GOVERNANCE AND AUDIT COMMITTEE

Thursday, 23rd July, 2026

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 23rd July, 2026, at 10.00 am
Council Chamber, Sessions House, County Hall, Maidstone

Ask for: **Ruth Emberley**
Telephone:

Membership (15)

Reform (7):	Mr M Brown (Chairman), Mr A Cecil, Mr M Paul (Vice-Chair), Mr A Kibble, Mr J Finch, Mr T Mallon and Mr R Mayall
Liberal Democrats (2):	Mr M Munday and Mr G R Samme
Conservative (1):	Mr H Rayner
Green (1):	Mr M A J Hood
Labour (1)	Mr A Brady
Restore Britan (1):	Mr O Bradshaw
Independent Members (1):	Ms C Black

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 19 May 2026 (Pages 1 - 10)

5. Verbal Update on Committee Business (Pages 11 - 18)

6. External Audit Sector Update and Progress Report for Kent County Council & Kent Pension Fund (Pages 19 - 34)

7. Treasury Management Update (Pages 35 - 56)

8. Counter Fraud Update (Pages 57 - 94)

9. Annual Review of Counter Fraud Policies (Pages 95 - 134)

10. Internal Audit Progress Report (Pages 135 - 172)

11. Internal Audit Annual Report (Pages 173 - 222)

12. Internal Audit Rolling Annual Plan (Pages 223 - 282)

13. Draft Annual Governance Statement (Pages 283 - 306)

14. Annual Review of Committee Effectiveness (Pages 307 - 310)

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
Deputy Chief Executive
03000 416814

Wednesday, 15 July 2026

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 Tuesday, 19 May 2026.

PRESENT: Mr M Brown (Chair), Mr A Cecil, Mr R Palmer, Mr M Munday, Mr G R Samme, Mr H Rayner, Mr M A J Hood, Mr A Kibble, Mr J Finch, Mr A Brady, Mr O Bradshaw and Mr R Mayall

ALSO PRESENT: Mr B Collins

IN ATTENDANCE: Ben Watts (Deputy Chief Executive) Brendan Arnold (Corporate Director of Finance), Sarah Hammond (Interim Corporate Director of Adult Social Care), Simon Jones (Corporate Director of Growth, Environment and Transport), Kevin Kassavan (Director for Children's Countrywide Services), Ben Sherreard (Strategic Manager), Tristan Godfrey (Senior Governance Manager). Katy Reynolds (Governance Advisor), Pascale Blackburn-Clarke (Customer Experience and Relationship Manager), Russell Smith (Interim Head of Internal Audit), Debbie Chisman (Audit Manager), Lee Jones (Audit Manager) Clare Maynard (Chief Procurement Officer) Sarah Ironmonger (Grant Thornton), Lucy Nutley (Grant Thornton)

IN ATTENDANCE VIA TEAMS: Nick Buckland (Head of Pension and Treasury)

UNRESTRICTED ITEMS

376. Apologies and Substitutes
(Item 2)

Apologies were received from Ms Black, Mr Paul and Mr Mallon, with Mr Mayall attending as his substitute.

377. Declarations of Interest in items on the agenda for this meeting
(Item 3)

RESOLVED there were no Member declarations of interest.

378. Minutes of the meeting held on 25 March 2026
(Item 4)

It was drawn to Members' attention that slight amendments was required under item 12 1(f) which should refer to the 'Kent LA Chief Executives' and not the 'Corporate Directors.'

RESOLVED the minutes were agreed to be a complete and accurate record and a paper copy to be signed by the Chair.

379. Verbal Updates on Committee Business

(Item 5)

1. Governance Advisor, Katy Reynolds introduced the item and highlighted the following key points to Members:

    a) The recruitment process for the second Independent Member of the Governance and Audit Committee had progressed. The advert had closed, a strong set of applications was received, and the process was now moving into the shortlisting stage.

    b) Members were previously asked to complete the effectiveness survey. Over 70% of Committee Members responded. The results will inform the effectiveness review report scheduled for the July Committee meeting. Members were thanked for their engagement.

    c) Several Members expressed interest in receiving induction training to enable them to act as substitutes on the Committee. Dates are being identified, and Group leaders will be contacted once options are available.

    d) In relation to the Action Tracker Updates:

        GA041 – Included on the meeting's agenda and would be closed following the meeting.

        GA046 – Relates to project tracking and Oracle Cloud updates. This would partially be addressed in the exempt item, which would outline future reporting arrangements.

        GA050 – Concerns minor amendments to the minutes. Chief Executive Officer Mrs Beer has raised the matter with the Kent LA Chief Executives. This action is now complete and can be closed.

2. In answer to Member comments and questions the following was said:

    a) In relation to GA051 on the Action Tracker (the provision of an annual report and quarterly updates in relation to Governance Arrangements for Wholly Owned Companies) Deputy Chief Executive Ben Watts confirmed that discussions had taken place with opposition group leaders. It was confirmed that the first meeting with the Commercial Services Group will take place before the next meeting, intended for early June. The related paper was delayed to allow feedback from these discussions to be incorporated.

3. RESOLVED the Committee noted the Verbal Update.

380. Update on the Performance of Corporate Complaints

(Item 6)

1. The report was presented by the Customer Experience and Relationship Manager), Pascale Blackburn-Clarke. The following key points were highlighted to Members:

   a) The report covered early returns for the 2025–26 period. It was advised that minor variations might occur when the full annual report was presented in September.

   b) Benchmarking figures from the Local Government and Social Care Ombudsman (LGSCO) were not yet available for the last financial year; therefore, the report used the previous year's data. Updated figures would be included in the full annual report.

   c) Fewer complaints escalating to the Ombudsman might indicate effective local re solution in other authorities, but this could not be assumed without supporting evidence. Historical complaints continued to affect volumes, but early identification and appropriate remedies were helping reduce the number of cases upheld or investigated by the LGSCO.

2. In answer to Member comments and questions, the following was said:

   a) Artificial Intelligence (AI) generated complaints had made the process more complex. Complaints were often significantly longer, sometimes incoherent, and occasionally referenced irrelevant or outdated legislation. This required additional officer time to interpret and identify the core issue.

   b) Regarding the rise in complaint volumes, Pascale confirmed that this was not due to iCasework, which had been in use for many years. Instead, increases were common following elections and had been further amplified by a change in administration and associated media attention. This heightened public awareness of the Council's work, leading to more complaints. Although workloads had risen, some high-pressure areas were beginning to see reduced backlogs and improved average handling times.

   c) It was confirmed that the Council was exploring the use of AI tools. While responses still required officer oversight and subject-matter knowledge, AI could assist with wording and clarity. Further opportunities for AI use were being considered, though this remained at an early stage.

   d) The Director of Countrywide Children's Services, Kevin Kasavan, added that AI tended to tailor outputs to a user's search history and preferences, which could skew complaint narratives. In contrast, the Council must rely on factual information, which limited the usefulness of AI for drafting responses.

   e) It was explained to Members that comparison between Kent and other Authorities was difficult because councils reported differently. Many did not publish corporate complaints data beyond statutory requirements. While several authorities had adopted the 15-day target, it was too early to assess the impact, as the Ombudsman had only implemented the change in April. KCC's average response time was 10 working days, when a response was provided in timescale, but pressures in some services could affect performance.

f) It was confirmed that the next Organisational Learning Panel meeting was scheduled in the coming weeks. While other authorities were not currently involved, Ben Watts agreed it was a fair challenge to explore external learning. Conversations with other councils already took place informally, and he would take forward the suggestion to strengthen this approach.

g) Deputy Leader of the Council, Mr Brian Collins, commented that neighbouring councils' statistics could fluctuate significantly following elections, which should be considered when comparing performance.

h) It was suggested that Hampshire could be used as a potential authority for sharing learning.

i) Ben Watts agreed that both high and low performing councils could offer valuable insights. He emphasised the significant work undertaken by officers to produce the supplemental report and asked that group leaders provide feedback during agenda-setting to ensure the end-of-year report met members' needs.

j) A Member commented that he welcomed the report's emphasis on using complaints to improve services and requested more detail in future reports on how learning was being applied. Ben Watts agreed to reflect this in the next feedback report and reiterated the Committee's thanks to Pascale and her team for their work.

3. a) RESOLVED Members noted the progress made since the Annual Customer Feedback Report.

b) RESOLVED Members noted the ongoing challenges and planned actions set out in the report

381. External Audit Progress Report for Kent County Council (Inclusive of Kent Pension Fund)

(Item 7)

1. The report was introduced by Sarah Ironmonger from Grant Thornton. The following key points were highlighted to Members:

a) It was reported that audit activity was currently limited, as expected, to allow the finance team to prepare the accounts. However, regular meetings with officers were continuing to address any emerging issues.

b) The Committee was advised that, for Kent County Council, audit planning work had been completed and advanced testing on income and expenditure had been undertaken to reduce the level of work required during the final audit fieldwork phase. Work on IT general controls, including the migration from Oracle EBS to Oracle Fusion, was substantially complete, with no issues identified to date.

c) In relation to the Kent Pension Fund, it was reported that planning work and advanced testing had been completed, alongside work on the triennial valuation. No issues had arisen from this work.

d) Members were informed that Value for Money work had commenced, with initial mobilisation discussions having taken place with officers. Further work would begin once work on NHS audits was completed.

e) An update was also provided on grant certifications, noting that the Teachers' Pensions return for 2020/21 had been signed off, with 2021/22 expected to be completed shortly and 2022/23 to follow thereafter.

2) In answer to Member comments and questions, the following was said:

a) A Member requested that responses to suggested audit questions included in the report be provided by officers in writing to all Committee Members.

b) In relation to horizon scanning arrangements, the external auditors confirmed that regular meetings were held with senior officers, during which emerging issues and sector developments were discussed. It was noted that the report referenced sector-wide observations rather than being specific to Kent, but that appropriate engagement with officers was in place.

c) The auditors advised that SEND arrangements formed part of ongoing Value for Money work and it was not yet possible to provide definitive conclusions. The Member requested that this matter be revisited at a future meeting, including consideration of planning timetables and arrangements for addressing historic Safety Valve debt.

d) In relation to Local Government Reorganisation and asset condition, a Member raised concerns regarding the state of the Council's estate and highways infrastructure and the implications for successor authorities. The auditors confirmed that discussions were taking place nationally regarding transition arrangements, disaggregation of services, and ensuring continuity of service delivery. It was noted that maintaining service delivery, including asset maintenance, formed a key part of these considerations.

e) The Committee discussed the Local Outcomes Framework and its implications for performance reporting. The auditors noted that the framework had been introduced recently and that current audit work was focused on existing arrangements. Future audits would consider how the Council aligned with new national metrics as arrangements developed. An officer undertook to provide a written response, including a mapping exercise between existing key performance indicators and new national metrics.

f) Further discussion took place regarding the scale and complexity of Local Government Reorganisation. The auditors advised that they had not yet reached a formal conclusion on the Council's state of readiness. However, it was confirmed that officers were actively engaged in preparation work and were demonstrating awareness of the challenges involved. It was noted that this remained an evolving area and would be considered further through future audit work.

3) RESOLVED Members noted the External Audit Progress Report for Kent County Council and the Kent Pension Fund.

382. Internal Audit External Quality Assessment Outcomes

(Item 8)

1. The report was presented by the Interim Head of Internal Audit, Russell Smith. Key findings were highlighted and the following was said:

    a) It was reported that the Internal Audit Service had achieved a rating of general conformance against the new Global Internal Audit Standards, which represented a positive outcome. In several areas, the service had been assessed as demonstrating best practice, and the external assessor had encouraged that these practices be shared more widely across the profession.

    b) Members were advised that no formal recommendations had been made. However, a number of suggested areas for improvement had been identified and incorporated into an action plan, which was being progressed. It was further noted that actions arising from the assessment were being implemented at pace, including an updated Internal Audit Strategy, which would be presented to a future meeting of the Committee.

    c) The Committee welcomed the outcome of the assessment. During discussion, Members expressed strong support for the Internal Audit Service and commended the positive findings of the report. It was noted that previous concerns regarding changes in leadership of the service had been alleviated by the strength of the assessment outcome.

    d) Members also recognised the consistency and effectiveness of the Internal Audit function over time and acknowledged the value of its work in identifying areas for improvement and supporting organisational accountability.

    e) The Committee congratulated the Internal Audit team on their achievement.

2. RESOLVED the Committee noted the outcomes of the External Quality Assessment of the Internal Audit function and the action plan developed in response to the suggested areas for improvement

383. Internal Audit Progress Report

(Item 9)

1. The report was presented by the Interim Head of Internal Audit, Russell Smith. Mr Smith provided an update on progress against the audit plan. It was noted that delivery had previously been behind schedule; however, momentum had improved and sufficient coverage was expected to enable the provision of an annual audit opinion. The following key points were highlighted for Member attention:

    a) Members were advised that, at the time of reporting, 73% of audit opinions were assessed as substantial or high assurance. It was noted that a number of audits remained in progress and that this position could change. The report highlighted several positive outcomes, including areas demonstrating improvement since previous reviews. In particular, a recent review of elective home education had achieved a high assurance rating, representing an improvement from an earlier adequate assurance opinion.

b) The Committee was informed of the use of advanced data analytics in the review of the Clarity system, marking a new approach for the service and providing ongoing data-driven insights to management.

c) It was further reported that one limited assurance opinion had been issued in relation to the Adult Social Care (Adult Social Care and Health Directorate) savings delivery plan governance. Members were advised that a number of improvements were already in progress, and relevant officers were in attendance to provide further detail. Work on the development of the Internal Audit Plan for the forthcoming year was also noted, with a report to be presented to a future meeting of the Committee.

2) In answer to Member comments and questions, the following was said:

a) During discussion, the Committee examined the limited assurance finding in relation to Adult Social Care savings governance. Clarification was sought regarding the basis for the limited assurance opinion. It was explained that the audit had focused on governance arrangements, identifying both strengths and gaps, with the latter presenting potential risks. It was emphasised that the audit represented a snapshot in time and that improvements had already been observed.

b) Members also raised concerns regarding the deliverability of savings and the potential impact on the current financial year's budget. Officers advised that, where savings had not been achieved in the previous year, these had been addressed through outturn arrangements and, where appropriate, carried forward. It was noted that this approach was consistent with sector practice. Officers further advised that there was increasing confidence in the delivery of savings for the current financial year, supported by revised approaches and strengthened oversight arrangements.

c) The Committee received a detailed update on actions taken within Adult Social Care to address identified weaknesses. This included a fundamental review of financial management practices, enhanced transparency, and a shift towards a system-wide approach to managing resources and demand. It was reported that strengthened governance and regular monitoring arrangements had been implemented, including frequent review of financial and performance data at senior leadership level. Officers acknowledged that this remained a work in progress but expressed confidence in the improvements being made.

d) Members discussed the potential impact of these changes on service delivery. Officers confirmed that the focus remained on providing appropriate care in line with statutory responsibilities, while addressing the cost of provision and improving value for money. It was acknowledged that some changes in approach, including earlier engagement with service users and clearer communication regarding entitlements, could present challenges but were considered necessary.

e) The Committee also raised issues relating to transparency and clarity of budget information and requested further detail to support effective scrutiny. Officers undertook to consider how additional information could be provided through existing governance processes.

f) In relation to environmental matters, a Member raised concerns regarding the Emissions Trading Scheme. Officers clarified that there had been an error in the report, with certain issues incorrectly attributed, and provided clarification regarding the audit findings. It was confirmed that initial work had validated key assumptions and identified opportunities to strengthen controls and transparency.

The Committee noted the overall distribution of audit opinions, which was considered strong, with a majority of reviews receiving substantial or high assurance ratings, despite the specific concerns raised in relation to Adult Social Care.

3. RESOLVED the Committee noted the Internal Audit Progress Report for the period of January to May 2026.

Exempt Item

384. Oracle Cloud Progress Update Presentation

(Item 10)

1. The update was delivered in the form of a PowerPoint presentation by Corporate Director of Growth, Environment and Transport, Simon Jones and Strategic Manager, Ben Sherreard.

2. Previously, Members of the Committee had requested an update on the delivery of Phase 2 of the Oracle Cloud Programme, which was the purpose of this item.

3. The presentation covered: programme rationale, programme lifecycle, technical delivery, differences between phase 1 and phase 2, alternative options, financial position, key risks, commercial position and the next anticipated steps.

4. RESOLVED the Committee noted the Oracle Cloud Update Presentation.

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

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Governance and Audit Committee Action Tracker

G&A Reference Number	Meeting Date	Minute No.	Agenda Item/Subject	Action	Responsible Officer/Area	Status
GA029	3 July 2025	319.3	Treasury Update Report	In answer to a Member's question, Mr Betts confirmed that he would be content to bring to Committee a review of the strategy for Money Market Funds and Investment Funds.	Corporate Director Finance	In progress: this has been added to the Work Programme as a future item and will be considered as part of the agenda setting process. It is expected that a summary of the actions will be taken to the **November 2026** Committee meeting. A brief summary of the plan is to be provided to the Committee in July.
GA032	24 September 2025	327.5	Verbal Update on Committee Business	It was agreed that arrangements for checking the value of matters covered by earmarked reserves would be included in the Work	Corporate Director Finance/Ruth Emberly	This was covered by the Budget papers. However, it is suggested that further detail and discussion on this could be covered by this year's

				Programme so the item could feature in future committee meetings		annual statement of accounts training.
GA033	24 September 2025	327.6	Verbal Update on Committee Business	In relation to a question regarding peppercorn rents, contact would be made with the relevant Corporate Director and the Deputy Leader to ensure all relevant questions were covered. It was commented that a list of properties that held a peppercorn rent would be helpful to Members and Mr Watts confirmed that he would reflect with the relevant senior officers to examine how best to present this information to the committee.	Ben Watts	This is currently in progress.
GA035	24 September 2025	330.3	External Auditor's Progress Report	Members unanimously agreed to ask the relevant officers to	Katy Reynolds	In progress: This information was provided in part to the

				review and answer the model questions set out in the Grant Thornton report (pages 102 onwards) and if answers were not available, officers would provide these at the next Committee meeting		Committee ahead of the meeting on 30 October 2025. The remaining answers will be provided to the Committee when available. July 2026: further enquiries have been made regarding the outstanding answers.
GA036	24 September 2025	331.6.i	2024/2025 Kent County Council Auditor's Annual Report	Members unanimously agreed that a midterm review covering the effectiveness of the committee would be helpful. Mr Watts confirmed that one would be added to the Governance Recommendations Improvement Plan (GRIP) and presented to the Committee in January 2026.	Ben Watts/Katy Reynolds	In progress: As part of the agenda setting process, it was agreed that this item be added to the Work Programme for the **July 2026** meeting, to ensure that a full and thorough review could take place.
GA041	26 November 2025	352.2.m	Customer Feedback Annual Report	A Member commented that the culture of continuous	Pascale Blackburn-Clarke	Completed: An update on the performance of complaints was brought

				improvement and making a difference was yet to be embedded and therefore it would assist the Committee if efforts of continuous improvement could be shared with Members for review and comment. Mr Watts commented that a report containing the requested information could be brought to the Committee for future review and discussion.		to the Committee in May 2026. This included a section on continuous improvement.
GA043	28 January 2026	358.2.a	Verbal Update on Committee Business	A discussion would take place with the Chair to explore how the Work Programme could be incorporated into future agendas.	Ruth Emberly	In progress: As part of a Work Programme review, relevant report authors are being contacted to ensure that the timescales for regular reports are accurately captured. Once this has been completed, further discussions will take place with the Chair.

GA046	28 January 2026	360.2.h	Corporate Risk Register	It was proposed and seconded that a summary project tracker for the Oracle Cloud Programme, covering time, cost, and quality, be developed and brought to the Committee, and that the detailed format and reporting expectations for this tracker be agreed at the next agenda-setting meeting. The Committee voted accordingly and the motion was passed.	Ruth Emberly/Katy Reynolds	In progress: initial enquiries have been made to establish how this action may be delivered. This includes an Oracle Cloud Programme update to the May 2026 meeting of the Governance and Audit Committee. It was clarified at the March Governance and Audit Committee that this request referred to all major projects. The relevant teams will be contacted.
GA049	25 March 2026	373.2.d.	Schools Audit Annual Report	It was confirmed that the intention was to bring the next report to the September meeting, which would address the timing issue. He explained that Schools Financial Services had the	David Adams	This is been added to the Work Programme for **November 2026**.

				specialist expertise required to audit school budgets and compliance with the financial scheme.		
GA051	25 March 2026	375.4.a	Governance Arrangements for Wholly Owned Companies	Annual reporting on company performance would be incorporated into the Governance and Audit Committee cycle, aligned with the AGS.	Ben Watts	In progress: The “Annual Report on Wholly Owned Companies” and the "Company Governance Review” were added to the May 2026 agenda at the agenda setting meeting. These reports have now been moved to the **September 2026** Committee meeting. On 25 June a remote Company Performance Discussion was held where all Members of G&A were invited to attend and engage.
GA052	19 May 2026	381.2.a	External Audit Progress Report for Kent County	A Member requested that responses to	Katy Reynolds	This is in progress. Relevant officers have been

			Council (Inclusive of Kent Pension Fund)	suggested audit questions included in the report be provided by officers in writing to all Committee Members.		contacted and the responses will be provided to Members via email.
GA053	19 May 2026	381.2.e	External Audit Progress Report for Kent County Council (Inclusive of Kent Pension Fund)	...Local Outcomes Framework and its implications for performance reporting... An officer undertook to provide a written response, including a mapping exercise between existing key performance indicators and new national metrics	Ben Watts	The Member offered to meet with Mr Watts outside of the meeting to give further clarity on the metrics required. This is in progress.

