

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 23rd July, 2024

2.00 pm

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 23rd July, 2024, at 2.00 pm
Council Chamber, Sessions House, County
Hall, Maidstone

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

Membership (12)

Conservative (7)	Mrs R Binks (Chairman), Mr T Bond, Mr N J D Chard, Mr P C Cooper, Mr O Richardson, Mr S Webb and Vacancy
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr C Passmore (Vice-Chairman)
Green and Independent (1)	Mr M A J Hood
Independent Member (1)	Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 16 May 2024 (Pages 1 - 6)
5. Governance and Audit Committee Annual Report to County Council (Pages 7 - 12)
6. Annual Governance Statement Update (Pages 13 - 14)
7. Internal Audit Progress Report (Pages 15 - 54)
8. Internal Audit Annual Report 2023-24 (Pages 55 - 106)

9. Risk Management Verbal Update
10. Treasury Management Outturn Report 2023-24 (Pages 107 - 126)
11. External Audit Progress Report and Sector Update (Pages 127 - 140)
12. Other items which the Chairman decides are urgent

EXEMPT ITEMS

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

Benjamin Watts
General Counsel
03000 416814

Monday, 15 July 2024

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

KENT COUNTY COUNCIL

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, 16 May 2024.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr T Bond, Mr N J D Chard, Mr P C Cooper, Dr D Horne, Mr M A J Hood and Mr C Passmore (Vice-Chairman)

ALSO PRESENT: Mr P J Oakford and Mr D Jeffrey

IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Mr M Scrivener (Head of Risk and Delivery Assurance), Mr J Flannery (Counter Fraud Manager), Mr Parris Williams, Ms S Surana (Investments, Accounting and Pooling Manager), Miss K Reynolds (Democratic Services Officer), Ms C Maynard (Head of Commercial and Procurement), Mr R Benjamin (Internal Audit Manager), Debbie (Deputy Audit Manager), Mr R Smith (Audit Manager), Ms A Palmer (Principle Auditor) and Ms S Draper (Counter Fraud Specialist)

UNRESTRICTED ITEMS

201. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Mr Webb. There were no substitutes present.

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

(Item 3)

There were no declarations of interest.

203. Minutes of the meeting held on 19 March 2024

(Item 4)

RESOLVED that the minutes of the meeting held on 19 March 2024 were a correct record and that a paper copy be signed by the Chairman.

204. Update on External Audit Governance Review

(Item 5)

Emeritus Professor Catherine Staite was in attendance for this item.

1. The General Counsel provided Members with an update on the activity that was being undertaken in response to the External Audit Governance Review.

Significant progress had been made against a number of the recommendations. Members were reminded of the tracking mechanisms in place which enabled them to regularly review the governance-related actions. The General Counsel told Members that the Governance Working Party was considering the response to specific recommendations and was taking into account research into other Councils.

2. RESOLVED to note the update on the External Audit Governance Review.

205. Governance and Audit Committee Annual Report to County Council *(Item 6)*

1. The General Counsel and the Chair introduced the report which set out the proposed governance timescales for the Governance and Audit Committee Annual Report to County Council. Committee Members were told that they would have sufficient opportunity to make comments on the draft before it is finalised ahead of the 18 July 2024 County Council meeting.
2. RESOLVED to delegate authority to Officers to finalise the Governance and Audit Committee's Annual Report to County Council in consultation with the Chair.

206. Corporate Risk Register *(Item 11)*

The Leader was in attendance for this item.

1. The Head of Risk and Delivery Assurance and the Leader introduced the paper which included a summary of key points raised from the recent presentation of the corporate risks to relevant Cabinet Committees for scrutiny. It was confirmed that the Governance & Audit Committee would receive more regular updates throughout the year on the Corporate Risk Register, given the challenging risk environment that the Council is operating within. Members were reminded of the principles that had been developed to aid or reinforce decision-making for inclusion onto or off the Corporate Risk Register. The distinction between risk management and risk assurance was highlighted.
2. In response to questions and comments from Members it was said that:
 - a) Given the Council's financial position, it was not possible to carry out preventative maintenance on corporate estate buildings. However, the portfolio of real estate continued to be under review as part of the measures to manage this risk.
 - b) Regarding "CRR0042: Border Fluidity, infrastructure and regulatory arrangements", there was significant work being undertaken to control this risk, however, there were elements that could only be addressed by Government.
 - c) Risk Owners for the corporate risks were regularly asked to review the timescales for the management of risks to "target" residual risk ratings. It was said that the effectiveness of this process was being assessed and it was an area of continuous improvement.
 - d) The Committee agreed to, as part of the agenda setting process, consider whether "CRR0015: Sustainability of the Social Care Market" should be scrutinised in depth at a later date as there were a number of questions that required a response from the Directorate.

3. RESOLVED to note the report for assurance.

207. Counter Fraud Annual Report 2023-24

(Item 7)

1. The Counter Fraud Manager introduced the Counter Fraud Annual Report 2023-2024 and the Counter Fraud Action Plan for 2024-25. The report detailed the irregularity referrals received from 01 April 2023 to 31 March 2024 which were higher than those received in the same period in 2022/23. Members were told that this could be attributed to a greater awareness of the need to report irregularities following significant work from the Counter Fraud team to raise awareness. It was said that the Blue Badge scheme and the direct payment scheme were inherently more susceptible to irregularities.
2. Sections of the report were highlighted to the Committee, including the increase in reported irregularities relating to procurement in the Adult Social Care and Health directorate. Members were reminded that it was important to consider the operating environment: the volume, value and complexity of the circumstances were likely to lead to errors.
3. In response to questions and comments from Members it was said that:
 - a) The National Fraud Initiative (NFI) was a preventative exercise that matched electronic data within and between public and private sector bodies. It was said that services had other data analytics in place to help prevent/detect fraud and error. The number of matches related to duplicate creditors detailed in 'Appendix D: National Fraud Initiative', included a high number of false positives due to the nature of invoicing at the Council.
 - b) The Counter Fraud Manager highlighted the importance of both reactive and proactive counter fraud activity. As part of the preventative work, there were ongoing discussions with Governance, Law and Democracy as to how to embed fraud risk assessments in the key decision process.
 - c) Fraud awareness training was delivered across the Council and districts, and sought to strengthen the anti-fraud culture (including failure to prevent fraud). It was confirmed that the formal awareness training was accompanied by informal training through regular engagement with all levels of staff and management in the Council. The discrepancy in the number of referrals received via District/ Borough Council parking teams were said to reflect the anti-fraud culture of those teams.
 - d) In relation to concerns raised regarding the nature of payroll related fraud, Members were assured that the Counter Fraud team engaged with the relevant managers to establish the reasons why the errors occurred and to ensure that the correct processes were followed in the future. Regarding the return of laptop equipment, the Head of Internal Audit confirmed that the planned "ICT04-2024 Joiners, Mover and leavers" audit would provide Members with assurances once completed.
4. RESOLVED to:
 - a) Note the Counter Fraud Update report for 2023/24 and reported irregularities.
 - b) Note the progress of the Counter Fraud Action Plan for 2023/24.
 - c) To review, comment on and approve the Counter Fraud Action Plan for 2024/25.

208. Global Internal Audit Standards Update

(Item 8)

1. The Internal Audit Manager introduced the report which outlined the key impacts and changes brought by the new Global Internal Audit Standards effective from January 2025. It was said that the Internal Audit Team was conducting a self-assessment to identify gaps in compliance with the new standards. An Improvement Plan would be presented to the Governance and Audit Committee at a future meeting.
2. RESOLVED to note the New Global Internal Audit Standards and their implications.

209. Internal Audit Progress Report

(Item 9)

The Cabinet Member for Community and Regulatory Services was in attendance for this item.

1. The Internal Audit Manager introduced the report which detailed the summaries of completed Audit reports for the period January 2024 to April 2024.
2. In response to questions and comments from Members it was said that:
 - a) The follow-up work on “RB08-2024 - Individual Contracts on Care Providers Follow-up DRAFT” identified that of the issues being reviewed, none had been implemented in full and therefore remained open. Members raised concerns that there was a failure to fully implement any of the recommended actions. Members were assured that the management actions were comprehensive in nature and would be kept under review, however, sought further assurance from Management regarding the timescales for implementation.
 - b) Regarding “RB05-2024 - Hospital Discharge”, Members sought further clarification as to how value for money would be achieved and monitored on the Hospital Discharge care packages. It was said that, since the publication of the agenda pack, Internal Audit had received management responses confirming that a joint NHS and KCC brokerage system would be implemented in response to the findings and recommendations of this audit.
 - c) In relation to “RB30-2024 - Sundry Debt Recovery” and the high level of sundry debt invoices that are cancelled, it was said that the guidance for staff would be updated to ensure that these invoices were classified correctly. There were new processes and authorisation levels being introduced as part of the management response and these actions were expected to bring the number of cancelled sundry debt invoices down.
 - d) Members welcomed the “Gypsy and Traveller Follow-up” audit and the noted the significant work which had been undertaken to address the issues raised in the original audit review.
3. RESOLVED to note the Internal Audit Progress Report for the period January 2024 to April 2024.

210. Internal Audit Rolling Plan

(Item 10)

1. The Head of Internal Audit introduced the report which detailed the proposed Rolling Internal Audit Plan for 2024/25; the Internal Audit Charter, which underpins the plans and practice of the Internal Audit team and the key performance indicators to be tracked and monitored during 2024/25. It was said that the introduction of the new Global Internal Audit Standards in January 2025 may necessitate changes to the Internal Audit Charter. Should changes be required, these would be brought back to the Governance and Audit Committee for approval.
2. In response to a question regarding the introduction of the Family Hub model, Members were reminded that the rolling 6-month plan allowed a greater degree of flexibility and the opportunity to incorporate changing and emerging risks into the Plan if necessary. When asked about the prioritisation of 'Managers - People Management Responsibilities' audit, Members were told that the planned Audits may be re-prioritised in due course using the risk-based assessment and evaluation methodology.
3. RESOLVED to:
 - a) Agree the proposed Rolling Internal Audit Plan for 2024/25
 - b) Approve the Internal Audit Charter
 - c) Note the Key Performance Indicators for 2024/25

211. External Audit Progress Report

(Item 12)

1. Mr Parris Williams introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments. Members were reminded that the planning procedures for the 2023/24 audit had been completed and the planned timescales for the 2023/24 External Audit reports were highlighted.
2. Members requested that an interim progress report be provided to the Committee on the recommendations made in the 2022/23 External Audit Annual Report.
3. RESOLVED to note the report for assurance.

212. External Audit Plan for Kent Pension Fund 2023-24

(Item 13)

1. Mr Parris Williams introduced the report which set out the indicative external audit plan for the Kent Pension Fund for 2023/24. It was said that this was largely consistent with the prior year. The significant risks were highlighted to Members and the approach to materiality was explained.
2. RESOLVED to note the report for assurance.

213. Informing the Audit Risk Assessment for Kent Pension Fund 2023-24

(Item 14)

1. Mr Parris Williams introduced the report which detailed the Kent Pension Fund's management responses to a set of standard questions relating to key areas of the auditor risk assessment.

2. RESOLVED to agree that the responses were consistent with the Committee's understanding. There were no further comments made.

214. Counter Fraud Annual Report 2023-24 - Exempt
(Item 15)

1. The Counter Fraud Manager introduced the report which detailed the irregularities that had been deemed to be exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as they related to the financial or business affairs of the Council. Regarding a No Recourse to Public Funds (NRPF) case, Members were told that lessons had been learnt for future dealings with the integrated care board (ICB) and that formal escalation processes had been put into place to mitigate the risk of future cases of a similar nature. It was said that work was being undertaken to ensure that the process through which Adult Social Care and Health financial assessments were made was as robust as possible.
2. RESOLVED to note the Counter Fraud Update report for 2023/24 and reported irregularities.

215. Internal Audit Progress Report - Exempt Items
(Item 16)

1. The Head of Internal Audit introduced the report which detailed the summaries of the Audit reports for "RB20-2024 – No Recourse to Public Funds – Specific Case Review (DRAFT)" and "ICT03-2024 – Supply Chain Cyber Security (DRAFT)".
2. RESOLVED to note the Internal Audit Progress Report for the period January 2024 to April 2024.

From: Cllr Rosalind Binks, Chairman – Governance and Audit Committee
To: County Council – July 2024
Subject: Chairman’s Report to the Council
Classification: Unrestricted

Recommendation:

County Council is asked to note the report.

1. Introduction & Purpose of this report

1.1. The purpose of this Chairman’s Report from the Governance & Audit Committee to the Council is to highlight for Members the role and work of the Committee, to draw attention to some governance issues the Committee has considered and finally to highlight key themes that all Members should be sighted on.

2. Committee Purpose, Membership, Attendance & Training

2.1. The purpose of the Governance & Audit Committee is to provide independent and high-level focus on the adequacy of the Council’s governance, risk, finance, and control arrangements.

2.2. The Committee membership is Cross-Party and includes one independent, non-elected and non-voting member appointed by the Committee. The Committee benefits greatly from the diverse knowledge and expertise that all Members and Dr Horne bring to meetings.

Following a change of membership outlined below in 5.5 and approved by the Council, the Governance & Audit Committee will comprise 11 voting Members and up to 2 non-voting independent members. Current members are:

Mrs R Binks (Chairman)
Mr T Bond
Mr A Brady
Mr N Chard
Mr P Cooper
Mr M Hood
Mr C Passmore (Vice Chairman)
Mr O Richardson
Mr S Webb
Mr M Whiting
Dr D Horne (Independent member)

- 2.3. A review of the Committee and its activities by CIPFA was presented to the Committee in July 2022. Their comments and suggestions for development and improvement were discussed by Members and largely adopted.
- 2.4. The Committee agreed in 2022 that, given the nature of its work, Members of the Governance & Audit Committee, and indeed Members who wish to substitute at meetings, must have training to ensure that the Committee is fit for a changing and challenging environment. That includes both general and one-to-one talks from officers, auditors and CIPFA, as well as regular online update and training materials from external bodies.
- 2.5. It should also be noted that the various Substitute Members have all participated fully in the training necessary to the meetings that they attend.
- 2.6. As Chairman of the Committee, I consider it is vital that the Committee retains its political neutrality and integrity. Views may be challenged but inappropriate behaviour towards any other person attending a meeting will not be permitted.

3. Strengthening the Effectiveness of the Committee

- 3.1. The 2022 review found that the Committee demonstrates features of good practice and recommended increasing the focus of the Committee to make an impact across the Council. These included the following:
- Review of the Terms of Reference for the Governance and Audit Committee:
Completed March 2023; updated February 2024.
[Committee details - Governance and Audit Committee \(kent.gov.uk\)](#)
 - Governance and Audit Committee Training Programme:
Minimum training requirements for Members and substitutes of the Governance and Audit Committee - completed and ongoing.
 - Independent Member:
Reviewed July 2023; agreed extension of current independent co-opted Committee member for a further two years and recruitment of a second independent member for a four-year term. This recruitment is being confirmed and a second member should be joining the Committee shortly.
 - Lessons to be Learned from Other Authorities:
Review July and November 2023 and a watching brief for learning opportunities that flow from the case study of other Authorities - recommended reading for ALL Members. [Lessons Learned paper](#); [Best Value Interventions Update Nov 2023](#)
 - Increased Briefings with Auditors:
Private meetings and briefings with Internal and External Auditors are now diarised on a regular basis.

4. Activity of the Committee

4.1, The Committee held 8 meetings during 2023.

4.2. As part of the Committee's work, Members considered the following:

- The Council's Annual Governance Statement and arrangements for its compilation
- The pre-audit Annual Statement of Accounts for 2022-23 and External Auditor's reports, including reports on Value for Money and Risk Assessment Review
- The Corporate Risk Register
- SEND Transport Review Management Response
- Internal Audit Follow Up of SEND Transport Lessons Learned Review
- Schools Audit Annual Report
- Internal Audit Annual Report, including a report on the Kent Pension Fund
- Performance of KCC wholly owned companies
- Treasury Management Policy and Annual Outturn Report as well as the mid-year update
- External Audit Governance Review
- Counter Fraud Plans and Update Reports including Covert Enforcement Techniques Activity
- Annual Customer Feedback Report

4.3. A subgroup of Committee Members participated with Officers in the update of the Financial Regulations and Scheme of Delegation and the review of the Council's Current Standing Orders (Spending the Council's Money). This gave Members a valuable insight into the operational processes within the organisation.

4.4 The Committee monitors audit plans and their ongoing progress as well as regularly reviewing KCC policies such as Risk Management Strategy, Anti-Money Laundering, Anti-Fraud and Corruption, Bribery and Whistle Blowing to ensure their continued relevance and accuracy.

4.5. The Internal Audit Annual Report 2022-23 highlighted the increase in the number of systems, processes or functions assigned a "Limited Assurance" (35% compared to 9% in 2019-20). The negative trend continued through the first half of 2023 with the Internal Audit Progress Report including, most notably, a Limited Assurance for Compliance with Financial Regulations. All Limited or No Assurance reports were considered by the Committee and questions put to the relevant Cabinet Members and Officers in attendance. Follow-up reviews were also held to monitor the progress of any proposed actions and current Internal Audit reports for the financial year 2023-24 are indicating a distinctly more positive trajectory.

4.6. Several audits had identified issues of non-compliance which indicated a need for a stronger financial 2nd line of defence within Directorates. The External Audit Report also outlined the need for a cultural change within Council and greater Governance training at all levels of the Council. This has led to a variety of actions to remind, instruct, and support Officers and Members in their collective and personal responsibilities within the Council, including a well-attended and successful Governance Week last November.

4.7. Following recommendations by auditors and consideration by the Committee, the governance and oversight of other KCC companies has also been enhanced by placing the Shareholder Board as a formal sub-committee of the Cabinet.

5. Focus on the Future & Actions for 2024

5.1. The Governance & Audit Committee continues to express great concern at the Council's direction of travel and the need for action on External Audit recommendations as well as completion of actions already agreed with Internal Audit. These actions affect financial Sustainability, Value for Money and Governance and all should be addressed with urgency.

5.2. Democratic Services have worked diligently to ensure that the necessary legal changes to the organisation are in place to enable the Council to formulate new ways of working. The groundwork for change is in place, decisions and actions must follow.

5.3. Auditors have continually referred to underlying issues such as the culture within the organisation, the quality and timeliness of decision-making, the delivery of promised savings and ensuring all activities are effective, efficient and compliant. The greatest risk to the Council is its future Financial Sustainability. Whilst there are many external factors that the Council cannot change, much can be achieved and improved by changing the culture in which the Council operates. That requires 'buy-in' at all levels of the organisation – Members and Officers. Following an External Audit report on this subject, the Committee still awaits the outcome of the Governance Working Group which will review the structure of the Administration of the Council and make recommendations on how this may be improved. If they are to continue in their current form, Cabinet Committees can and should act as a discussion forum ahead of major decisions, to ensure all potential options have been considered and risks and benefits have been challenged and realistically assessed. Poor and tardy decision-making is one common cause of Council failure.

5.4. Transformation always presents a risk but is particularly heightened this year. The Corporate Risk Register includes CR0045: maintaining effective governance and decision-making in a challenging financial and operational environment. There will be greater consideration by the Governance & Audit Committee of the Corporate Risk Register in the coming months and the expectation of timely notification of potential and actual changes in the Council's risk profile.

5.5. Internal Audit's current rolling audit plan has evolved to reflect the greatest financial risks facing the Council and these must be the focus for the Committee, as well as closer monitoring of the pressures on service delivery and resources.

5.6. Following recommendations from both Internal and External Auditors, the Committee recently proposed further changes to its membership. With approval from the Council, the following are now specifically excluded from Committee Membership:

- Current Cabinet and Deputy Cabinet Members, or those who have been Cabinet Members in the past 2 years.

Whilst acknowledging the valuable experience and knowledge that holders of those roles may have, the Committee must maintain and be seen to maintain clear independence from the Administration of the Council in its governance activities.

5.7. In the past year there have been several areas where Internal Audit findings reflected a particular need for improvement or change. These included Asset Control, Social Care Debt Recovery and Property Management. Management actions are now in place to improve these issues, but greater transparency is needed to ensure more effective scrutiny. The progress of management action plans to give greater assurance in these areas will be regularly considered by the Committee.

5.8. The Committee has received updates on over 40 actions to improve SEND transport and a recent Lessons Learned review reported cross-directorate co-operation has been strengthened with a Memorandum of Understanding and better working procedures. There is now a team dedicated to removing the backlog of complaints and the Committee will expect to see hard evidence of improvement in the coming months. Whilst appreciating that the strong growth in demand for SEND services is a nationwide issue, it is indisputable that Kent faces a considerably greater demand than many other councils and the department has already made substantial changes to both the assessment of need and the management of the service to ensure that the Council fulfils its statutory obligations and provides the service needed to Kent's most vulnerable people in an equitable manner.

5.9. In many areas of the Council's activities, Contract Management and Commissioning was found to need improvement. Urgent decisions should be minimised wherever possible and most particularly when commissioning. Work is ongoing to enhance the pre-decision process, with clearly defined procedures and responsibility for both internal and external advice as well as robust consideration of available options. Well-researched and timely decision-making is particularly crucial in the delivery of care services, where the bulk of the Council's budget is spent. Once contracts are in place, proactive management and performance monitoring is vital to ensure control of spending. Contract Management and Procurement will play a vitally important role in enabling the Council to deliver the required budgeted savings and the Head of Commissioning Portfolio will attend the Committee's meetings regularly in future.

5.10. Changing how the Council works also includes changing how it works with other parties. By sheer size of budget, the Council's most important partners are undoubtedly those of the care services including the NHS. The increase in demand is relentless. Several new initiatives have been proposed with the aim of providing improved and more cost-effective services, but it is too early to determine if these will be successful and bring about the savings that are essential for the future of the Council.

5.11. It should not be forgotten that this enormous period of change places great pressure on the Council's various IT systems and it is essential that adequate resources are in place to ensure both the ability to keep pace whilst maintaining security of data.

5.12. Despite a rising number of fraud and security risks, KCC's Counter Fraud Team continue with their invaluable work. They and the various local and national agencies with whom they work provide a robust and reliable support not only to the Council but also to our colleagues in District Councils and ultimately the residents of Kent.

5.13. There have been many positive changes with Officers and Members working together to ensure better outcomes for the Council and Kent's residents. However, there is still evidence of some lack of challenge at committees. It is essential that Members maintain a good understanding of the issues brought before them, prepare for their meetings, and ask

questions to ensure they understand fully what is being undertaken in their name. Democratic Services will ensure that training is strengthened for all Members next year after the elections.

5.14. In accordance with CIPFA good practice, the Committee will consider a review of its own effectiveness during the coming year. This is an essential factor in developing an effective and knowledgeable Committee for the future and we must ensure that all basic elements are in place for the Committee's membership and effectiveness following the 2025 elections.

6. Conclusion

There is no doubt that KCC has in the past few months undergone substantial changes both in its working practices and in its culture. There has been noticeable improvement in many areas, with both Officers and Members rising to the challenge. However, it is a work in progress. These changes are not just for the current financial environment, but how the Council should and must work for the future. The Council provides public services, and the public has the right to expect that those services are delivered equitably, within a reasonable time and are well-managed.

This Committee has a duty to provide assurance to residents that their County Council is meeting its statutory duties, complying with all relevant regulations and, to the best of its ability, ensuring value for public money. Unless there is a major change in Government funding of local authorities and the services they provide, the agreed Council budgets for this and future financial years will be extremely difficult to achieve, so it is the duty of the Governance & Audit Committee to raise succinct and timely comments to the Executive if proposed actions are not progressed or the expected results do not appear to be forthcoming.

The work of this Committee covers every aspect of the Council's activities. It would not be possible without the considerable support of Internal and External Auditors, the Democratic Services, and the Finance Division.

On behalf of all the Committee members, I would like to thank them for their valuable input and assistance.

Recommendation:

County Council is asked to note to the report.

Author:
Cllr Rosalind Binks
Chairman, Governance & Audit Committee
July 2024

From: Ben Watts, General Counsel
To: Governance and Audit Committee, 23 July 2024
Subject: Annual Governance Statement Update
Status: Unrestricted

1. Overview

- a. The Annual Governance Statement (AGS) is a key document which provides Members and Officers with the opportunity to reflect on the processes, activities and behaviours which deliver decision making and activity within the Council.
- b. The approach taken to the AGS by Kent County Council in recent years has involved broad testing across the Council through surveys of those playing a role in supporting governance at all levels of the organisation. The Officers involved have supported the process by answering a more detailed set of questions; this has provided a richer and far more granular view.
- c. There is a shorter period between the publication of this year's Statement and the AGS for 2022/23 compared to previous years' reporting timescales. The draft AGS for 2023/24 can be expected in September 2024. This is to bring the timescale more in line with External Audit reporting and following the prior year audit and governance reporting going to County Council.
- d. As much of the activity that would be explored in depth in a 'regular' AGS has been picked up in the most recent year's Statement, the methodology for 2023/24 has been adapted with the intention to consolidate what is being done and work to ensure that the fundamentals are being addressed.
- e. The report will also provide detailed reporting and outcomes against the previously identified actions and plans.

2. Governance and Audit Committee Role

- a. As emphasised in previous Statements, the Governance and Audit Committee continues to play an important role in ensuring that the authority's corporate governance framework meets recommended practice, is embedded across the whole Council, and is operating throughout the year with no significant lapses. It is therefore considered appropriate that the Committee Members have the opportunity to feed into this year's AGS.
- b. In between the July and September formal meetings of Governance and Audit Committee, Members of the Committee will be asked to contribute to this year's process. This is particularly important given some of the prior findings about the Member role in the Council's governance, particularly those from the external auditor. In the first instance, we will arrange an informal meeting to discuss how that contribution is best made.

- c. The outcomes of the Committee's input will be reflected in the statement and reported back in September.

3. Recommendation

The Governance and Audit Committee is asked to note the approach to the Annual Governance Statement for 2023/24.

4. Background Documents

None.

5. Report Author and Relevant Director

Ben Watts, General Counsel
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Katy Reynolds, Governance Advisor
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Katy.reynolds@kent.gov.uk

By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 23 July 2024

Subject: **INTERNAL AUDIT PROGRESS REPORT**

Classification: Unrestricted

Summary:

This Progress Report details summaries of completed Audit reports for the period May to July 2024.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period May to July 2024.

FOR ASSURANCE

1. Introduction

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.
- 1.2 This Progress Report provides the Governance and Audit Committee with an accumulative summary view of the work undertaken by Internal Audit for the period May to July 2024 together with the resulting conclusions, where appropriate.

2. Recommendation

- 2.1 Members are requested to note the Internal Audit Progress Report for the period May to July 2024.

