements to transition early years service back to KCC.</p> <p>This is a joint audit on GCSG Plan (TEP - Transition of Early years service back to KCC). The audit is subject to timeliness of the key decision being undertaken.</p>	Assurance
RB27-2026	CYPE Assurance Map	Analysis of CYPE assurances and gap analysis.	Assurance Map
RB28-2026	Education Health Care Plan (EHCP) Outcomes	The review will compare the outcomes received by children with EHCPs in maintained schools and specialist schools.	Assurance
RB29-2026	All Pay (Replacement of Kent Card) - Card Payments	To review the adequacy and effectiveness of controls in place of All Pay to ensure that risks are adequately managed.	Embedded Assurance
RB30-2026	Essential Living Allowances - Follow-up	To provide assurance that adequate progress has been made against the agreed management actions from the previous Fraud Investigation including a further review focused more on practice.	Assurance
RB31-2026	Elective Home Education	To provide assurance on the adequacy and effectiveness of processes in place relating to Elective Home Education that enable children to receive an adequate education.	Assurance

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2.4 Children, Young People & Education (CYPE)	
Reserve List	
Audit Title	Nature of Work
Care Leaver Payments	Assurance
Safeguarding Assurance Map Refresh	Assurance Map
Home Tutoring	Assurance Map
Establishments – Respite Centres	Assurance
Education Psychology Service	Assurance
High Cost Placements	Assurance

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2. Risk Based Audits			
2.5 Deputy Chief Executive Department (DCED)			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB32-2026	Business Continuity Planning	To provide assurance on the effectiveness and adequacy of Business Continuity Planning following implementation of the new system.	Assurance
RB33-2026	Health and Safety	To provide assurance on the adequacy and effectiveness of Health and Safety arrangements in place following implementation of the new Health and Safety System.	Assurance
RB34-2026	Managers - People Management Responsibilities (Objective Setting and Performance Management)	To provide assurance on the effectiveness and adequacy of Objective Setting and Performance Management arrangements within KCC.	Assurance
RB35-2026	Restructures	To provide assurance on the adequacy and effectiveness of Procedures in place to support restructures including lessons learnt review of a recent restructure and whether intended outcomes have been achieved.	Assurance
RB36-2026	Property Disposals	To provide assurance on the adequacy and effectiveness of the processes in place for Property Disposals.	Assurance
ICT01-2026	Backups	To provide assurance on the adequacy and effectiveness of processes in place for backups.	Assurance
ICT02-2026	Legacy IT Work	A review of any legacy apps or infrastructure left over from the move to cloud from the datacentre.	
ICT03-2026	Cyber Security Topical Requirements	To undertake a review of Cyber Security in line with the Topical Requirements as outlined by the Global Internal Audit Standards.	Assurance
ICT04-2026	Laptops – Asset Management	To provide assurance on the adequacy and effectiveness of the processes in place for managing laptops including the issuing laptops and their return.	Assurance

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2. Risk Based Audits	
2.5 Deputy Chief Executive Department (DCED)	
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Audit Title	Nature of Work
Public Switched Telephone Network (PSTN)	Assurance
Communities Programme - SRP	Assurance
Managers - People Management Responsibilities (Sickness)	Assurance
Managers - People Management Responsibilities (Development)	Assurance
Managers - People Management Responsibilities (Health, Wellbeing and Attendance)	Assurance
Disposal of Assets	Assurance
Recruitment	Assurance
Bullying and Harassment	Assurance
Use of Social Media	Assurance
Desk Booking Arrangements	Assurance
Artificial Intelligence Follow-up	Assurance
Change Management	Assurance
Network Monitoring	Assurance
IT Project Management	Assurance

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2. Risk Based Audits			
2.6 Growth, Environment & Transport			
Priority Audits			
Ref	Audit Title	Scope	Nature of Work
RB37-2026	Economic Strategy	To provide assurance on the adequacy and effectiveness of the Economic Strategy and the progress of associated projects for the delivery of the Strategy.	Assurance
RB38-2026	Emissions Trading Scheme	To provide assurance on the adequacy and effectiveness that risks associated with the Emissions Trading Scheme are being managed.	Assurance
RB39-2026	Helping Hands Follow up	To provide assurance that adequate progress has been made against the agreed management actions from the previous “Limited” assurance audit including a further review focused more on practice.	Follow up
RB40-2026	Highways Term Maintenance Contract – Embedded Assurance	Ongoing embedded assurance on the Highways Term Maintenance Contract.	Embedded Assurance
RB41-2026	Utility Works on Kent Network – Process and Alignment of Utility Works	To provide assurance on the adequacy and effectiveness of the processes in place for utility works and their alignment to minimise impact on the residents of Kent.	Assurance