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Grant Thornton

Kent County Council
Kent Pension Fund

Audit progress report and sector updates

July 2026

Agenda

Audit Progress Report

Grant Thornton

Introduction

Sarah Ironmonger
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This paper provides the 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 emerging issues which the Committee may wish to consider.

Members of the 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:
Local government | Grant Thornton

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 as at July 2026

Financial Statements Audit

2025/26 Audit – Kent County Council

We presented our audit plan for the 2025/26 audit to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

The Council published their unaudited statement of accounts and annual governance statement on 30 June 2026, in line with the national deadline for doing so. Our review of the statement of accounts is ongoing.

Our audit work has begun, with a period of sample selection and digital analysis of the ledger. Audit fieldwork will begin in earnest on Monday 13 July, to be concluded by September 2026. Fieldwork will be completed on a hybrid basis, with the audit team working with the finance team in Sessions House regularly throughout the audit.

We continue to meet with the Chief Executive, Deputy Chief Executive, Monitoring Officer and Corporate Director Finance on a regular basis.

2025/26 Audit – Kent Pension Fund

We presented our audit plan for the 2025/26 audit of the Kent Pension Fund to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

The Fund published its unaudited financial statements within the statutory reporting timetable.

Our audit work has begun, with a period of sample selection and interim audit procedures. Good progress has been made during the Phase Zero/interim audit phase, including completion of substantial planned testing across key audit areas. Audit fieldwork will begin in earnest on Monday 13 July, to be concluded by September 2026.

We continue to meet regularly with Fund management and officers to support the delivery of the audit in line with the accelerated reporting timetable.

Progress as at June 2026

Value for Money

We presented our audit plan for the 2025/26 Audit to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

Our initial assessment of the risks of significant weakness were as follows:

- Financial sustainability – Adult Social Care spend
- Financial sustainability – spend on High Needs Block of SEND
- Financial sustainability – foregoing full Council Tax flexibility in 2026/27 budget
- Governance – potential decision-making impacts of changes in the administration

Fieldwork for Value for Money work has begun with a number of interviews arranged with key stakeholders across the Council.

Other areas

The certification of the Teachers Pensions Returns for 2021/22 and 2022/23 have been completed and submitted. Work is ongoing on the remaining years outstanding.

Audit Fees

PSAA have published their scale fees for 2025/26. For Kent County Council these fees are £475,501 for the Authority audit and £118,623 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

We have not yet agreed a fee variation for the 2024/25 audit with PSAA, covering additional work for the implementation of IFRS 16 and the cost of additional technical advice on matters arising. The fee variation will be reported to the Governance and Audit Committee when it is agreed with PSAA and management.

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.	25 March 2026	Complete
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	30 September 2026	Not yet due
Auditor's Report This includes the opinion on your financial statements.	30 September 2026	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	30 September 2026	Not yet due

Sector Updates

Regaining assurance

Local audit recovery update

A major challenge for auditors in regaining assurance, and returning to an unqualified audit opinion, is that without undertaking audit work in respect of old year transactions, where these were not subject to audit procedures, there will be uncertainty as whether reserves have been properly accounted for.

The National Audit Office (NAO) published guidance in September 2024 for auditors, as part of its Local Audit Reset and Recovery Guidance (LARRIG) series. This sets out key considerations that may assist auditors in regaining assurance at audited bodies where the audit report has been disclaimed due to the backstop.

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- Assess risk at an entity wide level
- Assess risk at a line item level including in respect of specific balances and reserves
- Determine a response to risk, including appropriate testing of prior year transactions.

For many authorities a reasonable pathway exists through the application of the auditing standards to where the auditor may issue an opinion that is based upon sufficient appropriate audit evidence. The guidance is clear that the timeframe in which this can be achieved will vary depending on the circumstances of individual engagements. It is also clear that there will be authorities where it may not be possible to recover assurance solely through the application of the auditing standards.

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance.

The Ministry of Housing, Communities and Local Government has requested an assessment by 31st July 2026 of capacity for rebuilding assurance. This needs to be shared with PSAA and with the Audit Committee. This is in train with all impacted Kent district councils.

Devolution and local government reorganisation

Audit Committee are encouraged to review our good practice checklist and reach out for latest technical updates.

Latest key developments to be aware of:

- 25th March 2026 – Government decisions published on unitary structures for four of the six Devolution Priority Programme (DPP) areas. Next steps published for the remaining two areas. Written statements - Written questions, answers and statements - UK Parliament
- 29th April 2026 – Royal Assent given to the English Devolution and Community Empowerment Act, enhancing powers and responsibilities for strategic authorities; establishing combined authorities; and strengthening local audit arrangements. English Devolution Bill receives Royal Assent - GOV.UK
- 7th May 2026 – First shadow elections held in East and West Surrey. Surrey Local Elections May 2026 results – Surrey LGR Hub

Key future dates to be aware of:

Three councils have been reported as mounting legal challenges to reorganisation. Subject to the outcome of their challenges, remaining key dates to be aware of are:

- April 2027 – Surrey shadow authorities' vesting day.
- May 2027 – Shadow elections - all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- April 2028 – Vesting day for all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- May 2028 – Shadow elections Sussex and Brighton Devolution Priority Programme areas.

Recommended reading:

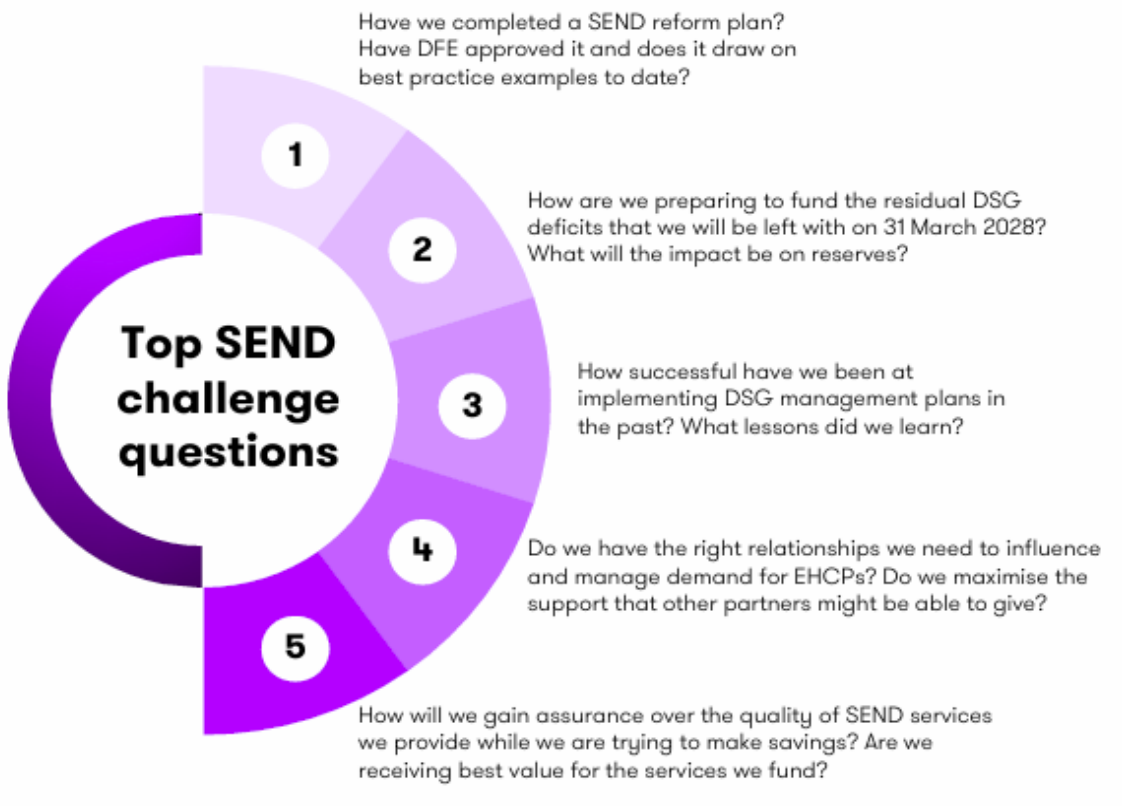
- A good practice checklist for councils embarking on LGR can be found in our report: Learning from the new unitary councils.
- Audit Committees can request updated technical guidance reflecting the latest developments from their Engagement Lead.

Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for Managing Dedicated Schools Grant Deficits.

- New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if Councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- The financial risks that councils will face once statutory override ends on 31st March 2028;
- Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- The importance of maintaining quality and efficiency in SEND service.



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- CIPFA do not prescribe which indices authorities may use - authorities must select appropriate indices, justify choices, and use the latest available data.
- In rare cases where no index is available a desktop valuation is required in year three.

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- whether or not grant income should be recognised.
- whether disclosures are necessary (eg contingent assets, events after the reporting period).

For a full copy of Bulletin 23, see CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA

More detailed guidance on indexation is available in CIPFA's CIPFA Bulletin 22 Indexation application guidance | CIPFA

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 "Quality Statements" with 24 "Key Lines of Enquiry", looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC's change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.

Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerments Act	29th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for beaches and tenancy law by private landlords
Social Housing Renewal Bill	13th May 2026 – King's Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13th May 2026 – King's Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for AI Bill	13th May 2026 – King's Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13th May 2026 – King's Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

Local audit reset: What comes after the backstop? | Grant Thornton

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton

Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?

Learning from the new unitary councils

Grant Thornton learning on procurement and contract management:

Local government procurement and contract management

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.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

Global Internal Audit Standards in the UK Public Sector | CIPFA

CIPFA Good Governance

Delivering Good Governance in Local Government Addendum

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

From:	Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services Corporate Director - Finance
To:	Governance and Audit Committee – 29 July 2026
Subject:	Treasury Management Outturn 2025-26
Classification:	Unrestricted
Future Pathway of report	County Council

Summary: This report provides an overview of Treasury Management activity in 2025-26 and developments in 2026-27. Listed below are some of the key highlights to aid the Committee in their review:

a. The Council maintained its prudent approach to treasury management and met all its prudential indicators of liquidity, security and interest rate risk
b. The Council continues to manage its interest cost by borrowing from internal resources (chart 3.1) as well as earning interest on cash balances.
c. External borrowings at the end of the year were £610.3m, reducing by £122.2m during the year. The reduction included early repayment of loans totalling £90m and the rest being loans repaid on maturity. No new borrowings were made during the year.
d. The investments position at the end of the year was £315.9m, a decrease of £159.9m. This reflects reduction in cash balances mainly due to a combination of repayment of loans as well as lower working capital balances at the year end.
e. The Council's investments which are maintained for cash flow purposes are invested in a mix of short- and medium-term instruments. The Council has reviewed its investments and has made plans to transition the holdings into a more liquid portfolio as well as reducing portfolio risk. This involves replacing holdings in the Pooled Funds portfolio and covered bonds with more liquid instruments.
f. During the year, the Council made a saving of £2.9m against the interest cost budget mainly due to savings through early repayment of debt as well as improved earnings on investments which benefitted from the Bank of England cutting interest rates slower than expected.

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 2025-26.

1.2 If agreed by the Committee, this report will be presented to County Council.

1.3 The Council's Treasury Management Strategy for 2025-26 was approved by the County Council on 13 February 2025.

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. Governance and Audit Committee's Responsibility

2.1 In accordance with Kent County Council's Financial Regulations, the Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies. Members are reminded that the responsibility for the implementation and regular monitoring of treasury management policies and practices is the delegated responsibility of Cabinet, and the execution and administration of treasury management decisions is delegated to the Section 151 Officer.

2.2 Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

2.3 Towards this purpose, its role is to:

- ensure there is sufficient assurance over governance risk and control and provide reports to full Council on the effectiveness and adequacy of these arrangements;
- have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability, and
- through i and ii above, give greater confidence to all those charged with governance for Kent County Council that its arrangements are effective and

reporting to full Council or other Committees as necessary where the Committee has concerns that these arrangements are not effective.

3. External context

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

UK Economy

a) *As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5%, the CPI measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.*

b) *Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75%.*

c) *Moreover, borrowing has become more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13.0bn government debt interest payment. That came in as the highest payment since June 2025, causing a 12.3% increase in spending.*

d) *However, the combination of some energy price support and pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%, debt interest repayments will increase by about £10bn.*

e) *The loosening in the labour market continues to bear down on wage growth. The 3myy growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.*

f) *The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies driven largely by the US administration*

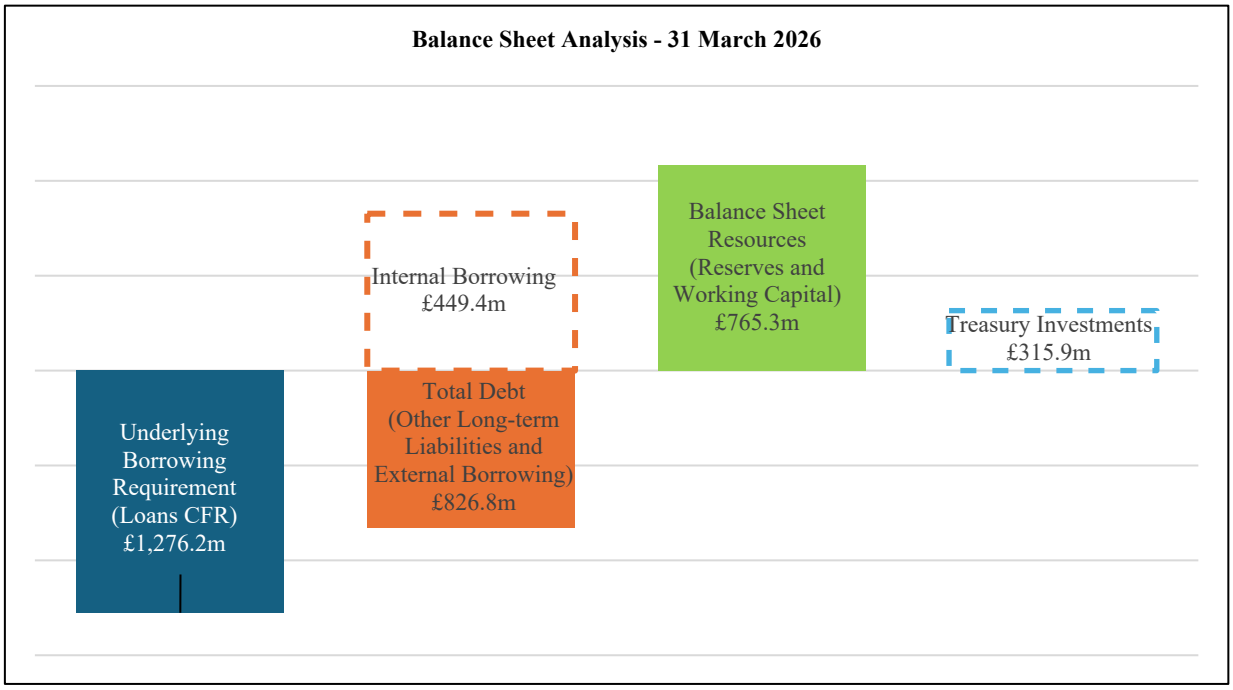
	UK	Eurozone	US
Bank Rate	3.75%	2.0%	3.5%-3.75%
GDP	0.1%q/q Q4 (1.0%y/y)	+0.2%q/q Q4 (1.2%y/y)	0.7% Q4 Annualised
Inflation	3.0%y/y (Feb)	1.9%y/y (Feb)	2.4%y/y (Feb)
Unemployment Rate	5.2% (Jan)	6.2% (Jan)	4.4% (Feb)

g) *The Bank of England left Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly. The vote could best be described as moderately hawkish. The MPC stated it "stands ready to act as necessary" and "is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting". Even so, we suspect the committee is likely to put equal weight on higher inflation and weaker growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.*

h) *10-year Gilt yields have been exceptionally volatile in the final weeks of 2025/26, troughing at around 4.23% in late February before rising to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors' Bank of England policy rate expectations. Having been pricing in rate cuts in late-February, as many as four rate hikes were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65bp of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.*

4. Local context

4.1 At 31 March 2026 the Council had borrowings of £610.3m and investments of £315.9m 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.



4.2 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.

4.3 The treasury management position on 31 March 2026 and the change during the year is shown in the following table.

	31-Mar-25 Balance £m	2025-26 Movement £m	31-Mar-26 Balance £m	31-Mar-26 Average Rate %
Long-term borrowing	732.6	-122.2	610.3	4.2
Total borrowing	**732.6**	**-122.2**	**610.3**	**4.2**
Long-term investments	305.0	-23.1	281.9	4.7
Short-term investments	27.9	-27.9	0.0	0.0
Cash and cash equivalents	143.0	-108.9	34.1	3.8
Total investments	**475.8**	**-159.9**	**315.9**	**4.6**

5. Borrowing Update

5.1 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.

6. Borrowing Strategy During the Period

6.1 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.

6.2 At 31 March 2026, the Council held £610.3m of loans as part of its strategy for funding previous capital programmes. No new borrowing was undertaken in the year and £122.2m of existing loans were allowed to mature or repaid without replacement.

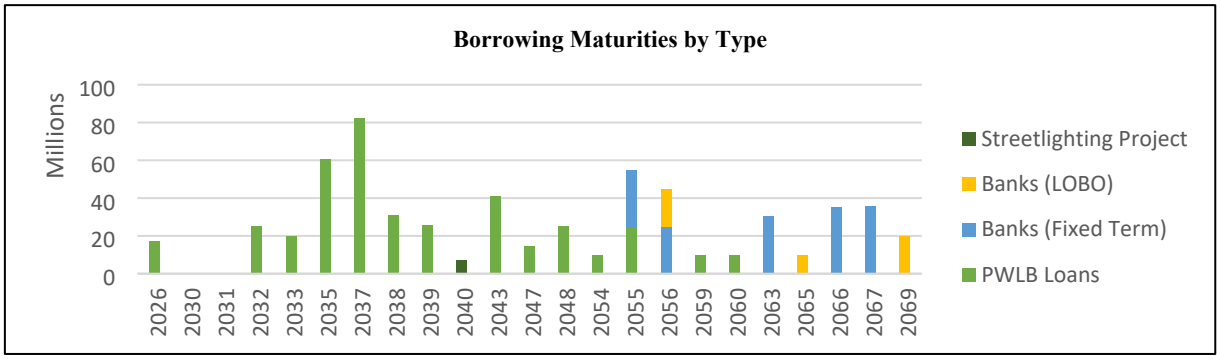
6.3 Interest rates rose over the year in both the long and short term, with rates at the end of March around 0.25% higher than those at the beginning of April. The PWLB 10-year maturity certainty rate stood at 5.73% at 31 March 2026, 20 years at 6.20% and 30 years at 6.26%.

6.4 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, as such Dexia exercised their option on £40m loan during the period.

6.5 The Council's borrowing activity in 2025-26 is in the table below and a detailed schedule of borrowings as at 31 March 2026 is in Appendix 1.

	31-Mar-25	2025-26	31-Mar-26	31-Mar-26	31-Mar-26
	Balance	Movement	Balance	Average Rate	Value Weighted Average Life
	(£m)	(£m)	(£m)	(%)	(yrs)
PWLB Loan	428.5	-31.7	396.8	4.2%	14.6
Banks (Fixed Term)	206.1	-50.0	156.1	4.5%	36.1
Banks (LOBO)	90.0	-40.0	50.0	4.0%	37.0
Streetlighting project	7.9	-0.5	7.4	2.9%	14.5
Total borrowing	**732.6**	**-122.2**	**610.3**	**4.2%**	**21.9**

6.6 The maturity profile of the Council's outstanding debt at 31 March 2026 was as follows:



7. Treasury Investment Activity

7.1 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.

7.2 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 £313.7m and £705.0m due to timing differences between income and expenditure, as well as £122.2m used to fund maturing debts and early repayment.

7.3 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.

7.4 Bank Rate decreased from 4.50% at the beginning of the year to 3.75% at the end of March 2026. Short-dated cash rates, which had ranged between 4.39% - 4.45% at the beginning of April, dropped by around 0.75% for Overnight/7-day maturities and 0.48% for 3/6-month maturities.

7.5 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.

7.6 During the year the Council loaned £10.4m to the no use empty loans programme. At 31 March 2026, the Council had loans outstanding totalling £19.3m to the programme now achieving a return of 3.8% which is available to fund general services. A £29.5m net decrease in covered bonds in the year brings the total bond portfolio up to £73.9m. These instruments are negotiable and have the benefit of collateral cover.

7.7 The Council's investments during the year are summarised in the table below and a detailed schedule of investments as at 31 March 2026 is in Appendix 1.