3. Background Documents

Internal Audit Progress Report.

Jonathan Idle, Head of Internal Audit

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INTERNAL AUDIT PROGRESS REPORT
GOVERNANCE AND AUDIT COMMITTEE
23 July 2024

1. Introduction

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

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

This activity report provides Members of the Governance and Audit Committee and Management with 12 summaries of completed work between May and July 2024.

2. Key Messages

- 11 audits have been finalised in the period reported and 1 draft summary is included. **Appendix A**
- 41 of 49 audits from the 2023/24 6-month rolling Audit Plan are either in fieldwork or reporting stage with the remaining deferred or removed from the Plan. **Details on the status of the Rolling Internal Audit Plan can be found in the Annual Report.**
- There has been an overall decline in the implementation of agreed management actions by their due date from 40% as reported to February GAC to 34% for this reporting period. **Appendix B**

3. 2023/24 Internal Audit Plan

This report also provides an update on the work completed between May and July 2024. The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2023/24 Audit Plan.

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Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	0	0%
Planning	0	0%
Fieldwork	2	4%
Ongoing	4	8%
Draft Report	4	8%
Final Report	31	64%
On Hold	2	4%
Deferred	6	12%
Removed	0	0%
Total	49	

The alignment of coverage against the [8 Pillars of Corporate Health](#) utilised for Annual Audit Opinion is reported within the separate agenda item.

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

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Table 2 – Summary of Audits - July Committee

Governance & Audit Committee – 23 July 2024			
No	Audit	Opinion	Prospects for Improvement
24	RB10-2024 - Supported Living Payments (DRAFT)	ADVISORY	N/A
26	RB19-2024 – Schools Financial Services – Contract Management	SUBSTANTIAL	GOOD
27	RB27-2024 – Climate Change - Net Zero Follow-up	N/A	N/A
28	RB28-2024 - Highways Term Services Commissioning Programme	SUBSTANTIAL	N/A
29	RB16-2024 – Freedom of Information	ADEQUATE	ADEQUATE
31	CA02-2024 – Risk Culture	SUBSTANTIAL	GOOD
32	RB01-2024 – Gifts & Hospitality	ADEQUATE	GOOD
33	RB02-2024 – Performance Management	HIGH	VERY GOOD
34	RB12-2024 – Business Planning Process	SUBSTANTIAL	ADEQUATE
35	RB23-2024 – Complaints	ADEQUATE	ADEQUATE
36	RB31-2024 – Helping Hand Support Scheme – Business Workstream Phase 1	LIMITED	ADEQUATE
37	RB36-2024 – Data Security Protection Toolkit	HIGH	VERY GOOD

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4. Issue Implementation

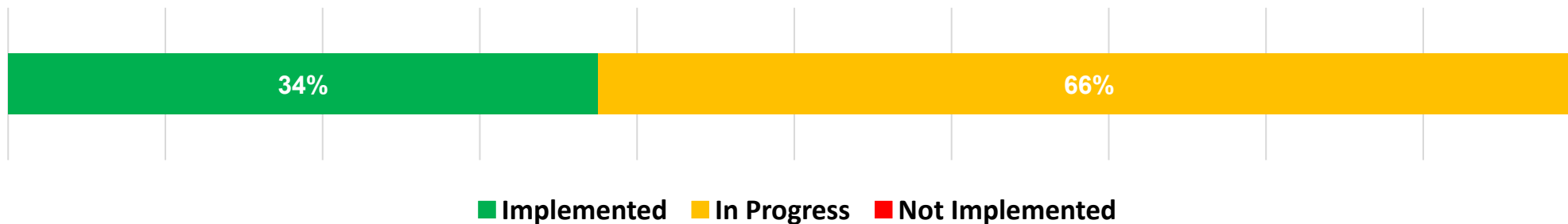
Details of the current position on the ‘Implementation of Agreed Management Actions’ is set out at **Appendix B**. This details the implementation status of 56 actions categorised by the assurance level assigned to the original report.

The status of implementation agreed actions is summarised below:

Summary of Issue Implementation

	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	19	37	4	15	15	22	0	0	0	0
Total %			21%	41%	79%	59%	0%	0%	0%	0%

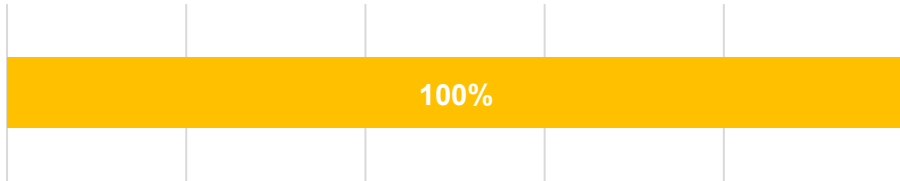
Overall Implementation of Management Actions



	Total Number of Open Issues		Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	13	8	3	4	0	0	3	4	0	0	0	0
CYPE	2	0	2	0	0	0	2	0	0	0	0	0
GET	15	12	3	7	0	7	3	0	0	0	0	0
CED	19	38	9	20	2	2	7	18	0	0	0	0
DCED	1	11	2	6	2	6	0	0	0	0	0	0
Total	50	69	19	37	4	15	15	22	0	0	0	0
Total %					21%	41%	79%	59%	0%	0%	0%	0%

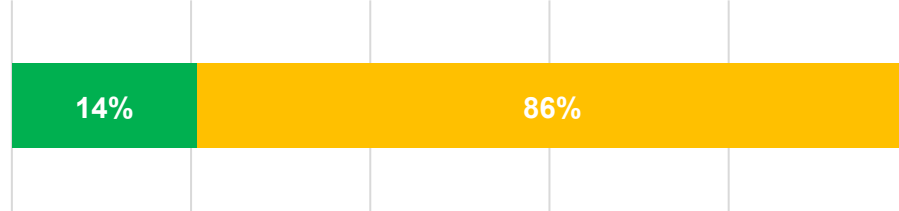
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ASCH Implementation of Agreed Management Actions



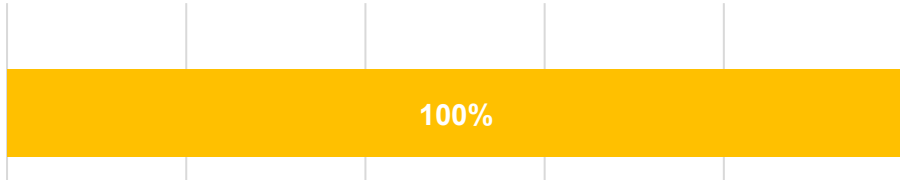
■ Implemented ■ In Progress ■ Not Implemented

CED Implementation of Agreed Management Actions



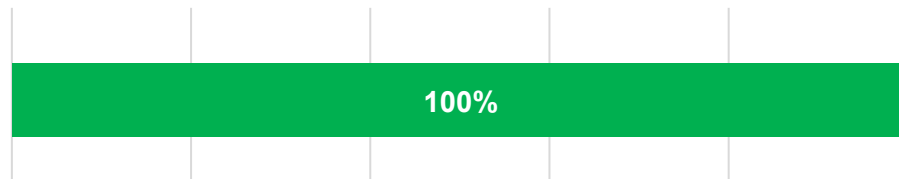
■ Implemented ■ In Progress ■ Not Implemented

CYPE Implementation of Agreed Management Actions



■ Implemented ■ In Progress ■ Not Implemented

DCED Implementation of Agreed Management Actions



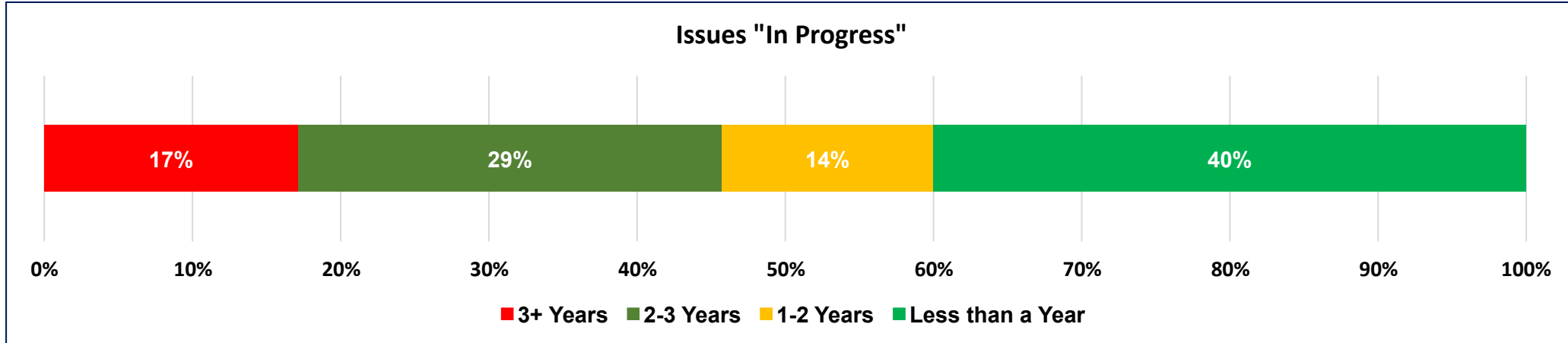
■ Implemented ■ In Progress ■ Not Implemented

GET Implementation of Agreed Management Actions



■ Implemented ■ In Progress ■ Not Implemented

37 issues remain "in progress" for the period. 5 issues (2 High Priority and 3 Medium Priority) are longstanding issues which have remained open past their original implementation date for over 3 years and updates and revised implementation dates are detailed below.



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Ref	Audit	Priority	Original Date	Revised Date
CA06-2020	Data Protection Deep Dive – Issue 1 – Record of Processing Activity (ROPA)	Medium	30/09/2020	31/03/2025
<p>Update - Discussions have now taken place but the Data Protection and Digital Information (No. 2) Bill will not be presented to Parliament before 2024 General Election in July and unclear when it will be. The Bill will mean that only high-risk processing would need to be added to the ROPA.. Exploring the possibilities of combining both the ROPA and Data Mapping activities in collaboration with the DPO Support team.</p>				
CS04-2020	Imprest Accounts – Issue 3 - Security	High	30/09/2020	30/09/2024
<p>Update - This has moved on. The Imprest bank account closure write offs are still being dealt with as some of the write offs should really be accounting corrections. It is almost all resolved now. Imprest operators and imprest holders have been reminded of their responsibilities in relation to security and have reviewed the financial procedures have been reviewed. Payments Control have added a cash balance analysis section to the imprest schedule to highlight any errors in the cash counts.</p>				

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Ref	Audit	Priority	Original Date	Revised Date
CS04-2020	Imprest Accounts – Issue 6 – Cash Counts and Reconciliations	High	30/09/2020	30/09/2024
<p>Update - Central log for imprest accounts has been reviewed and updated. Secure cash collections have been completed to move existing cash to bank. All that remains is for confirmation of zero balances for a small number of historic accounts. Imprest operators have been sent a questionnaire to analyse imprest usage with a view to reducing use of cash where we can. The cash delivery contract is being arranged.</p> <p>This has been a big project and is not as simple as just closing imprests and finding alternatives to cash, given the clients we are funding. The main objective had been to mitigate and reduce the risks.</p>				
CA07-2021	Information Governance (Remote Working) – Issue 1 – Policies and Procedures	Medium	31/05/2021	31/03/2025
<p>Update - A first draft of a consolidated policy has been completed by the DPO Support team and is currently under review at a Corporate level. This will then need to be submitted to the Information Governance groups (IGXDWG and CIGG) and will then need to be amended for feedback. The annual review of current policies has been completed</p>				
CA07-2021	Information Governance (Remote Working) – Issue 4 – Risk Assessment	Medium	31/05/2021	31/03/2025
<p>Update - DPO Support team and SPRCA are currently discussing the best approach for evaluating and monitoring the risk assessment/register. This will include the creation of an Information Governance panel to review the risks and approach for mitigations. The register has been consolidated to merge duplicated risks.</p>				

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5. 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 C**

(A) Adult Social Care and Health	(B) Children, Young People and Education
A1. RB10-2024 - Supported Living Payments	B1. RB19-2024 – Schools Financial Services
(C) Growth, Environment and Transport Cross Directorate	(D) Chief Executive
C1. RB27-2024 – Climate Change - Net Zero Follow-up C2. RB28-2024 - Highways Term Services Commissioning Programme	D1. RB16-2024 – Freedom of Information
(E) Deputy Chief Executive	(F) Cross Directorate
	F1. CA02-2024 – Risk Culture F2. RB01-2024 – Gifts & Hospitality F3. RB02-2024 – Performance Management F4. RB12-2024 – Business Planning Process F5. RB23-2024 - Complaints F6. RB31-2024 – Helping Hand Support Scheme – Business Workstream Phase 1 F7. RB36-2024 – Data Security Protection Toolkit

A1. RB10-2024 – Supported Living Payments (DRAFT)

Audit Opinion	ADVISORY
Prospects for Improvement	N/A

Background

This review has been undertaken in addition to the investigation performed by Counter Fraud in September 2023 in respect of a potential supported living financial irregularity and safeguarding concern. Agreed management actions arising from the investigation have been followed up as part of this review.

Key Strengths

Supported Living Steering Group

Required changes to care plans are agreed by the Supported Living Steering Group.

The Supported Living Practice Assurance Panel (PAP) reviews and approves individual cases.

- Supported Living Panel meetings are minuted, decisions are documented and where required service improvements are sought.
- A detailed Terms of Reference for the Countywide Supported Living Practice Assurance Panel has been set up with a defined scope, purpose, and responsibilities.

Quality & Standards Team (QST) Review Process

- Internal Audit sample testing confirmed that rota audits are regularly undertaken by the QST to identify under provision of hours.
- The QST audit process was reviewed by Internal Audit and found to be comprehensive as an assessment of service provision.
- The QST audit includes assessments of current care and support plans for all tenants at the property and identifies opportunities where hours can be shared.
- Care and support plans are revised following the assessment of current eligible needs identified during audits and MOSAIC is updated accordingly.
- Contact sheets are maintained detailing e-mails and phone communication between the QST and the provider.

- The QST have devised a House Accountability checklist to ensure all steps of the audit process are completed and evidences the sign off of the proposals for implementation.
- Comprehensive QST audit process maps have been devised to assist the Community Teams in differentiating between the pre-audit and statutory review processes.

Data Analytics

- Data analytics is used to identify fluctuations in invoice amounts which are discussed at the Task and Finish Group meetings.

Contract Management

- Weekly Task & Finish Group meetings are held, which provides insights into operational challenges, financial management and charging arrangements.
- Monthly invoice variation summaries are produced to identify fluctuations at operating level.

Areas for Development

Quality & Standards Team (QST) Review Process

- Whilst under provision of hours is raised with providers, the recovery of overpayments is not actively pursued. **HIGH**
- Following the QST assessment of current eligible needs identified during audits there is no monitoring or follow-up to confirm that agreed changes of support and hours required have been implemented. **MEDIUM**
- There is no process in place to identify themes by providers/lessons learnt arising from the QST audits at a holistic level. **MEDIUM**
- There is no clear direction for providers on the expected criteria for the completion of contact sheets to evidence support is being provided in line with commissioned hours. **HIGH**

Data Analytics

- There are no existing KPIs in place for monitoring invoicing accuracy and service provision. **MEDIUM**
- The use of data analytics could be strengthened to establish discrepancies between invoiced amounts and commissioned hours to highlight areas of concern requiring further investigation and review of the care actually provided.

Contract Management

- Internal Audit were informed that there are insufficient staff resources in Commissioning to actively monitor contracts with providers. Furthermore, we were advised that the Senior Commissioner does not have access to review detailed case notes on key systems including MOSAIC to enable effective oversight. **HIGH**

Conclusion

The QST have a comprehensive audit process which includes an assessment of current care and support plans and identifies opportunities where hours can be shared. A monthly invoice variance summary is produced to identify fluctuations; however, data analytics could be strengthened to identify discrepancies between invoice amounts and expected amounts to highlight any areas of concern around actual care provided. This could be further enhanced by pursuing overpayments with providers, identification of themes by providers, tracking of lessons learned and the introduction of KPIs. The lack of sufficient commissioning staff resources to actively monitor contracts is a factor.

Summary of Management Responses

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

B1. RB19-2024 – Schools Financial Services (SFS) – Contract Management

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

GOOD

Introduction

The aim of the audit was to provide assurance that KCC has adequate arrangements in place for managing the contract including undertaking regular performance reviews and utilising tools available within the contract to ensure required service levels are adhered to by Schools SFS/ The Education People (TEP).

The administration of the loans scheme was excluded from the scope as this was covered in a separate audit engagement.

Key Strengths

- Key documents such as the core contract, Schedule 1H and contract update notices are in place, and provide clear detail regarding expected activities to be completed by SFS under the contract.
- The SFS schools audit annual report 22-23 was noted at Governance and Audit Committee for annual assurance as per Department For Education (DfE) requirements.
- KCC receives suitable formal oversight of SFS/TEP contractual fulfilment via the Partnership Operations Board (POB) and Service Delivery Operation Board (SDOB). These meetings provide the opportunity to review performance and resolve issues.
- KPI reports are provided monthly by SFS to KCC with RAG ratings against each indicator and information regarding direction of travel since the previous report was issued.
- There are established procedures for managing schools experiencing financial difficulties. The procedures are available to schools via the Kelsi website.
- Management actions highlighted during the school compliance visits are subject to monitoring and follow-up within agreed timescales.
- Payments made to TEP for the financial year 23-24 were reviewed by Internal Audit and found to be accurate and in line with invoiced amounts.
- Training is provided to schools by TEP with the Finance Information Group (FIG) meetings taking place at least 3 times per year. TEP proactively identify potential future training needs.

- Following a decision by KCC to end the existing contract for SIM's licences across the maintained schools, TEP reviewed suitable alternative systems for purchase by schools and provided training for migration from FSM6 financial system to the TEP preferred alternative Bromcom.

Areas for Development

- Ownership of policies, procedures, and responsibility for updating Kelsi with amended versions is unclear. **MEDIUM**
- KPI reports from SFS are presented in a summarised manner with limited background or source data provided. **LOW**

Internal Audit Observation

Internal Audit found that payments are made from KCC to TEP quarterly, in advance of contracted services being received. Evidence of work is presented by SFS/TEP to KCC through the established reporting mechanisms. However, within the contract there is no provision to financially withhold future payments or financially penalise TEP for contract non-compliance.

Through discussion with CYPE officers it has been established that the issue identified relates specifically to the nature of the contract as a whole. The payments methodology was originally agreed in 2018 prior to the contract commencement. It had been the intention that for the first 18 months of TEP's operation that KCC would pay them in advance in order to safeguard their cashflow as KCC had decided not to make available any working capital. This transition period was due to end in April 2020 but at that point discussions between the Chief Executive of HoldCo and the two KCC Corporate Directors resulted in an instruction to continue making payments in advance. On this basis, the contract now formally states at clause 14.3 of Schedule 14: *After the Transition Period, payments will be made quarterly in advance by the Authority to the Service Provider on receipt of an undisputed invoice.*

Not only does the contract not contain a provision to withhold future payments or financially penalise TEP but it actively prohibits this course of action. In Schedule 2 – Performance Management, the following content appears at clause 1.5 "*Whilst the performance of the Service Provider is paramount to the success of the Authority to deliver its outcomes, direct financial sanctions (e.g. cutting budget) as a method of encouraging delivery have been ruled out.*"

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B1. RB19-2024 – Schools Financial Services – Contract Management

This quite clearly precludes the contract management function from being able to impose financial sanctions.

Risk

Evidence has been provided that the agreement to make contract payments in advance has been made in accordance with KCC Financial Regulations 8.10 vi; which states that “*The Corporate Directors MUST ensure that payments are not made in advance of goods being supplied, work done or services rendered, except with the approval of the Section 151 Officer.*” On this basis, Internal Audit have not raised this as an issue in this report, however, there remains an inherent risk that KCC may pay for services not provided or that the expected quality of services expected may not be delivered, both of which are not in accordance with the principle of ensuring Value For Money which may also impact negatively on KCC reputationally regarding financial management procedures. This now becomes more pertinent given the spending controls in place across KCC and in the Securing Kent's Future budget recovery strategy paper issued in Autumn 2023.

The CYPE Education Services, Planning and Resource Manager has advised that this issue cannot be addressed without a wider corporate discussion about the nature of the relationship between KCC and TEP and that it is not within the remit of CYPE alone to address this matter.

Prospects for Improvement

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

- There is a positive and collaborative relationship between SFS/TEP and KCC.
- Existing formal, and informal communication channels provide opportunity to resolve contractual or performance issues promptly, with both KCC and TEP/SFS demonstrating a desire for continuous improvement in the services offered to schools.
- Satisfactory management action plans have been developed to address the two issues raised.

Summary of Management Responses

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

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C1. RB27-2024 – Climate Change - Net Zero Follow-up

Audit Opinion

N/A

Prospects for Improvement

N/A

As part of the 2022/23 Audit Plan, Internal Audit undertook a review of Climate Change – KCC’s Net Zero Action Plan. This audit, which was reported in April 2023, identifying three **HIGH** risk issues, two **MEDIUM** risk issues and two **LOW** risk issues and was allocated ‘Limited assurance’. The aim of this follow-up review was to provide assurance that adequate progress has been made against the high and medium risks issues raised in the original audit review.

Key Findings From Follow-up

The follow-up work has identified that of the five issues being reviewed, none have been implemented in full and therefore remain open. Further follow up on these issues will be conducted in November 2024.

It is important to emphasise the context. Since the original audit, the restructure of the Environment and Waste Division concluded in November 2023. The new Environment and Circular Economy Division has onboarded over 22 new staff members and key parts of the Energy and Climate change work have been handed over. The new Head of Environment has been in post since April 2024. Although progress has been made during this period, the restructure, subsequent training and resourcing issues have led to delays with the implementation of the audit actions. Revised dates have been given for implementation.

	No. of Issues Raised from Original Report	Implemented	Issue Open and In Progress Actions	Risk Accepted
High	3	0	3	0
Medium	2	0	2	0
Low	0	0	0	0

Issue Status

Issue	Risk Rating	Status
1 – Cost, Spend and Insufficient Funding	High	In Progress
2 – Net Zero 2030 Governance	High	In Progress
3 - Action Ownership and Implementation	High	Not started
4 - Monitoring the Cost of Offsetting the Gap in Emissions	Medium	In Progress
5 - Lack of Net Zero 2030 Programme Risk and Issues Register	Medium	In Progress

C1. RB28-2024 – Highways Term Services Commissioning Programme

Audit Opinion	SUBSTANTIAL
Prospects for Improvement	N/A

This is the first interim report for the Highways Term Maintenance Commissioning (HTMC) Programme.

The objective of this review was to provide assurance over key risk areas in the initiation and the startup of the procurement for the new Highways Term Maintenance Service. Areas considered in the review include:

- Governance and Decision Making
- Project Resources and Cost Management
- Time Management
- Procurement
- Risk and Issue Management
- Communication

New Issues Raised

Scope Area	High	Medium	Low
Governance and Decision Making	0	0	0
Project Resources and Cost Management	0	0	0
Time Management	0	0	0
Risk and Issue Management	0	2	0
Communication	0	0	0
Overall	0	2	0

Key Observations

- Project documentation is in place, and a detailed proposal has been approved. This is supported by a detailed project plan setting out key milestones, tasks, and activities.
- There are delegations of authority documented for the project, and clear understanding of how decisions are to be made and actioned. There is a forward governance plan for key milestones, decisions/approvals, and assurance requirements, each has been dated and planned to align with scheduled Programme Boards and KCC meetings.
- The production of project plans, risk/issue logs as well as terms or reference and a governance/action log have led to a clear definition of roles and responsibilities within the project.
- Where there have been gaps in resources, the Professional Services Framework has been utilised to procure project administration and knowledge and expertise to support the business case for the programme.
- Current spend on delivery of the programme is currently within budget limits set.
- Although there is a risk register in place, and the significant risks are included in project updates to the Programme Board, there are risks that do not have adequate mitigating actions against them, and of those that do, some do not have target dates for delivery of those actions.
- Considering the fraud risks associated with procurement of a contract this size, to date there has been no Fraud Risk Assessment completed.
- Timelines for re-commissioning of the new Highways Term Maintenance Contract are extremely tight. Milestones/Tasks and risks are actively monitored as part of the project plan. Where required, additional support will need to be procured to ensure adequate resources to meet the project timescales. There is currently no significant slippage.
- Where there have been potential risks to the timelines of the project these have been promptly escalated to the Programme Board to assist in addressing.
- A forward Communication Plan is in place, covering major Stakeholders.

D1. RB16-2024 – Freedom of Information

Audit Opinion	ADEQUATE
Prospects for Improvement	ADEQUATE

Introduction

- The Freedom of Information (FOI) Act 2000 places a statutory duty on Kent County Council (KCC) to provide access to the recorded information it holds. It does so in two ways; a proactive disclosure via a publication scheme on its website and requests from members of the public.
 - The Environmental Information Regulations 2004 (EIR) provides a right of access to information about the environment held by public authorities. The regulations are again done in two ways; a proactive disclosure via the publication scheme on its website and requests made by members of the public.
- In 2023, KCC had a total (FOI and EIR) of 2093 requests for information of which 1533 were responded to within timescales (73% against a target of 92%).

Key Strengths

- There is adequate information on the Council's website on how to make a request for FOI/EIR information.
- Guidance is available to all staff which is easy to locate and informative, including an up to date FOI policy.
- The iCasework system supports with tracking of requests, deadline reminders and automated reminders to operational units for requests for information.
- Fortnightly meetings are scheduled between the FOI Officer's and Information Governance (IG) Specialist to discuss cases and support with next steps.
- Monthly performance data is collated from the iCasework system and uploaded to the Governance, Law and Democracy (GLD) SharePoint site. Organisational dashboard reports are produced monthly and reporting of KPI's is shared at Policy and Resource Cabinet Committee.

- Information available to the public on KCC's website via the Publication Scheme is easily accessible, clear, up to date and in line with the Information Commissioner's Office (ICO) guidelines.
- The Information Governance Specialist has begun the task of reviewing all the standard letter templates used within iCasework. Another Local Authority carried out a similar process which was highlighted as a successful service improvement by the ICO as it streamlined their request handling.