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2. Risk Based Audits

2.6 Growth, Environment & Transport

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Audit Title	Nature of Work
Active Travel Scheme	Assurance
Creative Economy	Assurance
Income and Sales	Assurance
Moving Traffic Offences	Assurance
Waste and Circular Economy	Assurance

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1.
- The Key Performance indicators (KPI's) and Performance Monitoring for the Internal Audit service have been previously been reviewed with the intention of updating to more modern metrics updates with an ongoing shift from quantitative to outcome and value measuring performance.
2.
- Thus, it has been the tradition within Internal Audit to concentrate upon input and output metrics such as:
- Percentage of the Audit Plan delivered.

•

Planned v Actual days / % of audits completed within resource allocation.

•

Delivery of all agreed Audit Committee papers on time.

•

% of Draft audit reports issued within ten working days of completion of fieldwork.

•

% of Final Reports issued within five working days of receipt of responses to draft report.
3.
- These are valid to measure within the service internally as they are part of how Audit Managers monitor individual and team efficiency, however it is more relevant to report to the Governance and Audit Committee and stakeholders on whether there is value from the work of Internal Audit and whether the work helps the organisation strengthen controls and the management of risk and achieve its objectives and priorities.
4.
- To further shift the performance measurement of the Internal Audit service to being outcome based and accountable to the Governance and Audit Committee, the following measures in Table 1 will be reported to the Committee:

2025-26 Internal Audit Key Performance Indicators – Table 1

KCC Key Performance Indicator			
	Factor	Basis	Measured by
A	Strategic Alignment	For Internal Audit to be relevant, its coverage must be aligned to the Council’s main risks	<ul style="list-style-type: none">• Either an Assurance Map on Internal Audit coverage or reporting to the Committee on annual coverage compared to the Corporate Risk Register
B	Rolling Audit Plan	Having a Rolling Audit Plan reflects the need for coverage of key risks at the right time	<ul style="list-style-type: none">• Number of Relationship Management meetings held to discuss Rolling Audit Plan• Stakeholder feedback on the effectiveness of IA coverage
C	Timely Insights	In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders	<ul style="list-style-type: none">• Stakeholder feedback on effectiveness of collaboration• Stakeholder Feedback on Embedded Assurance insights
D	Adding Value	The fundamental basis for the service to the Council that Internal Audit should be providing.	<ul style="list-style-type: none">• The proportion of audit coverage providing wider assurance via the use of data analytics• Recording how audit coverage has contributed to the Council saving money.• Documenting how and where IA has provided guidance for improving poor or effective controls.• Documenting how IA has provided embedded assurance advice from the initial stages of strategic initiatives
E	Management Actions	To determine if there has been actual improvement from Internal Audit reviews	<ul style="list-style-type: none">• % of high priority / risk issues agreed• % of high priority / risk issues implemented.• % of all issues agreed• % of all issues implemented.
F	Client Satisfaction	Determining whether value is added	<ul style="list-style-type: none">• Client satisfaction surveys at the end of each audit.• Annual Key stakeholder perception survey (some questions to be amended)
G	Audit Efficiency	The responsibility to operate efficiently	<ul style="list-style-type: none">• Time from audit planning to draft report being issued.• Completion of all Grant Certifications for the Council/ respective Directorates within set timescales.

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From:	Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services Interim Corporate Director - Finance
To:	Governance and Audit Committee – 03 July 2025
Subject:	Treasury Management Outturn 2024-25
Classification:	Unrestricted
Future Pathway of report	County Council

Summary: This report provides an overview of Treasury Management activity in 2024-25 and developments in 2025-26.

Recommendation: The Committee is asked to endorse this report and recommend that it is submitted to County Council.