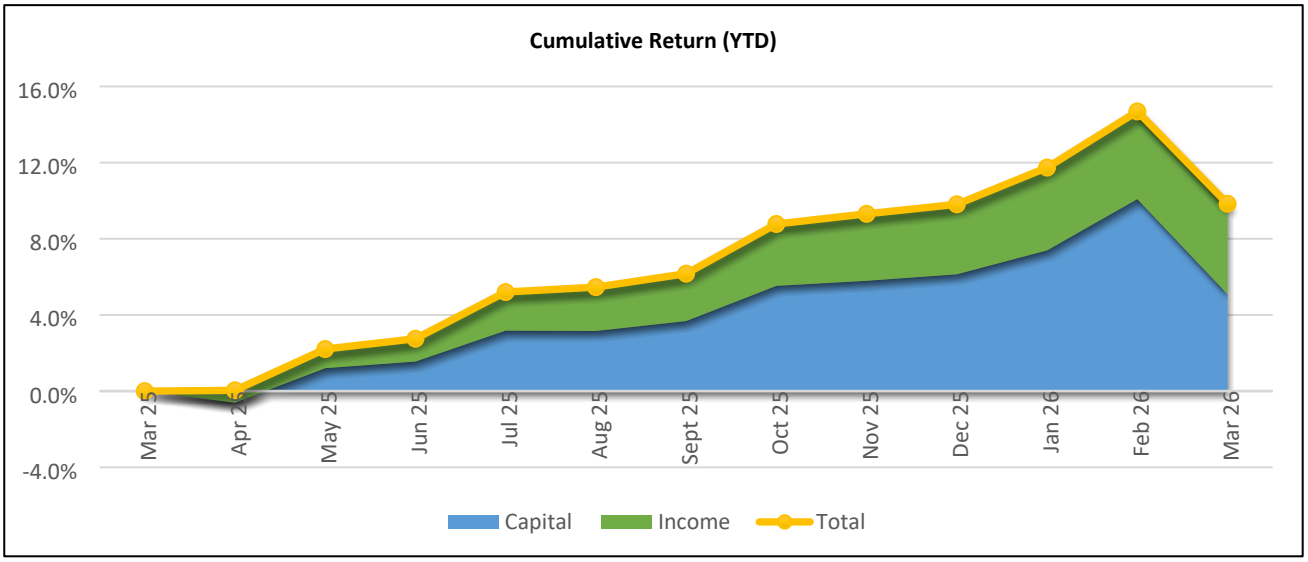
	31-Mar-25	2025-26	31-Mar-26	31-Mar-26	31-Mar-26
	Balance	Movement	Balance	Rate of Return	Average Credit Rating
	(£m)	(£m)	(£m)	(%)	
Money Market Funds	133.0	-105.5	27.5	3.8	AAA
Call Deposits (Banks)	10.0	-3.4	6.6	3.4	A+
Treasury Bills (UK Government)	0.0	0.0	0.0	0.0	
DMADF Deposits (DMO)	27.9	-27.9	0.0	0.0	
Covered Bonds	103.3	-29.5	73.9	4.4	AAA
No Use Empty Loans	22.0	-2.7	19.3	3.8	
Equity	2.1	0.0	2.1		
Internally Managed Cash	**298.3**	**-168.9**	**129.4**	**4.1**	AA+
Strategic Pooled Funds	**177.5**	**9.0**	**186.6**	**4.9**	
Total	**475.8**	**-159.9**	**315.9**	**4.6**	

8. Externally managed investments

8.1 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. The Council commenced implementation of its strategy to reduce pooled fund investments over the medium term to support liquidity requirements and given that the return differential between these instruments and other liquid fixed income instruments has narrowed which downgrades the rationale for holding such investments. Redemption requests have been submitted to the CCLA Property Fund as part of the planned reduction in the portfolio.

8.2 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.

8.3 **Performance YTD**. The value of our holdings increased to £186.6m at the end of March 2026, showing an unrealised gain of 9m (5.1%) since the end of March 2025. The total return (comprised of both income and capital returns) on the pooled fund investments over the year since 31 March 2025 was £17.5m (9.8%), as shown in the table below.

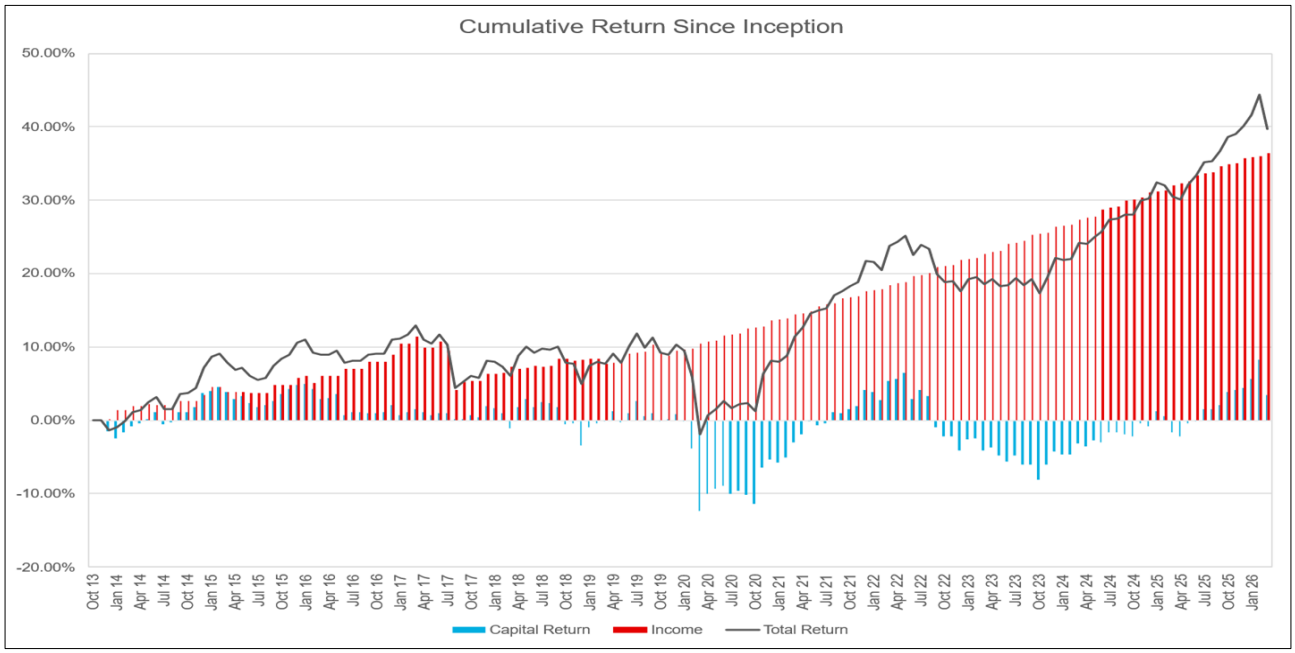


8.4 The market value of the pooled fund investments as at 31 March 2026 compared to the position as at 31 March 2025 is shown in the table below.

		31-Mar-25	2025-26	31-Mar-26	31-Mar-26	
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value**	**12 months return**	
					Income	**Total**
	£m	**£m**	**£m**	**£m**	**%**	**%**
CCLA LAMIT Property Fund	60.0	55.3	0.0	55.3	4.6	4.6
CCLA Cautious Multi-Asset Fund (formerly DIF)	5.0	4.7	-0.3	4.4	3.1	-2.6
Pyrford Global Total Return Sterling Fund	5.0	5.5	0.3	5.8	3.0	8.8
Fidelity Global Multi Asset Income Fund	25.0	22.4	0.9	23.2	5.1	9.0
Ninety-One (Investec) Diversified Income Fund	10.0	9.1	0.1	9.2	4.8	6.0
Aegon (KAMES) Diversified Monthly Income Fund	20.0	18.6	1.6	20.1	5.8	14.1
M&G Global Dividend Fund	10.0	16.3	2.2	18.5	3.3	17.0
Schroders Income Maximiser Fund	25.0	21.9	1.6	23.5	7.5	15.0
Threadneedle Global Equity Fund	10.0	12.8	1.8	14.5	2.5	16.4
Threadneedle UK Equity Income Fund L	10.0	11.2	0.8	12.0	3.9	11.3
Total Externally Managed Investments	**180.0**	**177.5**	**9.0**	**186.6**	**4.7**	**9.8**

8.5 **Performance since inception:** KCC initially invested in pooled funds in 2013. By the end of March 2026 they had achieved a total income return of £65.6m, 36.5%, with an increase in the capital value of the portfolio of £6.6m, 3.6%. Total returns since inception have been far in excess of the returns available from cash over the same period and these instruments are an effective way of managing the Council's longer

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



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

9. Investment benchmarking at 31 March 2026

9.1 The Council's retained treasury advisor, MUFG Corporate Markets monitors the risk and return of some 228 local authority investment portfolios. The metrics over the 12 months to 31 March 2026 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 - 31.03.2025	1.11	AA+	204	4.48
Kent - 31.03.2026	**1.18**	**AA+**	**191**	**4.22**
English Counties (15)	1.58	AA+	60	4.06
Population Average (228)	1.95	AA+	52	4.00

10. Actual and forecast outturn

10.1 Outturn net debt costs are £2.976m lower than budget. Savings were made against budgeted borrowing interest costs as we did not undertake any new borrowing in 2025-26 and we made an early redemption of £10m Phoenix Life loan (in 24-25), £50m Barclays loans, and £40m Dexia LOBO loans. Barclays redemptions delivered a discount to book cost, and all prepayments delivered a saving on budgeted interest costs. Additionally, there was £0.48m unbudgeted contribution from UASC / Project Athena as well as £1.5m net increase in investment income.

11 Compliance

11.1 The 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 31/03/2026	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 31/03/2026	Minimum
Total cash available within 3 months	£71.3m	£75m

Liquid cash levels dropped marginally below the minimum level for a short period of time due to early debt repayment. The table above however only shows position at a point in time. Since then, balances have reverted to more normal levels. As at 30 June cash available within 3 months was £118m.

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 31/03/2026	Upper Limit
One-year revenue impact of a 1% rise in interest rates	£0.7m	£10m
One-year revenue impact of a 1% fall in interest rates	-£0.7m	-£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 31/03/2026	Upper limit	Lower limit
Under 12 months	2.8%	100%	0%
12 months and within 5 years	0.0%	50%	0%
5 years and within 10 years	17.3%	50%	0%
10 years and within 20 years	30.6%	50%	0%
20 years and within 40 years	40.2%	50%	0%
40 years and longer	9.1%	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:

Price risk indicator	2026/27	2027/28	2028/29	No Fixed Date
Limit on principal invested beyond year end	£100m	£80m	£50m	£220m
Actual as at 31 March 2026	£17.2m	£10.2m	£0.0m	£208.0m

13 Recommendation

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

Appendices

Appendix 1 – Borrowings and Investments as at 31 March 2026
Appendix 2 – Glossary of Terms

Sangeeta Surana – Pension Fund and Treasury Investments Manager

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25 June 2026

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Borrowings as at 31 March 2026

Borrowing Type	Counterparty	Principal Amount (£)	Interest Rate	End Date
PWLB Loan	Debt Management Office	7,000,000	6.5000%	10/11/26
PWLB Loan	Debt Management Office	10,000,000	5.5000%	10/11/26
PWLB Loan	Debt Management Office	377	3.0000%	10/08/30
PWLB Loan	Debt Management Office	1,469	3.0000%	10/02/31
PWLB Loan	Debt Management Office	25,000,000	4.2700%	10/05/32
PWLB Loan	Debt Management Office	442	4.2500%	10/08/32
PWLB Loan	Debt Management Office	1,293	4.0000%	10/08/33
PWLB Loan	Debt Management Office	20,000,000	2.2100%	10/08/33
PWLB Loan	Debt Management Office	60,470,000	4.1000%	10/02/35
PWLB Loan	Debt Management Office	21,500,000	4.6500%	10/05/37
PWLB Loan	Debt Management Office	60,560,000	4.0500%	14/12/37
PWLB Loan	Debt Management Office	31,000,000	4.6500%	10/05/38
PWLB Loan	Debt Management Office	25,500,000	4.6500%	10/05/39
PWLB Loan	Debt Management Office	10,000,000	4.3900%	10/05/43
PWLB Loan	Debt Management Office	31,000,000	4.6500%	10/11/43
PWLB Loan	Debt Management Office	14,800,000	4.3000%	10/02/47
PWLB Loan	Debt Management Office	25,000,000	4.2900%	10/08/48
PWLB Loan	Debt Management Office	10,000,000	4.2000%	10/05/54
PWLB Loan	Debt Management Office	25,000,000	3.1600%	10/08/55
PWLB Loan	Debt Management Office	10,000,000	3.9500%	03/09/59
PWLB Loan	Debt Management Office	10,000,000	3.9500%	03/09/60
Total PWLB Loans		**396,833,581**		
Bank (Fixed Term)	Barclays Bank	8,000,000	4.0500%	14/12/55
Bank (Fixed Term)	Barclays Bank	8,000,000	4.0500%	14/12/55
Bank (Fixed Term)	Barclays Bank	8,000,000	4.0500%	14/12/55
Bank (Fixed Term)	Barclays Bank	6,000,000	4.0500%	14/12/55
Bank (Fixed Term)	Barclays Bank	25,000,000	4.2700%	29/06/56
Bank (Fixed Term)	Barclays Bank	30,600,000	4.5000%	23/04/63
Bank (Fixed Term)	Barclays Bank	15,000,000	4.8700%	29/01/66
Bank (Fixed Term)	Barclays Bank	20,000,000	4.9200%	30/03/66
Bank (Fixed Term)	Barclays Bank	35,500,000	4.5000%	25/04/67
Total Bank (Fixed Term)		**156,100,000**		
Bank (LOBO)	FMS Wertmanagement	20,000,000	3.7000%	25/04/56
Bank (LOBO)	Dexia	10,000,000	4.3000%	20/04/65
Bank (LOBO)	Dexia	20,000,000	4.1500%	18/02/69
Total Bank (LOBO)		**50,000,000**		
Streetlighting Project	L1 Renewables Ltd	7,404,338	2.88%	28/09/40
Total Streetlighting Project		**7,404,338**		

Total Borrowings	**610,337,918**

Investments as at 31 March 2026

1. Internally Managed Investments

1.1 Term deposit, Call account and Money Market Fund

Instrument Type	Counterparty	Principal Amount (£)	Interest Rate	End Date
Total Treasury Bills		**0**		
Total DMADF Deposits		**0**		
Call Account	National Westminster Bank plc	1,000,000	2.75%	
Call Account	Lloyds Bank plc	5,640,000	3.54%	
Total Call Accounts		**6,640,000**		
No Use Empty Loans		**19,265,140**	3.7675%	
Money Market Fund	Aberdeen Liquidity Fund (Lux) KCC	5,370	3.8163%	
Money Market Fund	Aviva Investors Sterling Liquidity Fund 3 GBP Inc	5,845	3.8125%	
Money Market Fund	Deutsche Managed Sterling Platinum	5,966	3.8230%	
Money Market Fund	Federated Prime Rate Sterling Liquidity 3	11,439,176	3.8330%	
Money Market Fund	HSBC Sterling Liquidity Fund F	9,675	3.7354%	
Money Market Fund	LGIM Sterling Liquidity Fund 4	15,979,284	3.8390%	
Money Market Fund	Northern Trust Sterling Cash Fund	5,023	3.8038%	
Total Money Market Funds		**27,450,340**		
Equity	Kent PFI (Holdings) Ltd	**2,135,741**		n/a

Bond Portfolio

Bond Type	Issuer	Adjusted Principal (£)	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Bayerische Landesbank Covered	14,993,428	5.1759%	01/06/26
Fixed Rate Covered Bond	Bayerische Landesbank Covered	299,773	5.2128%	01/06/26
Fixed Rate Covered Bond	Clydesdale Bank Covered	6,013,040	4.3981%	08/06/26
Fixed Rate Covered Bond	National Australia Bank Covered	3,940,714	4.6707%	04/09/26
Fixed Rate Covered Bond	Commonwealth Bank of Australia Covered	986,050	4.5842%	04/09/26
Fixed Rate Covered Bond	Lloyds Bank Covered	5,526,453	4.3730%	30/03/27
Fixed Rate Covered Bond	Lloyds Bank Covered	2,614,953	4.3326%	08/02/29
Fixed Rate Covered Bond	Santander UK Covered	5,099,467	4.5260%	16/02/29
Fixed Rate Covered Bond	Santander UK Covered	1,527,241	4.5883%	16/02/29
Fixed Rate Covered Bond	Santander UK Covered	960,860	4.7154%	16/02/29
Floating Rate Covered Bond	Nationwide Building Society Covered	500,107	4.2398%	20/04/26
Floating Rate Covered Bond	Nationwide Building Society Covered	5,400,515	4.2883%	20/04/26
Floating Rate Covered Bond	Bank of Nova Scotia Covered	10,010,978	4.0076%	22/06/26
Floating Rate Covered Bond	Royal Bank of Canada Covered	4,008,793	3.8097%	13/07/26
Floating Rate Covered Bond	Yorkshire Building Society Covered	3,001,723	3.9378%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society Covered	2,000,789	3.9566%	18/01/27
Floating Rate Covered Bond	Leeds Building Society Covered	3,999,495	4.2622%	15/05/27
Floating Rate Covered Bond	Leeds Building Society Covered	3,001,259	4.2028%	15/05/27
Total Bonds		**73,885,639**		

Total Internally managed investments	**129,376,859**

2. Externally Managed Investments

Investment Fund	Book Cost (£)	Market Value (£) at	12-month return to	
		31-Mar-26	31-Mar-26	
			Income	Total
CCLA LAMIT Property Fund	60,000,000	55,257,290	4.6%	4.6%
CCLA Cautious Multi-Asset Fund (formerly DIF)	5,000,000	4,420,433	3.1%	-2.6%
Pyrford Global Total Return Fund	5,000,000	5,796,599	3.0%	8.8%
Fidelity Multi Asset Income Fund	25,000,000	23,227,280	5.1%	9.0%
Ninety-One (Investec) Diversified Income Fund	10,000,000	9,183,403	4.8%	6.0%
Aegon (KAMES) Diversified Monthly Income Fund	20,000,000	20,129,009	5.8%	14.1%
M&G Global Dividend Fund	10,000,000	18,507,874	3.3%	17.0%
Schroder Income Maximiser Fund	25,000,000	23,520,484	7.5%	15.0%
Threadneedle Global Equity Institutional Fund	10,000,000	14,525,444	2.5%	16.4%
Threadneedle UK Equity Income Fund	10,000,000	12,000,134	3.9%	11.3%
Total External Investments	**180,000,000**	**186,567,950**	**4.7%**	**9.8%**

3. Total Investments

Total Investments	**£315,944,810**

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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COUNTER FRAUD ANNUAL REPORT 2025-26

Introduction

The roles of the Counter Fraud function are to:

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

The Counter Fraud team (CFT) work alongside Internal Audit as one function to support work in providing an independent assurance that the control, risk, and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives.

The Governance and Audit Committee are asked to:

- Note the Counter Fraud Annual report including quarter 4 progress for 2025/26, reported irregularities from 01 January 2026 – 31 March 2026 and completion of the Counter Fraud Action Plan for 2025/26 (Appendix B);
- To review, comment and approve the Counter Fraud Action Plan for 2026/27 (Appendix C);
- Note the outcome of KCC's compliance to the Fighting Fraud and Corruption locally Checklist (Appendix D).

Key Messages

- Kent Intelligence Network (KIN) outcome for 2025/26 has identified **£5,013,835** of savings**,** with KCC benefiting **£1,782,672** from this activity;
- Delivery of proactive work has increased this financial year with over 1000 staff receiving training on fraud, bribery and corruption risks;
- Delivery of the Counter Fraud Plan has been completed, with one activity (AI detection tool) deferred to 2026/27;
- Total value of financial irregularities reported amount to **£580,081** for 2025/26 (0.02% of revenue spend);
- The Action Place for 2026/27 builds on established activity to build a strong counter fraud and anti corruption culture, with learning from 2025/26 being embedded to continuously improve the Counter Fraud Team and KCC processes and practices

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Appendix D: Fighting Fraud and Corruption Locally Check List

Proactive Work – January 2026 – March 2026

A fraud risk assessment was performed within the Local Mitigation Fund which identified additional areas that had not been previously considered e.g. segregation of duties in the administration of the scheme. The fraud risk assessment has been used to update the application process. This was completed alongside Internal Audits consultancy work on the scheme as covered within the Internal Audit plan.

Key Fraud Risks within the Older Person Residential & Nursing services have been shared with management to embed into their risk management framework. This focused on procurement and contract management risks associated to this high value service.

A fraud culture survey and workshop has been completed with Adult Social Care, Children and Young People and Public Health Commissioners to strengthen the counter fraud culture in this key area. Areas of improvements focused in on potential fraud weaknesses, reporting channels and personal conduct to support integrity.

Alerts continue to be shared, when received, from the National Anti-Fraud Network to ensure awareness of potential threat actors that may target KCC services.

The Group of States against Corruption (GRECO) evaluation has been completed with the draft report having gone through the European Councils plenary committee for adoption. The evaluation reviewed the UK's sub-national Anti-Corruption and Promoting Integrity measure within:

- Governance Structure
- Anti-Corruption/ Integrity policy and risk management
- Standards of conduct and ethics
- Conflicts of interest prevention
- Transparency, access to information and public participation
- Control mechanisms, oversight and accountability

The evaluation reviewed national legislation and frameworks alongside local authorities' policies and practices. The final report has been received and is subject to Ministry of Justice Ministerial review prior to publication. Work is underway to address recommendations relevant to KCC with key officer which the outcomes reported to the next Governance and Audit Committee.

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Proactive Work – 2025/26

The Counter Fraud Team have delivered the following key proactive work through 2025/26 to raise awareness and strengthen the counter fraud culture within KCC:

- 21 fraud related training sessions delivered to 1371 individuals;
- Fraud and awareness updates to all Departmental Management Teams;
- Delivered training and assistance to Tunbridge Wells Parking team by holding a Blue Badge Enforcement Day;
- Creation of a Procurement Fraud Risk Assessment tool, to help officers evaluate a potential supply chain partners counter fraud provision as part of the Economic Crime and Corporate Transparency Act ;
- Creation of a Desk Top Fraud Risk Assessment tool, to provide control recommendations to services and projects;
- Imbedded within major project teams for the tendering of residential care, supported living, home care, financial service support for direct payments;
- Fraud, Bribery and Corruption Awareness Week ran in November to coincide with International Fraud Awareness Week.
- External evaluation of Anti-Corruption and Promoting Integrity measures
- External evaluation of the Counter Fraud Teams compliance with the Government and Counter Fraud Professional Standards

The above outturn is delivering on the strategy that prevention supports reduction in financial loss by:

- People being more aware of fraud and error risks;
- Early engagement with counter fraud professionals to design mitigating controls to better prevent and detect fraud and error;
- Collaborating and knowledge sharing locally, nationally and internationally to inform current and emerging risks, along with the development of best practice to continuously improve KCC services.