Areas for Development

- There is no effective escalation process to support operational units with meeting the timeframe set. **HIGH**
- Redacting necessary personal and sensitive information prior to releasing requested information is resource intensive due to a lack of redaction tools Council wide . **MEDIUM**
- Through sample testing it was identified that it is not routine practice, when a request for information is submitted, for the FOI team to check the disclosure log to establish whether the information has been made available before. Furthermore, trend analysis is not routinely conducted to identify instances of repeated FOI requests. **MEDIUM**
- As a result of the increased volume in FOR/EIR requests and lack of resources, monitoring of cases is carried out in a reactive rather than proactive manner. **MEDIUM**
- Testing identified that workload, a delay in getting responses back from operational units and issues with initial triage of requests are the primary root causes for non-compliance and improvements are required to processes to improve response rates. **MEDIUM**
- Improvements to the categorisation in iCasework for the reasons for the delay could be made to provide more valuable insights into root causes. **MEDIUM**
- The information contained in the KCC's webpage for FOI could be improved. There are no prompts or signposts to inform the requester that the information they seek may already be readily available. **MEDIUM**
- Requesters are not being routinely advised of delays to their request. **LOW**

D1. RB16-2024 – Freedom of Information

Prospects for Improvement

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

- The Information Governance Manager is aware that there are improvements that could be made and is open to making practice improvements.
- External factors such as the persistent increase in FOI/EIR requests.
- Lack of resource continues to prevent the team from focusing on anything other than the 'day job'.
- Improvements are also reliant on directorate wide support which may not aid achievement of the objectives.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	1	1	NA
Medium Risk	3	3	NA
Low Risk	1	1	NA

F1. CA02-2024 – Risk Culture

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

GOOD

Introduction

- The focus of this year's risk management audit was risk culture. The rationale for this derived from the latest external audit report which has picked up that governance challenge relating to the pace an organisation operates, which plays a critical role in the current economic climate.
- Risk culture influences the mechanisms and techniques that the Council employs to manage risk but is also in turn influenced by them. The Institute of Risk Management (IRM) has produced a Risk Culture Model which was used as a best practice guidance to compare the Council against and informed the scope of the audit.

Key Strengths

- Key documents such as Risk Management Policy Strategy 2024-27, Managing Risk Toolkit and, Annual Governance Statement (AGS) are in place, and available to all KCC staff.
- Through interviews conducted, it is clear that Senior Officers are committed to promoting the risk management message from the top mainly driven as a result of better understanding of current and future risk exposures.
- The General Counsel is currently working on an app to formalise the channels of communication for Key Decisions and are aiming to pilot this throughout the summer.
- The formal channels of communication are clear and transparent prior to key decisions made in formal Committee approvals.
- Directors' accountabilities and ownership for managing specific risks were clearly understood by all of the interviewees.

- From the interviews, comments from the Senior Officers highlighted the Council are willing to take appropriate levels of risk provided that it follows the correct governing routes.
- Recent risk discussion for CRR0045 '*Maintaining effective governance and decision making in a challenging financial and operational environment*' was raised and accepted to be changed from Amber to Red. This shows a positive risk culture acceptance and identification to the risk register.
- Risk Management discussion take place at CMT in a formal setting with Senior Officers, which foster a positive atmosphere and encourages active collaboration and participation in identifying risks and developing mitigating strategies.
- From the interviews, comments from the Senior Officers highlighted the Council has a proven track record of proactively dealing with challenges through a culture of honesty, and ensuring this is proactively communicated up the organisation. This is due to Directors driving to process to understand the root cause and, strengthening the internal controls to avoid the same situation occurring.
- From the interviews, comments from the Senior Officers highlighted risks across the Council are communicated well through the use of Corporate Risk Register / Directorate Risk Registers and conversations with Corporate Directors and the risk teams.
- The Chief Analyst and Head of Risk and Delivery Assurance are exploring the linkages between performance data and risk profile to add value to Corporate Board discussion.

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F1. CA02-2024 – Risk Culture

Areas for Development

- A number of themes have been identified from the responses obtained which KCC may want to consider such as communication of challenges that the Council faces and the Council's openness to innovation. **MEDIUM**
- Kent County Councils' Operating Standards have not been reviewed since 2018. **MEDIUM**
- Lessons learnt reports for specific programmes are shared with the Senior Responsible Officer (SRO), but not cascaded widely across the Council. **LOW**

Prospects for Improvement

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

- Discussions with Senior Officers highlighted that the Council may have a risk adverse culture due to pace, and sometimes how long conversations take. This exists mainly due to spending public's money, but if Officers don't follow the Councils processes, this could lead to financial and reputational risks. Currently the Council are making tough decisions at pace of the organisation and having to look at risk opportunities due to current financial pressures.
- Changes to decision making process, decision on the app, and strengthening upcoming changes are proactive steps the Council are taking.
- Management have agreed on the issues and risk identified and provided positive points to action with set timescales.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	NA	NA
Medium Risk	2	2	NA
Low Risk	1	1	NA

Audit Opinion	ADEQUATE
Prospects for Improvement	GOOD

Introduction

- Gifts and Hospitality encompass the exchange of presents, favours, or invitations between organisations and stakeholders. They serve as gestures of appreciation and relationship-building. A robust Gifts and Hospitality Policy promotes transparency, prevents conflicts of interest, and upholds ethical conduct. By adhering to this Policy, the Council enhances public trust, ensures unbiased decision-making, and preserves its reputation as a transparent and accountable public institution.
- The public expects the highest standards of conduct, service and transparency from all KCC employees, and the Kent Code lays down the standards to achieve this including how and when Gifts and Hospitality can be offered and accepted.

Key Strengths

Gifts and Hospitality Policy and Guidance

- Internal Audit review of Knet confirmed the easy accessibility of the Gifts and Hospitality Policy which is included within the Kent Code on Knet.
- The existing Policy offers a thorough explanation of acceptable and unacceptable scenarios for receiving gifts. It also emphasises the importance of communicating offers to line managers and uploading the information to the Gifts and Hospitality Register.
- There is also Gifts and Hospitality Guidance available on Knet, which provides more granular details for Officers including the location of the Register and the steps involved in completing it.
- Whilst the Policy and guidance is comprehensive, there is room for further development in certain areas. These areas for improvement will be addressed in a separate section of this report. **See Areas for Development: Issue 1**

Training

- A review of KCCs Delta training site, identified resources are available to employees on handling Gifts and Hospitality offers. While not mandatory, an e-learning course titled "Managing Bribery Risks" includes relevant sections on this topic. The training aligns with the KCC's Gifts and Hospitality Policy outlined within the Kent Code.

Gifts and Hospitality Register

- There is a Gifts and Hospitality Register in place which provides an adequate platform to document approval and rejected Gifts and Hospitality.
- Manager approval for Gifts and Hospitality declared on the Register plays a critical role in maintaining ethical conduct. Review of the process for manager approvals appeared adequate in design.
- Through review of the Gifts and Hospitality Register, Internal Audit found an average of 10 working days for uploading Gift and Hospitality offerings after the offer date.
- For the entries reviewed, all accepted and rejected gifts appeared reasonable and aligned with Policy and guidance.
- Review of declined offers revealed a strong emphasis on proper documentation. Fourteen out of the fifteen declined offers had documented "actions taken," detailing the follow-up process after the offer was refused. The sole exception involved an event cancellation, where documentation of actions taken was not deemed necessary which appeared reasonable.

F2. RB01-2024 – Gifts and Hospitality

Areas for Development

Gifts and Hospitality Policy

- The Gifts and Hospitality Policy could be improved by highlighting the delta e-learning related to Gifts and Hospitality. **LOW**

Gifts and Hospitality Register

- A review of the Gifts and Hospitality Register for the past twelve months revealed a total of 110 entries. Of these entries, 94 (85%) were accepted by employees, while 15 (14%) were declined. One entry (1%) remained incomplete, lacking information on whether the gift was accepted or not. **MEDIUM**
- The data also indicated differences in the frequency of offers received by different departments. GET and CYPE emerged as the Directorates with the highest number of entries, receiving 34 and 37 offers respectively. AH, CED, and DCED received a lower volume of offers, with 6, 19, and 14 entries each. **MEDIUM**
- Testing identified that 19% of the transactions did not have sufficient evidence to support these had been approved by the relevant Manager. **MEDIUM**

Prospects for Improvement

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

- This positive prospect for improvement is based on the development of a management plan that addresses all identified areas for improvement. The plan outlines realistic timelines for completion of each action.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	1	1	0

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F3. RB02-2024 – Performance Management

Audit Opinion

HIGH

Prospects for Improvement

VERY GOOD

Introduction

As part of the 2023/24 Audit plan, it was agreed that Internal Audit would undertake a review of the corporate performance management framework.

The objective of the audit was to provide assurance that the Council's performance management is appropriately aligned to the organisational objectives and uses timely and accurate data to inform the Council, including robust data quality assurance to produce reliable performance indicators that are reported and utilised by management.

This audit included review of the performance management framework, interviews with key officers responsible for collating and reporting key performance indicator data and walkthroughs of key activities completed regarding data quality and monitoring.

Key Strengths

- The Council has a relevant summary of performance indicators that provide a visual representation of Directorates key performance activity; supplemented by their performance indicator definition forms. These include details on the rationale, calculation, and data quality measures in place for each Key Performance Indicator (KPI).
- The KPIs sample test covered all Directorates from the detailed performance indicator definition form, and all had been reviewed within the past year with the majority updated within the last 2 months.

- All KPIs tested within the sample selected shows robust data quality assurance checks in line with those detailed in the performance indicator definition form. Interviews with the responsible officers listed within each KPI performance indicator definition form were held and walkthroughs of data assurance work was completed with relevant evidence obtained.
- The performance indicators reported in the Quarterly Performance Report (QPR) are reviewed annually and discussed at Cabinet to ensure they are relevant and provide an overview on the Council's services performance, helping to inform decision making.
- The KPIs are discussed and monitored at service level in meetings such as Directorate Management Team (DMT). Their consistent discussions show an effective monitoring process and performance of the service utilisation of the KPIs.
- Key Performance Indicators are reported to Cabinet quarterly using the QPR alongside any other relevant Cabinet Committee meetings such as Policy and Resources Cabinet Committee. Queries are raised on the KPIs, and performance is reviewed, showing utilisation and monitoring by the Council.
- The QPR is a robust and detailed document providing insight and context to the performance indicators. The context provided within the report gives informed understanding of the indicators and their performance.
- The QPR utilises strong data analytics to demonstrate the progress and performance of indicators throughout the financial year providing comparable figures.

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F3. RB02-2024 – Performance Management

Areas for Development

- It was highlighted in discussion with ASCH Performance Manager that there can be a delay on the reporting of the KPIs to allow for variations in the data prior to it being reported, however this results in less timely data. In the Q3 QPR, the KPI 'ASCH 2- Care Needs Assessment Delivered' was reported a quarter in arrears, and it was found that there has been little variance in the data since the report showing little benefit to the delay. **LOW**

Prospects for Improvement

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

- There is a positive understanding of the importance of the KPIs across the 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	0	0	NA
Low Risk	1	1	NA

F4. Business Planning Process

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

ADEQUATE

Introduction

- In April 2023, the Council adopted a comprehensive Business Plan encompassing all significant activities for the fiscal year 2023/24. This unified plan aimed to ensure that planned activities align with the Council's strategic objectives, are financially prudent, and contribute to its statutory responsibilities. Notably, there was no corporate requirement for Divisional/Service level business plans during 2023/24.

Key Strengths

Informed by Lessons Learned

- The 2024/25 business planning process has been informed and refined by lessons learned from previous Business Planning iterations.
- Moving from a Council-wide plan in 2023/24 to Division-specific plans in 2024/25 gives a complete view of the organisation.

Governance

- The Divisional Business Planning process design for 2024/25 was approved by the CMT in alignment with the Constitution's Code of Corporate Governance.

Guidance and Training

- Guidance documentation provided instructions on how to fill out each section of the mandatory template.
- Training was provided and Strategy, Policy, Relationships and Corporate Assurance (SPRCA) colleagues were available to answer queries or provide advice on drafting the Business Plans.

Roles and Responsibilities

- The roles and responsibilities of SPRCA are clearly defined and were adapted to the business planning approach for each year.

Risk and Issue Management

- Divisions independently identify and manage risks, and Business Plans include a dedicated section for Divisions to outline their approach to risk management.

Requirements and Corporate Support

- The Business Plan template offers a structured format for detailing 'Critical Support Dependencies' for 'Other Strategic Activities'.
- The determination of which activities require a fraud risk assessment is made at the operational level by the Divisions.

Divisional Business Planning will consistently capture all activities

- The mandatory template provides consistency and clarity for management.
- The Business Planning templates have designated fields indicating if an activity requires a key decision and specifies the responsible officer.
- SPRCA ensured that Business Plans accurately captured the Division's top three priorities and activity that will support delivery of their MTFP savings, cross referencing to the Budget Delivery Plans where appropriate.
- All Divisions submitted their approved Divisional Plans within the timescales agreed.

Quality Assurance of completed Divisional Business Planning templates

- The quality assurance process confirmed Business Plans aligned with Best Value duties and the Care & Support Objective from Framing Kent's Future.

Areas for Development

- **Monitoring:** The monitoring method for Divisional Business Plans has not yet been agreed. This could lead to Divisions not being held accountable for delays and non-achievement of objectives. **MEDIUM**
- **Planning and Collaboration:** Currently, there is no clear mechanism for prioritising or risk-assessing activities in the business planning process, coupled with a lack of guidance for identifying strategic cross-Directorate activities, which may hinder efficient resource allocation and Council-wide collaboration. These gaps could lead to priority activities being overlooked or under-resourced and impact the effectiveness of the plans and achievement of activity objectives. **MEDIUM**

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F4. Business Planning Process

- **Promotion of Divisional Business Planning:** Lack of directives for Divisions to review each other's plans or foster cross-council collaboration could lead to misalignment with Council objectives, inefficiencies, duplicated efforts, and missed opportunities, impacting resource allocation and service delivery. **MEDIUM**
- **Key Decisions:** There was an absence of quality assurance on the accuracy of key decisions identified in the draft Business Plans. This could lead to inaccuracies in the final Divisional Business Plans, inadequate oversight, flawed decision-making, delayed objectives, strategic misalignment, missed opportunities, financial loss, reputational damage, and potential regulatory breaches. **LOW**

Prospects for Improvement

Our overall opinion of **Adequate** for Prospects for Improvement.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	1	1	0

F5. RB23-2024 – Complaints

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

ADEQUATE

Introduction

The aim of the audit was to provide assurance that lessons learnt are being captured to allow the complaints process to become more efficient and is used to inform continuous improvement.

Key Strengths

- There are plans in place to address current challenges and improve handling complaints.
- GET are the first Directorate to clear the back log and are operating as business as usual.
- Reviews of impact from the new Ombudsman Code of Conduct with its potential impact and how to mitigate emerging risks as a result. ICasework is used for analysis and report compilation of both qualitative and quantitative data.
- There is an emphasis to efficiency improvements which are fed back to the appropriate Directorates.
- The Customer Complaints Team consistently provide management and CMT information and performance whilst also having the adaptability to create reports on demand.
- The Complaints Team are proactively carrying out training sessions across the Directorates on how to handle complaints.
- Kent County Council took part in a benchmarking exercise with other local authorities for 2022/23 complaints in which the Council compared favourably against stage 1 and stage 2 complaints.

Areas for Development

- There are a suite of complaints, comments and compliments policies used by different Directorates which are overdue for review for alignment to Corporate Policies and Procedures. **MEDIUM**
- The Complaints Team has identified recurring issues to develop lessons learnt. Despite the team being flagged these, and in some cases reviewed by the LGSCO, no corrective action has been taken by the responsible service to stem the reoccurring issues. **MEDIUM**

Prospects for Improvement

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

- Management have engaged positively with the audit while having to deal with multiple demands and pressured timescales.
- Management have developed action plans for each of the issues identified in the report.
- Though overall the management of the complaints process has been found to be managed adequately by the MRX Team, the council is reliant on relevant Officers across the Council to take on lessons learnt to prevent reoccurring issues.

Summary of Management Responses

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

F6. RB31-2024 – Helping Hand Support Scheme – Business Workstream Phase 1

Audit Opinion

LIMITED

Prospects for Improvement

ADEQUATE

Introduction

During the coronavirus (Covid-19) pandemic, the Government provided significant grant funding to Kent County Council (KCC) to support its local response. KCC allocated funding to respond to the impact of the pandemic on its services to ensure it supported those residents and businesses most in need of support and met its public health obligations.

On 8 February 2021, a Key Decision was made by the Leader of the Council to allocate £10m from the available Covid-19 Emergency Grant Funding to be 'used to provide targeted support to low-income households and households in financial distress, including individuals and families; and local businesses. This scheme would be known as the Helping Hand Support Scheme.

Of the £10m allocated, £3m was allocated to provide 'a range of support for businesses and the self-employed that meet specified criteria, including through council services, district and borough councils, voluntary and community sector organisations, and business support organisations such as the Chamber of Commerce'.

Audit Observations

- This was a Covid grant administered during an unprecedented challenging period.
- The allocation of funding was given priority over the monitoring and management of the grant application process. The grant agreement, application and approval processes were not performed in accordance with monitoring expectations.
- The removal of the administration of the grant from the GET team to the CED team was not performed in an open and transparent way. It would have been more beneficial for Internal Audit to work with the GET team in an advisory capacity to bring the programme back on track. This has made the audit very difficult due to lack of collaborative working between the two teams.

Key Strengths

Funding Awarded

- Funding was awarded and delegated within authority limits, via the key decision process.

Areas for Development

Application Process

- Sub-panel / Covid Finance Monitoring Group (CFMG) meetings to approve awards for individual applicants were not minuted. **MEDIUM**
- Approval forms were not available for one provider selected. Of the five initial review approval forms only two forms had the required two approval signatures present, and these were typed on an Excel document. Grant agreement and Offer letter signatures are screenshots instead of electronic signatures. **MEDIUM**

Due Diligence

- Limited evidence of provider due diligence checks, conflicts of interest or checking of bank details. **HIGH**

Funding Awarded

- Grant agreements are vague; expectations of providers, monitoring arrangements, and achievement of outcomes are not stipulated. Furthermore, the grant agreements state that help and support to providers will be provided by KCC but there was no evidence of such support having been given. **MEDIUM**
- Treatment of VAT is unclear. **MEDIUM**
- Lack of authorisation trail for grant amendments. **MEDIUM**

Monitoring and Outcomes

- It has been identified that there is learning from the transfer of functions (and budgets) from one directorate to another to ensure documented evidence of the financial (and non-financial position) position at the point of transfer is in place and retained. **HIGH**
- No risk log had been completed for phase 1. **HIGH**
- Purchase orders were not prescriptive. **HIGH**

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F6. RB31-2024 – Helping Hands Support Scheme – Business Workstream Phase 1

- Inconsistent monitoring of the performance of providers. One of the providers did not provide monthly monitoring information and as a result were in breach of their grant agreement. Furthermore, there was limited evidence of the tracking of KPI's. **HIGH**

Prospects for Improvement

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

- Within Phase 2, a project management log has been developed and implemented.
- A terms of reference for Panel Approval Forms are documented onto a SharePoint document which everyone has access to and includes the whole application process, comments, decisions, and approval.
- Legal advice has been sought on the format of the grant agreement which was updated in March 2022.
- Signed Word document grant agreements are no longer accepted.
- Internal Audit were informed that all grant variations are now in writing and signed by both parties. Evidence of discussion of issues and variations are retained.
- Staff responsible for the management of Phase 2 have been liaising with the administrators within the Financial Hardship Programme to ensure that purchase orders are prescriptive and accurate.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	5	5	0
Medium Risk	5	5	0
Low Risk	0	0	0

Audit Opinion

HIGH

Prospects for Improvement

VERY GOOD

Introduction

- The Data Security and Protection Toolkit (DSP Toolkit) sets out the standard for cyber and data security for health and social care organisations and their partners. All organisations that have access to NHS patient information must provide assurances that they are practicing good information governance and must use the DSP Toolkit to evidence this through completing an annual self-assessment. The Toolkit requires organisations to be compliant with the ten data security standards recommended by the National Data Guardian, whilst at the same time meeting their statutory obligations on data protection and data security.

Completion of the DSP Toolkit provides each Health and Social Care organisation with insight into its control environment around technical and operational data security and protection. Assurance is enhanced through an independent assessment of the effectiveness of the organisation's controls. The DSP Toolkit Independent Assessment and Audit Guide, produced by NHS England, must be followed by organisations completing an annual assessment. For the Council, this assessment is conducted by Internal Audit.

Key Strengths

- The Council has an information Governance Framework in place.
- The Council has valid registration on the Information Commissioner's Office (ICO) Data Protection Register and has correctly named their Data Protection Officer.
- An updated record of processing/ Article 30 has been introduced and communicated to staff. It is routinely reviewed on a bi-annual basis.
- There are numerous privacy notices on the organisation's website which explicitly explains to members of the public how their data is processed. This information is also provided in various formats e.g., easy read for children, making it easily accessible to all.

- The organisation has a well-documented structure which clearly details roles and responsibilities in relation to data security and data protection.
- The standard contract of employment clearly outlines individuals' responsibility in terms of data security and data protection.
- Data security and data protection is included in the induction process mandatory training, and compliance is monitored.
- Training needs are analysed, and ad-hoc training provided where necessary.
- There is a Data Breach Policy and guidance given to users regarding security threats.
- Information Security incidents are consistently logged, monitored, and overseen by the Information Governance Specialists in the Information Resilience & Transparency Team in accordance with the Data Breach Policy.
- All workstations and computers have up-to-date Antivirus software.
- Hard copies of business continuity and disaster recovery plans are maintained and restricted to appropriate personnel involved in the event of an incident.
- There is an encryption policy which is accessible to all via the Council's Intranet, KNET.
- The Council has formally documented certifications of all suppliers which have access to the organisation's data.
- Procedures ensure that the General Data Protection Regulation (GDPR) principles and appropriate technical and organisational measures are built by default into the organisation's processing activities and business practices.

Areas for Development

- No Issues to Raise

F7. RB36-2024 – Data Security and Protection Toolkit

Prospects for Improvement

Internal Audit's overall opinion of **Very Good** for Prospects for Improvement is based on the following factors:

- The Council has an Information Governance Framework in place, with Members of the two Governance groups meeting regularly to monitor actions and to improve data security across the Directorates.
- The Council's SharePoint site has facilitated having all the evidence ready and available should there be any further scrutiny.

Summary of Management Responses

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

Appendix B – Implementation of Agreed Management Actions

3+ Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA06-2020	Data Protection Deep Dive	Adequate	Issue 1 – Record of Processing Activity (ROPA)	Medium	CED	In Progress
CA09-2018	Departmental Governance Review – Adult Social Care and Health	Adequate	Issue 6 - Committee Terms of Reference	Medium	CED	Implemented
RB01-2018	Members Induction and Training	Adequate	Issue 2 - Mandatory Training	Medium	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 3 - Security	High	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 6 – Cash Counts and Reconciliations	High	CED	In Progress
CA07-2021	Information Governance – Remote Working	Adequate	Issue 1 – Policies and Procedures	Medium	CED	In Progress
CA07-2021	Information Governance – Remote Working	Adequate	Issue 4 – Risk Assessment	Medium	CED	In Progress

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2-3 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB16-2021	Workforce – Recruitment and Retention of AMHPs	Substantial	Issue 2 - Gathering, monitoring, analysing and reporting of AMHP recruitment and retention data	Medium	ASCH	In progress
CA01-2022	Annual Governance Statement	Adequate	Issue 2 - Confirmation of Compliance with CIPFA Code of Financial Management	Medium	CED	In progress
CR04-2022	Provider Invoicing	Limited	Issue 5 - Financial Health Checks	High	ASCH	In progress
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 2 - Resources	High	DCED	Implemented
CA03-2021	Records Management	Limited	Issue 1 - Training is not mandatory and there are gaps in staff knowledge.	High	CED	Implemented
CA03-2021	Records Management	Limited	Issue 2 - The Information Asset Register is overdue for review.	High	CED	In progress
CA03-2021	Records Management	Limited	Issue 3 - The Data Retention Schedule requires a full review	Medium	CED	In progress
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 5 - Records may be lost in transit and not reported	Medium	CED	Implemented
CA03-2021	Records Management	Limited	Issue 6 - There is no documented plan for record cleansing prior to transferring to SharePoint	High	CED	In progress
CA03-2021	Records Management	Limited	Issue 7 - There is no documented plan for training, communications and guidance for the implementation of SharePoint.	Medium	CED	In progress

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2-3 Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CS02-2022	General Ledger	Substantial	Issue 2 - Miscoding of Asylum Seeking Young People Accommodation Costs	Medium	CED	In progress
RB06-2022	New Grant Funding	Substantial	Issue 1 - Fraud Risk Assessments	Medium	CED	In progress

1-2 Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB01-2022	Declaration of Interests - Members	Adequate	Issue 1 - Register of Interests	High	CED	In progress
RB09-2022	Declaration of Interests - Members	Adequate	Issue 3 - Key Decisions	Medium	CED	In progress
RB01-2022	Declaration of Interests - Members	Adequate	Issue 2 - Centralised Register of Members Interests	High	CED	In progress
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 1 - Software Asset Register	Medium	DCED	Implemented
RB18-2022	Supervision of Social Workers	Limited	Issue 1 - Storage of Confidential Files	High	ASCH	In progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 3 - Assessing Environmental Impact of KMBF Schemes	Medium	GET	Implemented
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 4 - Repayment Holiday Contract Variation	Medium	GET	Implemented
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 2 - Under-utilisation of KMBF	Medium	GET	Implemented
CS01-2022	CIPFA Financial Management Code	Limited	Issue 1 - Completeness of Self-Assessment	Medium	CED	In Progress

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Less Than a Year						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB01-2023	Data Mapping	Adequate	Issue 1 - Guidance for Data Mapping including Process For Updating Data Maps	Medium	CED	In progress
RB01-2023	Data Mapping	Adequate	Issue 2 - Responsibility for Data Mapping	Medium	CED	In progress
RB01-2023	Data Mapping	Adequate	Issue 3 - Data Mapping incomplete across the Council	Medium	CED	In progress
CS04-2023	Pension Scheme Administration	Adequate	Issue 4 - Key Performance Indicators	Medium	CED	In progress
ICT03-2023	Information Technology Risk Management	Adequate	Issue 1 - Implementing Mitigating Controls/Actions (Cyber Training)	High	DCED	Implemented
CA05-2023	Health & Safety	Adequate	Issue 4 - Review of Supplementary Safety Policies and Guidelines	Medium	DCED	Implemented
CA05-2023	Health & Safety	Adequate	Issue 3 - Uptake of Health and Safety Training	Medium	DCED	Implemented
CA05-2023	Health & Safety	Adequate	Issue 6 - Monitoring and Reporting Health and Safety Performance	Medium	DCED	Implemented
CA05-2023	Health & Safety	Adequate	Issue 5 - Implementing Actions to Prevent Reoccurrence	Medium	DCED	Implemented
CS01-2023	Budget Savings	Limited	Issue 2 - Veracity of Savings and Income Proposals	High	CED	In Progress
CS01-2023	Budget Savings	Limited	Issue 1 - Non-Delivery of the Savings Plan	High	CED	Implemented
CS03-2023	Purchase Cards	Adequate	Issue 2 - Intellilink Evidence & VAT	Medium	CED	In progress
CS03-2023	Purchase Cards	Adequate	Issue 3 - Unapproved Transactions	Medium	CED	In progress
RB16-2023	Data Quality - LAS system - Risk of Overpayments	Limited	Issue 2: Manual Payments	High	CYPE	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

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Less Than a Year						
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RB24-2023	Property Disposals	Adequate	Issue 1 - Disposal Process	Medium	DCED	Implemented
	East Kent Opportunities - Kings Hill Consultant	Advisory	Issue 1 - Contractual Arrangements	High	GET	In progress
	East Kent Opportunities - Kings Hill Consultant	Advisory	Issue 2 - Past and Current Tendering Process	High	GET	In progress
	East Kent Opportunities - Kings Hill Consultant	Advisory	Issue 3 - Governance and Audit Committee Reporting	High	GET	In progress
RB04-2024	Safeguarding	Substantial	Issue 1 - Unregistered staff performing safeguarding enquiries - Incomplete Safeguarding Concern Forms	Medium	ASCH	In progress
Page 52 RB04-2024	Safeguarding	Substantial	Issue 2 - Designated Senior Officers (DSO) signing off their own work without review – Incomplete information in Enquiry Forms & Safeguarding Concern Forms	Medium	ASCH	In progress
RB09-2024	Sevington Inland Border Post	Substantial	Issue 3 - Handover documents have been provided to DfT instead of completion certificates for the works done	Medium	GET	Implemented
RB09-2024	Sevington Inland Border Post	Substantial	Issue 2 - The project manager appointment did not follow the expected interview channel	Medium	GET	Implemented
RB09-2024	Sevington Inland Border Post	Substantial	Issue 4 - The Land Rover vehicle is a hire car	Medium	GET	Implemented
RB09-2024	Sevington Inland Border Post	Substantial	Issue 5 - There were limited Council resources for the completion of the project	Medium	GET	Implemented
CFT01-2023	Supporting Living Contracts	Advisory	Issue 1 - Providers Self-Assessment	Medium	ASCH	In progress
CFT01-2023	Supporting Living Contracts	Advisory	Issue 2 - Reconciliation of invoices against relevant business records	High	ASCH	In progress

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Audit Opinion

<p>High</p>	<p>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.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>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.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>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.</p> <p>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.</p>	<p>No Assurance</p>	<p>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.</p> <p>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</p>
<p>Adequate</p>	<p>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.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

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

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By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 23 July 2023

Subject: **INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR 2023-24**

Classification: Unrestricted

Summary:

This Annual Report details:

- The overall outcomes and key themes from Internal Audit work undertaken during 2023-24.
- The translation of these outcomes to the resultant annual opinion on the Council's systems of governance, risk management and internal control that is incorporated into the Annual Governance Statement.
- The related performance of the Internal Audit service in delivering this work.