1. Introduction

- 1.1 This report covers Treasury Management activity in 2024-25 and developments in 2025-26 up to the date of this report.
- 1.2 If agreed by the Committee, this report will be presented to County Council.
- 1.3 The Council's Treasury Management Strategy for 2024-25 was approved by the County Council on 19 February 2024.
- 1.4 The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. This report covers treasury activity and the associated monitoring and control of risk.
- 1.5 Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.6 The Council has nominated the Governance & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. External context

2.1 **Economic background:** The following economic commentary has been provided by the Council's retained treasury advisor, MUFG Corporate Markets.

UK Economy

- a) *UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% y/y (April), the CPI measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% y/y (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.*
- b) *Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).*
- c) *Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.*
- d) *The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.*

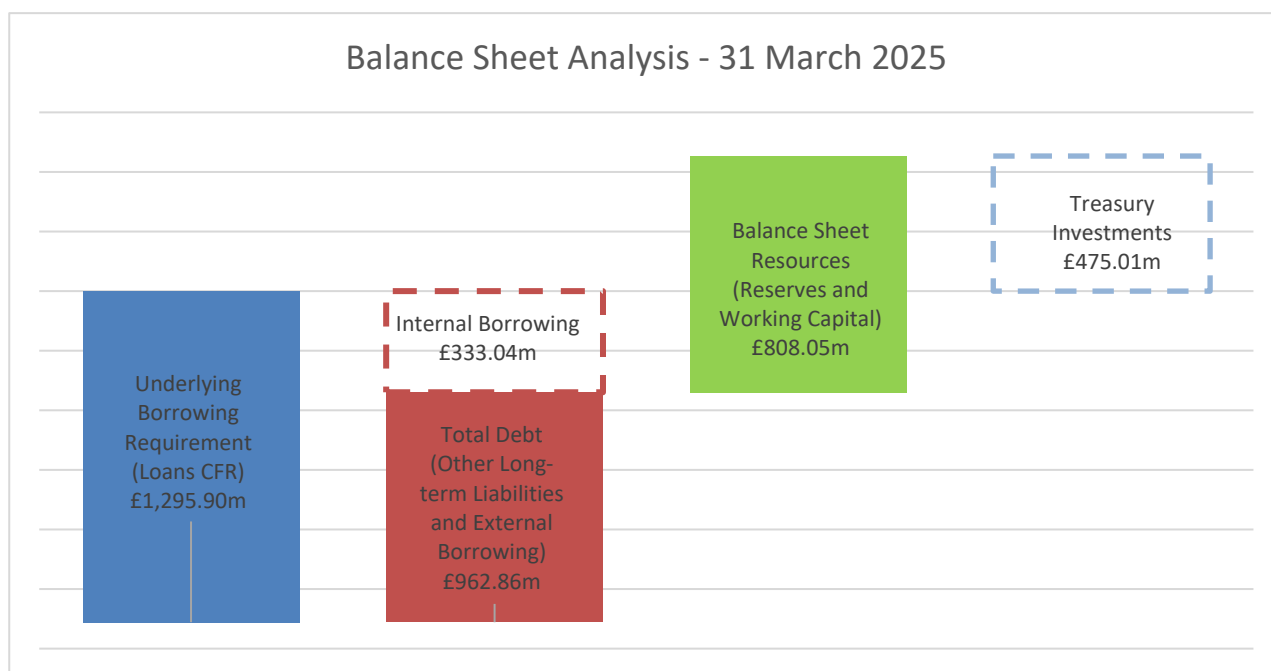
	UK	Eurozone	US
Bank Rate	4.50%	2.5%	4.25%-4.5%
GDP	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
Inflation	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
Unemployment Rate	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

- e) *The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.*

- f) *Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¾% in Q3. And while in February it said “inflation is expected to fall back thereafter to around the 2% target”, this time it just said it would “fall back thereafter”. That may be a sign that the Bank is getting a bit more worried about the “persistence in domestic wages and prices, including from second-round effects”. Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking “a gradual and careful” approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.*
- g) *From a fiscal perspective, the increase in businesses’ national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government’s efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.*
- h) *As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3rd March. The £ has also endured a topsy-turvy time, hitting a peak of \$1.34 before dropping to \$1.22 in January and then reaching \$1.27 in early April 2025.*

3. Local context

- 3.1 At 31 March 2025 the Council had borrowings of £732.56m and investments of £475.01m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are shown in the following table.



3.2 The Council followed its strategy to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low. This strategy is regularly reviewed with the Council's treasury advisors taking account of capital spending plans and available cash resources.