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Irregularity Referrals – January 2026 to March 2026 Overview

A further 175 irregularity referrals were received from January 2026 to March 2026, bringing the total number of referral's received for 2025/26 to 649. This is an increase of 131 referrals **(25%)** against the number of referrals received in 2024/25. An increase in referrals is a good indication of awareness of the need to report irregularities to Internal Audit and Counter Fraud to assess where an investigation is required, ensure risks are assessed and mitigated, identifying lessons to be learnt and financial recovery occurs.

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

- Contract Management – Invoice of services not delivered/ overpayments due to data inputting errors;
- Blue Badge misuse – Use of stolen and deceased badges, as well as reports of forged Kent issued badges;
- Theft – related to IT equipment (laptops) belonging to KCC, recovery rates are high following counter fraud engagement;

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

Work continues with management to challenge and support their processes to ensure that there are proportionate checks in place to evidence that the delivery of goods and services have been delivered to support the payment of invoices.

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

There have been a further 10 referrals (excluding blue badges) reported to Internal Audit and Counter Fraud between January 2026 to March 2026, bringing the total number of referrals to 47.

Direct Payments

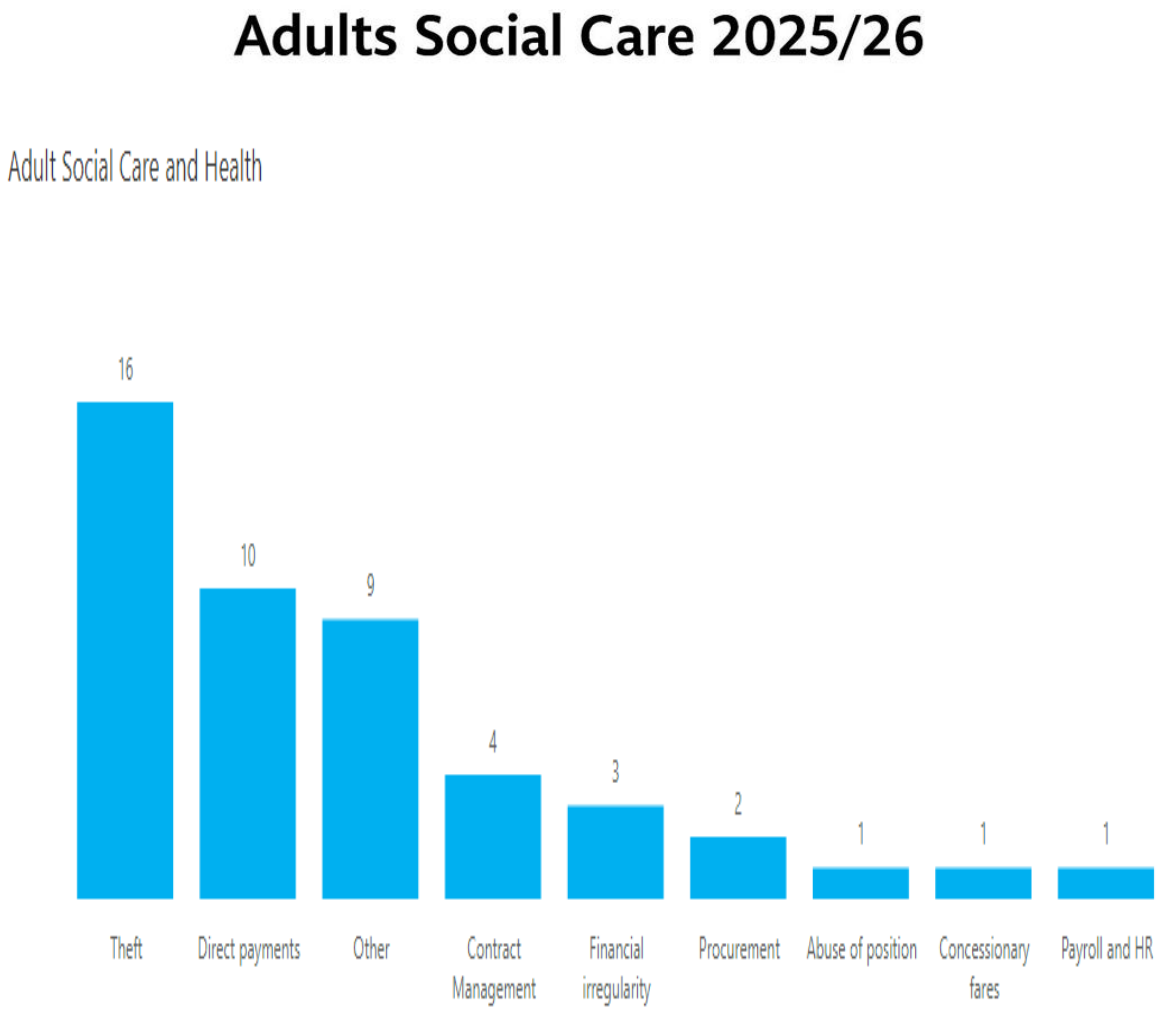
- There have been 3 irregularity referrals relating to Direct Payments received within this reporting period, identifying £19,504 in losses. Bring the total loss to £189,483 for 2025/26. All amounts are subject to financial recovery.

Contract Management

- Two referrals relating to Adult Social Care contract management were received during the reporting period, These concern suspected historic and ongoing overpayments to care providers and remain open and under review, with any recovery subject to the outcome of the investigation.

Theft

- Two theft referrals were received during the reporting period, relating to the non-return of KCC devices and identifying potential cost avoidance of £3,000. Both cases remain open and under review, with recovery action subject to further enquiries. A total of 9 laptops have been recovered by the Counter Fraud Team for 2025/26 within ASC&H.



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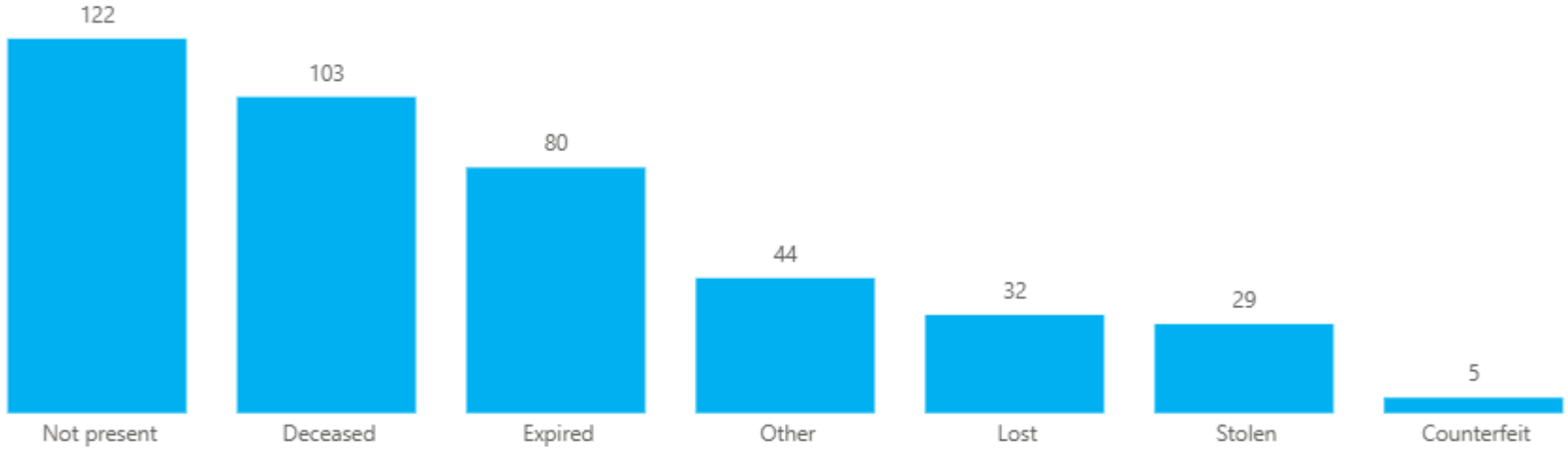
Irregularity Referrals by Directorate and Fraud Type – Adult Social Care and Health - Continued

Adult Social Care – Blue Badge 2025/26



Blue badges:

There have been a further 113 referrals relating to blue badges received from January 2026 – March 2026, bringing the total number of referrals in 2025/26 to 415. This represents an increase by 39.3% compared to the total number of referrals received during the full 2024/2025 financial year (298). A breakdown of referrals by district is held at Appendix A, with Swale, Ashford and Maidstone reporting the most blue badge misuse cases across Kent.

The outcomes of these referrals are:

- 337 Penalty Charge Notices being issued across Kent resulting in an estimated £10,110 of additional parking revenue for the parking enforcements teams.
- 338 Warning Letters to reminder users of the appropriate use.
- 50 badges removed from being misused again, this includes lost, stolen, deceased and expired badges.

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

There were a further 42 referrals reported to Internal Audit and Counter Fraud between January to March 2026, bringing the total number of referrals in 2025/26 to 164 for CYPE.

Financial Irregularities:
During the January – March 2026, 29 Financial irregularity referrals were received within CYPE via the Transport Teams compliance work on Home to School Transport. This has identified £188,350 in actual loss. Although CYPE own the risk, GET are operating the controls to prevent and detect invoicing by taxi firms for journeys that have not been completed.

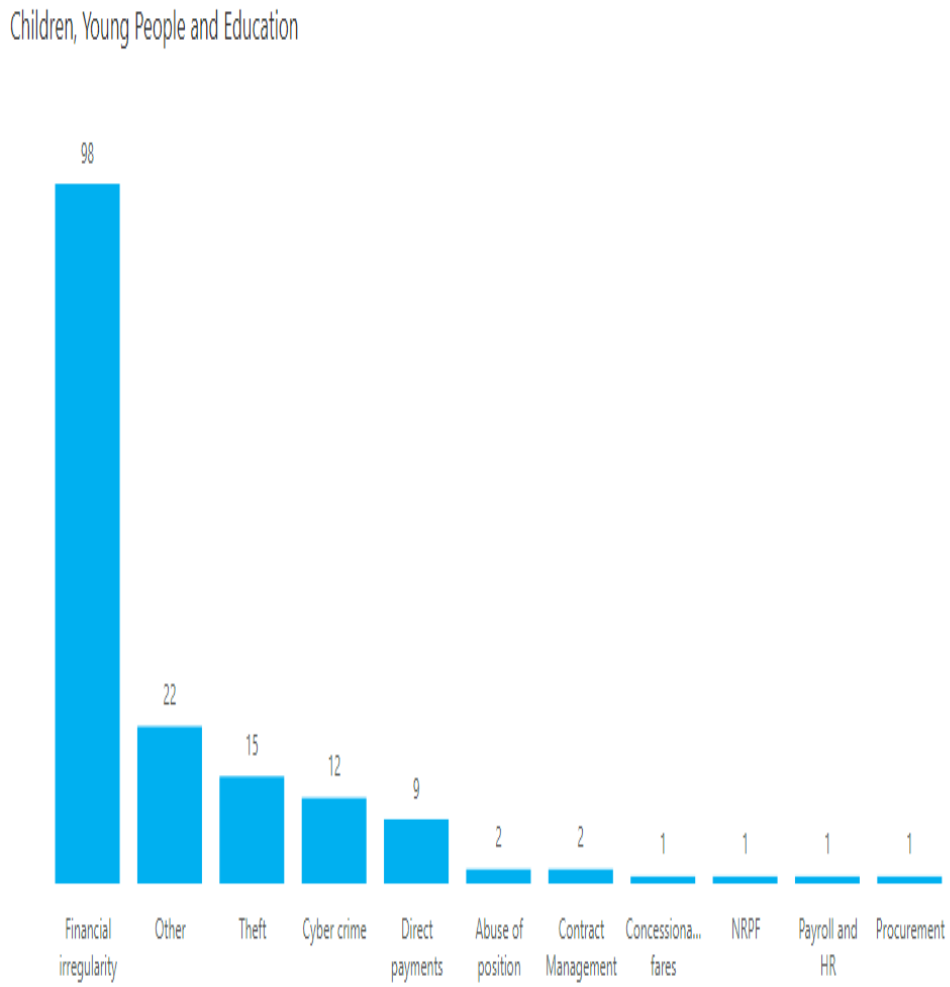
This brings the total financial irregularities reported for 2025/ 26 for Home to School Transport to 97 with a total loss of £312,766, all amounts are subject to full financial recovery.

Contract Management:

The Kent Card outgoing contractor experienced a systems failure which resulted in loss of access to funds for card holders and KCC for several months, equating to just over £700k. These funds have now been returned to KCC. Kent Cards are used to make payments such as Essential Living Allowance and Direct Payments. Management implemented alternative arrangements to support people during this period (at a cost). All funds have now been returned.

Alongside the key themes outlined above, additional referrals received within CYPE during the quarter covered a range of fraud risks, including cyber-enabled activity and asset-related concerns. While individually smaller in value, these cases contribute to the prevention of further loss, support early identification of emerging risks, and strengthen the overall control environment through targeted counter-fraud intervention.

CYPE - 2025/26



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

There were a further 5 referrals reported to Internal Audit and Counter Fraud between January 2026 to March 2026, bringing the total number of referrals in 2025/26 to 10.

Grant Funding

One case related to a potential fraudulent Grant Application, resulting in £29,000 of funding prevented from being released.

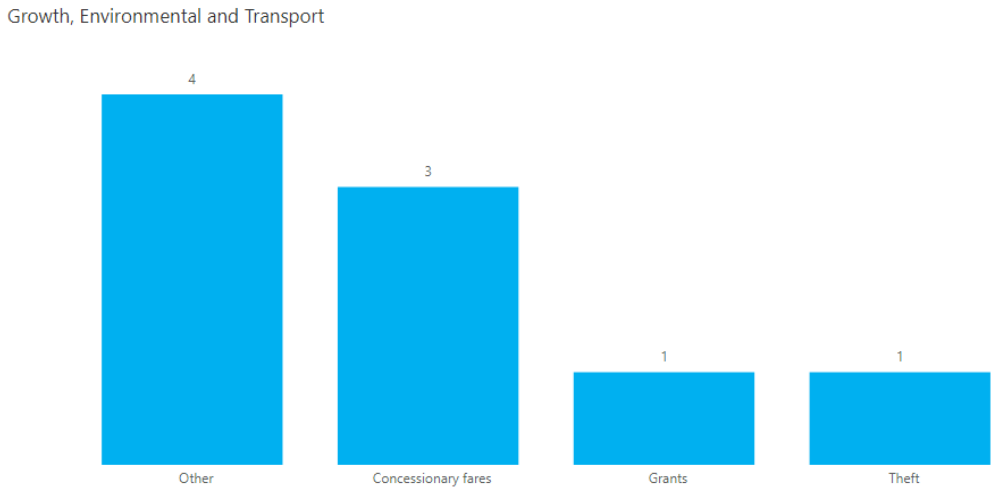
Concessionary Fairs

One case relating to misuse of a person's concessionary bus pass has been reported. The actual loss is difficult to calculate, however the Department for Transport places a potential loss of £113 where fares are misused through the avoidance of paying bus fares.

Other

Two further referrals were received; one involving a suspicious card transaction subject to a chargeback and the other involving counterfeit bank notes identified through banking checks, resulting in deductions from takings. Kent Police are reporting an increase in counterfeit bank notes being used across Kent. Recommendations to management have been made to use UV pens to support detection.

GET – 2025/26



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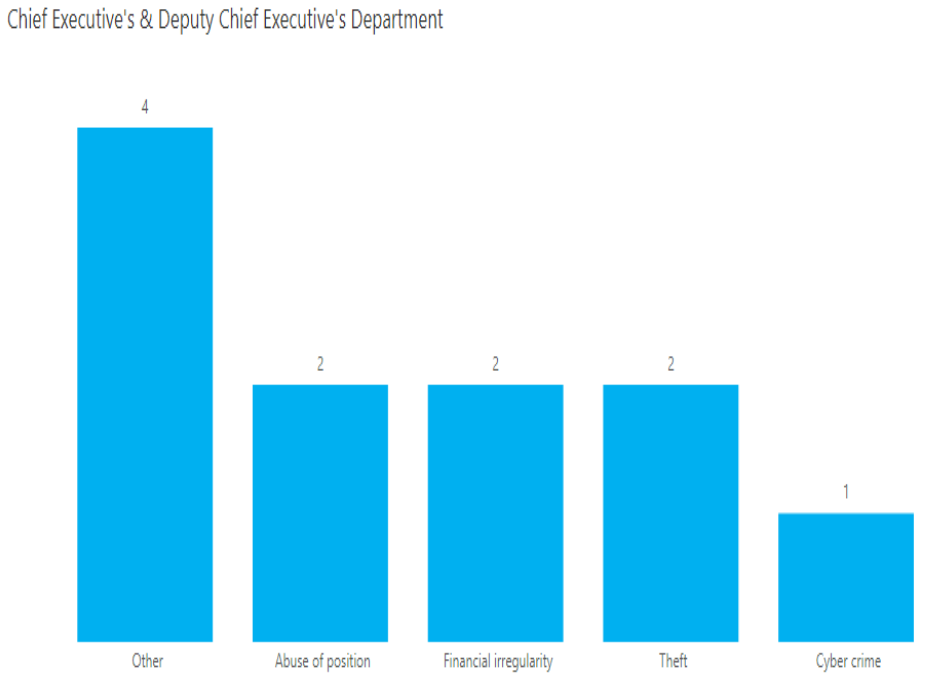
Irregularity Referrals by Directorate and Fraud Type – Chief Executive/ Deputy Chief Executive Departments

There were a further 3 referrals reported to Internal Audit and Counter Fraud between January 2026 to March 2026, bringing the total number of referrals in 2025/26 to 11.

The three new referrals relate to potential abuse of position, theft in relation to a KCC laptop not being returned and a financial regularity.

CED/CDED – 2025/26



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

The KIN continues to provide valuable financial support to KCC, Police, Fire Authority and District Councils and the outcomes for the period 1 April 2025 to 31 March 2026, set out below, show the results and financial returns achieved.

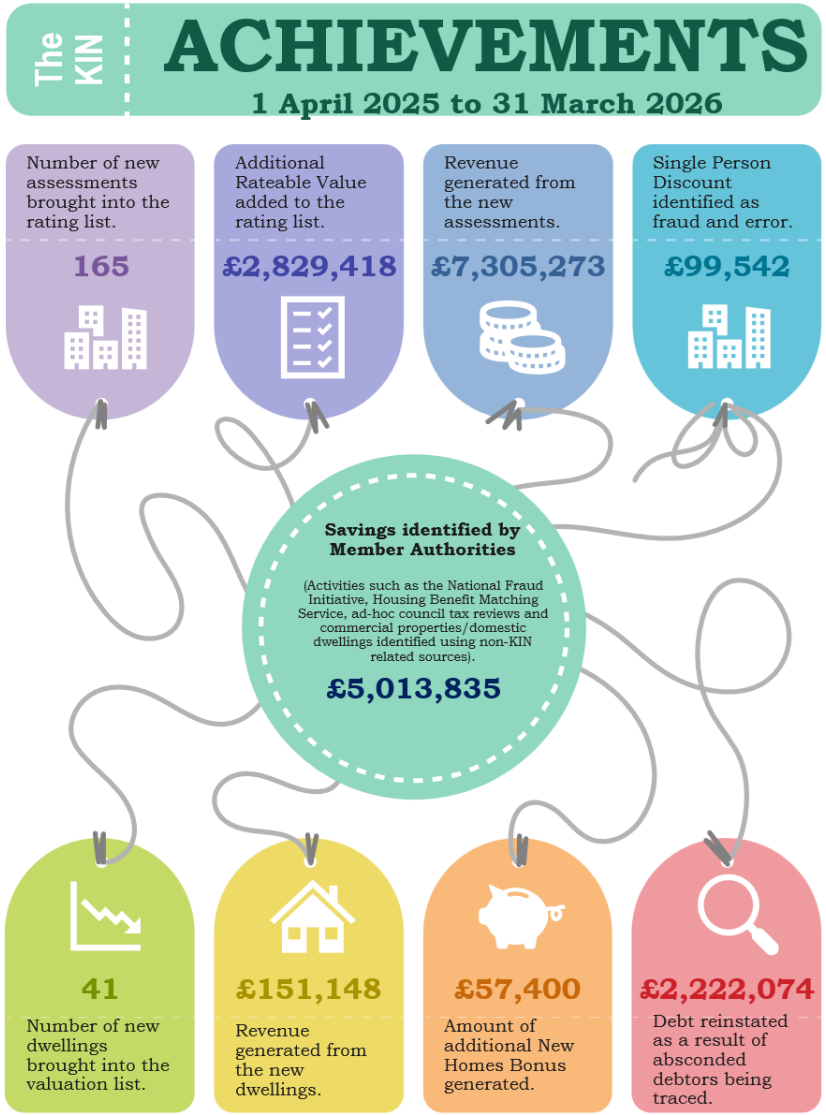
Business Rates Activity

138 commercial properties (165 including Medway), amassing a combined rateable value of £2,167,693 (£2,829,418 including Medway), have been identified that were previously missing from the rating list. These properties have now been brought into the list by the Valuation Office Agency (VOA) and consequently, the businesses occupying these properties are now liable for business rates.