Recommendation: FOR ASSURANCE

1. Introduction

1.1 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:

- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
- A summary of the audit work from which the opinion is derived;
- Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- A comparison of the work undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and criteria;
- A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
- Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
- Disclosure of any impairments (in fact or appearance) or restriction in scope.

1.2 Accordingly, the Internal Audit Annual Report is prepared and submitted to both the Executive and the Governance and Audit Committee. Additionally, in-year update reports have periodically been provided to the Committee and the Executive detailing key issues arising throughout the year.

1.3 The Annual Report includes the following components:

- Purpose and Background;
- Annual Opinion;
- Summary of Internal Audit work undertaken;
- Analysis of Council Implementation of Agreed Actions;
- Conformance with PSIAS;
- Internal Audit Performance;
- Internal Audit Resources; and
- Disclosure on Impairment and Escalation.

The Annual Counter Fraud Report has been prepared separately, which outlines Counter Fraud activity for 2023-24.

1.4 The issues detailed in the attached report have been considered by the Council in the formulation of the draft Annual Governance Statement for 2023-24.

1.5 The Governance and Audit Committee's Terms of Reference include ensuring that Internal Audit is effective. Sections 6 and 7 of the Annual Report sets out performance information to enable the Committee to continually assess and consider the effectiveness of Internal Audit.

1.6 The proposed formal wording for the relevant declaration into the Annual Governance Statement is as per Section 2 within the Annual Report.

2. Recommendations

2.1 Members are requested to:

Receive and note this report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 2023-24 Internal Audit work and the resultant '**Adequate**' opinion to the Annual Governance Statement.

3. Background Documents

Appendix A: Internal Audit Annual Report 2023-24.

Jonathan Idle, Head of Internal Audit

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T: 03000 417840



Kent County Council

Internal Audit Annual Report 2023-24

July 2024

1. Purpose and Background

1.1 This Annual Report provides a summary of the work completed by the Internal Audit service during 2023-24.

1.2 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:

- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
- A summary of the audit work from which the opinion is derived;
- Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- A comparison of the work undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and criteria;
- A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
- Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
- Disclosure of any impairments (in fact or appearance) or restriction in scope.

1.3 The purpose of this report is to satisfy these requirements and members are requested to note its content and the Annual Internal Audit Opinion provided.

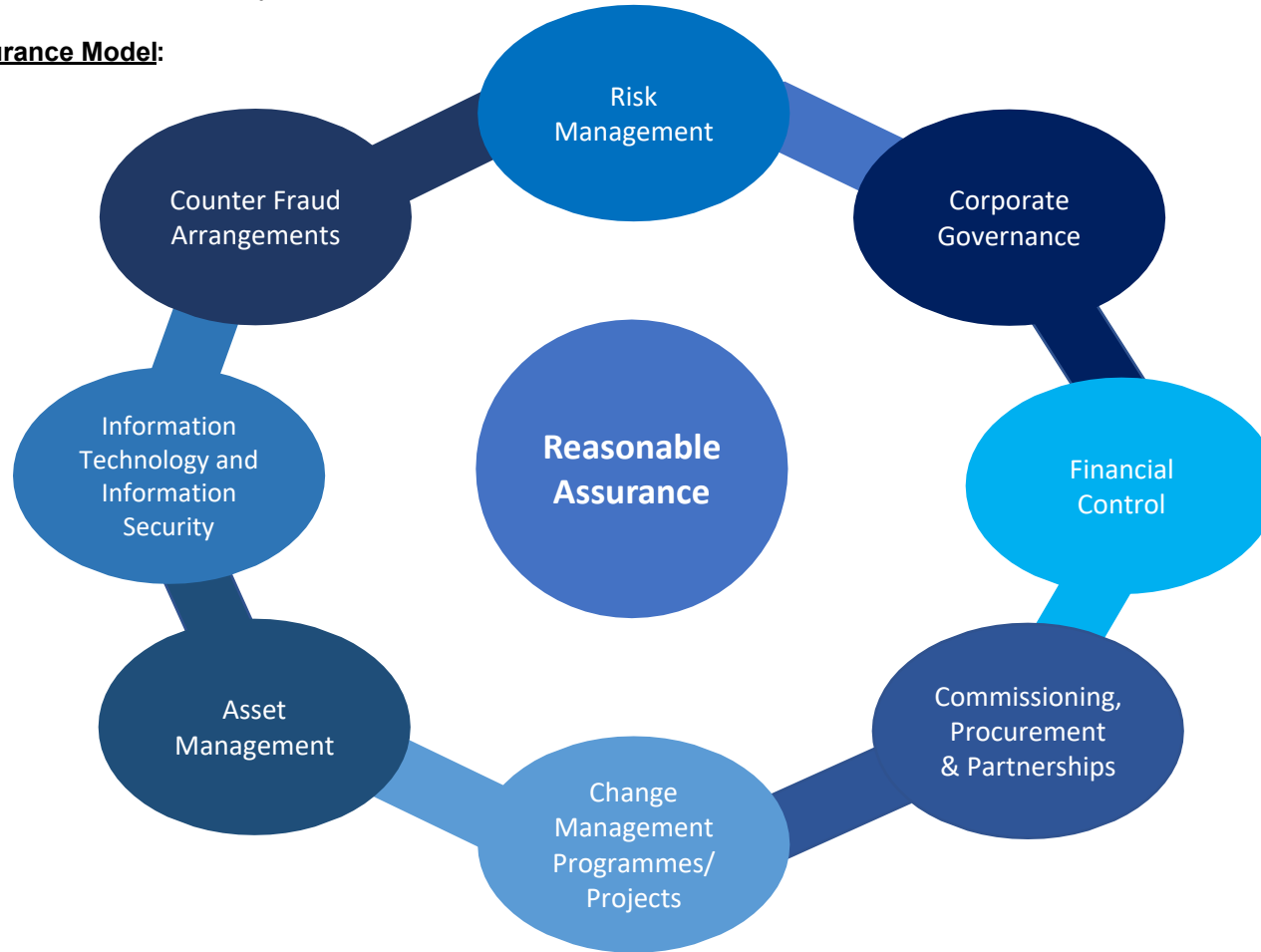
1.4 Additionally, the report highlights key messages and outcomes, issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from work undertaken by Internal Audit.

1.5 The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:

- Assurance Opinions from audit assignments;
- The increased use of audit resources on advisory engagements;
- Follow Up reviews of audits assigned as Limited or No Assurance;
- Assessment of audit outcomes against key themes of corporate health (the "Reasonable Assurance" model); and
- The level of implementation by management of agreed actions to improve internal control and the management of risk.

1.6 The “Reasonable Assurance” Model evaluates the outcomes of Internal Audit and Counter Fraud work against the following 8 themes of what a healthy organisation requires to operate effectively.

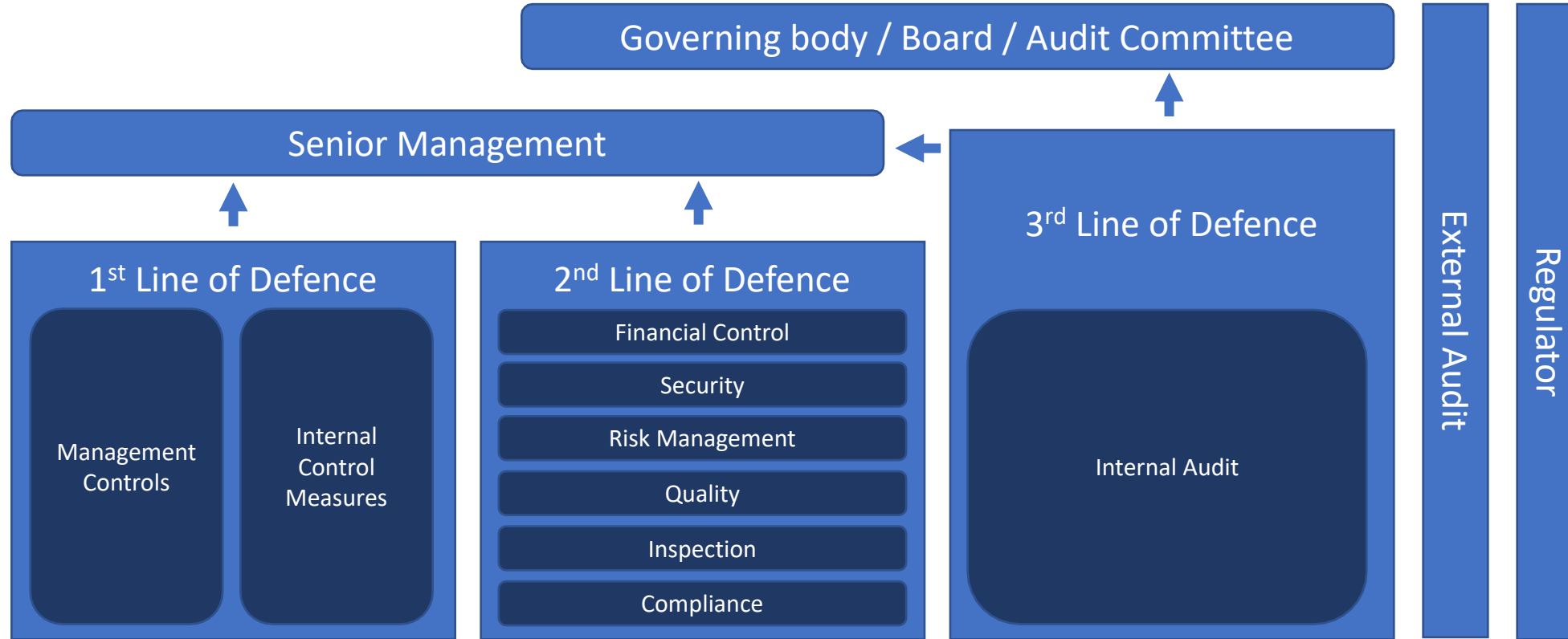
Figure 1: Reasonable Assurance Model:



1.7 Internal Audit is guided by the Internal Audit Charter, which is reviewed annually. Internal Audit provides an independent and objective opinion on the Council’s control environment through the work based on the Annual Internal Audit Plan agreed by the Governance and Audit Committee.

1.8 The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model:

Figure 2: Three Lines of Defence Model:



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2. Annual Opinion

Overall Assurance and Opinion

- 2.1 Internal Audit concludes that **Adequate** Assurance can be assigned in relation to the Council’s corporate governance, risk management and internal control arrangements.
- 2.2 This opinion is principally based upon the evaluation of the findings, conclusions and assurances from the work undertaken by Internal Audit compared to eight key indicators of corporate health, as set out in paragraphs 3.7-3.9, which concludes “Adequate” assurance for the eight indicators.
- 2.3 There has been a significant improvement and upward trajectory in the proportion of systems, processes or functions which are assigned an assurance level of “Substantial” or High” with 52% in 2023-24 compared to 26% in 2022-23. There was a decrease in the assigning of “Limited” assurance in 2023-24 to 13% from 35% in 2022-23..
- 2.4 Significant level of audit resources cover non- assurance work such as Advisory and Programmed Follow Ups of previous audits assigned “Limited” or “No” assurance. The outcomes from this non-assurance work has highlighted significant issues across 2023-24. Thus, for example, the outcome of the Programmed Follow Up work was that of 29 issues raised, only 45% had been fully implemented.
- 2.5 The opinion is also based on the evaluation of the implementation by management of actions to address internal control and risk management issues identified by Internal Audit reports. In 2023-24, full implementation rates decreased to 38% in 2023-24 from 50% in 2022-23. As stated in the Annual Report for 2021-22, the contrast to 2019-20, however, when full implementation rates were at 62% combined with an accompanying increase in the proportion of actions “in progress” is significant. It has been highlighted in Annual Opinion reports since 2019-20 that there was a concerning trend which required improvement and this concern remains. This was also highlighted in the External Audit Annual Report for 2021-22, which referred to the level of actions “in progress” , commenting that “... *it will be important that internal audit reports are taken seriously and addressed on a timely basis.*”
- 2.6 It should be emphasised that the assignment of an overall “Adequate” assurance opinion in 2023-24 is consistent with the overall opinion since 2019-20. The Adequate” assurance opinion should be considered in the context of the unprecedented challenges faced by the Council in recent years and the significant risks it continues to address. It is important to emphasise the improvements in audits assigned assurance opinions in 2023-24.

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2.7 Internal Audit aims to add value and continues to work collaboratively with stakeholders, senior management and the Governance and Audit Committee to improve governance and internal control arrangements via identifying improvements such as:

- Being a critical friend and trusted advisor for Council projects such as the Oracle Cloud programme;
- Auditing what matters and revising areas of coverage to reflect new risks and assisting the organisation in times of challenge;
- Help the Council look back and learn from experiences with clear and targeted reports;
- Providing insight by evaluating the Council's current state and examining the strengths, weaknesses and maturity of the organisation;
- Highlighting emerging risks that require monitoring and managing;
- Championing effective corporate governance, strong risk management, greater efficiency of operations and effective processes and internal controls,
- Continued coverage of information technology and information governance risks;
- Attendance at various external groups to share best practice and inform horizon scanning of significant risks;
- Delivery of an effective proactive and reactive Counter Fraud service;
- Retention of services delivered to external clients;
- Promoting and delivering on the ethos of talent management and development of members of the service;
- Input to Council wide Information Governance and Risk groups; and
- The provision of an extensive grant certification programme for the Council.

2.8 There have been no significant limitations to the scope of Internal Audit work, but it should be noted that the assurance expressed can never be absolute and as such Internal Audit provides assurance based on the work performed.

3. Summary of Internal Audit Work 2023-24

Delivery Against the Internal Audit Plan

3.1 Appendix 1 details delivery against the 2023-24 Internal Audit Plan including amendments and changes.

Assurance Opinions from Audit Assignments

3.2 Assurance levels are assigned to completed risk-based audit reviews based on the criteria in Appendix 6. For the 2023-24 Audit Plan, a total of 39 audit engagements were undertaken of which 23 were opinion based and the assurance levels assigned are set out in Appendix 6.

Overall, 48% of systems or functions have been assigned with “Adequate” assurance or lower with 35% assigned Adequate and 13% assigned Limited or No assurance. This represents an increase in the assigning of “Substantial” or “High” assurance opinions (52%) in 2023-24 compared to 2022-23 (26%), as illustrated in Table 1.

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Audit Opinion Annual Comparison

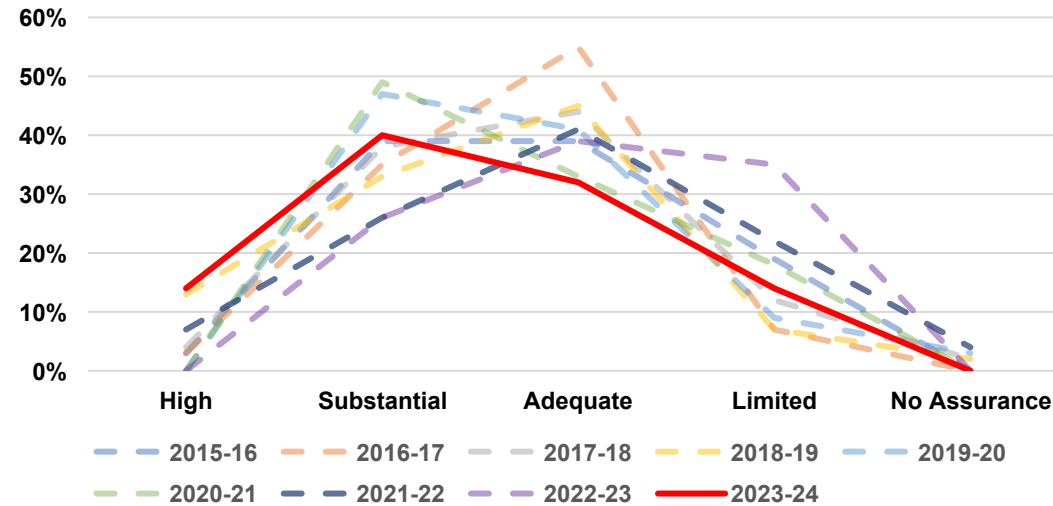


Table 1: Summary of Assurance Opinions 2015-16 to 2023-24

Assurance Level	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
High	3%	3%	4%	13%	0%	0%	7%	0%	13%
Substantial	39%	35%	38%	33%	47%	49%	26%	26%	39%
Adequate	39%	55%	44%	45%	41%	33%	41%	39%	35%
Limited	19%	7%	12%	7%	9%	18%	22%	35%	13%
No Assurance	0%	0%	2%	2%	3%	0%	4%	0%	0%
Substantial or Above	42%	38%	42%	46%	47%	49%	34%	26%	52%

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3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2023-24 Audit Plan have been reported in Progress reports to the Governance and Audit Committee throughout the year.

Prospects for Improvement

3.5 On the conclusion of each audit assignment, an assessment of the prospects for improvement is provided in the respective audit report. This is based on the criteria set out in Appendix 6.

3.6 Overall, 84% of systems or functions have been assessed as having good, or better, prospects for improvement. This is a slight increase from the previous year, as illustrated in Table 2. Though there is an increase in prospects for improvement opinions for 2023-24, it is clear that this does not align to subsequent implementation levels. Therefore, the criteria for prospects for improvement will be adjusted for 2024-25 to consider the services track record for implementation of management actions.

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PFI Annual Comparison

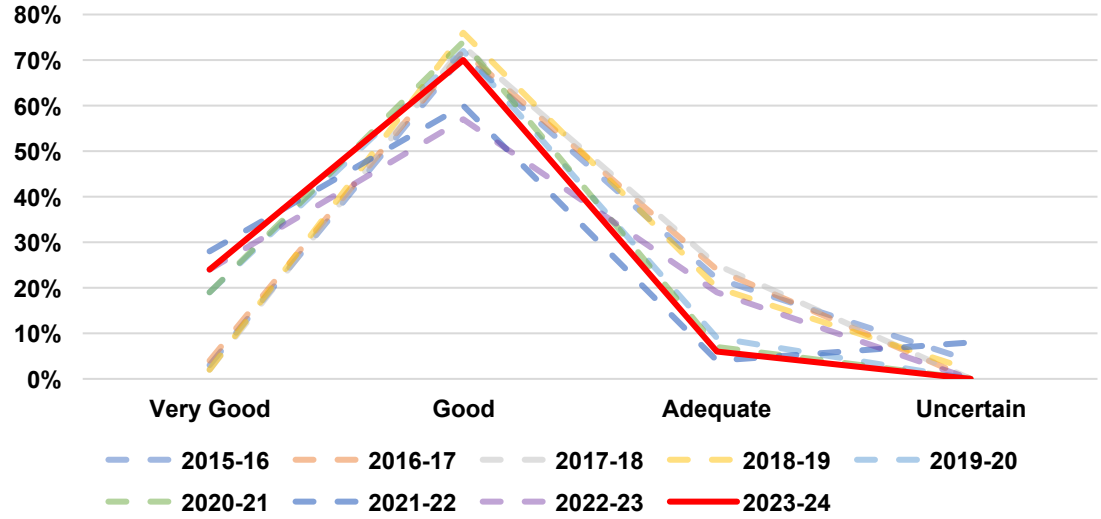


Table 2: Summary of Prospects for Improvement 2015-16 to 2023-24

Prospects for Improvement	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Very Good	3%	4%	2%	2%	19%	26%	27%	24%	21%
Good	71%	72%	73%	76%	72%	65%	61%	57%	63%
Adequate	22%	24%	25%	20%	9%	6%	4%	19%	16%
Uncertain	4%	0%	0%	2%	0%	3%	8%	0%	0%
Good or Above	74%	76%	75%	78%	91%	91%	88%	81%	84%

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Reasonable Assurance Methodology Analysis

3.7 Evaluation of Internal Audit outcomes from audits undertaken utilising the Reasonable Assurance Model (as referred to at paragraph 1.6) provides focus on those audits which both assign an opinion and make audit conclusions and observations in management letters on the 8 themes of corporate health. Thus, this analysis forms the key component of the derivation of the Head of Internal Audit Annual Opinion.

3.8 In planning to be able to conclude an opinion on the whole risk management, governance and internal control framework, Internal Audit work is assessed around the 8 key lines of enquiry. Internal Audit assessments for each theme is summarised in Table 3:

Table 3: Audit Outcomes Evaluated on Reasonable Assurance Model

1. Corporate Governance				
Direction of Travel				
 ➔				
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
40	RB13-2024 – Home to School Transport Follow-up	ADVISORY	N/A	November 2023 GAC
1	ICT02-2024 - Artificial Intelligence	ADVISORY	N/A	February 2024 GAC
2	ICT01-2024 - Single Data Platform	ADVISORY	N/A	February 2024 GAC
5	RB29-2024 - Highways and Transportation Communications	ADEQUATE	GOOD	February 2024 GAC
21	CR03-2024 - Enterprise Business Capabilities (Replacement of Oracle)	ADVISORY	N/A	May 2024 GAC
26	RB18-2024 - Loan Approval for Schools	LIMITED	TBC	
36	RB12-2024 - Business Planning Process	SUBSTANTIAL	ADEQUATE	July 2024 GAC
35	RB02-2024 - Performance Management	HIGH	VERY GOOD	July 2024 GAC
28	RB27-2024 - Climate Change - Net Zero Follow-up	ADVISORY	N/A	July 2024 GAC

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1. Corporate Governance



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
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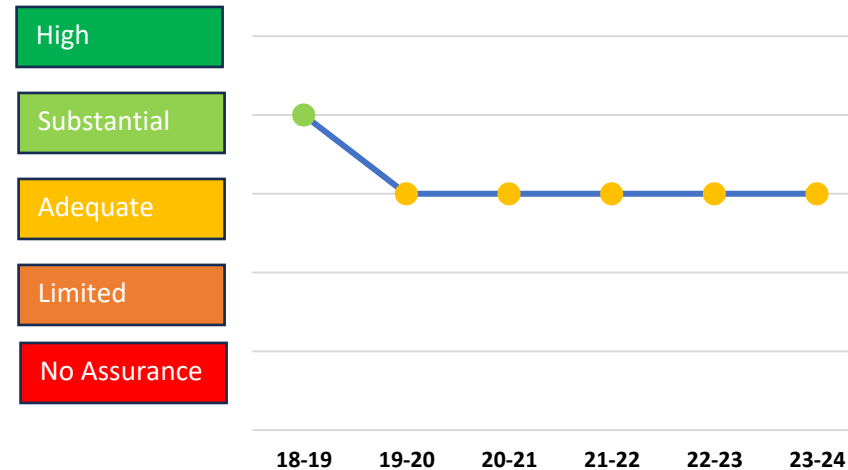
A Governance Recommendation Improvements Plan (GRIP) is in place which tracks identified improvements from Internal and External Audit, AGS and associated reports. In addition, changes to how key decisions are made are currently being piloted which forces advice at an early stage from Finance, Procurement and Legal through utilisation of an app.

For the reviews of Artificial Intelligence (AI) and Single Data Platform, it was found that there was appropriate governance arrangements in place.

The Follow-up review of Home to School Transport identified that 1 of the seven issues relating to cross directorate governance and communication had been implemented while the remaining 6 action plans remained in progress.

Internal Audit continue to provide embedded assurance on the Enterprise Business Capabilities project which will continue into 24-25. Initial observations found that there is a refreshed governance structure which oversees the whole Programme and a newly appointed Senior Responsible Officer. There are clear roles, responsibilities and accountabilities and Terms of Reference for each project team / group.