3.3 The treasury management position on 31 March 2025 and the change during the year is shown in the following table.

	31-Mar-24	2024-25	31-Mar-25	31-Mar-25
	Balance £m	Movement £m	Balance £m	Average Rate %
Long-term borrowing	771.89	-39.33	732.56	4.36
Total borrowing	771.89	-39.33	732.56	4.36
Long-term investments	280.07	24.07	304.14	4.57
Short-term investments	44.37	-6.48	37.89	4.25
Cash and cash equivalents	128.91	4.07	132.98	4.53
Total investments	453.35	21.66	475.01	4.53
Net borrowing	318.54	-60.99	257.55	

4 Borrowing Update

4.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities

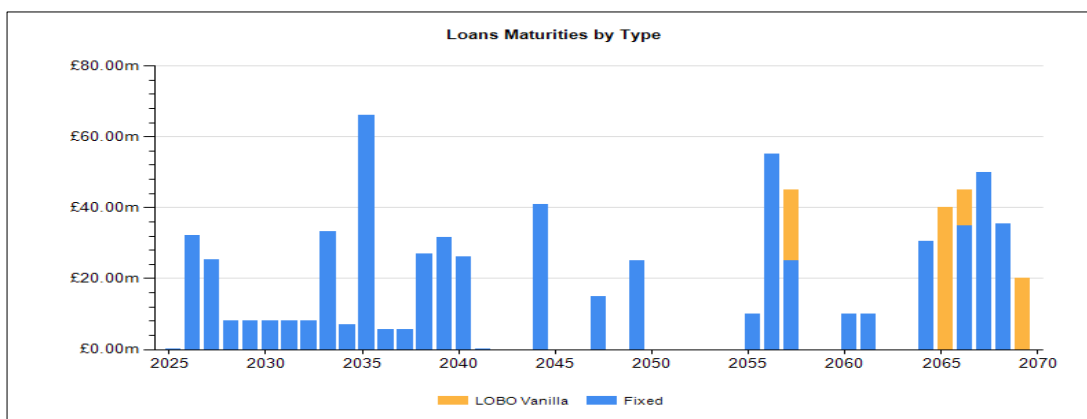
planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

5 Borrowing Strategy During the Period

- 5.1 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 5.2 At 31 March 2025 the Council held £732.56m of loans as part of its strategy for funding previous capital programmes. No net new borrowing was undertaken in the year and £39.33m of existing loans were allowed to mature / repay without replacement.
- 5.3 Interest rates rose over the year in both the long and short term, with rates at the end of March around 0.70% - 0.80% higher than those at the beginning of April. The PWLB 10-year maturity certainty rate stood at 5.48% at 31 March 2025, 20 years at 5.95% and 30 years at 6.01%.
- 5.4 The Council continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Rising interest rates increases the likelihood of a lender exercising their option although no banks exercised their option during the period.
- 5.5 The Council's borrowing activity in 2024-25 is as follows:

	31/03/2024	2024-25	31/03/2025	31/03/2025	31/03/2025
	Balance	Movement	Balance	Average Rate	Value Weighted Average Life
	£m	£m	£m	%	yrs
PWLB Loan	456.26	-27.71	428.55	4.33%	14.64
Banks (LOBO)	90.00	0.00	90.00	4.15%	38.88
Banks (Fixed Term)	216.10	-10.00	206.10	4.56%	38.27
Streetlighting project	9.53	-1.62	7.91	2.88%	15.49
Total borrowing	771.89	-39.33	732.56	4.36%	24.27

- 5.6 The maturity profile of the Council's outstanding debt at 31 March 2025 was as follows:



6 Treasury Investment Activity

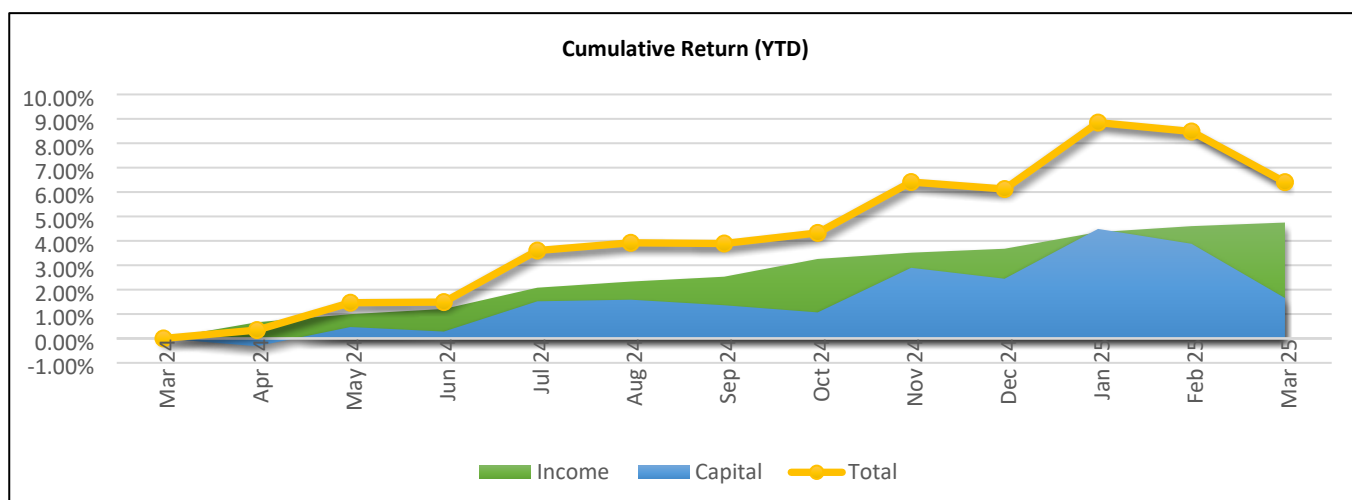
- 6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that represents balances that need to be invested until the cash is required for use in the course of business.
- 6.2 The Council holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balance ranged between £393.00m and £622.82m due to timing differences between income and expenditure.
- 6.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4 Bank Rate decreased from 5.25% at the beginning of the year to 4.50% at the end of March 2025. Short-dated cash rates, which had ranged between 5.16% - 5.19% at the beginning of April, dropped by around 0.74% for Overnight/7-day maturities and 0.84% for 3/6-month maturities.
- 6.5 The Council continues to hold significant cash balances in money market funds as well as in bank call accounts which have same day availability. This liquid cash was diversified over several counterparties and money market funds to manage both credit and liquidity risks.
- 6.6 During the year the Council loaned £9.29m to the no use empty loans programme. At 31 March 2025, the Council had loans outstanding totalling £21.97m to the programme now achieving a return of 3.63% which is available to fund general services. A £15.11m net increase in covered bonds in the year brings the total bond portfolio up to £103.34m. These instruments are negotiable and have the benefit of collateral cover.

- 6.7 The Council's investments during the year are summarised in the table below and a detailed schedule of investments as at 31 March 2025 is in Appendix 1.

	31-Mar-24	2024-25	31-Mar-25	31-Mar-25	31-Mar-25
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	£m	£m	£m	%	
Call Deposits (Banks)	13.60	-3.60	10.00	3.70	A+
Money Market Funds	128.91	4.07	132.98	4.53	AAA
Covered Bonds	88.22	15.11	103.34	4.52	AAA
DMADF Deposits (DMO)	0.00	27.89	27.89	4.45	AA-
Treasury Bills (UK Government)	30.77	-30.77	0.00		
No Use Empty Loans	16.00	5.98	21.97	3.63	
Equity	1.30	0.00	1.30		
Internally Managed Cash	278.80	18.68	297.48	4.41	AA+
Strategic Pooled Funds	174.55	2.98	177.54	4.75	
Total	453.35	21.66	475.01	4.53	

7 Externally managed investments

- 7.1 The Council is invested in equity, multi-asset and property funds. Because the pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed.
- 7.2 Although expected returns are higher over the long term than comparable short-term cash instruments, returns on pooled fund investments can be volatile from one year to the next, and therefore the Council only holds long term (strategic) cash balances in the strategic pooled funds' portfolio.
- 7.3 **Performance YTD.** The value of our holdings increased to £177.54m at the end of March 2025, showing an unrealised gain of £2.98m (1.66%) since the end of March 2024. The total return (comprised of both income and capital returns) on the pooled fund investments over the year since 31 March 2024 was £11.53m (6.41%), as shown in the table below.