The additional business rates revenue generated from the identification of these missing properties is £5,477,504 (£7,305,273 including Medway), of which broadly 9% (£492,975) comes to KCC, once collected, is a combination of the following:

- The total amount of business rates billed for both the current financial year and previous financial years of £2,287,086 (£3,071,417 including Medway); and
- A 'future loss prevention' provision of 3 years of £3,190,418 (£4,233,856 including Medway). This represents the amount of additional income that would have been lost if the respective properties had not been identified by the KIN.

It is also pertinent to highlight that on 31 March there were 137 cases with the VOA awaiting assessment/valuation, none of which are included in the figures stated above, and a further 162 cases which are currently under investigation by billing authorities.



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

Council Tax

The KIN also helped to identify dwellings missing from the valuation list and an additional 38 dwellings (41 including Medway) have been identified in this financial year.

The additional council tax revenue generated from the identification of these missing properties is £136,997 (£151,148 including Medway), of which broadly 73% (£100,008) comes to KCC, once collected, is a combination of the following:

- The total amount of council tax billed for both the current financial year, and previous financial years is £33,717 (£34,624 including Medway); and
- A 'future loss prevention' provision of 3 years of £103,280 (£116,254 including Medway). This represents the amount of additional income that would have been lost if the respective dwellings had not been identified by the KIN.

It is also pertinent to highlight that on 31 March there were 258 cases with the Valuation Office Agency awaiting assessment/valuation, none of which are included in the figures stated above, and a further 326 cases which are currently under investigation by billing authorities.

Dwellings added to the valuation list also help to generate additional New Homes Bonus (NHB) for both Districts and KCC. It is estimated that the 38 dwellings identified (41 including Medway) will generate £53,200 (£57,400 including Medway), of which 20% (£10,640) comes to KCC.

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In respect of the £2,165,134 that has been traced from absconded council tax debtors, this will generate additional income for KCC, depending on the amount that is collected. Even if a bad debt provision of 30% is applied to the amount of debt brought back into recovery, KCC would broadly receive 73% of £1,515,594, once collected, and this would amount to £1,106,383.

Finally, the proactive work being done in respect of identifying erroneous claims for Council Tax Single Person Discounts has resulted in the additional billing of Council Tax amounting to £99,542, of which broadly 73% (£72,666) comes to KCC, once collected.

In total, the financial benefit to KCC from the KIN related initiatives and successes detailed above amounts to £1,782,672.

It is also important to highlight the investment made by KCC to help billing authorities achieve these outcomes. This investment is by way of an annual grant given to the respective billing authorities, the components for which are broken down as follows:

- A grant of £432,334 for the provision of additional resources to help carry out KIN related work, and also to assist with non-KIN related initiatives that help to increase the tax base and rates base.

- A grant of £24,164 towards a product that helps to trace absconded council tax debtors.

Solely in respect of KIN-related work, the financial investment of £456,498 made by KCC in 2025/26 has provided a return-on-investment of nearly 4 to1.

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Counter Fraud Action Plan 2025/26

Updates to the 2025/26 Counter Fraud Action Plan are set out in Appendix B.

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

The Action Plan has been delivered for 2025/26 with an increase of awareness being seen through more irregularities being reported, this helps inform areas of risk and where needed inform audits in these areas.

Counter Fraud Resources

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

Two of the team have returned from maternity leave, with maternity cover ending, a thank you to the two members of the team who provided maternity cover for their hard work over the last 12 months.

Resources also includes 2.2 FTE staff providing services to Tonbridge and Malling Borough Council under a shared services provision. As well as resources to provide services to Global Commercial Services Group and Kent Fire and Rescue.

An application for resources in the 2026/27 Mid Term Financial Plan was agreed. A further Counter Fraud Technician post has been created within the structure for 2026/27.

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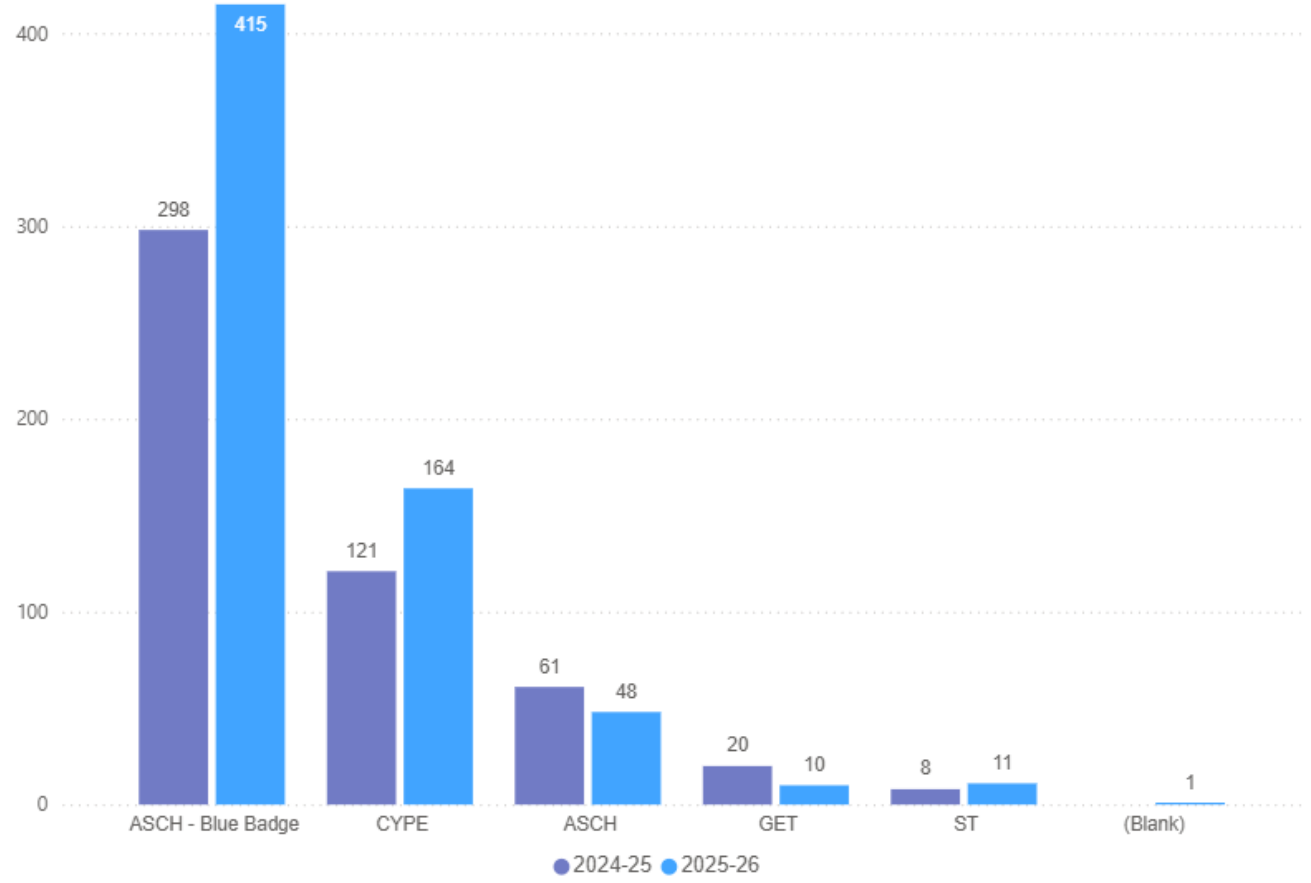
Appendix A - Year on Year Comparison – by Directorate

Blue Badge cases still represent the largest number of referrals the Counter Fraud service receives with a 39.3% increase compared to this time last year. However, in relation to ASCH and GET with a decrease of 23 referrals in total for the both combined. CYPE has increased by 35.5% compared to last year, which is due to Home to School transport referrals being reported to Internal Audit and Counter Fraud. Overall, the Counter Fraud Team has received a total 649 referrals for 2025/26 compared to this time last year where the total for 2024/2025 was 508 which shows a percentage increase of 27.8% in total referrals.



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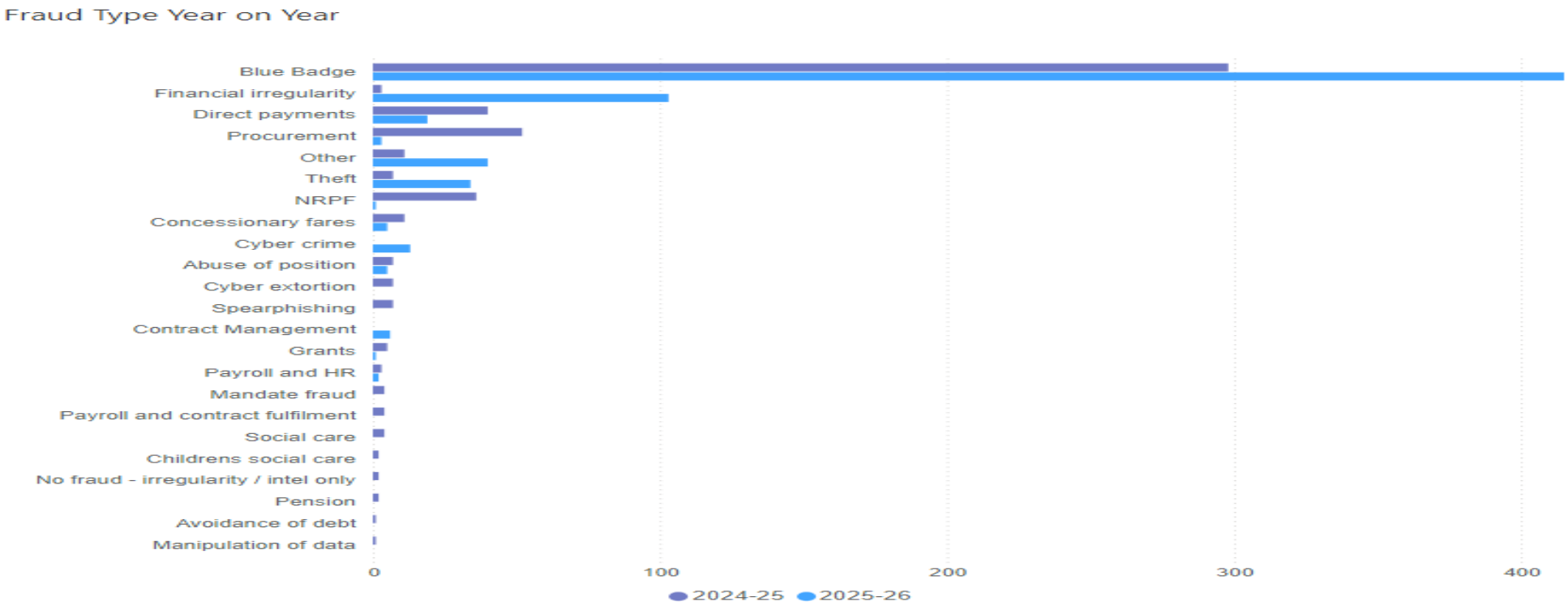
Appendix A - Year on Year Comparison – by Fraud Type

This slide demonstrates that Financial Irregularities being reported to the Counter Fraud Team have significantly increased compared to this time last year. Financial Irregularities, theft and 'other' related referrals received are the highest financial risk to KCC.

A new fraud type for Contract Management – Home to School Transport has been added for 2026/27 reporting, which is currently being reported as a financial irregularity.



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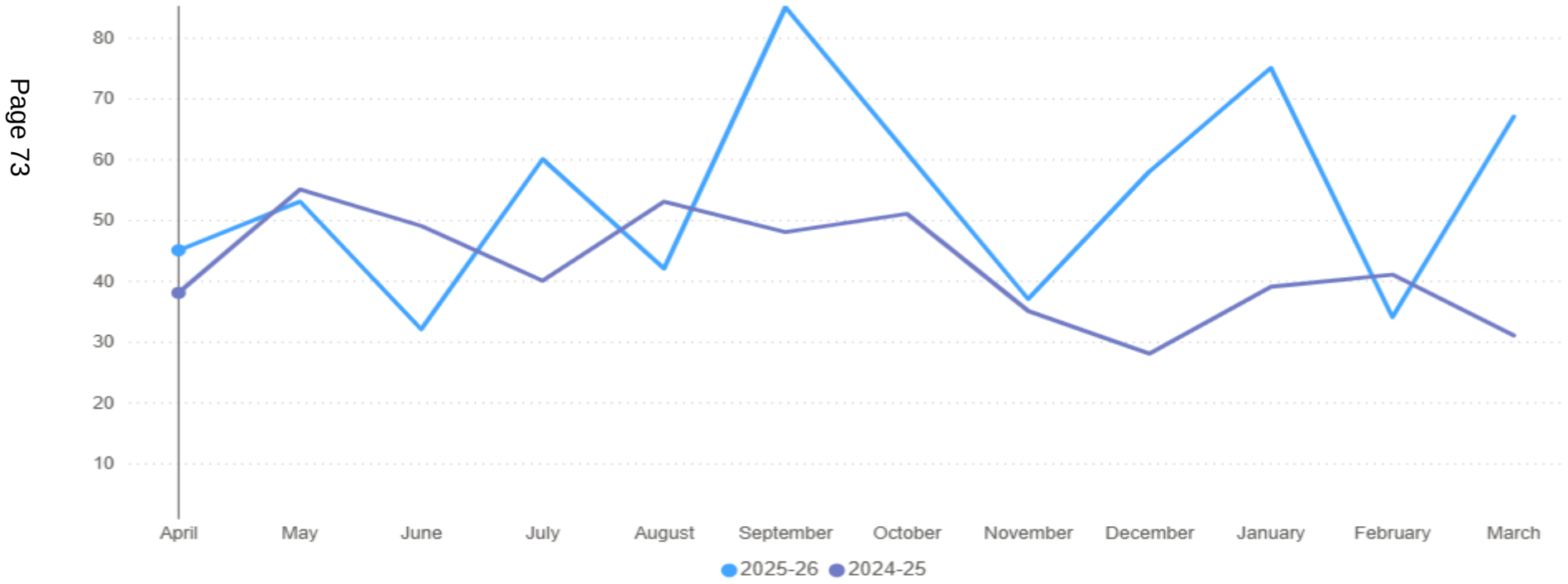
Appendix A - Year on Year Comparison – by Month Received

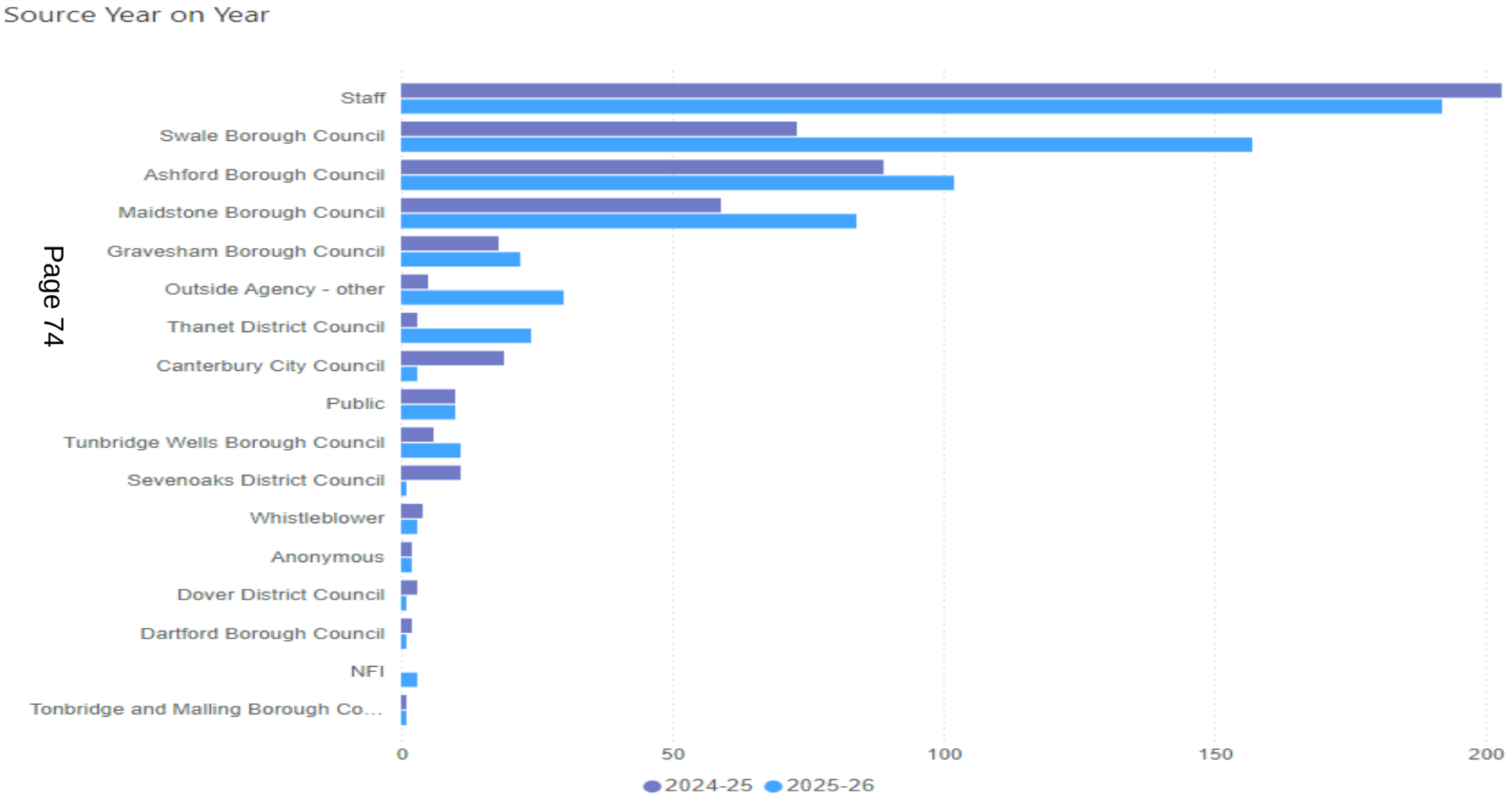
Referrals from April 2025 to March 2026 are averaging over 52 per month, compared to 42 per month for 2024/25. This amounts to an increase in referrals received by 25% compared to last year. The increase in referrals received by Counter Fraud is indicative of greater awareness of financial irregularities within KCC and the efficacy of proactive fraud work.

The spikes in referrals in July, September, January and March relate to the loading of Home to School transport irregularities received from the transport team on a quarterly basis.



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

Relationship management/ awareness continues to work, as in most cases, the number of referrals received from KCC staff and Parking Enforcement Officers is showing continued awareness of reporting financial irregularities to Internal Audit and Counter Fraud.