Corporate Governance Direction of Travel



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2. Risk Management



Direction of Travel



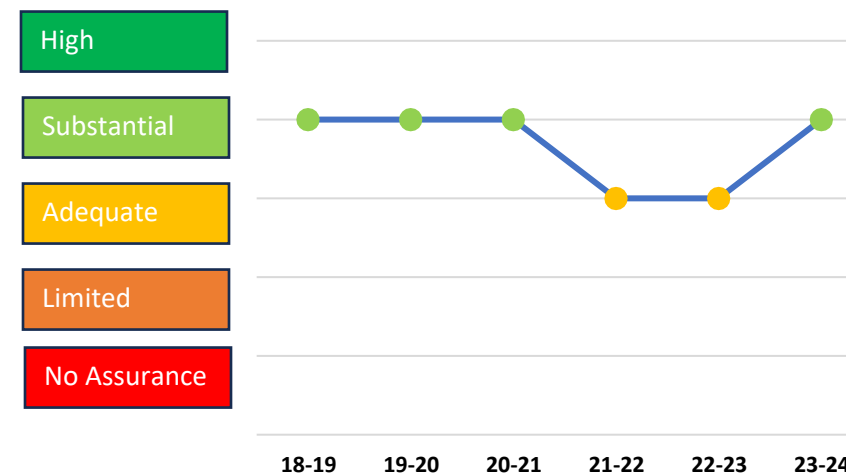
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
4	ICT04-2023 - Disaster Recovery	ADEQUATE	GOOD	February 2024 GAC
6	RB04-2024 - Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers	SUBSTANTIAL	VERY GOOD	February 2024 GAC
11	RB07-2024 - Public Health Assurance Map	ADVISORY	N/A	May 2024 GAC
12	RB26-2024 - Asset Management & Risk Prioritisation	ADEQUATE	GOOD	May 2024 GAC
33	CA02-2024 - Risk Culture	SUBSTANTIAL	GOOD	July 2024 GAC
37	RB23-2024 - Complaints	SUBSTANTIAL	ADEQUATE	July 2024 GAC

Review of IT Disaster Recovery identified that a Corporate Business Impact Assessment had been undertaken which summarises the key information relating to the Councils most critical functions and classifies them in accordance to risk/ severity of the outage event. Some areas for improvement were identified however, the service recognise where these are required and were already in progress with addressing these.

The audit of Safeguarding (ASCH) found there to be a robust risk management practices In place along with well-documented policies tailored to adult safeguarding.

The Corporate Risk Register and Strategy have been Committees throughout the year And have been scrutinised by Members and provide a fair reflection of the current risk Landscape facing the Council.

Risk Management Direction of Travel



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3. Financial Control



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
8	CS01-2024 - Budget Savings Follow-up	N/A	N/A	February 2024 GAC
9	RB29-2023 - Unregulated Care Placements	HIGH	VERY GOOD	May 2024 GAC
13a	RB30-2024 - Sundry Debt Recovery – Debt Recovery	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024 - Sundry Debt Recovery – Cancellation of Invoices	LIMITED	GOOD	May 2024 GAC
15	RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	N/A	N/A	May 2024 GAC
17	RB05-2024 - Hospital Discharge	ADEQUATE	GOOD	May 2024 GAC
18	RB45-2024 - Gypsy Traveller Service Follow-up	N/A	N/A	May 2024 GAC
19	RB25-2024 - Income and Fees uplift, Client Benefit Analysis and Better Care Fund	SUBSTANTIAL	GOOD	May 2024 GAC
20	RB34-2024 - S117 Aftercare Payments	N/A	N/A	May 2024 GAC
22	RB20-2024 - No Recourse to Public Funds – Specific Case Review	ADVISORY	N/A	May 2024 GAC
26	RB18-2024 - Loan Approval for Schools	LIMITED	TBC	
25	RB10-2024 - Support Living Payments	ADVISORY	N/A	July 2024 GAC
27	RB19-2024 - Schools Financial Services – Contract Management	SUBSTANTIAL	GOOD	July 2024 GAC

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3. Financial Control



Direction of Travel



No.	Audit	Opinion	Prospects for Improvement	Summary to committee
28	RB27-2024 - Climate Adaptation (+Net Zero Follow-up)	ADVISORY	N/A	July 2024 GAC
38	RB31-2024 - Helping Hands Support Scheme – Business Workstream Phase 1	LIMITED	TBC	July 2024 GAC

Significant progress was found in relation to the implementation of the issues identified as part of the Gypsy and Traveller audit with now all issues now considered closed.

The review of Unregulated Care Placements found there to be positive assurance surrounding financial controls with the accuracy of payments for invoices and portal submissions confirmed, excluding block payment process. In addition, the process for ceasing payments for unregulated care placements aligns with financial practices.

Grant Certification on a wide range of funding received by the Council has confirmed that funds had been spent in accordance with the respective conditions of the grants.

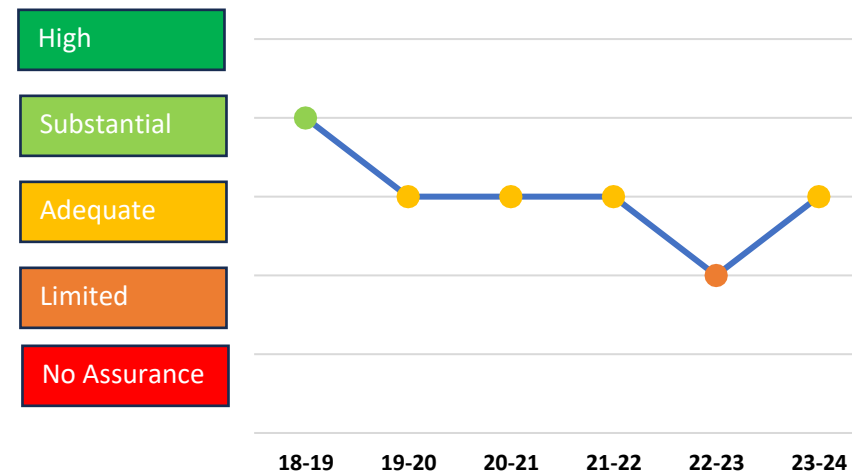
The follow-up of budget savings audit identified that there was partial implementation of the two issues originally identified. The reporting of savings has improved. However, the non-delivery of savings targets continued in 2023-24. The significant spending pressures the Council is facing means that the process for identifying alternative savings and management actions for overspends will require ongoing review and continuous improvement to ensure maximum resilience.

Embedded assurance work on the Enterprise Business Capabilities project found that financial monitoring requires enhancement with greater detail and reporting of the budget position into the project board.

Though adequate processes were observed in relation to Sundry Debt Recovery, issues in relation to the cancellation of invoices were identified resulting in £12.6 million in invoice cancellations.

In respect of the Follow Up audit of a Limited Assurance audit report on Individual Contracts with Care Providers, there was no evidence to support implementation of the actions identified as part of the original audit.

Financial Control Direction of Travel



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4. Change, Programme and Project Management



Direction of Travel



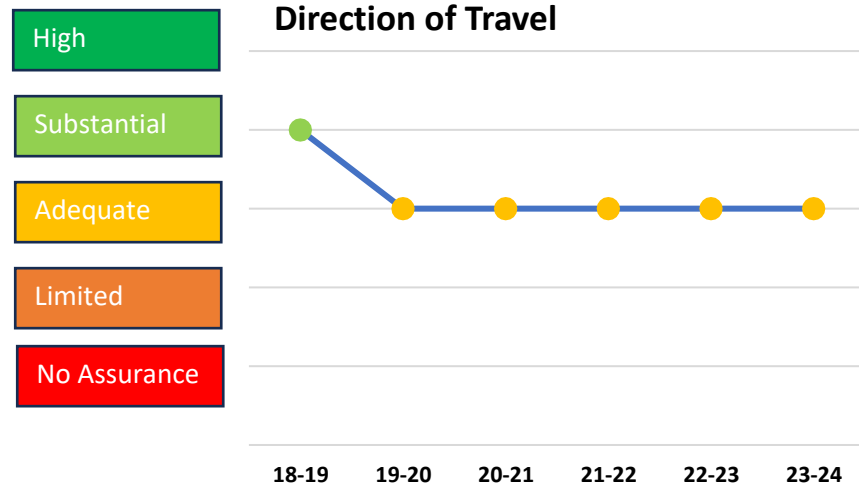
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
10	RB09-2024 - Sevington Inland Border Posts	SUBSTANTIAL	GOOD	May 2024 GAC
21	CR03-2024 - Enterprise Business Capabilities (Replacement of Oracle)	ADVISORY	N/A	May 2024 GAC
29	RB28-2024 - Highways Term Services Commissioning Programme	SUBSTANTIAL	N/A	July 2024 GAC
38	RB31-2024 - Helping Hands Support Scheme – Business Workstream Phase 1	LIMITED	TBC	July 2024 GAC
40	RB13-2024 – Home to School Transport Follow-up	N/A	N/A	February 2024 GAC

Internal Audit continue to provide ongoing embedded assurance on the Enterprise Business Capabilities project (now renamed the Oracle Cloud Programme). A report on the project was issued to May GAC which highlighted the revised governance structure in place, timelines being defined for phase 1 and 2 of the project and strong communication across the whole EBC Programme Team. 16 actions were identified for improvement which Internal Audit are monitoring progress against.

Review of Sevington Inland Border Posts found that the project was completed to agreed timescales and that payments were monitored closely and challenged where appropriate. 5 issues were raised as part of the review which are now deemed as closed.

The Follow-up review of Home to School Transport identified that 50% of the 6 issues relating to Project and Change Management had been implemented with 5 other actions in progress at the time of the report being issued in Autumn 2023.

Change, Programme and Project Management



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5. Procurement, Commissioning and Partnerships



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No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
9	RB29-2023 – Unregulated Care Placements	HIGH	VERY GOOD	May 2024 GAC
11	RB07-2024 - Public Health Assurance Map	ADVISORY	N/A	May 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
16	RB08-2024 - Individual Contracts on Care Providers Follow-up	N/A	N/A	May 2024 GAC
17	RB05-2024 - Hospital Discharge	ADEQUATE	GOOD	May 2024 GAC
20	RB34-2024 - S117 Aftercare Payments	N/A	N/A	May 2024 GAC
23	RB35-2024 - Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	ADVISORY	N/A	May 2024 GAC
29	RB28-2024 - Highways Term Services Commissioning Programme	SUBSTANTIAL	N/A	July 2024 GAC

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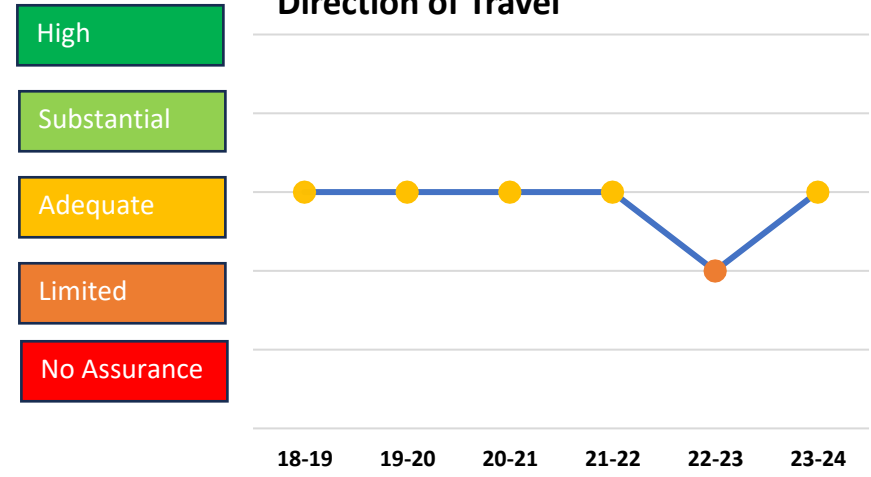
The follow-up audit of Individual Contracts with Care Providers found that there was no evidence of implementation of the actions from the original audit. The original audit identified limited due diligence checks being undertaken prior to setting up a contract, issues with the accuracy and completeness of the SharePoint Indi contract referral forms which increases the risk of fraud and error, contracts not being signed by providers and been returned as signed by the provider. There was also a lack of ownership of the monitoring of Individual contracts and consequently no monitoring is performed.

For the review of Unregulated Care Placements, Commissioning demonstrated the children within our sample were placed on the Council's Approved Provider List; across all guidelines there were links and advice for staff using Approved Provider lists.

The audit of Supply Chain Cyber Security identified that there are not currently any standard contract clauses in place to define and document suppliers' responsibilities around reporting a cyber or data breach to the Council.

Restructure of commissioning function was undertaken during 23-24 resulting in a Commercial Procurement Team being established. Spending the Councils Money was also updated during the course of 23/24. Greater emphasis in 24-25 on Procurement, commissioning and partnerships related audits will be completed including the follow-up on several previous audits including procurement and contract extensions.

Procurement, Commissioning and Partnerships Direction of Travel



6. Information Technology and Information Security



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
1	ICT02-2024 - Artificial Intelligence	ADVISORY	N/A	February 2024 GAC
2	ICT01-2024 - Single Data Platform	ADVISORY	N/A	February 2024 GAC
4	ICT03-2024 - Disaster Recovery	ADEQUATE	GOOD	February 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
39	RB36-2024 - Data Security and Protection Toolkit (DSPT)	HIGH	VERY GOOD	July 2024 GAC
30	ICT04-2024 - Movers, Joiners & Leavers	ADEQUATE	TBC	
30	RB16-2024 - Freedom of Information	ADEQUATE	ADEQUATE	July 2024 GAC

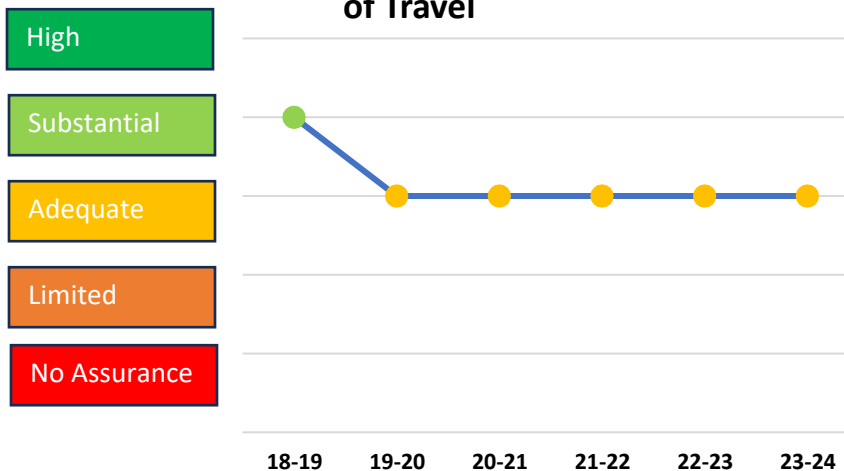
For the reviews of Artificial Intelligence (AI) and Single Data Platform, it was found that there was appropriate governance arrangements in place. However, for AI some areas to be considered moving forward were suggested namely around the risk appetite for data sharing and the evaluation of AI output and correction of bias.

Review of Disaster Recovery arrangements found that a Corporate Business Impact assessment exercise had been undertaken and that for the areas for development identified that the service had an understanding of the required enhancements with action being taken to address.

The audit of Supply Chain Cyber Security identified several positives including a risk assessment process is used to assess and review potential suppliers Cyber Security controls against the National Cyber Security Centre's (NCSC's) cyber security principles. However, a number of enhancements to the Councils processes were also observed.

Awareness of Information Governance was raised through the annual Information Governance week which was attended by many Officers across the organisation. Oversight of Information Technology is undertaken by Corporate Information Governance Group and Information Governance Cross Directorate Working Group.

Information Technology and Security Direction of Travel



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7. Asset Management



Direction of Travel

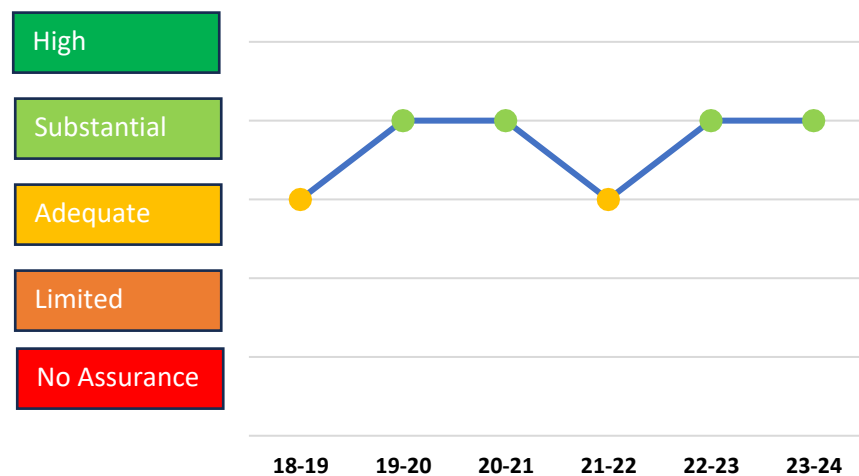


No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
3	RB24-2024 - Functions and Processes Transferred to KCC from Gen2 – f/up	ADVISORY	N/A	February 2024 GAC
5	RB29-2024 - Highways and Transportation Communications	ADEQUATE	GOOD	February 2024 GAC
12	RB26-2024 - Asset Management & Risk Prioritisation	ADEQUATE	GOOD	May 2024 GAC
36	RB12-2024 - Business Planning Process	SUBSTANTIAL	ADEQUATE	July 2024 GAC
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Follow-up review of Functions and Processes Transferred to KCC from Gen2 found that all agreed management action plans have now been fully implemented.

The review of Asset Management and Risk Prioritisation found that there were a number of Controls in place to support the maintenance of highways assets including a works programme which balances renewing assets and the preserving of existing roads to extend their life. However, key person dependencies were identified, and actions have now been determined to mitigate this risk.

Asset Management Direction of Travel



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8. Counter Fraud Arrangements



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
7	RB32-2024 - Task and Finish Group – New Provider Setup and Change of Provider Details	ADVISORY	N/A	February 2024 GAC
13a	RB30-2024 - Sundry Debt Recovery – Debt Recovery	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024 - Sundry Debt Recovery – Cancellation of Invoices	LIMITED	GOOD	May 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
15	RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	N/A	N/A	May 2024 GAC
19	RB25-2024 - Income and Fees uplift, Client Benefit Analysis and Better Care Fund	SUBSTANTIAL	GOOD	May 2024 GAC
22	RB20-2024 - No Recourse to Public Funds – Specific Case Review	ADVISORY	N/A	May 2024 GAC
23	RB35-2024 - Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	ADVISORY	N/A	May 2024 GAC
38	RB31-2024 - Helping Hand Support Scheme	LIMITED	TBC	July 2024 GAC
34	RB01-2024 - Gifts & Hospitality	ADEQUATE	GOOD	July 2024 GAC
25	RB10-2024 - Supported Living Payments	ADVISORY	N/A	July 2024 GAC
41	CFT01-2024 – Mosiac Payment Portal – Invoicing	N/A	N/A	October 2024 GAC

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8. Counter Fraud Arrangements



Financial controls were found to need improving within the way providers invoice for services within the Supporting Living Contract in Adult Social Care, in that there is a lack of relevant business records on the level of services delivered (care records / rotas) when submitting invoices for payment, therefore no reconciliation on services being delivered can be done on receipt of the invoice.

The review of Sundry Debt Recovery identified control weaknesses in the cancellation of invoices with a lack of guidance on when a cancellation of an invoice request is submitted which has led to £12.6m of invoice cancellation over the period 01/04/2023 to 05/03/2024.

Some progress was identified on open actions relating to the 22-23 audit of Data Quality – LAS System – Risk of Overpayments was found with overpayments now being sent to the Counter Fraud. Of the 4 issues, 2 remain open linking to oversight of manual payments and Lack of control for Ending Services and Lack of Verification of Actual Hours.

Improvements were identified in the audit of Supply Chain Cyber Security audit to enhance current practices/ processes with the Councils providers.

As part of the advisory review of New Provider setup and change of provider a fraud risk assessment was undertaken which identified several risks. Strengths were identified as part of the review including provider due diligence checks and bank account verification.

The [Annual Counter Fraud Report](#) was presented to May Governance and Audit Committee which identified an increase in the number of irregularity referrals and total losses due to fraud an error of £2,832,520 for 2023-24. This is, in part, due to greater awareness within the services of the reporting requirements into Internal Audit.

Counter Fraud Direction of Travel

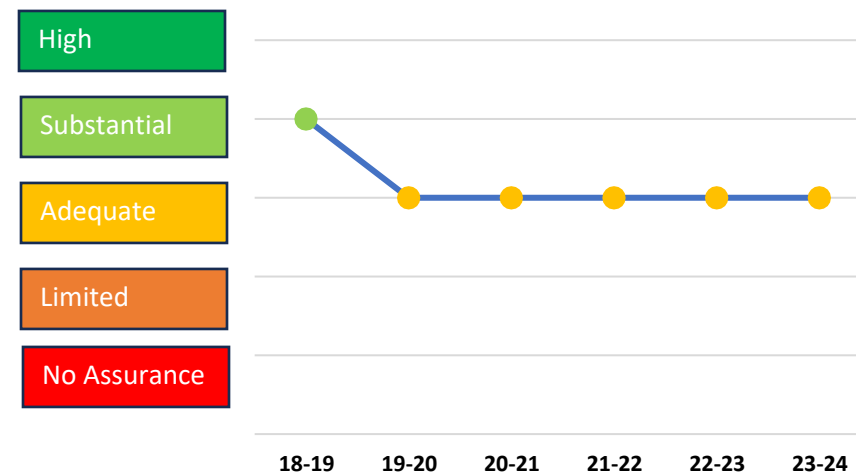
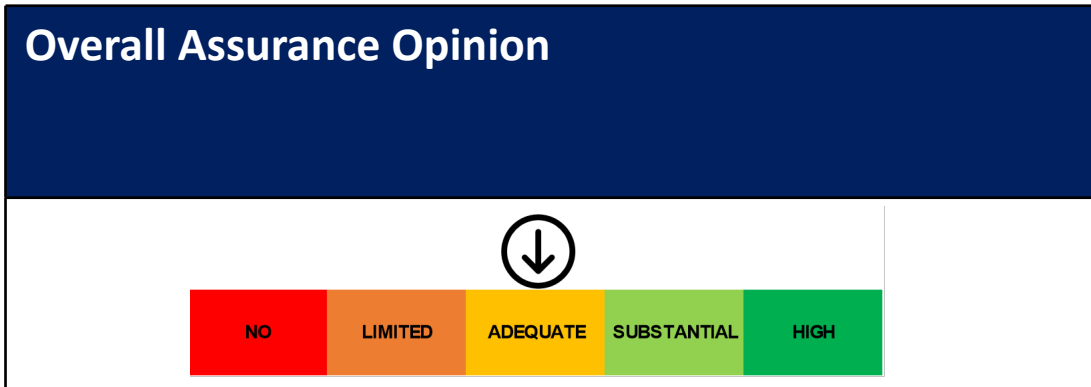


Table 4: Audit Opinion based on Reasonable Assurance Model

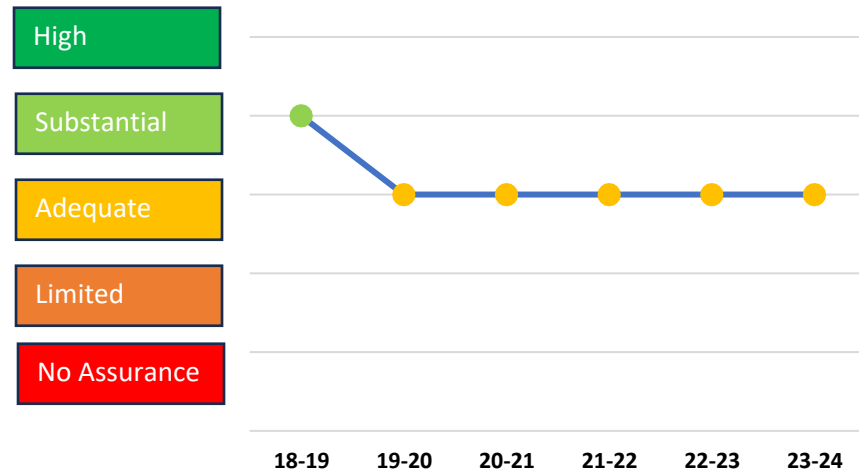
No.	Theme	Overall Opinion
1	Corporate Governance	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
2	Risk Management	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
3	Financial Control	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
4	Change Programme and Project Management	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH

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No.	Theme	Overall Opinion
5	Procurement, Commissioning and Partnerships	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
6	Information Technology and Information Security	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
7	Asset Management	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH
8	Counter Fraud	↓ NO LIMITED ADEQUATE SUBSTANTIAL HIGH



Overall Opinion Direction of Travel



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Strengths and Areas for Development

3.9 The annual review of audit outcomes has highlighted the following key strengths and areas for development:

Strengths:

- 52% of systems and functions that were assigned a High or Substantial Assurance opinion.;
- The Overall Opinion assigned to the Risk Management, Financial Control and Procurement, Commissioning and Partnerships themes of Corporate Health have improved in 2023-24; and
- Adequate arrangements in place to manage the risk of fraud.

Areas for further development:

- As stated in the previous Annual Reports for 2021-22 and 2022-23, the level of full implementation of agreed actions to address internal control and risk management issues identified by Internal Audit remains a significant concern.
- There is not a correlation between the “Prospects for Improvement” assigned at the end of each audit and the actual full implementation of agreed actions.

Assessment against Significant Risks at KCC

3.10 Appendix 3 details the significant risks with a risk rating of 25 at KCC as reported to the Governance and Audit Committee in May 2023 with identification of relevant Internal Audit work undertaken against these risk areas. Reliance is placed against the work undertaken by the Corporate Risk Team in the identification of, assessment, recording and reviewing of risk mitigations, updating and monitoring of and their regular reporting of the Corporate Risk Register to the Governance and Audit Committee during the course of the year.

Other Sources of Assurance

3.11 In line with Institute of Internal Auditors’ Practice Guidance, there is a criteria, summarised in Appendix 2, which should be utilised for Internal Audit to be able to place reliance upon other assurance providers, which maybe either internal or external sources of assurance.

3.12 All sources of assurance identified are taken at a point in time and, based on the criteria, absolute assurance for the vast majority of other assurances cannot be derived from these pieces of work undertaken. For example, on review of CQC inspections though ratings across all services were assessed as “Good” the majority were undertaken between 2017 to 2020 and therefore due to the age assurances on these could not be utilised.