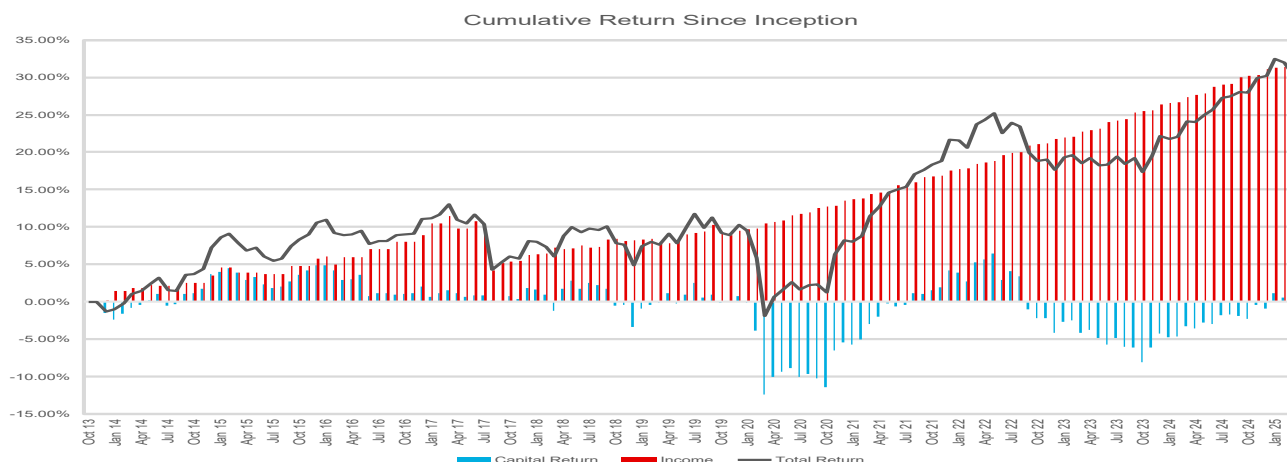


7.4 The market value of the pooled fund investments as at 31 March 2025 compared to the position as at 31 March 2024 is shown in the table below.

		31-Mar-24	2024-25	31-Mar-25	31-Mar-25	
Investment Fund	Book cost	Market Value	Movement	Market Value	12 months return	
					Income	Total
	£m	£m	£m	£m	%	%
CCLA LAMIT Property Fund	60.00	54.22	1.04	55.26	4.72	6.46
CCLA Cautious Multi-Asset Fund (formerly DIF)	5.00	4.95	-0.27	4.69	3.23	-2.12
Pyrford Global Total Return Sterling Fund	5.00	5.35	0.13	5.48	3.11	5.67
Fidelity Global Multi Asset Income Fund	25.00	22.96	-0.60	22.36	4.41	2.01
Ninety-One (Investec) Diversified Income Fund	10.00	9.10	-0.02	9.08	4.54	4.29
Aegon (KAMES) Diversified Monthly Income Fund	20.00	18.71	-0.13	18.58	5.47	4.81
M&G Global Dividend Fund	10.00	15.06	1.22	16.29	5.08	17.31
Schroders Income Maximiser Fund	25.00	20.47	1.41	21.88	5.86	11.50
Threadneedle Global Equity Fund	10.00	13.02	-0.27	12.75	3.42	0.68
Threadneedle UK Equity Income Fund L	10.00	10.70	0.47	11.18	4.36	9.10
Total Externally Managed Investments	180.00	174.55	2.98	177.54	4.75	6.41

7.5 **Performance since inception:** KCC initially invested in pooled funds in 2013. By the end of March 2025 they had achieved a total income return of £57.89m, 32.09%, with a fall in the capital value of the portfolio of £2.50m, -1.39%. Total returns since inception have been far in excess of the returns available from cash over the same period and these instruments are an effective way of managing the Council's longer

term cash balances. The following chart tracks the returns earned on the pooled funds over the period from inception.



- 7.6 IFRS 9 Statutory Override:** Under the current accounting requirements governing local authorities, movements in the fair value of pooled fund investments are removed from the general fund and recognised on the Council’s balance sheet. This effectively ensures the impact of volatility in the capital value of such investments does not affect the annual revenue outturn. However, the relevant accounting provision (known as the “IFRS 9 statutory override”) is temporary in nature and is now due to expire on 31 March 2029 (for legacy investments only) and therefore (in the absence of any future regulatory changes), the Council will begin to recognise movements in the fair value of pooled fund investments from 2029/30, including the cumulative position to date (whilst any new investments would be subject to compliance immediately). Given the uncertainty surrounding the impact of the expiry of the override, the Council recognises this risk on the Budget Risk Register.