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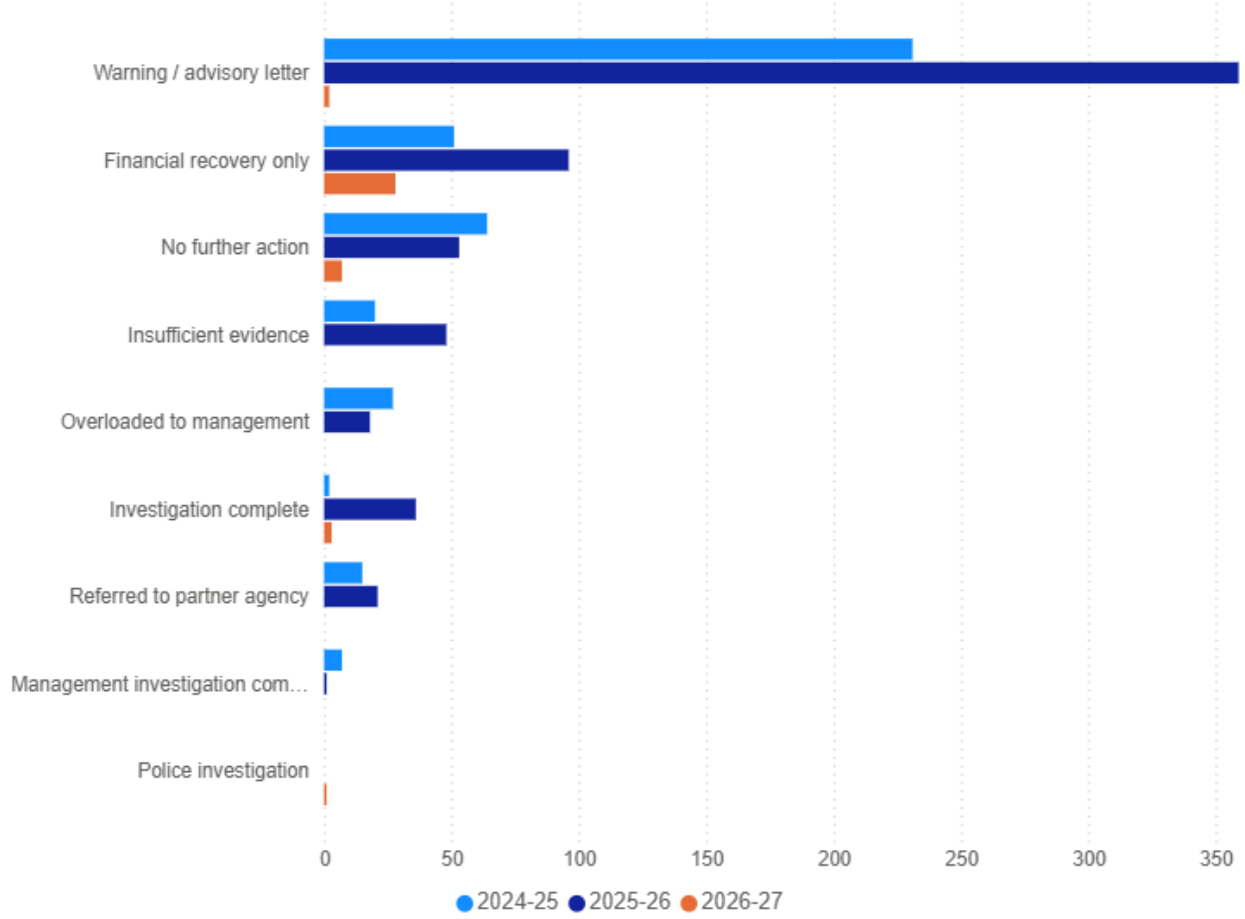
Appendix A - Year on Year Comparison – by Outcome

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



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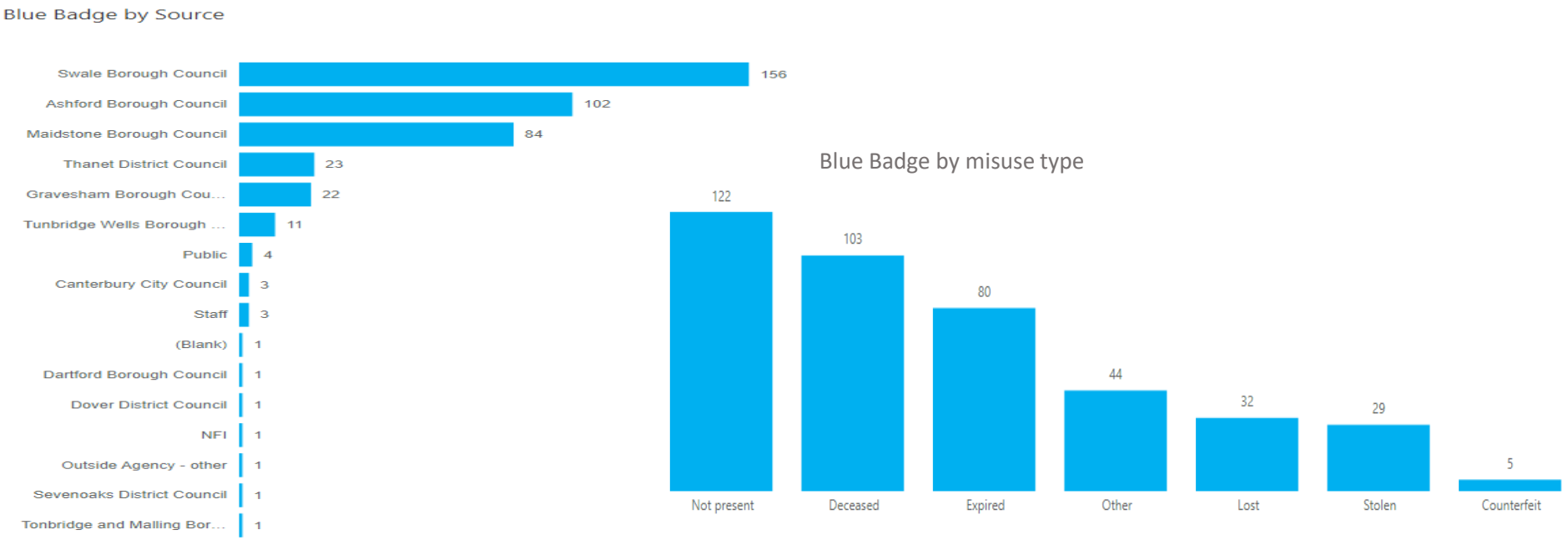
Appendix A - Blue Badge Referrals – by Type and Referring Parking Team

Swale Borough Council is detecting the highest number of blue badge misuse compared with other District/Borough Councils. We have seen marked increases in detection from: Maidstone Borough Council, Swale Borough Council and Thanet District Council. Engagement has occurred with Kent Chief Executives with further engagement planned via the Kent Parking Group to determine better enforcement activity in this area.

Overall, the total number of referrals for blue badges misuse has increase by 39.3% in 2025/26 showing a greater willingness by District/ Borough parking teams to tackle this issue and disrupt those that misuse the scheme and parking concessions.



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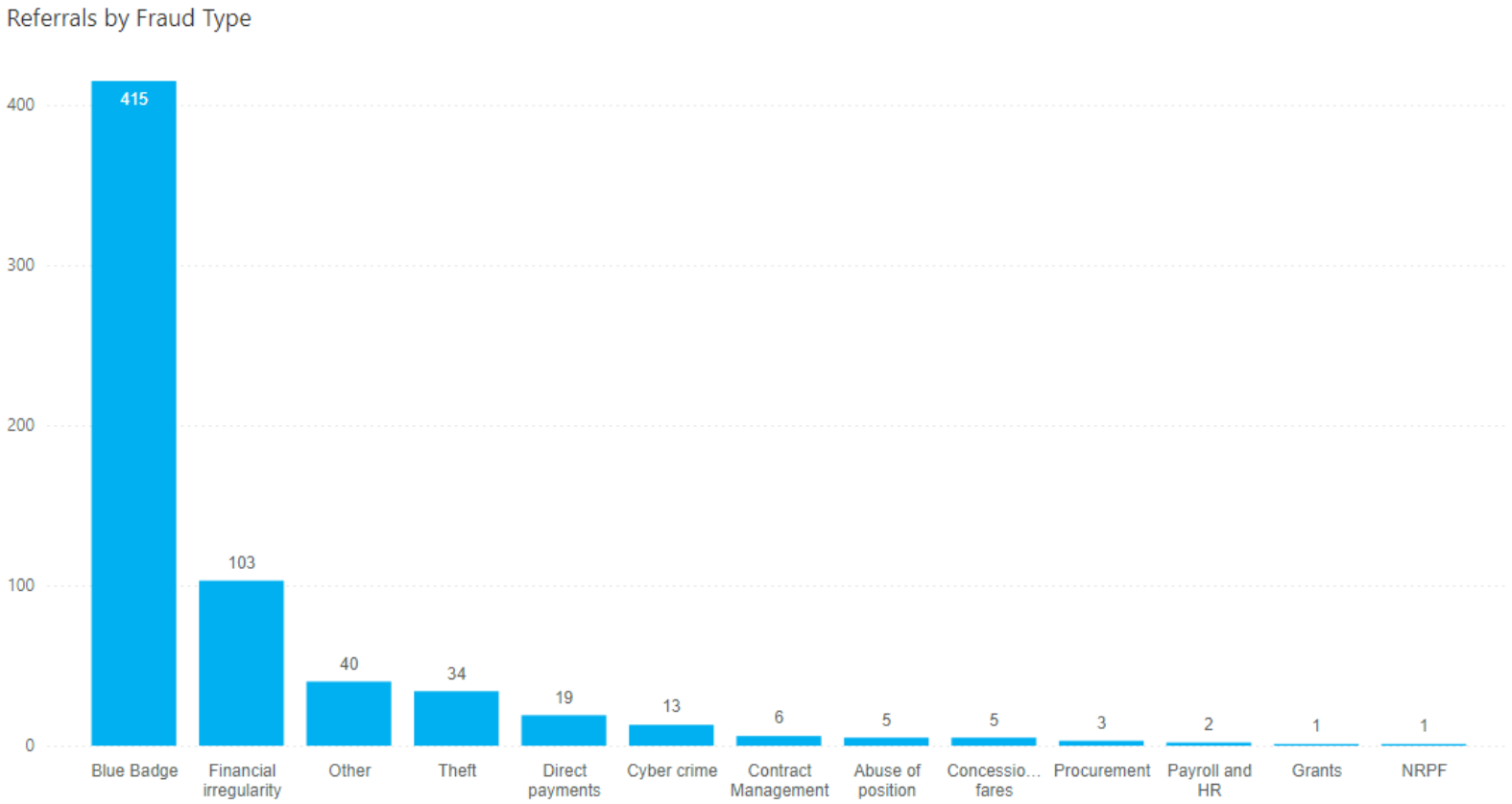

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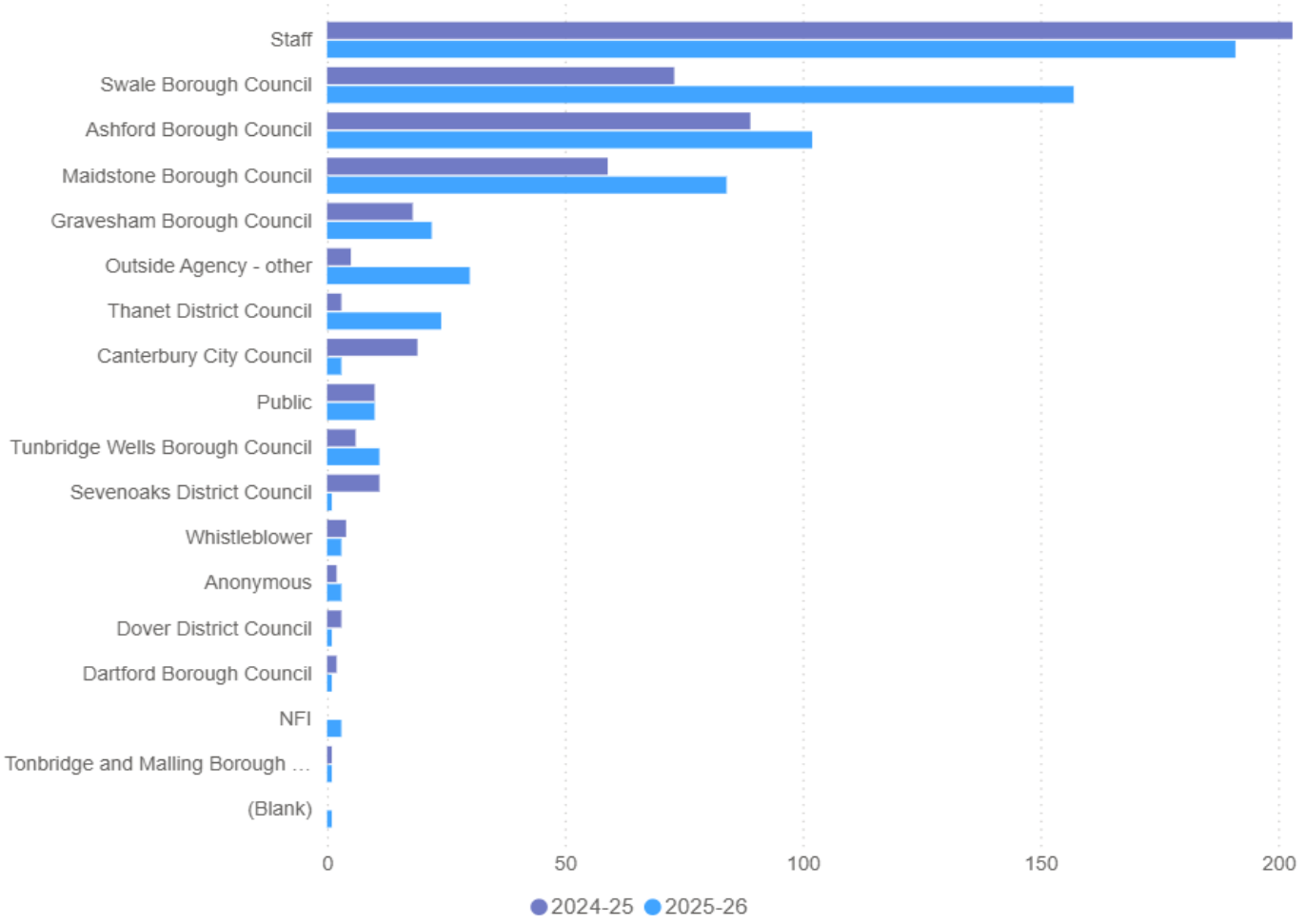
Appendix A - Fraud and Irregularity Referrals by Source April 2025 – March 2026



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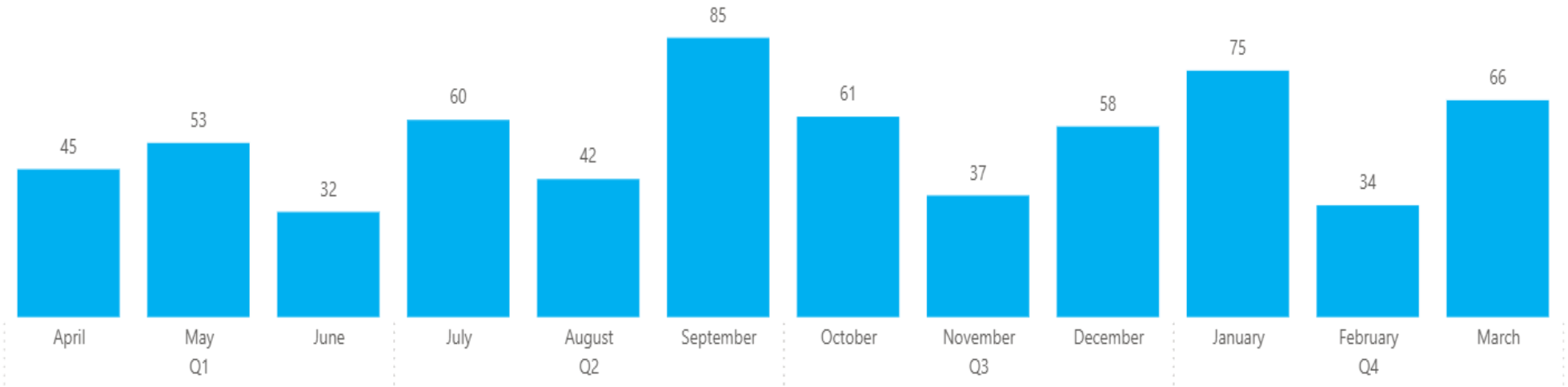

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Appendix B - Fraud Action Plan 2025/26

Pillar	Activity	Detail	Update
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	A quarterly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.	March 2026 Governance and Audit Committee provided with activity for Quarter 3. November 2025 Governance and Audit Committee provided with activity for Quarter 1 & 2.
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.	Deferred to July to align with annual report.
	Fraud Risk Assessments	The Counter Fraud Team to undertake an assessment of current risk registers across the Council to identify if fraud risks have been identified and controls are in place to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). To work with Governance and Law to embed fraud risk assessments within the Key Decision process.	On- going – part of the relationship management meetings with DMT's
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud risks identified through investigations.	Ongoing – see proactive work
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.	On-going

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Appendix B - Fraud Action Plan 2025/26

Pillar	Activity	Detail	Update
Prevent - Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture	Fraud Awareness	Deliver fraud awareness training to teams to ensure that sessions delivered to officers on a risk- based approach. The training will seek to raise awareness about new emerging fraud risks and current risks, continue to strengthen the anti-fraud culture (including failure to prevent fraud) and deliver messages about the standards expected of staff and the reporting of fraud and financial irregularities.	In progress – See proactive update
	Internal Audit	The Counter Fraud Team will review draft engagement plans to ensure any issues identified through investigations or relationship management meetings help inform the scope of any audits.	In Progress – Draft Engagement Plans are review by Counter Fraud to inform fraud and error risks
	International Fraud Awareness Week Campaign	To deliver an internal campaign to officers during International Fraud Awareness week.	Completed
	National Fraud Initiative	The Counter Fraud Team will lead on the NFI exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A nominated person from each of the data sets will be identified and liaised with through the project to ensure matches are cleared.	Completed – Some non-compliance to policy (Declarations of interests) but no conflicts of interest identified.
	Kent Intelligence Network	The Counter Fraud Team will support the Kent Intelligence Network on activities that benefit KCC and the wider Kent Residents.	In progress – See KIN update
	Artificial intelligence – Counterfeit/ Forgery	To explore the use of AI as a directional tool to identify counterfeit/ forged documents used to access services.	Deferred to 2026/27
	Anti – Corruption Audit	To support on the Group of States against Corruption (GRECO) audit on Anti-Corruption controls at KCC.	Completed - Awaiting Final Report.

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Pillar	Activity	Detail	Update
Pursue **Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders.** **Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps**	Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; • that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice • the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee • Appropriate sanctions are applied.	Peer review completed November 2025. Premise to assess the Counter Fraud Teams processes against the Government Counter Fraud Professional (GCFP) Standards. Conclusion – The KCC CFT provides an excellent service to Kent. Assured that the KCC CFT is an effective and knowledgeable counter fraud function. All standards achieved the requirement of the GCFP Cat C Investigator and Fraud Manager Standards.
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.	In progress – KIN meetings progressing, liaison with Kent Police established and on-going, Southern Investigators Groups attended.

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Appendix C - Fraud Action Plan 2026/27

Pillar	Activity	Detail
Govern - Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Counter Fraud Update, Audit Committee	At least two yearly Counter Fraud update will be provided to Corporate Management Team and the Audit Committee to demonstrate the activities undertaken by the Counter Fraud Team against the plan to prevent and detect Fraud, Bribery and Corruption.
Acknowledge - An organisation must acknowledge and understand fraud risks and demonstrate this by having the right support and appropriate resource to tackle fraud.	Fighting Fraud and Corruption Locally Checklist	The Counter Fraud Team to undertake an assessment of the authority against the Fight Fraud and Corruption Locally Checklist.
	Fraud Risk Assessments	The Counter Fraud Team to support management in assessing the risk of fraud and error, providing advice on controls to mitigate the risk. Including risks associated to the Economic Crime and Corporate Transparency Act (failure to prevent fraud). Deployment of the Cabinet Office AI Risk Assessment Tool to be deployed to key areas as fraud risk owners.
	Relationship Management	Strengthening the anti-fraud culture within the organisation requires Counter Fraud to continue with relationship management meetings to report on emerging and current fraud and error risks identified through investigations.
	Local Government Reorganisation	Support in the preparation of de-aggregation of services ahead of vestment day. This will Include fraud risk assessing the de-aggregation process as well as informing delivery of counter fraud services post vestment.
	Whistleblowing Hotline and log	The Counter Fraud Team manage the Councils Central Whistleblowing Log and the Whistleblowing helpline.

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Appendix C - Fraud Action Plan 2026/27

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

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Appendix C - Fraud Action Plan 2026/27

Pillar	Activity	Detail
Pursue **Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders.** **Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps**	Investigations	The Counter Fraud Team will apply a risk-based approach to investigating all instances of actual, attempted and suspected fraud and financial irregularities. The Counter Fraud Team will ensure; • that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice • the Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour by a Council employee • appropriate sanctions are applied • Staff meet the standards of the Government Counter Fraud Profession
	Partnership Working	To maintain and develop working with key partner agencies in the prevention and detection of fraud such as the Kent Intelligence Network, Local Authorities, Kent Police as well as internal teams within KCC.

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Senior Stakeholders	Checklist Requirement	Counter Fraud Lead Assessment
Chief Executive Officer	Ensure that your authority is measuring itself against the checklist for FFCL	Corporate Management Team (CMT) Report presented the outcome and actions required to be completed, which will be reported further to the Governance and Audit Committee (G&A).
	Is there a trained counter fraud resource in your organisation or do you have access to one?	Yes – Five staff (Counter Fraud Manager, 3 x Counter Fraud Specialists and 3 x Counter Fraud Technician) are Accredited Counter Fraud Specialists / PIP2, one Intelligence Assistant due to receive apprenticeship training.
	Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?	Standalone Counter Fraud Report sent to G&A committee which covers the work on counter fraud, external audit present at meetings and has access to Counter Fraud Report as a publicly available document.
Section 151 Officer	Is there a portfolio holder who has fraud within their remit?	Yes – Deputy Leader of the Council has Internal Audit & Counter Fraud within their portfolio as per the Constitution.
	Is the head of internal audit or counter fraud assessing resources and capability?	Yes – a review of resources in 2025/26 identified the need to increase resources due to the increasing risk of fraud being committed against KCC. Additional Counter Fraud Technician post created for 2026/27.
	Do they have sufficient internal unfettered access?	Yes – However there has been some relevant challenge on access by business units to ensure they are compliant with Data Protection Requirements.
	Do they produce a report on activity, success and future plans and are they measured on this?	Reported via G&A Committee which is issued to CMT, this covered current activity, successes and future plans. However, we welcome feedback from both CMT and G&A to ensure that there is relevant challenge.

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Senior Stakeholders	Checklist Requirement	Counter Fraud Lead Assessment
The Monitoring Officer	Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?	Yes – Covered in the Counter Fraud Report. Induction training provided to G&A members after election.
	Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?	Yes – Internal Audit and Counter Fraud has independence and objectivity in it's role, can refer matters to Chair of G&A, Deputy Leader of the Council and Statutory Officers if required. Reports to Corporate Director of Finance as Section 151 Officer.
The Audit Committee	Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work	Yes – G&A receives at least six monthly reports to keep the Committee informed of proactive and reactive work.
	Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured	Yes – statistical information included within the report that measures the fraud risks facing the authority and how resources are allocated. Progress report provides details of the resources and how they are allocated against reactive and preventative (proactive) work.
	Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud	Yes – G&A report shared with Deputy Leader of the Council.
	Should support proactive counter fraud activity	Yes – Comments and feedback during G&A Committee has been to challenge and support the Counter Fraud Team on their activity.
	Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability	Questions and comments received from G&A Committee on the Counter Fraud Report, which includes this review.
The Portfolio Lead	Receives a regular report that includes information, progress and barriers on: The assessment against the FFCL checklist Fraud risk assessment and horizon scanning.	Yes – Portfolio Lead provided of all Counter Fraud Reports that are going to CMT & G&A Committee. Strategic Risk Register also provided to Portfolio Lead which included key risks, Anti Fraud and Corruption Strategy also provides key fraud and Corruption risks.