3.13 During the course of the 2023-24 Internal Audit plan, Ofsted undertook a review of [Children’s Services](#) reviewing the Council’s arrangements for ‘front door’. The main areas identified in the related to:

Key Headline findings	Identified for improvement
<p>Page 78</p> <ul style="list-style-type: none"> Most children referred to the ‘front door’ service receive a timely and appropriate response. Managers and social workers demonstrate a clear understanding of risk. Thresholds are applied appropriately, with regular and effective management oversight. Decisions are informed by children’s voices and needs, and consideration of family history and circumstances. 	<ul style="list-style-type: none"> The quality and impact of management oversight and supervision. Work with health partners to improve their contribution to decision-making meetings regarding safeguarding.

3.14 In order to identify gaps in assurance, prevent duplication in the assurance process and record the outcomes of the assessment of the adequacy and effectiveness of the service’s internal control, risk management and corporate governance arrangements, assurance mapping processes are undertaken each year to ensure it reflects developing processes and procedures. A number of assurance mapping exercises have been undertaken across the Council by Internal Audit and it is intended that they will be refreshed as part of the 2024-25 Audit Plan. The maps currently completed are as follows in Table 5:

Table 5: Summary of Assurance Mapping

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Risk	Last Reviewed	Risk Register		1 st Line of Defence				2 nd Line of Defence				3 rd Line of Defence					
		Current	Tolerance	Policies & Procedures	Training	Mgmt. Info	Self Assess Process	Compliance/ Financial Control	Quality	Internal Groups	Risk Mgmt.	3 rd Parties	Partners	Regulators	Internal Audit	External Audit	Other
Information Governance	2021-22	High	Medium	Some Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	N/A	Assurance Available	Assurance Available	N/A	N/A	Some Assurance Available	Assurance Available	N/A	N/A
ICT	2021-22	High	Medium	Some Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	N/A	Assurance Available	Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	Assurance Available
Safeguarding Children	2020-21	Medium	Medium	Assurance Available	Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	N/A
Safeguarding Adults	2020-21	Medium	Medium	Assurance Available	Assurance Available	No Assurance Available	Some Assurance Available	Assurance Available	No Assurance Available	Assurance Available	Assurance Available	No Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	N/A
Simultaneous Response, Recovery & Resumption	2022-23	Medium	Medium	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	Some Assurance Available	N/A	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	N/A
Fraud & Error	2022-23	Medium	Low	Assurance Available	Some Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	Assurance Available
Public Health	2023-24	Medium	Low	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	N/A	N/A	Assurance Available	N/A	N/A	N/A

Legend	No Assurance Available	Some Assurance Available	Assurance Available	N/A
---------------	-------------------------------	---------------------------------	----------------------------	------------

3.15 The assurance mapping exercises to date have highlighted a number of areas for further review from Internal Audit such as Patch Management which was reviewed as part of the 2022/23 Audit plan and found to be operating adequately. More broadly, the maps have highlighted there are internal working groups to provide oversight for each risk reviewed in most instances reviewed. Risk management is also present for each area. The Simultaneous Response, Recovery and Resumption assurance mapping exercise found some assurance is available across each line of defence however, a review of Business Continuity Planning will be undertaken during 2024-25 to provide further assurance.

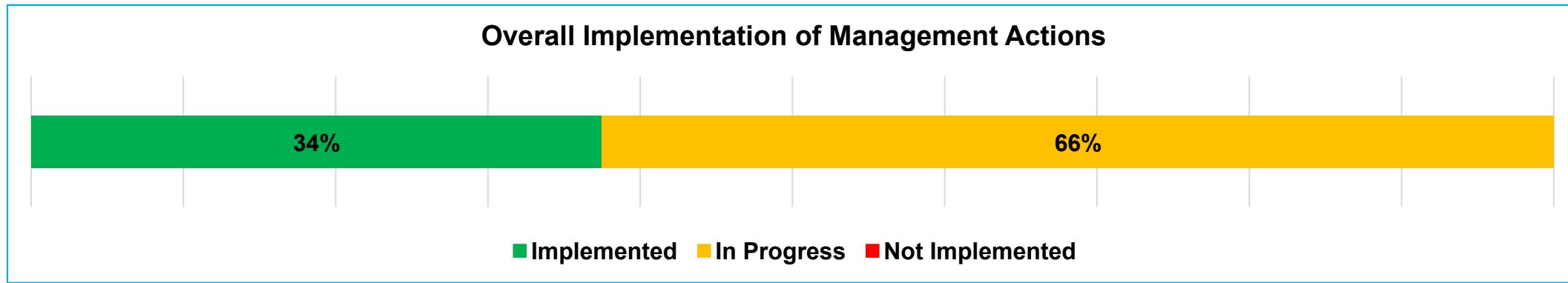
4. Implementation of Agreed Actions

4.1 Details of the year end position on the implementation of actions from Internal Audit reports is set out in the below section. The implementation status of 56 due actions categorised by the age of actions assigned to the original report. Summary of the details reported to July GAC are contained within this section of the report.

4.2 The status of implementation is summarised in Table 6:

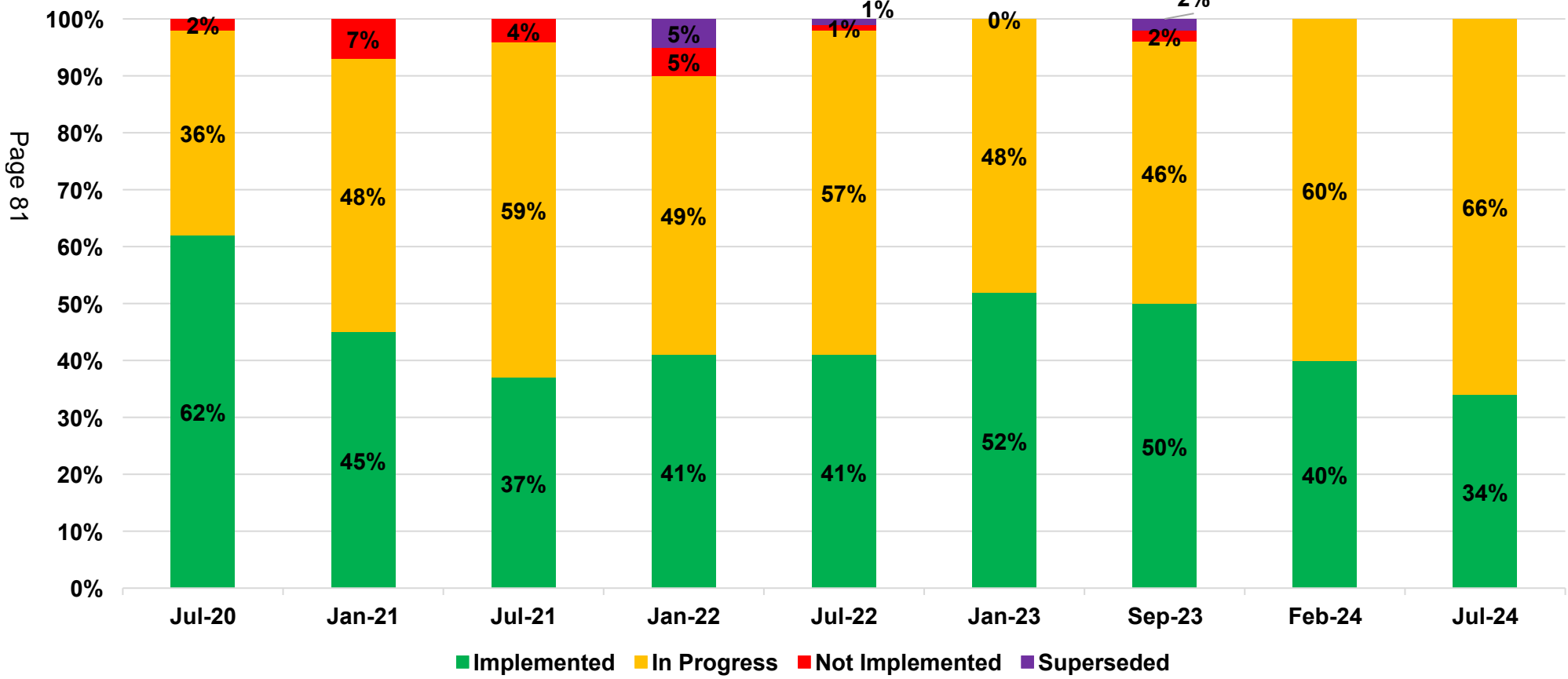
Table 6: Summary of Action Implementation

Page 80	Total Number Open Issues		Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	51	71	19	37	4	15	15	22	0	0	0	0
Total %					21%	41%	79%	59%	0%	0%	0%	0%



- 4.3 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, highlights a decline position from 2022-23 as shown in the graph from 50% to 34% full implementation.
- 4.4 Internal Audit have identified key points of contact for each Directorate moving forward for 2024-25 which regular discussion will be undertaken throughout the year to monitor progress against open management actions.
- 4.5 In addition, Internal Audit are in process of implementing new audit management software in which the potential to enhancing the follow-up process will be explored.

KCC Implementation of Issues by Committee



Programmed Follow Ups

4.5 Programmed Follow Ups, undertaken as part of the 2023-24 Internal Audit Plan, were reported to July GAC which included, three in depth follow ups were undertaken of areas where, mainly, in the previous year audit opinions had been Limited, with the following results:

Table 7: Programmed Follow Ups 2023-24

Audit	Previous Opinion	Number of Issues Previously Raised		Implemented		In Progress		Not Implemented		Superseded	
		High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
CS01-2024 - Budget Savings Follow-up	LIMITED	2	0	1	0	1	0	0	0	0	0
RB07-2023 – Climate Change – KCC's Net Zero Action Plan	LIMITED	3	2	0	0	2	2	1	0	0	0
RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	LIMITED	3	1	1	1	2	0	0	0	0	0
RB24-2024 - Property Infrastructure – Functions and Processes Transferred to KCC from Gen2 – Follow-up	LIMITED	2	1	2	1	0	0	0	0	0	0
RB45-2024 - Gypsy Traveller Service Follow-up	NO ASSURANCE	7	2	6	1	0	0	0	0	1	1
RB08-2024 – Individual Contracts on Care Providers – Follow-up	LIMITED	4	2	0	0	3	2	1	0	0	0
Total		21	8	10	3	8	4	2	0	1	1

4.6 There has been some progress in the full implementation of agreed actions with 45% fully implemented while 41% remain in progress and a further 14% have now been deemed as superseded/ Not Implemented. Follow-ups of Gypsy and Traveller Service and Property Infrastructure had made significant progress against the agreed actions which all are now considered closed. Revised audit opinions have not been given for these audits because of the limited scope of the follow-up, which focussed only on the areas where issues were raised in the previous report. Where action remains outstanding, revised dates for implementation have been agreed and these will be followed-up to their conclusion.

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5. Other Audit Work including Grant Certification

5.1 Internal Audit perform a vital service for the Council in the auditing of grant claims to evidence spend is in accordance with grant terms and conditions. Thus, in 2023-24, Internal Audit audited / certified 56 grants to the value of €3.7m Euros and £69m.

The breakdown of the 56 grants was:

- 16 EU Interreg grant returns;
- 1 Department for Digital Culture, Media & Sport
- 1 Department of levelling up, Housing & Communities
- 1 Department for Environment, Food & Rural Affairs
- 3 Office for Health Improvement & Disparities
- 1 Sport England grant; and
- 4 Department for Transport grants.

5.2 The work undertaken in the grant certifications undertaken did not highlight any material inaccuracies or control weaknesses.

5.3 The increase in the volume of grant certification work undertaken by the Internal Audit service for the Council has continued to be challenging in respect of providing core assurance work and has utilised a greater proportion of Internal Audit resources.

5.4 The diversification of Internal Audit by offering a proportion of our services to other public sector related or associated bodies has continued throughout 2023-24, including:

- Commercial Services Group (CSG) – 26 companies including, Invicta Law, The Education People and Cantium Business Solutions;
- Appointed auditor to 11 Parish Councils;
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority;
- Internal audit of Kent and Medway Fire and Rescue Service; and
- Management of the audit and fraud service at Tonbridge and Malling Borough Council.

Income within the outturn budget for 2023-24 was £451k, which is a 16% increase since 2021-22 and a 45% increase from 2018-19. The income in 2023-24 contributed to the outturn position being £151k under budget, which assists the Council financially.

6. Conformance with Public Sector Internal Audit Standards (PSIAS)

- 6.1 The Public Sector Internal Audit Standards (Standards) are mandatory for all public sector internal audit functions. The Standards require Internal Audit functions to maintain a Quality Assurance and Improvement Programme (QAIP), which should include both internal and external assessments of compliance against the Standards.
- 6.2 The last external quality assessment (EQA) was completed in February 2021. The EQA concluded that the service 'Generally Conforms' with the Public Sector Internal Audit Standards, which is the highest possible assessment available and was in line with our own internal self-assessment. The outcomes from this EQA were reported to Committee in September 2022 and all actions from the EQA were fully implemented.
- 6.3 The internal self-assessment for 2023-24 has been completed and has confirmed the Internal Audit function continues to be generally conformant with the Standards. It also confirmed that all internal audit work completed during 2023-24 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard:1300 – Quality Assurance and Improvement Programme.
- 6.4 The Institute of Internal Auditors' (IIA) Global Internal Audit Standards has recently been updated. Compliance with the new Standards is required by 9th January 2025. A self-assessment against the new Standards is planned during 2024-25. The outcomes from this self-assessment and further details of the new Standards will be reported to the Governance and Audit Committee later in the year

Table 9: Conformance with PSIAS

Generally Conforms

Partially Conforms

Does Not Conform

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Definition of Internal Auditing				
Reference	Code of Ethics			
1	Integrity	✓		
2	Objectivity	✓		
3	Confidentiality	✓		
4	Competence	✓		
Reference	Attribute Standards			
1000	Purpose, Authority and Responsibility	✓		
1010	Recognising Mandatory Guidance in Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Programme	✓		
1310	Requirements of the Quality Assurance and	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the QAIP	✓		
1321	Use of Conforms with the International Standards	✓		

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		Generally Conforms	Partially Conforms	Does Not Conform
Reference	Attribute Standards			
1322	Disclosure of Non-conformance	✓		
Reference	Performance Standards			
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organisational Responsibility	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Planning	✓		
2300	Planning Considerations	✓		
2310	Engagement Objectives	✓		
2320	Engagement Scope	✓		
2330	Engagement Resource Allocation	✓		
2340	Engagement Work Programme	✓		
2400	Performing the Engagement	✓		
2410	Identifying Information	✓		

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Reference	Performance Standards			
2420	Analysis and Evaluation	✓		
2421	Errors and Omissions	✓		
2430	Use of 'conducted in conformance with...	✓		
2431	Engagement Disclosure of Non-conformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Resolution of Senior Managements Acceptance of Risks	✓		

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7. Internal Audit Performance

7.1 The performance of the Internal Audit Team is measured and monitored throughout the year and the year-end position is shown in Table 10 below:

Table 10: Internal Audit Performance 2023-24

A. Strategic Alignment

Basis
For Internal Audit to be relevant, its coverage must be aligned to the Council’s main risks

Measured By
Either an Assurance Map on Internal Audit coverage or reporting to the Committee on annual coverage compared to the Corporate Risk Register

Details of how the audit coverage aligns to the Corporate Risk Register is detailed in [Appendix 3](#). Based on this, the majority of significant Corporate risks have been covered within audit coverage during the current year, including increased coverage of financial risks after the Securing Kent’s Future was published. However, gaps identified will require consideration in the coming year.

One assurance map has been undertaken in the current audit year relating to public health. This links to [CRR0050 – CBRNE incidents, communicable diseases and incidents with a public health implication](#) on the corporate risk register.

B. Rolling Audit Plan

Basis
Having a Rolling Audit Plan reflects the need for coverage of key risks at the right time

Measured By
a) Number of Relationship Management meetings held to discuss Rolling Audit Plan
b) Stakeholder feedback on the effectiveness of IA coverage

A) During the course of the work to support 2023-24 annual opinion, 76 relationship management meetings were undertaken to discuss the rolling Internal Audit Plan.

B) Stakeholder feedback as set out in [Appendix 5](#) on the effectiveness of IA coverage found that **100%** of responses either **strongly agreed** or **agreed** that Internal Audit has provided an effective service for the Council in 2023-24.

C. Timely Insights

Basis
In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders

Measured By
a) Stakeholder feedback on effectiveness of collaboration
b) Stakeholder Feedback on Embedded Assurance insights

A) Stakeholder feedback as set out in [Appendix 5](#) on the effectiveness of collaboration found that **100%** of responses either **strongly agreed** or **agreed** that Internal Audit collaborates with the Council to assist in achieving the Council’s objectives and managing your risks.

B) Stakeholder feedback as set out in [Appendix 5](#) identified that **100%** responded as **strongly agree** or **agree** that Internal Audit provides timely reports which are of a high standard and meets your needs.

D. Adding Value

Measured By

- a) The proportion of audit coverage providing wider assurance via the use of data analytics
- b) Recording how audit coverage has contributed to the Council saving money.
- c) Documenting how and where IA has provided guidance for improving poor or effective controls.
- d) Documenting how IA has provided embedded assurance advice from the initial stages of strategic initiatives

- a) 48% of the Rolling Internal Audit Plan utilised data analytics as part of the work undertaken.
- b) The revisions taken to GAC in November ensured that coverage of the Rolling Internal Plan had coverage against Securing Kent's Future to ensure that the audits undertaken supported the organisation on the areas where assurance was needed. In addition, paragraph 2.8 highlights the ways in which Internal Audit adds value.
- c) 39 number of audits have been undertaken during the course of 23-24 in which **18 high priority** and **46 medium priority** issues were raised.
- d) IA have also undertaken a number of embedded assurance and advisory pieces of work to enable timely insights which includes reviews of Artificial Intelligence and continued work on the Enterprise Business Capabilities Project (Oracle Cloud).

E. Management Actions

Basis

To determine if there has been actual improvement from Internal Audit reviews

Measured By

- a) % of high priority / risk issues agreed
- b) % of high priority / risk issues implemented.
- c) % of all issues agreed
- d) % of all issues implemented.

% of High Priority Issues Agreed

100%

% of High Priority Issues Implemented

 26%

% of All Issues Agreed

100%

% of All Issues Implemented

 38%

F. Client Satisfaction

Client Satisfaction surveys at the end of each audit

93%

- A) Further details on client satisfaction can be found at paragraphs 7.2 and 7.3
- B) Stakeholder feedback as set out in the client perception section of the report and Appendix 5 found that overall a positive view of the Internal Audit Service with 7 out of the 11 questions asked receiving 100% either strongly agree or agree.

Basis

Determining whether value is added

Measured By

- a) Client satisfaction surveys at the end of each audit.
- b) Annual Key stakeholder perception survey (some questions to be amended)

G. Audit Efficiency

Basis

In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders

Measured By

- a) Time from audit planning to draft report being issued.
- b) Completion of all Grant Certifications for the Council/ respective Directorates within set timescales.

Average Number of Days, Audit Planning to Draft Report

60.72 Days

There were 5 audits which impacted on the average number of days which were caused by delays in receiving information and/ or management responses. In addition, agreement of the engagement plan takes 10 working days as per Internal Audits standard practices.

% of all Grant Certifications for the Council/ respective Directorates within set timescales.

100%

Client Satisfaction

7.2 The cumulative result for these surveys was 93% satisfaction, which is a similar position from 2022-23 performance.

7.3 The survey also requested any additional comments and comments received are replicated below:

"The Auditor had exactly the right mix of patience, inquisition and insight that enabled this very complex area to be unpicked and understood and the real issues to be reported on. The process of information transfer whilst intense was also efficient and the use of the teams site made this easy to manage. The audit did find some key risks for the service but the Auditor worked with us to make sure that these could be used as beneficial outcomes rather than a list of things that were 'wrong' and this collaborative approach was very welcomed. "

"We have always enjoyed an excellent relationship with the Deputy Audit Manager, and the auditor was approachable, engaged and responsive throughout the Follow-Up."

"Colleagues were extremely helpful in supporting us throughout this process and producing a useful report."

"The auditor was very professional and clear in the information required. We were involved all the way through the audit."

"The Auditor was very professional throughout and friendly"

"A positive, collaborative experience."

"Auditor very knowledgeable and professional at all times"

"The audit was professionally conducted and the findings were helpful."

Client Perception – Member of Governance and Audit Committee

7.5 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of the Corporate Management Team and the Governance and Audit Committee on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses, with the comments received, will be utilised as part of the continuous improvement for the service. The results are detailed in Appendix 5 and the key responses were (with comparison to 2022-23):



7.6 The above demonstrates positive direction of travel with all areas covered in the perception survey at either strongly agree or agree.

7.7 Further break down comparison between the views of Corporate Management and Members of Governance and Audit Committee is available in [Appendix 5 – Senior Management Survey](#).

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“...I am confident that you and your team are doing a very competent job in attempting to give visibility to the most significant risks. I think the biggest challenge is in understanding and communicating the whole internal audit process in what is a very 'busy' area and over the next year would appreciate some further meetings. In summary, as someone who has spent the last 20 years of my professional life preparing for (on both sides) and undertaking internal and external audits in the commercial sector I do think you do a very good job in keeping the KCC team focused on the objectives of the organisation. I am also impressed with the links to the financial audit where the public sector is along way a head of the private sector. I do worry about the 'resources' that you have available and the reliance on the competence of the auditors - however these are concerns that I suspect all those who are involved in the auditing process do reflect on from time to time!”

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“Internal Audit continues to provide the Committee with a comprehensive and sound service, ensuring that members focus on the key challenges and risks facing the Council. The working relationship between the Committee and Internal Audit is excellent and adds to members' confidence in their reports.”

“The quality of this service is outstanding, given the limited resources the audit team are working under. Well done”

“I welcome this survey and I think that KCC is well-served by its Internal Audit Service. It reaches quite deep into the organisation in my view and fleshes out the core issues in its reports. Quality of staffing is consistently high in my experience. My only small niggles are in timeliness of reports (we all want them quickly!) and in Q9 (benchmarking) which I think happens but this really is a question for managers to assess the good practice ideas. But a good and effective Internal Audit Service - to be confirmed in the upcoming accreditation exercise”

- 7.8 Internal Audit welcome the views of the Governance and Audit Committee members.
- 7.9 From the comments made, there are several relating to the resources of Internal Audit however, to provide assurance to members of Governance and Audit Committee that if this was to present an issue moving forward this would be flagged to both Senior Officers and Members of Governance and Audit Committee.
- 7.10 In relation to the point for benchmarking, Internal Audit utilise points of practice requests as one angle to facilitate benchmarking exercises. However, this can be challenging to undertake and Internal Audit will continue to seek opportunities in the audits that are undertaken to add value to the organisation.

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8. Internal Audit Resources

- 8.1 In accordance with professional standards, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function.
- 8.2 Although there has been some staff turnover during the course of the year, albeit more limited than in 2022-23, the service has conducted successful recruitment exercises in a challenging market and excellent new colleagues have joined the team.
- 8.3 As reported in the 2022-23 Annual Report, a Business Case to increase the capacity and resilience of the service was approved by the Corporate Management Team in June 2023. This then led to resources been provided within 2023-34 to amend the team structure to promote staff retention and career progression and decrease reliance upon agency and bought in services.
- 8.4 This resourcing, however, was not built into the salary base budget for the Internal Audit service for 2024-25 and this is an issue that had to be communicated to the Corporate Statutory Officers of the Council, who have agreed to cover appropriately for 2024-25 and address for the 2025-26 budget.
- 8.5 It is important that all parties are fully aware of the need for sufficient resources to be available constantly for an Internal Audit service that commercially supplies services to nearly 30 other organisations, which is a significant source of income to Kent County Council.
- 8.6 It is also concluded that there have been no limitations of scope which adversely impacted upon the ability to provide an annual opinion.

9. Disclosure on Impairment and Statement of Independence

- 9.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note).
- 9.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority makes arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
 - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 9.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Leader of the Council, Chief Executive, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Governance and Audit Committee.
- 9.4 There has been no significant restrictions on the scope of Internal Audit work findings during 2023-24. In any instance where there is a potential or perceived impairment to independence, for example when delivering critical reports within the Division where Internal Audit is within the Council structure, then such matters are addressed with management accordingly.
- 9.5 Consequently, although there are periodic challenging factors, it is confirmed that the independence of the Internal Audit and its ability to form an evidenced audit opinion has not been adversely affected in 2023-24.
- 9.6 The new Global Internal Audit Standards require reviews of elements that impact upon the independence of Internal Audit, which include the role that an Audit Committee should have in relation to aspects such as the budget for Internal Audit and measuring the performance of the Head of Internal Audit.
- 9.7 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.