8 Investment benchmarking at 31 March 2025

- 8.1 The Council’s retained treasury advisor, MUFG Corporate Markets monitors the risk and return of some 228 local authority investment portfolios. The metrics over the 12 months to 31 March 2025 extracted from their quarterly investment benchmarking, per the table below, show that the risk within the Kent internally managed funds having been consistent throughout the 12-month period is in line with that of other local authorities. The income return has risen reflecting increased rates payable on our cash investments.

Internally managed investments	Weighted Average Risk Score	Weighted Average Risk Rating	Weighted Average Time to Maturity (days)	Weighted Average Rate of Return (%)
Kent - 31.03.2024	1.14	AA+	207	4.95
Kent - 31.03.2025	1.11	AA+	204	4.48
English Counties (16)	1.88	AA+	87	4.71
Population Average (228)	2.01	AA	67	4.63

9 Actual and forecast outturn

- 9.1 Outturn net debt costs are £1.88m lower than budget. Savings were made against budgeted borrowing interest costs as we did not undertake any new borrowing in 2024-25 and we made an early redemption of £10m Phoenix Life loan delivering a discount to book costs and a saving on interest costs. There was £0.45 unbudgeted contribution from UASC as well as £0.34m net increase in investment income.

10 Compliance

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

11 Treasury Management Indicators

- 11.1 The Council measures and manages its exposures to treasury management risks using the following indicators:

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

Credit risk indicator	Actual 31/03/2025	Minimum
Portfolio average credit rating	AA+	AA-

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

Liquidity risk indicator	Actual 31/03/2025	Minimum
Total cash available within 3 months	£170.87m	£100m

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

Interest rate risk indicator	Actual 31/03/2025	Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	£2.74m	£10m

One-year revenue impact of a 1% <u>fall</u> in interest rates	-£2.74m	-£10m
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11.5 Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing were:

	Actual 31/03/2025	Upper limit	Lower limit
Under 12 months	3.28%	100%	0%
12 months and within 5 years	2.32%	50%	0%
5 years and within 10 years	14.76%	50%	0%
10 years and within 20 years	26.28%	50%	0%
20 years and within 40 years	32.82%	50%	0%
40 years and longer	20.54%	50%	0%

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

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

	Actual	Limit	Limit	Limit
Price risk indicator	2025/26	2026/27	2027/28	No Fixed Date
Limit on principal invested beyond year end	£150m	£100m	£50m	£250m
Actual as at 31 March 2025	£73.99m	£13.28m	£10.28m	£200.81m

12 Recommendation

Members are asked to endorse this report and recommend that it is submitted to Council.

Appendices

Appendix 1 – Investments as at 31 March 2025

Appendix 2 – Glossary of Terms

Sangeeta Surana – Pension Fund and Treasury Investments Manager

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19 June 2025

Investments as at 31 March 2025

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Total Treasury Bills		0		
DMADF Deposit	Debt Management Office	10,600,000	4.45%	01/04/25
DMADF Deposit	Debt Management Office	17,290,000	4.45%	07/04/25
Total DMADF		27,890,000		
Call Account	National Westminster Bank plc	5,000,000	3.25%	
Call Account	Lloyds Bank plc	5,000,000	4.14%	
Total Bank Call Accounts		10,000,000		
No Use Empty Loans		21,972,903	3.63%	
Money Market Funds	LGIM Sterling Liquidity Fund 4	19,996,859	4.5655%	
Money Market Funds	Aviva Investors Sterling Liquidity Fund 3 GBP Inc	19,999,315	4.5682%	
Money Market Funds	Federated Prime Rate Sterling Liquidity 3	14,996,087	4.5284%	
Money Market Funds	HSBC Sterling Liquidity Fund F	19,995,306	4.4714%	
Money Market Funds	Northern Trust Sterling Cash Fund	19,997,871	4.5249%	
Money Market Funds	Deutsche Managed Sterling Platinum	17,995,765	4.5241%	
Money Market Funds	Aberdeen Liquidity Fund (Lux) KCC	19,997,313	4.5314%	
Total Money Market Funds		132,978,517		
Equity	Kent PFI (Holdings) Ltd	1,298,620		n/a

Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Coupon Rate	Maturity Date
		£		
Fixed Rate Covered Bond	Nationwide Building Society Covered	3,473,007	4.3170%	28/01/26
Fixed Rate Covered Bond	Santander UK Covered	5,065,018	4.3925%	02/03/26
Fixed Rate Covered Bond	Bayerische Landesbank Covered	14,986,497	5.1759%	01/06/26
Fixed Rate Covered Bond	Bayerische Landesbank Covered	299,534	5.2128%	01/06/26
Fixed Rate Covered Bond	Clydesdale Bank Covered	6,021,239	4.3981%	08/06/26
Fixed Rate Covered Bond	National Australia Bank Covered	3,889,610	4.6707%	04/09/26
Fixed Rate Covered Bond	Commonwealth Bank of Australia Covered	972,394	4.5842%	04/09/26
Fixed Rate Covered Bond	Lloyds Bank Covered	5,551,798	4.3730%	30/03/27
Fixed Rate Covered Bond	Lloyds Bank Covered	2,650,134	4.3326%	08/02/29
Fixed Rate Covered Bond	Santander UK Covered	5,129,794	4.5260%	16/02/29
Fixed Rate Covered Bond	Santander UK Covered	1,535,537	4.5883%	16/02/29
Fixed Rate Covered Bond	Santander UK Covered	965,071	4.7154%	16/02/29
Floating Rate Covered Bond	National Australia Bank Covered	5,029,210	4.0582%	15/12/25
Floating Rate Covered Bond	National Australia Bank Covered	10,042,144	3.7272%	15/12/25
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce Covered	5,028,900	4.0667%	15/12/25
Floating Rate Covered Bond	Bank of Nova Scotia Covered	705,217	4.6951%	26/01/26
Floating Rate Covered Bond	Nationwide Building Society Covered	500,540	5.0159%	20/04/26
Floating Rate Covered Bond	Nationwide Building Society Covered	5,402,601	5.0669%	20/04/26
Floating Rate Covered Bond	Bank of Nova Scotia Covered	10,054,889	4.3632%	22/06/26
Floating Rate Covered Bond	Royal Bank of Canada Covered	4,026,526	4.6132%	13/07/26
Floating Rate Covered Bond	Yorkshire Building Society Covered	3,003,445	4.7150%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society Covered	2,001,577	4.7347%	18/01/27
Floating Rate Covered Bond	Leeds Building Society Covered	3,002,276	4.7910%	15/05/27
Floating Rate Covered Bond	Leeds Building Society Covered	3,999,088	4.8524%	15/05/27
Total Bonds		103,336,046		

Total Internally managed investments

297,476,086

2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	12 months return to	
	£	31-March-25	31-March-25	
		£	Income	Total
CCLA LAMIT Property Fund	60,000,000	55,262,121	4.72%	6.46%
CCLA Better World Cautious Fund (formerly DIF)	5,000,000	4,687,466	3.23%	-2.12%
Pyrford Global Total Return Fund	5,000,000	5,480,523	3.11%	5.67%
Fidelity Multi Asset Income Fund	25,038,637	22,355,426	4.41%	2.01%
Ninety-One (Investec) Diversified Income Fund	10,000,000	9,079,433	4.54%	4.29%
Aegon (KAMES) Diversified Monthly Income Fund	20,000,000	18,576,677	5.47%	4.81%
M&G Global Dividend Fund	10,000,000	16,285,330	5.08%	17.31%
Schroder Income Maximiser Fund	25,000,000	21,881,147	5.86%	11.50%
Threadneedle Global Equity Institutional Fund	10,000,000	12,750,631	3.42%	0.68%
Threadneedle UK Equity Income Fund	10,000,000	11,176,679	4.36%	9.10%
Total External Investments	180,038,637	177,535,433	4.75%	6.41%

3. Total Investments

Total Investments	£475,011,519
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GLOSSARY

Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
Gilt	Bond issued by the UK Government, taking its name from the gilt-edged paper they were

	originally printed on.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. The Code was update din December 2021
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Short-term	Usually means less than one year
SONIA	Based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
Weighted	The weighted average time for principal repayment, that is, the average time it takes for every

average life (WAL)	dollar of principal to be repaid. The time weights are based on the principal payments,
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