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FFCL Check list requirements	Counter Fraud Lead Response
The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	Fraud and Corruption risk at a strategic level has been assessed and is reviewed regularly by CMT via the risk management process. Directorate/ Divisional Fraud, Bribery & Corruption risk assessments is work in progress due to the size and complexity of the Council. Prompts to complete risk assessments have/ are being embedded into the grant acceptance and key decision processes.. Counter Fraud Action plan is in place and is reported to CMT and G&A.
The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.	The strategic fraud risk has been includes the harm that fraud does to the community. Horizon scanning occurs routinely, with national information obtained from NAFN, CIFAS, Action Fraud, CIPFA and National Cyber Security Centre. Local liaisons also occur via the Kent Fraud Panel and the Southern County Council fraud hub to assess trends at a local level. This activity is captured in the Counter Fraud Action Plan.
There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.	As part of the G&A report this will include the outcome of the review against the checklist.
The relevant portfolio holder has been briefed on the fraud risks and mitigation	Fraud Progress report and action plan form part of the report which is shared with the portfolio holder in order to brief them on the fraud risks and mitigation.
The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources	Terms of Reference for the Governance and Audit Committee covers the requirement for them to ensure that the level of activity is appropriate in terms of fraud risk and resources.

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FFCL Check list requirements	Counter Fraud Lead Response
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Revised Anti-Fraud and Corruption strategy is presented to CMT and G&A for review, last reviewed in Jan 2024, with a recommendation that reviewed every two years, next review occurring in July 2026.
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	KCC Values and Kent Code are designed to ensure staff act in the best interests of KCC ahead of personal interests. KCC invited and accepted to undertake an independent external assessment of anti-corruption and promoting integrity measures at sub-national level. This was done by the European Council's Group Against Corruption with KCC and the Greater London Authority and will inform any improvements in current arrangements.
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Fraud and Corruption risks are discussed with Corporate Directors for inclusion on their directorate risk register.
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.	Partly – Although a requirement of the Ant-Fraud and Corruption Strategy requires management to engaged with Counter Fraud services. Prompts in the Key Decision and Procurement processes.
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Yes – When prosecutions occur press releases are prepared and issued via the Press Office.
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Within the financial regulations there is a requirement for all staff to report financial irregularities to Internal Audit, the Counter Fraud Team monitor these and report up to G&A. This has identified key risk areas for KCC which then feeds into the Counter Fraud Action Plan. Wider communication strategy on the financial regulations is needed and will engage with Finance on supporting their work on communicating financial regulations.

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FFCL Check list requirements	Counter Fraud Lead Response
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: **– codes of conduct including behaviour for counter fraud, anti-bribery and corruption** **– register of interests** **– register of gifts and hospitality.**	Referral rates by fraud type and directorate are captured to provide an indication of where codes of conduct, register of interests and gifts and hospitality have been breached. However, there is no monitoring on when staff have not completed an annual declaration of interests and the levels of gifts and hospitality being received. This is being raised with HR Colleagues to include information on declarations of interest and gifts and hospitality to Departmental Management Teams and Divisional Management Teams.
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	Checks on identification, references and qualifications is conducted as part of the recruitment process to identify any false applications by recruitment managers and HR Services. In addition, for KR16 posts and above enhanced vetting process is conducted by the Counter Fraud Team given the significant budget responsibility of these posts.
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	This is included in the Code of Conduct for staff, annual reminders are issued by staff officers of the need to record any offers or acceptance of gifts and hospitality. Additionally, reminders are issued to members by the Monitoring Officer. Enhancements to the induction check list for managers for new staff to include specific reference to gifts and hospitality and declarations of interests prompts.
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Fraud awareness is available through e-learning and face to face training, risk-based approach in place to raise requests for training that are led by Counter Fraud experts. Furthermore, Counter Fraud awareness and culture assessments are being delivered to management and officers across directorates.

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FFCL Check list requirements	Counter Fre
All allegations of fraud and corruption are risk assessed.	The National Intelligence Model is used to assess referrals, this includes a risk assessment which takes into account the length of time the fraud has occur, the potential, actual, prevented and recoverable loss, so that resources are used effectively
The fraud and corruption response plan covers all areas of counter fraud work: – prevention & detection – investigation & sanctions – redress.	Fraud Action Plan (Response plan) Includes activity and resources to progress each area.
Asset recovery and civil recovery are considered in all cases.	As part of the investigation plan, asset recovery and civil recovery is a factor investigators have to address during all stages of the investigation.
There is a zero-tolerance approach to fraud and corruption that is defined and monitored, and which is always reported to committee.	The Anti-Fraud and Corruption Strategy has a zero tolerance to fraud and requires incidents of financial irregularity to be reported to the Head of Internal Audit which the Counter Fraud Team monitors, referral rates and outcomes are monitored and reported to G&A a risk assessment is conducted on the cases to determine if suitable for investigation.
There is a programme of proactive counter fraud work which covers risks identified in assessment.	Fraud Action plan includes fraud awareness in key fraud risk areas this is reviewed annually as well as having the ability to be agile to react to emerging risk areas.
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	Collaborative working with District authorities occurs through both the Kent Intelligence Network. In addition Counter Fraud Team is a member of the Kent Fraud Panel which works with Kent Police, Trading Standards and Community Safety.
The local authority shares data across its own departments and between other enforcement agencies.	Use of the National Intelligence Model, allows data to be shared with other enforcement agencies on a case by case basis. KCC subscribe to the National Fraud Initiative which collects data from across a number of departments and external agencies to detect fraud occurring. KCC are also a member of the Kent Intelligence Network which is promoting further data sharing activity to support the detection of fraud.

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FFCL Check list requirements	FFCL Check list requirements
Prevention measures and projects are undertaken using data analytics where possible.	Internal Audit and Counter Fraud Team have a data analytics strategy. Internal Audit have a planning step to consider data analytics in all audits. Data Analyst post is in place with the Internal Audit and Counter Fraud Team to support the use of data analytics in audits and investigations.
The counter fraud team has registered with the Knowledge Hub, so it has access to directories and other tools.	Access to Knowledge Hub is in place for all Counter Fraud Team members to have access.
The counter fraud team has access to the FFCL regional network.	Counter Fraud Team has access to the FFCL regional network.
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	All staff are ACFS / PIP2 qualified and where relevant have been accepted into the Government Counter Fraud Profession.
The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	Through work with services and the combined audit / counter fraud knowledge & experience there is good access to knowledge on how all areas across the local authority operate. Relationship management is in place to help identify any changes in processes/ practices.
The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for: – surveillance – computer forensics – asset recovery – financial investigations.	Expertise is in place within Counter Fraud Team as well as access to further specialist support from Trading Standards (Surveillance, Asset Recovery and financial investigations) & ICT security (Computer forensics)
Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	As part of the investigation process, if required, a management letter will be issued to provide management with areas of weaknesses in the control environment. Management are required to provided a management action and this is reported to G&A for their oversight.

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Conclusion

KCC's counter fraud programme is strengthening prevention, detection and response — **with greater awareness, clearer risks and tangible financial benefit.**

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Awareness is translating into action

referrals received in 2025/26, showing stronger reporting of fraud and irregularity risks across KCC.

£1.78m

Financial value is being protected

estimated KCC benefit from Kent Intelligence Network activity, alongside losses identified and prevented.

2026/27

The 2026/27 focus is clear

action plan will continue to embed risk assessment, training and control improvements in high-risk services.

The Committee is invited to note the progress made and support continued proactive counter fraud activity in 2026/27.

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By:	James Flannery – Interim Head of Counter Fraud
To:	Governance and Audit Committee – 23rd July 2026
Subject:	**Policy Review:** **Anti-Money Laundering Policy** **Anti-Bribery Policy** **Anti-Fraud and Corruption Strategy**
Classification:	Unrestricted

Summary:

This report details:

- Updates to key policies following a review against changes in legislation, guidance and best practice.

Recommendation: To note the amendments to the policies following approval at Corporate Management Team.

Introduction

1.1 As part of the Internal Audit and Counter Fraud corporate service, a review has been conducted of key policies as part of their biennial review.

1.2 The following provides a summary of changes to each of the policies, with the amended policies attached as appendices:

Policy	Key updates
Anti-Money Laundering Policy **Appendix 1**	Change of policy owner and Money Laundering Responsible Officer (MLRO) to the new Corporate Director of Finance and Section 151 Officer. Adding the Monitoring Officer to those who need to be informed of suspicious transactions in the absence of the MLRO.
Anti-Bribery Policy **Appendix 2**	Change of policy owner to the new Monitoring Officer. Enhancements to include Monitoring Officer engagement with Kent Police, where appropriate. Enhancements within the top-level commitment to promoting integrity through the promotion and monitoring of declarations of interest and the refusal of gifts and hospitality. Updates to reference the new procurement legislation.
Anti-Fraud & Corruption Strategy **Appendix 3**	Change of policy owner to the Interim Head of Counter Fraud. Additional risk added to the strategy covering contract fraud.

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Anti-Money Laundering Policy

Document Owner	Brendan Arnold Corporate Director of Finance
Version	Version 8

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	29 Sept 2014	Internal Audit	Governance & Audit Committee	29 Jan 2015
3	16 Oct. 2017	Internal Audit	Governance & Audit Committee	1 Nov 2017
4	05 Sept 2018	Internal Audit	Governance & Audit Committee	24 Oct 2018
5	06 Sept 2019	Internal Audit	Governance & Audit Committee	21 Jul 2020
6	14 Dec 2021	Internal Audit	Governance & Audit Committee	25 Jan 2022
7	07 Feb 2024	Internal Audit	Governance & Audit Committee	19 Mar 2024
8	11 Mar 2026	Internal Audit	Corporate Management Team	7 July 2026

1. Introduction

1.1. Kent County Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.

1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on Kent County Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.

1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.

1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

2. Policy Statement

2.1. Kent County Council is committed to:

- Preventing the Council's services and employees from becoming a victim of, or unintentional accomplice to, money laundering activities.
- Identifying the potential areas where money laundering may occur and strengthening procedures to minimise the risks.
- Complying with all legal and regulatory requirements, with particular regard to the reporting of actual or suspected cases of money laundering.

2.2. It is important that every member of staff is aware of their responsibilities and remains vigilant.

3. Scope of Policy

3.1. This policy applies to **all** employees and Members of the Council, whether permanent or temporary.

3.2. The aim of this policy is to support employees and Members in responding to financial concerns that have been highlighted in the course of their work for the Council. If staff or Members are concerned about a financial matter unrelated to work, the Police should be contacted.

4. Definition of Money Laundering

4.1. The term ‘Money Laundering’ can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.

4.2. The following constitute money laundering offences:

a) Concealing, disguising, converting, transferring criminal property or removing it from the UK (s327 of the POCA 2002).

b) Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (s328 of the POCA 2002).

c) Acquiring, using or possessing criminal property (s329 of the POCA 2002).

d) Doing something that might prejudice an investigation e.g. falsifying a document (s333 of the POCA).

e) Failure to disclose one of the offences listed in a) to c) above, where there are reasonable grounds for knowledge or suspicion (s330-332 of the POCA 2002).

f) Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation (s330 of the POCA 2002).

4.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.

4.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.

4.5. **The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 7.1). Failure to do so could lead to prosecution.**

5. Identifying Money Laundering

5.1. There is no clear definition of what constitutes a suspicion of money laundering – common sense will be needed, see Annex 1 for a list of areas that may be affected. Although there does not need to be actual evidence that money laundering is taking place, mere speculation is unlikely to be sufficient to give rise to knowledge or suspicion. However, if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.

5.2. Examples of money laundering activity include:

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

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

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

5.5. Care should be exercised and questions asked where:

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

6. The Council's Obligations

6.1. The Council is obligated to:

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

- Maintain sufficient records.

7. The Money Laundering Reporting Officer (MLRO)

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

MLRO: Corporate Director of Finance

Deputy MLRO: Head of Internal Audit & Counter Fraud

7.2. In the absence of the MLRO or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Chief Executive Officer.

8. Further information

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

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

9. Conclusion and Risk Assessment

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

Anti Money Laundering Procedures

1. Reporting concerns

1.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 2.

1.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.

1.3. The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.

1.4. The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.

1.5. The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).

1.6. The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently referred to as a suspicious activity report (SAR)). This can be found on the NCA website: www.nationalcrimeagency.gov.uk

2. Identification of Clients

2.1. In general, management should ensure that appropriate checks are carried out on new partners, suppliers and contractors in accordance with the Council's existing policies and procedures.

2.2. However, where the Council is carrying out a **'relevant business**,[1] and as part of this:

- forms an ongoing business relationship with a client; or
- undertakes a one-off transaction involving payment by or to the client of €10,000 (or the equivalent in sterling) or more; or
- cash payments totalling €10,000 or more which appear to have been broken down into smaller amounts so that they come below the high value limit; or
- it is known or suspected that a one-off transaction (or a series of them) involves money laundering.

2.3. Then the client identification procedures (listed below) must be followed before any business is undertaken for that client.

2.4. Where the 'relevant business' is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.

2.5. If the 'relevant business' is being provided externally then the following additional checks must be completed:

- Check the organisation's website and other publicly available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details;
- Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation. This can be obtained through electronic ID verification if it is free from fraud and provide sufficient assurance of the identity of the individual;
- Enhanced due diligence will be required for any transaction where the organisation is established in a high-risk third country, or where the transaction is complex or unusually large.

2.6. Remember, these additional client identification procedures are **only** required when conducting a 'relevant business.'

[1] Relevant business is defined as the provision 'by way of business' of advice about tax affairs; accounting services; audit services; legal services; services involving the formation, operation or arrangement of a company or trust; or dealing in goods wherever a transaction involves a cash payment of €10,000 or more

3. The types of activities that may be affected

3.1. The following table sets out the types of activities that might be suspicious, and how the Council may come across those activities. It is not intended to be exhaustive, and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected
New customers with high value transactions	• Selling property to individuals or businesses • Renting out property to individuals or businesses • Entering into other lease agreements • Undertaking services for other organisations
Secretive clients	• People buying or renting property from the Council who may not want to say what it is for • People receiving grant funding who refuse to demonstrate what funding was used for
Customers who we think are acting dishonestly or illegally	• People paying for Council services who do not provide details about themselves • People making odd or unusual requests for payment arrangements
Illogical transactions	• People paying in cash then requesting refunds • Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council • Requests for the Council to pay in foreign currencies for no apparent reasons
Payments of substantial sums by cash	• Large debt arrears paid in cash • Refunding overpayments • Deposits / payments for property
Movement of funds overseas	• Requests to pay monies overseas, potentially for "tax purposes"
Cancellation of earlier transactions	• Third party "refunds" grant payment as no longer needed / used • No payment demanded even though good / service has been provided • Sudden and unexpected termination of lease agreements

Requests for client account details outside normal course of business	• Queries from other companies regarding legitimacy of customers • Council receiving correspondence / information on behalf of other companies
Extensive and overcomplicated client business structures /	• Requests to pay third parties in respect of goods / services • Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties
arrangements	
Poor accounting records and internal financial control	• Requests for grant funding / business support indicates third party not supported by financial information • Companies tendering for contracts unable to provide proper financial information / information provided raises concerns • Tender for a contract which is suspiciously low
Unusual property investments or transactions	• Requests to purchase Council assets / land with no apparent purpose • Requests to rent Council property with no apparent business motive
Overcomplicated legal arrangements / multiple solicitors	• Property transactions where the Council is dealing with several different parties

4. Training

4.1. Officers considered to be most at risk of being exposed to suspicious situations will be made aware by their senior officer and provided with appropriate training.

4.2. Additionally, all officers and Members will be familiarised with the legislation and regulations relation to money laundering and how they affect the employees (themselves) and the Council.

4.3. It is not necessary for all staff to be aware of the specific criminal offences, staff that are likely to encounter money laundering should be aware of the procedures that are in place. This policy and procedures provides sufficient information to raise awareness for most staff.

4.4. It is recommended that staff in areas that are highly vulnerable to money laundering, should be provided with targeted training that is specific to the

Council activity at hand. This could be achieved by in-house resources, or through training courses and seminars run by external provider.

Anti Money Laundering Reporting Form

Your Contact Details

Please provide your contacts details in the box below so we can confirm that we have received the report and get into contact with you if required.

Name :	
Role:	
Email:	
Contact Telephone:	

Main Subject

Please provide the details of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Address	Type: (Home, work etc)		

Transaction(s)

Please enter the details of the transactions you think are suspicious

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction:			

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction			

Account(s)
Please enter details of the account(s) used.

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Associated Subjects:
If there are any other people you suspect are involved in money laundering, please enter their details below.

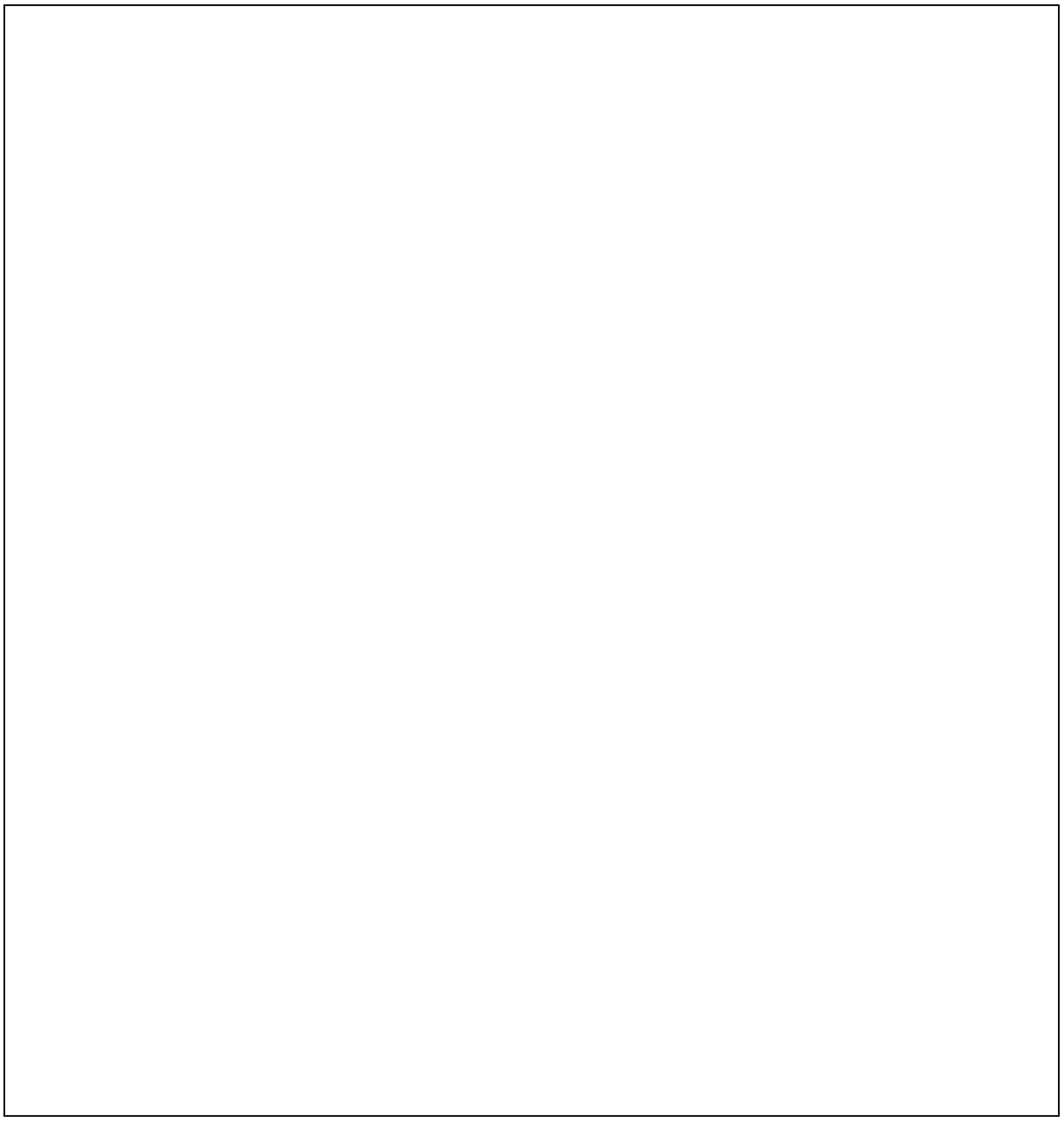
Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Linked addresses:
Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:
Please enter details of your suspicions. Please provide as much information as possible.



KENT COUNTY COUNCIL

ANTI-BRIBERY POLICY

Document Owner	Petra Der Man Monitoring Officer
Version	Version 8

Version	Reviewed	Reviewer	Approver	Date approved
Original				
4	1 May 2017	Internal Audit	Governance and Audit Committee	1 Nov 2017
5	28 Feb 2020	Internal Audit	Governance and Audit Committee	21 Jul 2020
6	14 Dec 2021	Internal Audit	Governance and Audit Committee	25 Jan 2022
7	07 Feb 2024	Internal Audit	Governance and Audit Committee	24 March 2024
8	11 Mar 2026	Internal Audit	Corporate Management Team	7 July 2026

1. Introduction

1.1. This policy is introduced to ensure compliance with the Bribery Act 2010. It explains the process through which the Council intends to maintain high standards and to protect the organisation, employees, Members and business partners against allegations of bribery and corruption.