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No	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
32	CA01-2024	Annual Governance Statement	Fieldwork			
33	CA02-2024	Risk Culture	Complete	SUBSTANTIAL	GOOD	July 2024 GAC
21	CR03-2024	Enterprise Business Capabilities (Oracle)	Ongoing	ADVISORY	N/A	May 2024 GAC
8	CS01-2024	Budget Savings Follow-up	Complete	ADVISORY	N/A	January 2024 GAC
34	RB01-2024	Gifts and Hospitality	Complete	ADEQUATE	GOOD	July 2024 GAC
35	RB02-2024	Performance Management	Complete	HIGH	VERY GOOD	July 2024 GAC
6	Page 95 RB03-2024	Joint Funding & Governance (NHS) NHS Joint Working & Pooled Budgets	Deferred			
	RB04-2024	Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers	Complete	SUBSTANTIAL	VERY GOOD	February 2024 GAC
17	RB05-2024	Hospital Discharge	Draft Report	ADEQUATE	GOOD	May 2024 GAC
24	RB06-2024	Direct Payments / Abuse of Kent Card	Fieldwork			
11	RB07-2024	Public Health Assurance Mapping	Complete	N/A	N/A	May 2024 GAC
16	RB08-2024	Individual Contracts on Care Providers Follow-up	Complete	N/A	N/A	May 2024 GAC
10	RB09-2024	Highways & Transport – Sevington Inland Border Post	Complete	SUBSTNTIAL	GOOD	May 2024 GAC
25	RB10-2024	Supported Living Payments	Draft Report	ADVISORY	N/A	July 2024 GAC
	RB11-2024	Project Management	Deferred			
36	RB12-2024	Business Planning Process	Complete	SUBSTNTIAL	ADEQUATE	July 2024 GAC
40	RB13-2024	Home to School Transport Follow-up	Complete	ADVISORY	N/A	November 2024 GAC

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	RB14-2024	Domestic Abuse	Deferred			
15	RB15-2024	Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	Complete	N/A	N/A	May 2024 GAC
30	RB16-2024	Freedom of Information	Complete	ADEQUATE	ADEQUATE	July 2024 GAC
	RB17-2024	Strategic Reset Programme (Governance)	Deferred			
26	RB18-2024	Loan Approval to Schools	Draft Report	LIMITED	TBC	
27	RB19-2024	Schools Financial Services – Contract Management	Complete	SUBSTANTIAL	GOOD	July 2024 GAC
22	RB20-2024	No Recourse to Public Funds – Specific Case Review	Complete	ADVISORY	N/A	May 2024 GAC
	RB22-2024	School Themed Review – Safeguarding	Deferred			
37	RB23-2024	Complaints	Complete	SUBSTANTIAL	ADEQUATE	July 2024 GAC
3	RB24-2024	Property Infrastructure – Functions and Processes Transferred to KCC from Gen2 – Follow-up	Complete	ADVISORY	N/A	February 2024 GAC
19	RB25-2024	Income and Fees uplift, Client Benefit Analysis and Better Care Fund	Complete	SUBSTANTIAL	GOOD	May 2024 GAC
12	RB26-2024	Asset Management Approach & Risk Prioritisation	Complete	ADEQUATE	GOOD	May 2024 GAC
28	RB27-2024	Climate Adaptation (+Net Zero Follow-up)	Complete	N/A	N/A	July 2024 GAC
29	RB28-2024	Highways Term Services Commissioning Programme	Ongoing	SUBSTANTIAL	N/A	July 2024 GAC
5	RB29-2024	Highways and Transport Communication	Complete	ADEQUATE	GOOD	February 2024 GAC
13a	RB30-2024	Sundry Debt Recovery	Complete	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024	Sundry Debt Recovery	Complete	LIMITED	GOOD	May 2024 GAC
38	RB31-2024	Helping Hands Support Scheme – Business Workstream Phase 1	Complete	LIMITED	TBC	July 2024 GAC
7	RB32-2024	Task & Finish Group – New Provider Set-Up & Change of Provider Details	Complete	ADVISORY	N/A	February 2024 GAC
	RB33-2024	Equalities Act Follow-up	On Hold			
20	RB34-2024	S117 Aftercare Payments	Ongoing	ADVISORY	N/A	May 2024 GAC

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23	RB35-2024	Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	Ongoing	ADVISORY	N/A	May 2024 GAC
39	RB36-2024	Data Security and Protection Toolkit (DSPT)	Complete	HIGH	VERY GOOD	July 2024 GAC
	RB37-2024	Contract Management	Deferred			
	RB38-2024	Compliance With Financial Regulations Follow-up	On Hold			
	RB42-2024	Local Transport Bus Market (BSIP) & Sustainability of Public Transport	Deferred			
18	RB44-2024	Gypsy Traveller Service Follow-up	Complete	N/A	N/A	May 2024 GAC
1	ICT01-2024	Single Data Platform	Complete	ADVISORY	N/A	February 2024 GAC
2	ICT02-2024	Artificial Intelligence	Complete	ADVISORY	N/A	February 2024 GAC
1	ICT03-2024	Supply Chain Cyber Security	Complete	ADEQUATE	GOOD	May 2024 GAC
3	ICT04-2024	Joiners, Mover and leavers	Draft Report	ADEQUATE	TBC	
4	ICT04-2023	Disaster Recovery	Complete	ADEQUATE	GOOD	February 2024 GAC
9	RB29-2023	Unregulated Care Placements	Complete	HIGH	VERY GOOD	May 2024 GAC

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

CR0003			
Securing resources to aid economic recovery and enabling infrastructure			High (25)
Ref	Audit	Opinion	PFI
RB28-2024	Highways Term Services Commissioning Programme	Substantial	N/A

CR0009			
Future financial and operating environment for local government			High (20)
Ref	Audit	Opinion	PFI
CS01-2024	Budget Savings Follow Up	Advisory	N/A
RB12-2024	Business Planning Process	Substantial	Adequate
RB30-2024	Sundry Debt Recovery	Limited	Good
RB25-2024	Income & Sales	Substantial	Good
RB44-2024	Re-Letting Key Contracts	Advisory	N/A

CR0014			
Cyber and information security resilience			High (20)
Ref	Audit	Opinion	PFI
RB36-2024	Data Security and Protection Toolkit (DSPT)	High	Very Good
ICT03-2024	Cyber Security	Adequate	Good
ICT04-2023	Disaster Recovery	Adequate	Good
ICT02-2024	Artificial Intelligence	Advisory	N/A

CR0015			
Managing and working with the social care market			High (20)
Ref	Audit	Opinion	PFI
RB08-2024	Individual Contracts on Care Providers Follow-up	Advisory	N/A
RB15-2024	Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	Advisory	N/A
RB32-2024	New Provider Setup	Advisory	N/A
RB10-2024	Support Living	Advisory	N/A

CR0042			
Border fluidity, infrastructure and regulatory arrangements			High (20)
Ref	Audit	Opinion	PFI
RB09-2024	Sevington Inland Border Posts	Substantial	Good

CR0052			
Impacts of Climate Change on KCC Services			High (20)
Ref	Audit	Opinion	PFI
RB27-2024	Climate Change - Net Zero Follow-up	Advisory	N/A

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CR0053 Capital Programme affordability				High (25)
Ref	Audit	Opinion	PFI	

CR0056 SEND Delivery Improvement and High Needs Funding shortfall				High (25)
Ref	Audit	Opinion	PFI	
RB13-2024	Home to School Transport – f/up	Advisory	N/A	

CR0045 Maintaining effective governance and decision making in a challenging financial and operating environment				High (20)
Ref	Audit	Opinion	PFI	
RB12-2024	Business Planning Process	Substantial	Adequate	

CR0059 Significant failure to bring forecast budget overspend under control within budget level assumed				High (25)
Ref	Audit	Opinion	PFI	
CS01-2024	Budget Savings f/up	Advisory	N/A	
RB12-2024	Business Planning Process	Substantial	Adequate	
RB30-2024	Sundry Debt Recovery	Limited	Good	
RB25-2024	Income & Sales	Substantial	Good	

CR0063 Capacity to accommodate and care for Unaccompanied Asylum-Seeking (UAS) Children				High (16)
Ref	Audit	Opinion	PFI	

CR0064 Risk of Failing to Deliver Effective Adult Social Care Services				High (20)
Ref	Audit	Opinion	PFI	
RB44-2024	Re-Letting Key Contracts	Advisory	N/A	
RB04-2024	Safeguarding (ASCH)	Substantial	Very Good	
RB10-2024	Supported Living	Advisory	N/A	

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Appendix 4 – Quality Assurance & Improvement Programme (QAIP)

The Public Sector Internal Audit Standards (PSIAS) describe the QAIP as:

“A QAIP is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.”

As acknowledged by the External Assessor in 2021, Internal Audit have a robust process for undertaking the QAIP, which includes the completion of the following reviews to confirm compliance with PSIAS:

- **Self- Assessment** - completed for each audit engagement, proactive fraud review and complex investigation.
- **Hot Reviews** - complete for each audit investigation and fraud investigation.
- **Cold Reviews**- carried out annually across all clients using a judgemental sample and least one per individual.
- **Internal Assessment** - competed annually against PSIAS.
- **External Assessment** - completed every 5 years for Audit and Counter Fraud.
- **Customer Feedback** - competed for each audit engagement and proactive counter fraud review.
- **Stakeholder Perception - completed annually.**

During 2023-24, the following Improvement areas were addressed:

Improvement Issue
Identify and implement further improvements in the use of Data Analytics.
Define agile principles and methodology and extend the use of the agile auditing approach.
Continue reviewing report formats with the aim of reducing report length and increasing the use of visualisations.
Identify the audit opportunities to be implemented from the use of AI.
Ensure the greater effectiveness of non-assurance reporting such as Management Letters including the tracking of suggested improvements.
Prepare for the new Global Internal Audit Standards, including advising the GAC of its new requirements.
Review the Follow Up audit process.
Continue to develop wellbeing support and approaches for the team.

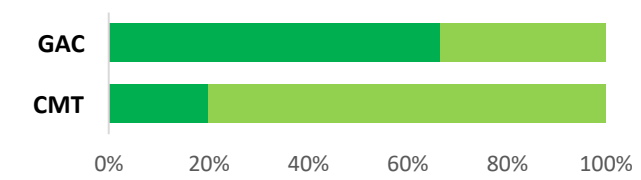
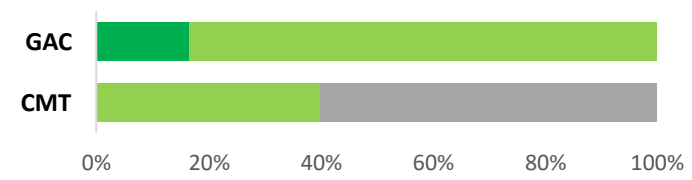
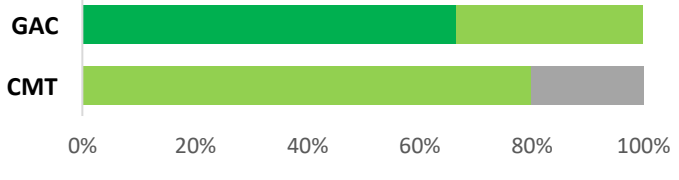
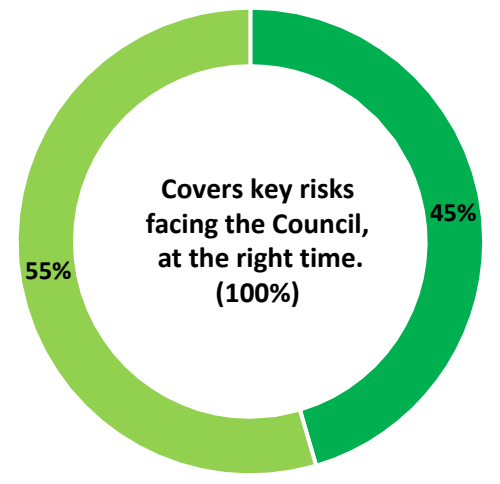
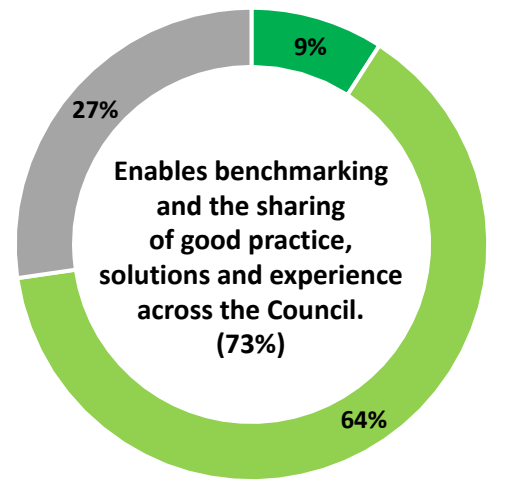
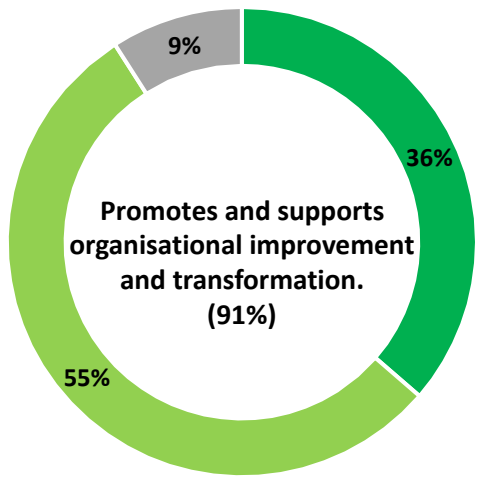
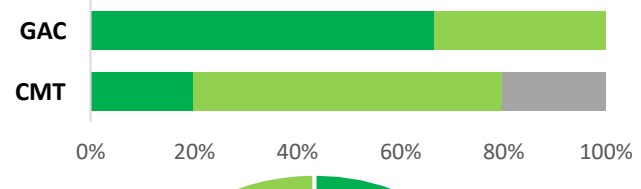
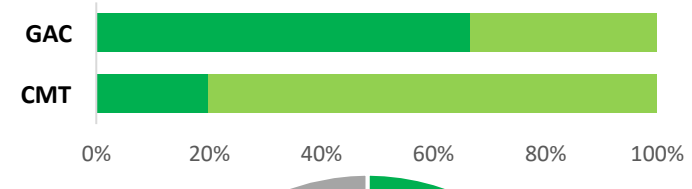
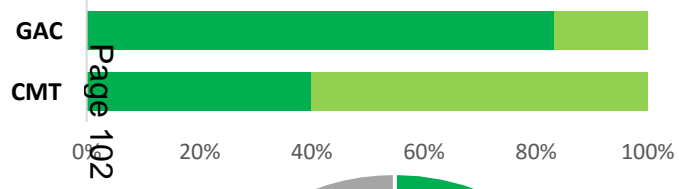
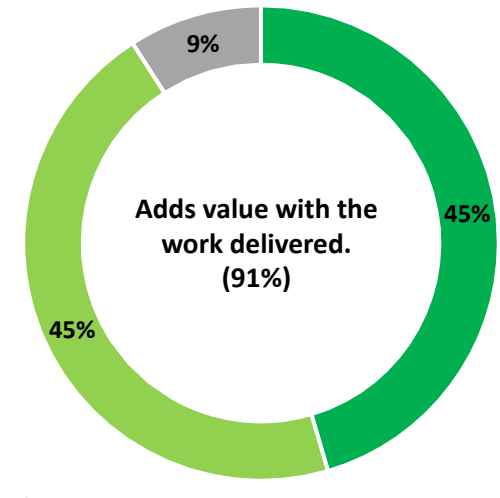
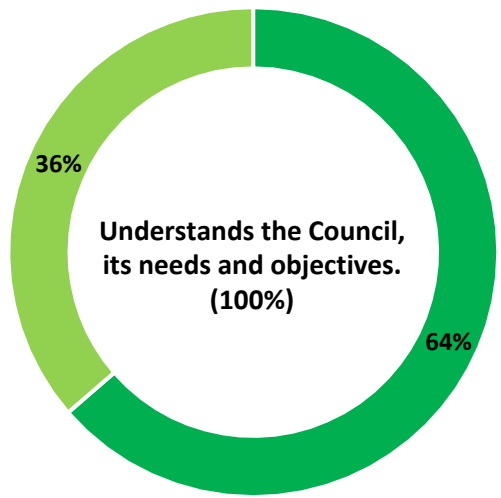
Improvements required for the service in 2024-25 include:

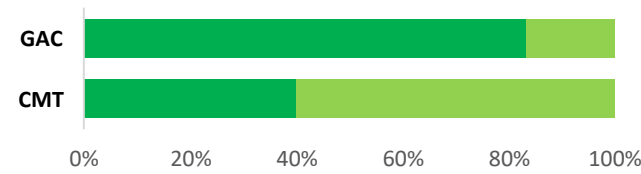
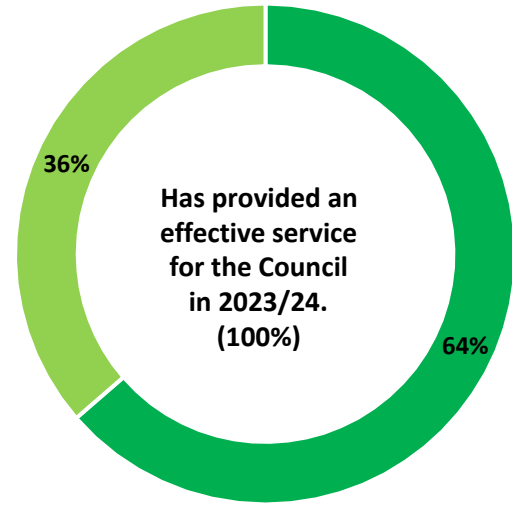
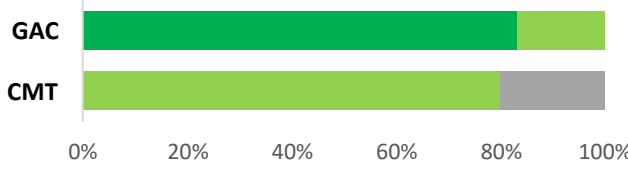
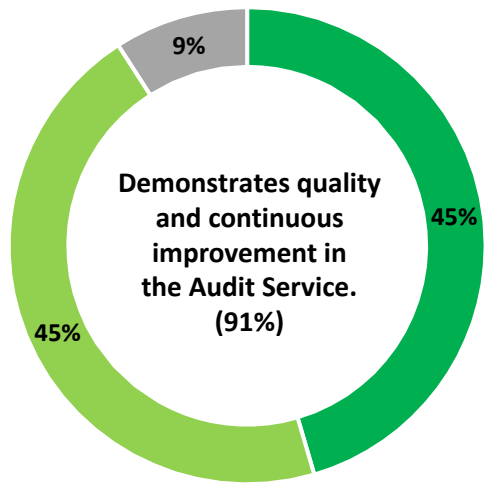
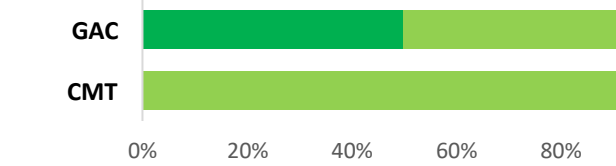
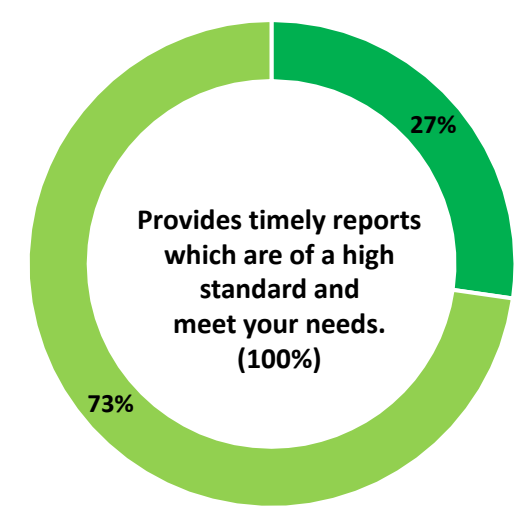
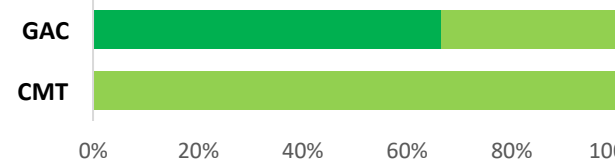
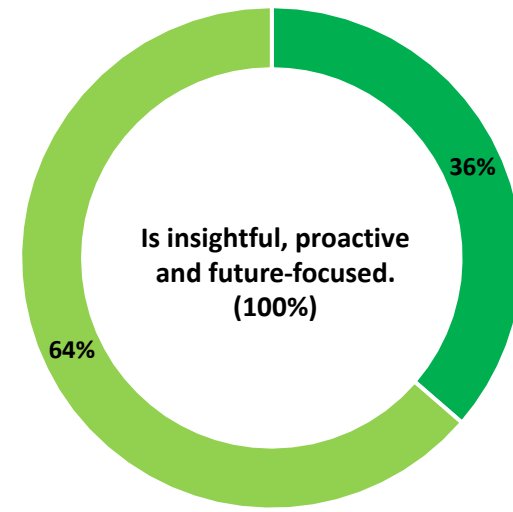
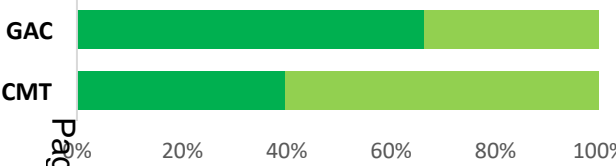
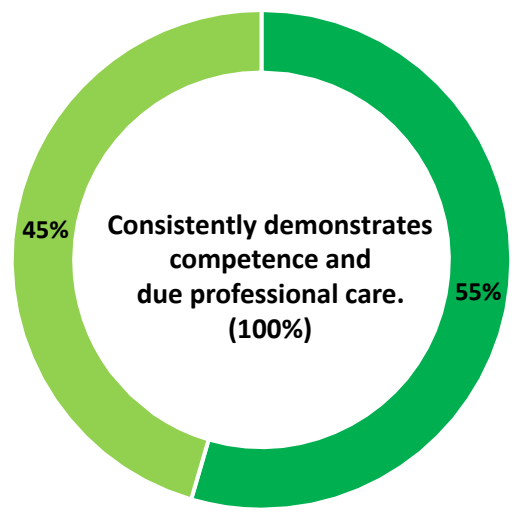
Improvement Issue
Assessment of compliance against new Global Internal Audit Standards and address any areas of non-conformance.
Implemented a more effective approach to following up Cold Reviews.
Integration of new Audit Management software and updating the Audit Manual to align.
Utilisation of artificial intelligence in audit planning.
Implementation of a new follow-up process.
Continue to develop wellbeing, support and approaches for the team.
Implementation of key priorities from Internal Audits Income Strategy.

Appendix 5 – Perception Survey to GAC Members and Corporate Management Team

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Audit Opinion

<p>High</p>	<p>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.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>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.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>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.</p> <p>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.</p>	<p>No Assurance</p>	<p>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.</p> <p>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</p>
<p>Adequate</p>	<p>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.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

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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.
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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From: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services
Interim Corporate Director - Finance

To: Governance and Audit Committee – 23 July 2024

Subject: Treasury Management Outturn 2023-24

Classification: Unrestricted

Future Pathway of report County Council

Summary: This report provides an overview of Treasury Management activity in 2023-24 and developments in 2024-25.

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 2023-24 and developments in 2024-25 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 2023-24 was approved by the County Council on 9 February 2023.
- 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, Link Group.

UK Economy

- a) *Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.*
- b) *Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.*
- c) *UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.*

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%/y/y)	+0.0%q/q Q4 (0.1%/y/y)	2.0% Q1 Annualised
Inflation	3.4%/y/y (Feb)	2.4%/y/y (Mar)	3.2%/y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

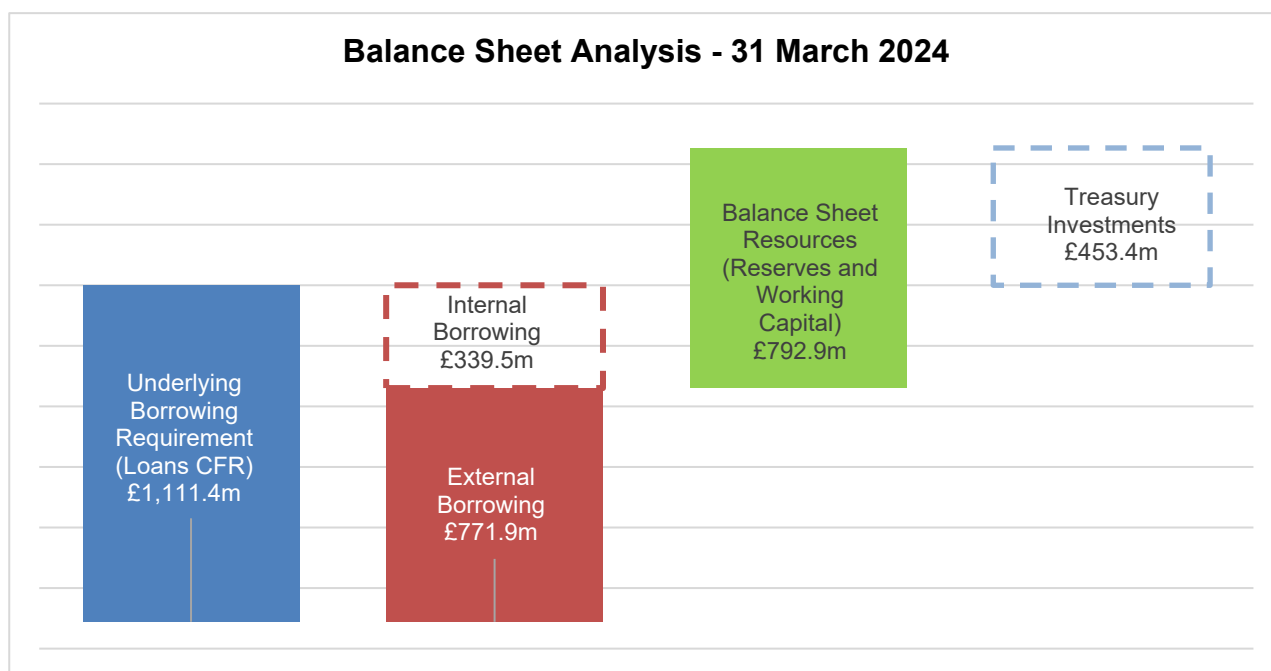
- d) *The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".*
- e) *Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.*
- f) *But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England*

benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

- g) Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.*
- h) From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.*
- i) As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.*
- j) Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.*

3. Local context

- 3.1 At 31 March 2024 the Council had borrowings of £771.9m and investments of £453.4m 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 2024 and the change during the year is shown in the following table.

	31-Mar-23	2023-24	31-Mar-24	31-Mar-24
	Balance £m	Movement £m	Balance £m	Average Rate %
Long-term borrowing	802.5	-30.6	771.9	4.39
Total borrowing	802.5	-30.6	771.9	4.39
Long-term investments	312.0	-31.9	280.1	4.58
Short-term investments	45.7	-1.3	44.4	4.83
Cash and cash equivalents	134.7	-5.8	128.9	5.24
Total investments	492.4	-39.0	453.4	4.83
Net borrowing	310.1	8.4	318.5	

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

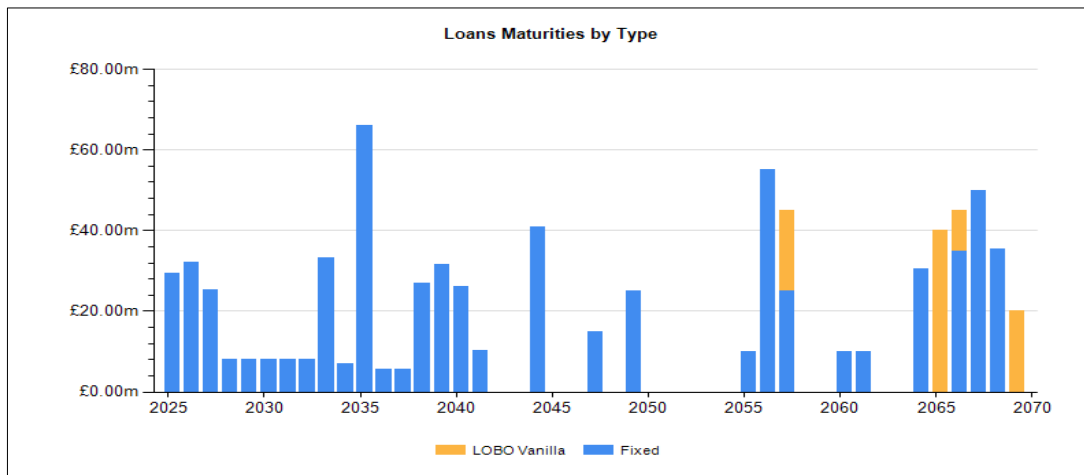
planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

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 2024 the Council held £771.9m of loans as part of its strategy for funding previous capital programmes. No net new borrowing was undertaken in the year and £30.6m of existing loans were allowed to mature 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 0.36% - 0.43% higher than those at the beginning of April. The PWLB 10-year maturity certainty rate stood at 4.78% at 31 March 2024, 20 years at 5.19% and 30 years at 5.21%.
- 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 2023-24 is as follows:

	31/03/2023	2023-24	31/03/2024	31/03/2024	31/03/2024
	Balance	Movement	Balance	Average Rate	Value Weighted Average Life
	£m	£m	£m	%	yrs.
Public Works Loan Board	484.0	-27.7	456.3	4.41%	14.90
Banks (LOBO)	90.0	0.0	90.0	4.15%	39.88
Banks (Fixed Term)	216.1	0.0	216.1	4.54%	38.23
Streetlighting project	12.4	-2.9	9.5	2.55%	14.59
Total borrowing	802.5	-30.6	771.9	4.39%	24.34

- 5.6 The maturity profile of the Council's outstanding debt at 31 March 2024 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 £401.6m and £640.6m 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 increased from 4.25% at the beginning of the year to 5.25% at the end of March 2024. Short-dated cash rates, which had ranged between 4.1% - 4.9% at the beginning of April, rose by around 1.1% for overnight/7-day maturities and 0.4% for 6-12 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 £7.4m to the no use empty loans programme. At 31 March 2024, the Council had loans outstanding totalling £16.0m to the programme now achieving a return of 4.5% which is available to fund general services. A £28.5m net decrease in covered bonds in the year brings the total bond

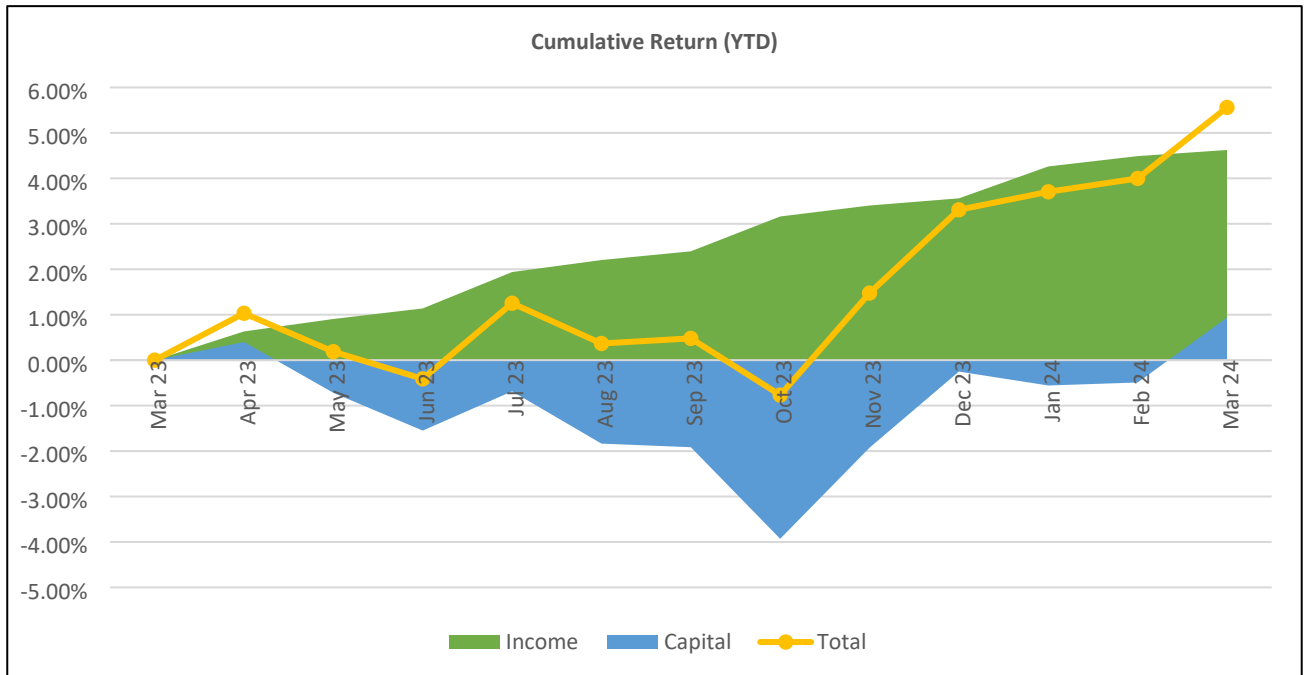
portfolio down to £88.2m. These instruments are negotiable and have the benefit of collateral cover.

- 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 2024 is in Appendix 1.

	31-Mar-23	2023-24	31-Mar-24	31-Mar-24	31-Mar-24
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	£m	£m	£m	%	
Call Deposits (Banks)	1.3	12.4	13.6	3.94	A+
Money Market Funds	134.7	-5.8	128.9	5.24	AAA
Covered Bonds	116.7	-28.5	88.2	4.59	AAA
DMADF Deposits (DMO)	34.6	-34.6	0.0	0.00	
Treasury Bills (UK Government)	9.8	21.0	30.8	5.22	AA-
No Use Empty Loans	22.0	-6.0	16.0	4.50	
Equity	1.3	0.0	1.3		
Internally Managed Cash	320.4	-41.6	278.8	4.95	AA+
Strategic Pooled Funds	172.0	2.6	174.6	4.62	
Total	492.4	-39.0	453.4	4.83	

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 £174.6m at the end of March 2024, showing an unrealised gain of £1.7m (0.94%) since the end of March 2023. The total return (comprised of both income and capital returns) on the pooled fund investments over the year since 31 March 2023 was £10.0m (5.56%), as shown in the table below.

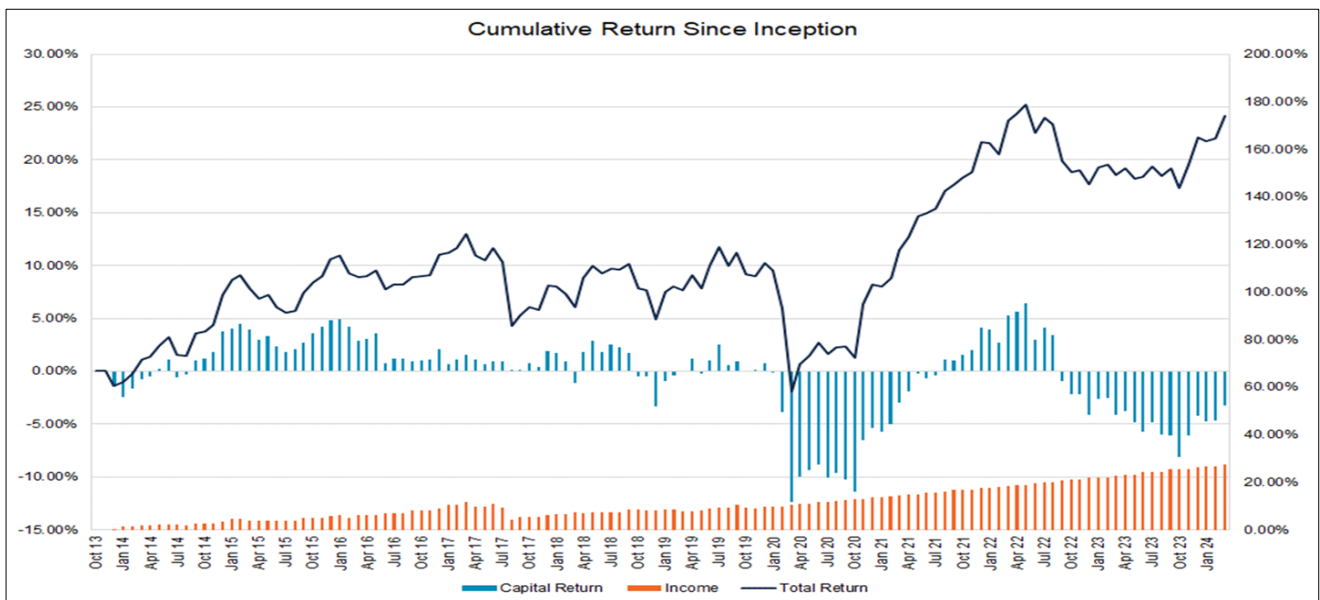


7.4 The market value of the pooled fund investments as at 31 March 2024 compared to the position as at 31 March 2023 is shown in the table below.

Investment Fund	Book cost	31-Mar-23	2023-24	31-Mar-24	31-Mar-24	
		Market Value	Movement	Market Value	12 months return	
		£m	£m	£m	Income	Total
					%	%
Aegon (Kames) Diversified Monthly Income Fund	20.0	17.7	1.0	18.7	5.79%	10.61%
CCLA - Diversified Income Fund	5.0	4.7	0.2	5.0	3.20%	7.85%
CCLA – LAMIT Property Fund	60.0	56.4	-2.2	54.2	4.56%	0.89%
Fidelity Global Multi Asset Income Fund	25.0	22.7	0.3	23.0	4.32%	3.74%
M&G Global Dividend Fund	10.0	13.8	1.3	15.1	4.60%	14.33%
Ninety-One (Investec) Diversified Income Fund	10.0	9.1	0.0	9.1	4.15%	3.76%
Pyrford Global Total Return Sterling Fund	5.0	5.1	0.3	5.4	2.19%	5.03%
Schroder Income Maximiser Fund	25.0	20.4	0.1	20.5	6.05%	6.47%

Threadneedle Global Equity Income Fund	10.0	11.8	1.2	13.0	3.14%	15.61%
Threadneedle UK Equity Income Fund	10.0	10.3	0.4	10.7	3.77%	7.84%
Total Externally Managed Investments	180.0	172.0	2.6	174.6	4.62%	5.56%

7.5 Performance since inception: KCC initially invested in pooled funds in 2013. By the end of March 2024 they had achieved a total income return of £49.4m, 27.37%, with a fall in the capital value of the portfolio of £5.9m, -3.25%. Total returns since inception have been far in excess of the returns available from cash 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.



8 Investment benchmarking at 31 March 2024

8.1 The Council’s retained treasury advisor, Link Group monitors the risk and return of some 230 local authority investment portfolios. The metrics over the 12 months to 31 March 2024 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 - 31.03.2023	3.26	AA	315	3.93
Kent - 31.03.2024	1.14	AA+	207	4.95
English Counties (17)	2.12	AA	96	5.26
Population Average (230)	2.53	AA	56	5.17

9 Actual and forecast outturn

9.1 Outturn net debt costs are £5.53m lower than budget as yields from short-term and variable long-term cash investments have increased and MRP reduced.

10 Treasury Management Group

10.1 The Treasury Management group (TMG) is an informal, non-decision-making body whose role is to support the County Council in oversight and assurance of the treasury management strategy and implementation of it. The TMG last met on 4 June 2024, where it reviewed a copy of this report, alongside other matters. A summary of the meeting discussion is included at Appendix 3.

11 Compliance

11.1 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.

12 Treasury Management Indicators

12.1 The Council measures and manages its exposures to treasury management risks using the following indicators:

12.2 **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 31/03/2024	Minimum
Portfolio average credit rating	AA+	AA-

12.3 **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 31/03/2024	Minimum
Total cash available within 3 months	£168.73m	£100m

12.4 **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 31/03/2024	Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	£2.62m	£10m
One-year revenue impact of a 1% <u>fall</u> in interest rates	-£2.62m	-£10m

12.5 **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 31/03/2024	Upper limit	Lower limit
Under 12 months	2.73%	100%	0%
12 months and within 5 years	5.31%	50%	0%
5 years and within 10 years	6.52%	50%	0%
10 years and within 20 years	34.79%	50%	0%
20 years and within 40 years	25.96%	50%	0%
40 years and longer	24.68%	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.

12.6 **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	2024/25	2025/26	2026/27	No Fixed Date
Limit on principal invested beyond year end	£150m	£100m	£50m	£250m
Actual as at 31 March 2024	£53.00m	£32.06m	£7.00m	£191.85m

13 Recommendation

Members are asked to endorse this report and recommend that it is submitted to Council.

Appendices

Appendix 1 – Investments as at 31 March 2024

Appendix 2 – Glossary of Terms

Appendix 3 – TMG Meeting Notes, 4 June 2024

**James Graham, CFA – Pension Fund and Treasury Investments
Manager**

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8 July 2024

Investments as at 31 March 2024

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Treasury Bills	DMO	328,148	5.4100%	08/04/24
Treasury Bills	DMO	1,463,948	5.2200%	08/04/24
Treasury Bills	DMO	4,871,738	5.2800%	20/05/24
Treasury Bills	DMO	4,876,320	5.2600%	28/05/24
Treasury Bills	DMO	4,872,212	5.2600%	03/06/24
Treasury Bills	DMO	4,873,041	5.2250%	17/06/24
Treasury Bills	DMO	4,936,251	5.1800%	24/06/24
Treasury Bills	DMO	4,546,918	5.1200%	23/09/24
Total Treasury Bills		30,768,576		
Total DMADF		0		
Call Account	National Westminster Bank plc	8,600,000	3.25%	
Call Account	Lloyds Bank plc	5,000,000	5.14%	
Total Bank Call Accounts		13,600,000		
No Use Empty Loans		15,995,903	4.50%	
Registered Provider	£5m loan facility – non utilisation fee		0.40%	16/06/24
Money Market Funds	LGIM GBP Liquidity Class 4	19,998,053	5.2804%	
Money Market Funds	Aviva Investors GBP Liquidity Class 3	19,998,860	5.2460%	
Money Market Funds	Aberdeen GBP Liquidity Class L3	19,998,963	5.2728%	
Money Market Funds	Federated Hermes Short-Term Prime Class 3	14,998,224	5.2939%	
Money Market Funds	HSBC GBP Liquidity Class F	13,926,043	5.1814%	
Money Market Funds	Northern Trust GBP Cash Class F	19,992,368	5.1814%	
Money Market Funds	Deutsche Managed GBP LVNAV Platinum	19,998,963	5.2457%	
Total Money Market Funds		128,911,475		
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	Bank of Scotland - Bonds	6,265,814	0.4259%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,124,283	1.7146%	20/12/24
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	710,477	5.3160%	26/01/2026
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	5,039,973	4.7743%	14/03/2025
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	10,099,163	5.0928%	22/06/2026
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	4,019,813	5.0457%	14/03/2025
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,067,751	4.7910%	15/12/2025
Floating Rate Covered	Leeds Building Society Bonds	3,998,681	5.5798%	15/05/2027

Bond				
Floating Rate Covered Bond	Leeds Building Society Bonds	3,003,290	5.5161%	15/05/2027
Floating Rate Covered Bond	National Australia Bank - Bonds	5,068,477	4.7822%	15/12/2025
Floating Rate Covered Bond	National Australia Bank - Bonds	10,098,799	4.4821%	15/12/2025
Floating Rate Covered Bond	Nationwide Building Society - Bonds	500,972	5.6491%	20/04/2026
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,404,682	5.7032%	20/04/2026
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	1,790,266	5.5577%	03/10/2024
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	5,014,635	4.8013%	30/01/2025
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	8,963,245	5.3210%	03/10/2024
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	4,044,210	5.1975%	13/07/2026
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	3,005,187	5.3537%	18/01/2027
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	2,002,374	5.3746%	18/01/2027
Total Bonds		88,222,093		

Total Internally managed investments	278,796,667
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2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	12 months return to	
	£	31-March-24	31-March-24	
		£	Income	Total
Aegon (Kames) Diversified Monthly Income Fund	20,000,000	18,708,495	4.56%	0.89%
CCLA - Diversified Income Fund	5,000,000	4,954,834	3.20%	7.85%
CCLA - LAMIT Property Fund	60,000,000	54,217,731	2.19%	5.03%
Fidelity Global Multi Asset Income Fund	25,038,637	22,955,549	4.32%	3.74%
M&G Global Dividend Fund	10,000,000	15,061,513	4.15%	3.76%
Ninety-One (Investec) Diversified Income Fund	10,000,000	9,104,426	5.79%	10.61%
Pyrford Global Total Return Sterling Fund	5,000,000	5,352,529	4.60%	14.33%
Schroder Income Maximiser Fund	25,000,000	20,471,717	6.05%	6.47%
Threadneedle Global Equity Income Fund	10,000,000	13,024,192	3.14%	15.61%
Threadneedle UK Equity Income Fund	10,000,000	10,703,312	3.77%	7.84%
Total External Investments	180,038,637	174,554,299	4.62%	5.56%

3. Total Investments

Total Investments	£453,350,966
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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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TMG 4 June 2024

Agenda

1. Quarterly TMG Update – Q1 2024 (Standing Item)
2. Draft Treasury Outturn Report 2023-24 for Governance and Audit Cttee
3. Market and Regulatory Update (Link Group)
4. Strategy Suitability Check (Standing Item)
5. ESG in a Treasury Management Context
6. AOB (Standing Item)

Attendance:

Harry Rayner – MEM Rosalind Binks – MEM Paul Stepto – MEM Alister Brady – MEM
MEM
Nick Buckland – KCC James Graham – KCC Geoff Hall – KCC Sola Adeniji – KCC
David Wheelan – Link Group Chris Jones – Link Group

Apologies:

Charlie Simkins – MEM Antony Hook - MEM

Discussion Summary:

- Quarterly TMG Update and & Draft Treasury Outturn Report 2023-24 presented by JG, highlighting the key aspects of treasury activity in the prior quarter and for the last financial year as a whole respectively. Due to the increase in interest rates, it was observed that investment income was higher than forecast. The valuations of strategic pooled funds had recovered somewhat over 2023-24, although these were still below purchase cost as at 31 March 2024 (total returns, inclusive of income, had been positive since inception and over 2023-24).
- Responding to a question, officers confirmed that KCC does not lever a fee on Medway Council for the management of Medway-related debt on KCC's balance sheet but noted that all debt servicing (interest) costs were incurred by Medway and not KCC.
- Members discussed the potential impact of the expiration of the IFRS 9 statutory override and officers confirmed that the Council would be required to recognise unrealised gains and losses (including the cumulative position as at the date of expiration) from 2025-26.
- Link presented an update on market conditions and regulatory developments. The advisor had updated their forecast for interest rates following the latest meeting of the Bank of England's rate-setting Monetary Policy Committee. Link now expect rates to decline more gradually over the medium term to 3.00% by September 2026. Members noted that there was uncertainty in the forecast and a risk that rates do not decline as quickly or as far as currently expected by Link. Officers stated that they took this uncertainty into consideration when preparing the treasury management strategy.
- Officers recommended that no changes were made to the current treasury management strategy, which contain sufficient flexibility to manage the Council's treasury position for the year ahead.
- The Group considered the relevance of environmental, social and governance (ESG) factors to treasury management in a local government context. Link set out the

regulatory context and officers presented some indicative analysis evidencing which ESG initiatives the Council's strategic pooled fund investment managers and covered bond issuers had subscribed to.

Actions Points:

Ref	Action	Status
1	Officers to send out ESG slides (as presented) to members.	Complete
2	Officers to meet with appointed fund managers to discuss how they manage ESG issues and to report findings to the TMG, including whether any of the current investments attracted a regulated sustainability label and whether the investment strategies adopted by the managers adopted any formal exclusion policies.	In progress
3	Officers to work with Link to update balance sheet analysis based on draft accounts for 2023-24.	Complete
4	Officers to incorporate interest rate sensitivity analysis into reporting to demonstrate impact of different interest rate environments on the Council's position.	In progress

Kent County Council

Audit progress report and sector updates

July 2024



Contents

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Sector Update	06

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

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Introduction

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This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at June 2024

Financial Statements Audit

Kent County Council

The council published the draft statement of accounts for 2023/24 on 31 May 2024, alongside the appropriate public inspection notice. We note that the publication did not include group accounts as is required. The council have said that this will follow in a later draft.

Our audit fieldwork began on 1 July 2024 and is progressing as expected. There are no issues we have identified to date that we need to bring to this Committee's attention.

Kent Pension Fund

The pension fund accounts, included in the council draft statement of accounts for 2023/24 were published on the council website on 31 May 2024, alongside the appropriate public inspection notice.

Our audit fieldwork began in the last week of June, and we expect to complete our work by the end of September. There are no issues we have identified to date that we need to bring to this Committee's attention.

Value for Money

Significant weaknesses were identified in the Council's Value for Money arrangements in 2022/23 across all three criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

We made a number of key recommendations in our Annual Audit Report and will follow up the Council's progress in implementing them during our 2023/24 Value for Money work, which is progressing as expected. Our VFM findings will be reported in our Annual Audit Report, scheduled to be reported to this committee in November 2024

Grants

We are working closely with officers to complete the outstanding work on the council's returns as soon as possible.

The council continues to struggle to obtain all information due to schools changing payroll providers and a change in the overall administration provider from Capita to HR Connect.

Teachers Pensions returns for 2021/22, 2021/22 and 2022/23 all remain outstanding.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	March 2024	Delivered
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Governance and Audit Committee.</p>	November 2024	TBC
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2024	TBC
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	November 2024	TBC

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectation is to complete all necessary work by 31/12/2024.

Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on 4 July put this timetable in considerable doubt. The Government that is elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. In the meantime we will continue with the plan we have informed you of in respect of your audit.

Audit sign off as at 31 May 2024

As at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

We had signed off 81% of our 2021/22 audits by the end of May. Other firms had signed off 48% of audits by the end of May. We envisage achieving an 85% sign off rate by the end of September.

Audit year	Grant Thornton audits signed Position as at end of May 2024 (%)	Grant Thornton audits signed Forecast position end of Sep 2024 (%)	Other firms Position as at end of May 2024 (%)
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81

LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

support councils to understand how to use the components within the framework and how they fit together;

increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs – of statutory or non-statutory intervention, whether by Oflog, central government or other regulators;

- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.

- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

<https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0>



The State of the Locals

In April, shortly before the recent local government elections, a “State of the Locals” report found that public trust in government at all levels is falling, but that public trust in local councillors and the Local Authorities they run is still almost twice as strong as public trust in the national UK government.

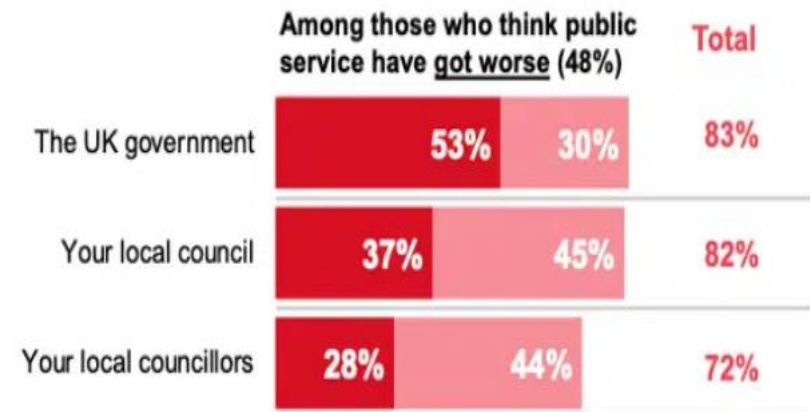
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that Local Authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe Local Authorities play a significant role in this (although not as great a role as the national government); and do not always understand what Local Authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it’s worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see [The State of the Locals 2024 - LGIU](#)

State of the Locals extract: Who do the public think are responsible?



Productivity plans – new guidelines revealed and a note of caution

On 16th April 2024, Local Government Minister Simon Hoare wrote to all Local Authority Chief Executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but Local Authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to be returned to DLUHC by 19th July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the Local Authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

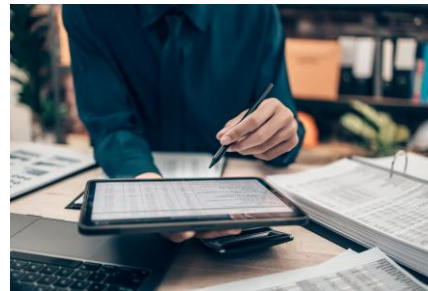
The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most Councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

[Government reveals guidelines for new council 'productivity plans'](https://www.localgovernmentlawyer.co.uk/government-reveals-guidelines-for-new-council-productivity-plans/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))

[Councils cry foul after Oflog data used for Times article on 'worst-performing councils'](https://www.localgovernmentlawyer.co.uk/councils-cry-foul-after-oflog-data-used-for-times-article-on-worst-performing-councils/) ([localgovernmentlawyer.co.uk](https://www.localgovernmentlawyer.co.uk))



Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29th April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the “continuing chronic shortage” of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for a sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

- 4.8% increase in overall initial assessments for homelessness year on year;
- 15.8% increase in households owed a relief duty this year compared to last;
- 15.3% increase in households owed a main homelessness duty;
- 12.1% increase in households in temporary accommodation;
- 15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109 million will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution though, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30th April, Local Authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated ‘hope value’ costs. ‘Hope value’ estimates the cost land could be worth if it was developed on in the future, often meaning that Local Authorities have been forced to pay potentially thousands more to buy the land they need for housing and/ or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

[The Finances and Sustainability of the Social Housing Sector \(parliament.uk\)](https://www.parliament.uk/publications/2024/04/levelling-up-housing-and-communities-committee-report-the-finance-and-sustainability-of-the-social-housing-sector)

For the latest statistics on homelessness and households in temporary accommodation, see [Statutory homelessness in England: October to December 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2023)

For details of the new reform around hope values, see [New powers for councils to help build more affordable homes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/new-powers-for-councils-to-help-build-more-affordable-homes)

Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8th May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to Local Authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as “the hinge around which regeneration actors revolve.” Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see

<https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/>



Simpler Recycling – new rules to be aware of

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9th May 2024 that simpler recycling rules are going to be introduced. Local Authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, Local Authorities need to prepare for:

Standardisation:

All Local Authorities in England will be required to collect a consistent set of recyclable materials: Plastics; Glass; Metals; Paper and Card; and Food Waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.

A three-bin arrangement:

'Dry recycling' items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.

Weekly and fortnightly requirements:

Food waste collection will be required weekly. Local Authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and Local Authorities will need to be ready. Important steps to take now are:

- Review and update the Waste Management Strategy;
- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;
- Explore whether the changes in themselves generate new income opportunities; and
- Assess the readiness of contract delivery partners.

For DEFRA's comments on the reform, see [Simpler bin collections for England to boost recycling - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/simpler-bin-collections-for-england-to-boost-recycling)



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

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

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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