1.2. It is the Council's policy to conduct business in an honest and open way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Council attaches the utmost importance to this policy and will apply a "zero tolerance" approach to acts of bribery and corruption by any of its Members, employees, or persons and partners acting on our behalf. Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action and possibly criminal prosecution.

2. Policy Statement

2.1. Bribery is a criminal offence. The Council will not pay bribes, or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The Council will not engage indirectly in or otherwise encourage bribery. The Monitoring Officer will not hesitate to contact and seek the support of Kent Police wherever appropriate.

2.2. The Council is committed to ensuring compliance with the highest legal and ethical standards. The Council will commit to policies and procedures to prevent, deter, and detect acts of bribery. The Council will ensure that anti-bribery compliance is an essential aspect of its governance process and at the core of its business principles. It is an on-going process and not a one- off exercise.

3. Objective

3.1. This policy presents a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. It provides the context for the detailed rules, procedures and controls in place. It should provide no room for misinterpretation and will ensure that Members, employees, volunteers and business partners know what is expected of them in preventing bribery.

3.2. This policy should be read in conjunction with, and reinforce, other related policies and documents (see paragraph 27). The provisions in these policies and documents should be reflected in every aspect of the way the Council operates. The requirement to act honestly and with integrity at all times is made clear and is fundamental and non-negotiable.

3.3. This policy explains the procedures established to prevent acts of bribery and allow any breach to be identified and reported.

4. Scope

4.1. This policy applies to all of the Council's activities. The Council requires that all Members (including independent and co-opted Members), employees at all levels and grades, temporary and agency staff, volunteers, contractors, agents, consultants and partners acting on the Council's behalf, comply with the provisions of this policy. The Council will also seek to promote the adoption of reciprocal anti-bribery and corruption measures that are consistent with the Council's policy by joint venture partners and major suppliers.

4.2. The responsibility to mitigate the risk of bribery resides at all levels of the Council and includes all directorates. It does not rely solely on the Council's assurance functions.

5. Policy Commitment

5.1. The Council commits to:

- setting out a clear anti-bribery policy and keeping this up-to-date with regular reviews;
- making all Members, employees and partners aware of their responsibilities to adhere to this policy at all times;
- providing training, where appropriate, to allow Members, employees and partners to recognise and avoid the use of bribery by themselves or others;
- encouraging Members, employees and partners to be vigilant and to report any suspicions of bribery;
- providing suitable channels of communication (e.g. Whistleblowing Procedure) to ensure that sensitive information is handled appropriately;
- investigating instances of alleged bribery and assisting the police and other authorities in any prosecution;
- taking action against anybody acting for or on behalf of the Council who is involved in bribery;
- reporting breaches and suspected breaches of this policy to Members, employees and partners in an open and transparent way; and
- including appropriate clauses in contracts with suppliers to advise on the Council's approach to the provisions of the Bribery Act 2010.

6. The Bribery Act 2010

6.1. The Bribery Act 2010 was introduced to update and enhance English law on bribery. It creates a strict liability corporate criminal offence of failing to prevent bribery. The only defence against this corporate offence is for organisations to have adequate procedures in place to prevent bribery.

6.2 The Act includes four offences:

- Bribing a person to induce or reward them to perform a relevant function improperly;
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly;
- Using a bribe to influence a foreign official to gain a business advantage;
- In relation to a commercial organization, committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions.

6.3 Acts of bribery are intended to influence an individual or organisation in the performance of their duty and for them to thereby act illegally.

6.4 The penalties under the Bribery Act have been raised significantly and are severe. The new corporate offence is punishable with an unlimited fine. An individual guilty of an offence may be liable to imprisonment for up to 10 years or to a fine, or to both.

6.5 The Council accepts that public bodies may be classed as a “commercial organisation” in relation to the corporate offence of failing to prevent bribery. In any event, it represents good governance and practice to have adequate procedures in place to protect the Council, Members, employees and partners from reputational and legal damage. It is in the interests of everybody connected to the Council to act with propriety at all times.

KENT COUNTY COUNCIL

BRIBERY ACT PROCEDURE

1. Council Procedures on the Bribery Act

1.1. The Council will follow the guidance issued by the Ministry of Justice. The actions are intended to be proportionate to the risks faced by the Council and to the nature, scale and complexity of the Council's activities. The actions are expected to provide a defence of "adequate procedures" against any corporate offence. The following steps will be taken:

1.2. **Top Level Commitment** – The Corporate Management Team is committed to preventing bribery by persons associated with the Council. It will achieve this by promoting integrity through ethical open decision making, declaring interests, and refusing offers of gifts and hospitality. Corporate Management Team will also promote the need for staff to make declarations of interests and refusal of gifts and hospitality within their directorates and will monitor to ensure compliance.

1.3. **Risk Assessment** – The nature and extent of the Council's exposure to external and internal risks of bribery will be assessed as part of the Council's risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review.

1.4. **Due Diligence** – A proportionate and risk based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the Council's policy and be expected to operate at all times in accordance with such policy.

1.5. **Communication** – The Council will ensure that this policy and other related policies and procedures are embedded in the Council's working arrangements through appropriate communication, including training, which is proportionate to the risks the Council faces. The Council's induction programme will include reference to the Bribery Act 2010 and this policy.

1.6. **Monitoring and Review** – This policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis. All incidents of bribery or suspected bribery will be reported to the Governance and Audit Committee. An assurance of compliance will be included in the Annual Governance Statement.

1.7. In the context of this policy it is unacceptable for persons acting for or on behalf of the Council to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given

- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure

- accept payment from a third party that is known to be, or suspected to have been, offered with the expectation that it will obtain a business advantage for them

- accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return

- retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy and

- engage in any activity in breach of this policy

2. Gifts and Hospitality

2.1. This policy is not intended to change the requirements of the Council's Gifts and Hospitality policies and procedures. This is contained in the Kent Code and in the Members Code of Conduct in the Council's Constitution. The guidelines clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.

2.2. If there is any doubt about whether an invitation or gift should be accepted then the offer should be refused. Each Corporate Director is required to review their respective Gifts and Hospitality registers at least annually. The Corporate Director of Finance and Procurement will ensure that reminders on this subject and the need for officers to complete a Register of Interests form are sent out every year.

2.3. The procedures for Members' registers of interest are set out in the Members' Code of Conduct.

3. Public Contracts

3.1. Under the Procurement Act 2023 the Council is required to exclude a bidder if they have been convicted of specific bribery and corruption offences. Even if there is no conviction, discretionary exclusion may apply, for example if a bidder has failed to prevent bribery or in a situation where there has been grave professional misconduct. Any instances of mandatory or discretionary exclusion related to bribery and corruption will be reported to the Corporate Management Team for a decision.

4. Member, staff and partner Responsibilities

4.1. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or acting for or on its behalf. All Members, staff, volunteers and partners are required to avoid activity that breaches this policy. Adherence to the policy is mandatory.

4.2. Members, staff, volunteers and partners must:

- Ensure that they have read, understood and comply with the Bribery Act Policy.
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

4.3. In addition to the possibility of criminal prosecution, members of staff who breach the policy will face disciplinary action, which could result in dismissal for gross misconduct.

5. Raising a concern

5.1. Staff are encouraged to raise any concerns with their manager. In addition, the Council has published a Whistleblowing Procedure. This provides information on the courses of action available to report serious concerns (including bribery) in confidence. Members, staff or partners who refuse to accept the offer of a bribe may worry about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

5.2. The Council is committed to ensuring that nobody suffers detrimental treatment through refusing to take part in bribery.

6. Review of the Bribery Act Policy

6.1. It is the responsibility of the Corporate Director of Finance and Procurement to routinely refresh, review and reinforce this policy and its underlying principles and guidelines. All members of staff are responsible for reading and understanding this policy which will also form part of the induction programme.

7. Other relevant policies

7.1. The following policies, procedure documents and codes of conduct should be read in conjunction with the Bribery Act Policy:

- Constitution
- Anti-Fraud and Corruption Strategy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Whistleblowing Procedure
- Kent Code
- Disciplinary Procedure
- Members Code of Conduct
- Spending the Council's Money

Anti-Fraud and Corruption Strategy

Document Owner	James Flannery, Interim Head of Counter Fraud
Version	Version 11

Document Review History

Version	Reviewed	Reviewer	Approver	Date approved
Original				
5	July 2016	Internal Audit	Governance & Audit Committee	6 October 2016
6	5 Sep 2018	Internal Audit	Governance & Audit Committee	24 October 2018
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10	07 Feb 2024	Internal Audit	Governance & Audit Committee	19 March 2024
11	11 Mar 2026	Internal Audit	Corporate Management Team	7 July 2026

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A. Policy Statement

1. Kent County Council takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.

2. The Council will not tolerate fraud or corruption by its Members, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue appropriate sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.

3. To fulfil the Council's Strategy, we must be able to maximise the financial resources available to us. In order to do this, we aim to mitigate the risk of fraud and corruption to zero.

4. This policy statement is underpinned by the Anti-Fraud and Corruption Strategy, which sets out the key responsibilities regarding fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

5. Every £1 that Kent County Council loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching. To reduce losses Kent County Council is committed to:

- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
- The prevention of fraud and the promotion of an anti-fraud culture.
- A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
- The investigation of a risk-based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
- The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:
    - **Govern** the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
    - **Acknowledge** the threat of fraud and the opportunities for savings that exist;
    - **Prevent** and detect all forms of fraud;
    - **Pursue** appropriate sanctions and recover any losses;
    - **Protect** itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

Definition of Fraud

6. The Council defines fraud as 'any activity where deception is used for personal gain or to cause loss to another.' Fraud can be committed in one of three ways:

- **Fraud by false representation** – Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.

- **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with or failing to disclose a personal relationship with someone who is applying for a job at the Council.

- **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.

- **Failure to prevent fraud** – Examples of this include selecting suppliers and business partners that might act as an agent to commit fraud, hiring people who have committed fraud or allowing conflicts of interest that encourage fraud.

7. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is not true.

Definition of Corruption

8. The Council defines corruption as the abuse of entrusted power for private gain; involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

Current Threats and their Impact

9. KCC faces a range of fraud and corruption threats and the impact can be significant causing financial loss, reputational damage and harm to service users and the residents of Kent. In the last 12 months, the most frequent types of fraud and similar crimes that have impacted on KCC are as follows:

- **Misuse of Direct Payments.** This type of fraud causes financial loss to the Council and undermines the public's confidence in the services provided. The individual values vary significantly depending on need but it is estimated that misuse could result in potential losses of £100,000 per year.

- **Cyber Crime.** This type of offence can manifest in a number of forms, through ransomware and denial of service attacks, change of bank details on mandates, payroll and requests for urgent payments. It is estimated

that the potential losses could result into £100,000s per year. With the emergence of Artificial Intelligence, this is a growing threat.

- **Procurement Fraud.** This type of fraud occurs throughout a procurement process, from bribery & cartel risks at tendering stage, through to duplicate/ false invoicing, defective/ non-existent goods and false performance reporting.

- **Contract Fraud.** This type of fraud occurs when KCC are invoiced or make scheduled payments for services / goods that have not been received.

- **False Applications for Financial Support**. The applications are from people falsely presenting to the Council as destitute and having no recourse to public funds. This type of risk has been increasing in Kent. It has a direct financial impact on the Council. Estimating the losses is difficult, but based on previous allegations, it is believed that this type of fraud could result in losses of £250,000 per year.

- **Blue Badge Fraud.** This type of fraud causes a financial loss to the wider Kent economy, undermines the public's confidence in the Blue Badge scheme and prevents genuine Blue Badge users from accessing safe, convenient parking. Using the National Fraud Authority's methodology for calculating losses we estimate the Kent economy could be losing as much as £1.3m per year.

Setting the Culture

B. Standards

10. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following standards from all Members, employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC:

- **Selflessness** - Act solely in terms of the public interest.
- **Integrity -** Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other

material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

- **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty -** Be truthful.
- **Leadership -** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Further reading

11. In addition to this Strategy, there are a range of Policies and procedures that help reduce the Council's fraud risks. These include:

- Anti-Bribery Policy;
- Anti-Money Laundering Policy;
- Whistleblowing Policy and Procedure;
- The Kent Code;
- Disciplinary Policy;
- Financial Regulations;
- Code of Member Conduct;
- Financial Regulations;
- Data Protection Policy.

C. Roles and Responsibilities

The Role of Elected Members

12. As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.

13. This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

The Role of Employees

14. Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.

15. Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.

16. Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies, they should also follow the standards of conduct laid down by them.

17. Employees are under a duty to properly account for and safeguard the money and assets under their control/charge.

18. Employees are required to provide a written declaration of any financial and non-financial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.

19. Failure to disclose an interest or the acceptance or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.

20. Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their Directorates and the communication and implementation of this Strategy.

21. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

The role of the Chief Executive Officer

22. Ensuring that the authority is measuring itself against the checklist for Fighting Fraud and Corruption Locally and there are sufficient resources to manage the risk of fraud.

23. Ensuring the Governance & Audit Committee receives regular reports on the work of those leading on fraud and the external auditor is aware of the reporting.

The role of the Corporate Director of Finance

24. The Corporate Director of Finance is responsible for developing, reviewing and maintaining an Anti-Fraud and Corruption Strategy and for advising on effective systems of internal control to prevent, detect and pursue fraud and corruption; advising on anti-fraud and anti-corruption strategies and measures; and, ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.

25. The Corporate Director of Finance is responsible for ensuring the Head of Internal Audit is assessing its resources and capability at least annually against the current fraud risks and Counter Fraud staff have unfettered access to people and records to prevent and detect fraud.

The Monitoring Officer

26. The Monitoring Officer is responsible for ensuring that Members, Governance & Audit Committee and Portfolio leads are aware of Counter Fraud Activity and provide training on Counter Fraud risks and approaches.

27. The Monitoring Officer is responsible for ensuring The Counter Fraud Team are independent of processes and reports to Governance & Audit Committee to ensure there is Member scrutiny.

The role of the Governance and Audit Committee

28. The Governance and Audit Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.

29. Ensuring that the Portfolio lead is up to date and understands the activity being undertaking to Counter Fraud.

30. Provide support and challenge to the Counter Fraud activity being undertaken across the Council.

Kent County Council's Commitment

31. Fraud and corruption are serious offences and employees and Members may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected, consideration will be given to pursuing criminal sanctions, in line with the KCC Sanction and Prosecution Policy, which may involve referring the matter to the police.

32. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss including the costs of the investigation whenever appropriate.

33. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will be publicised where it is deemed appropriate. This will include use of the Council's Intranet and releasing press statements immediately after criminal convictions are secured. In addition, the Council will promote an anti-fraud culture through fraud awareness campaigns, presentations, training and e-learning.

D. Prevention – Capability, Competence & Capacity

Responsibilities of management

34. The primary responsibility for the prevention and detection of fraud is with management. Management must ensure that they promote an anti-fraud culture and assess the risk of fraud, bribery and corruption. They must ensure appropriate controls are in place to minimise the risk of fraud, for example, this could include establishing procedures, fraud awareness training, authorisation limits and segregating duties.

35. Management must ensure the controls are operating as expected and are being complied with. They must ensure that adequate levels of checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

36. Management must ensure that where there is a risk of fraud and error that the relevant risks are captured within their directorate / service risk register with mitigating controls/ actions to ensure the opportunity of fraud and error is sufficiently mitigated.

37. Management must ensure the development of new policies, strategies and initiatives are fraud-proofed by engaging with Counter Fraud Specialists to support the assessment of the fraud risks.

Internal Audit and Counter Fraud

38. The Head of Internal Audit and Counter Fraud is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.

39. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

40. The Head of Internal Audit and Counter Fraud will establish performance measurements for counter fraud activity and will report progress against the performance measurements to the Governance and Audit Committee.

41. The Counter Fraud Team will provide management with specialist support to assess the risk of fraud, bribery and corruption that it faces through the completion of risk assessments, in particular on the introduction of new policies, strategies and initiatives.

42. Through the completion of proactive and reactive work, make recommendations to management on how to strengthen the counter fraud culture and control framework to help prevent and detect fraud.

Working with others and sharing information - Collaboration

43. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. This will include:

- Coordinating our activity with the other enforcement teams across the Council, such as Waste and Trading Standards, to maximise our impact.
- Working in partnership with District, Borough and City Councils to share intelligence and target our collective resources at the areas at most susceptible to fraud.
- Working with and supporting the Police and other enforcement agencies.

- Working with the Cabinet Office in the development and introduction of the Government Counter Fraud Profession.

44. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the Cabinet Office National Fraud Initiative, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

45. Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (to the Cabinet Office) for example payroll, pension, and accounts payable (but not limited to these) which is then matched to data held by public and private sector bodies. Enquires are made into any positive matches (e.g. an employee on the payroll in receipt of housing benefit).

Training and awareness – Communication

46. The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.

47. Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.

48. Internal Audit and Counter Fraud will provide fraud awareness training to risk areas and on request and will publish its successes to raise awareness.

E. Detection and Investigation – Capability, Competence & Capacity

49. The Council is committed to the risk-based investigation of all instances of actual, attempted and suspected fraud committed against the Council and the recovery of funds and assets lost through fraud.

50. Any suspected fraud, corruption or other irregularity must be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.

51. Action could include:

- Investigation carried out by Internal Audit & Counter Fraud staff;
- Joint investigation with Internal Audit and relevant Directorate management;
- Directorate staff carry out investigation and Internal Audit provide advice and guidance;
- Referral to the Police.

52. The responsibility for investigating potential fraud, corruption and other financial irregularities within KCC lies mainly (although not exclusively) with Internal Audit. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

F. Raising Concerns and the Whistleblowing Policy

Suspicions of fraud or financial irregularity

53. All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Head of Paid Service or the Monitoring Officer.

54. If a member of the public suspects fraud or corruption they should contact the Head of Internal Audit or Counter Fraud Manager in the first instance. They may also contact the Council's External Auditor, all of whom may be contacted in confidence.

55. The Council's Internal Audit Section can be contacted by telephone on 03000 414500 or by mail to internal.audit@kent.gov.uk.

Whistleblowing Policy

56. Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.

57. The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within KCC, without fear of reprisal or victimisation, rather than over-looking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.

58. Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on KNet.

59. Members of the public and those working on behalf of KCC can obtain a copy of the external 'Speaking out against wrong doing Policy' on Kent.gov.uk.

G. Conclusion

60. Kent County Council will maintain systems and procedures to assist in the prevention, detection and investigation of fraud. This Strategy will be reviewed biennially and is available on the Council's Intranet (KNet).

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By:	Russell Smith – Interim Head of Internal Audit
To:	Governance and Audit Committee – 23 July 2026
Subject:	**INTERNAL AUDIT PROGRESS REPORT**
Classification:	Unrestricted

Summary:

This Progress Report details summaries of completed Audit reports between for the period May – July 2026.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period May to July 2026.

FOR ASSURANCE

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1. Introduction

1.1 Professional Internal Audit Standards require that periodic reports on the work of Internal Audit should be prepared and submitted to those charged with governance.

1.2 This Progress Report provides the Governance and Audit Committee with an accumulative summary view of the work undertaken by Internal Audit for the period May to July 2026 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 2026.

3. Background Documents

Internal Audit Progress Report.

Russell Smith, Interim Head of Internal Audit

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INTERNAL AUDIT PROGRESS REPORT

GOVERNANCE AND AUDIT COMMITTEE

23rd July 2026

The engagements included were conducted in conformance with the Global Internal Audit Standards and UK Public Sector Application Note

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 **14** summaries of work undertaken between May 2026 and July 2026.

2. Key Messages

- **14** audit summaries are included from ongoing and finalised work in the period reported. **Appendix A**
- **33** audits from the 2025-26 rolling Audit Plan are have been completed with the remaining priority audits taken for consideration in the 2026-27 Rolling Internal Audit Plan. **Appendix B**
- The Team has to date, audited and certified **15** government grants. There has been no further Grant certification undertaken between May and July 2026. **Appendix C**

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3. Resources

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

- Interim arrangements for the Head of Internal Audit and the Head of Counter Fraud have been extended to September 2026. It is anticipated that an external recruitment exercise will be undertaken in the coming months.
- A trainee Auditor has been successfully recruited into the team. One contractor with previous experience within the team has been brought into the service temporarily to support delivery of current Audit Plans.
- One Principal Auditor will be leaving the team in September and currently options are being explored.
- Audit Management software development and enhancements to Internal Audit processes are ongoing and gathering momentum.
- Technology available to support the completion of the Rolling Internal Audit Plan is being utilised. This includes data analytics tools such as Power Bi and data-driven assurance (continuous auditing).
- The use of Artificial Intelligence is actively being explored and is already generating efficiencies and enhancing delivery.

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4. 2025-26 Internal Audit Plan

The Rolling Internal Audit Plan commenced slightly later in the year than typically, which in conjunction with the External Quality Assessment has meant the Plan is slightly behind where delivery would be expected. However, there has been an increase in the total number of reviews completed during 2025-26 (33, 61%) compared to 2024-25 (24, 55% of priority audits). as reported to January Governance and Audit Committee. Sufficient coverage of priority audit work has been undertaken to provide the Head of Internal Audit Annual Audit Opinion.

The Internal Audits that have not been completed will be considered as part of the 2026-27 Rolling Internal Audit Plan.

Status	No	%
Not Started	0	0%
In Progress	5	9%
Complete	33	61%
Deferred	15	28%
Removed	1	2%
Total		

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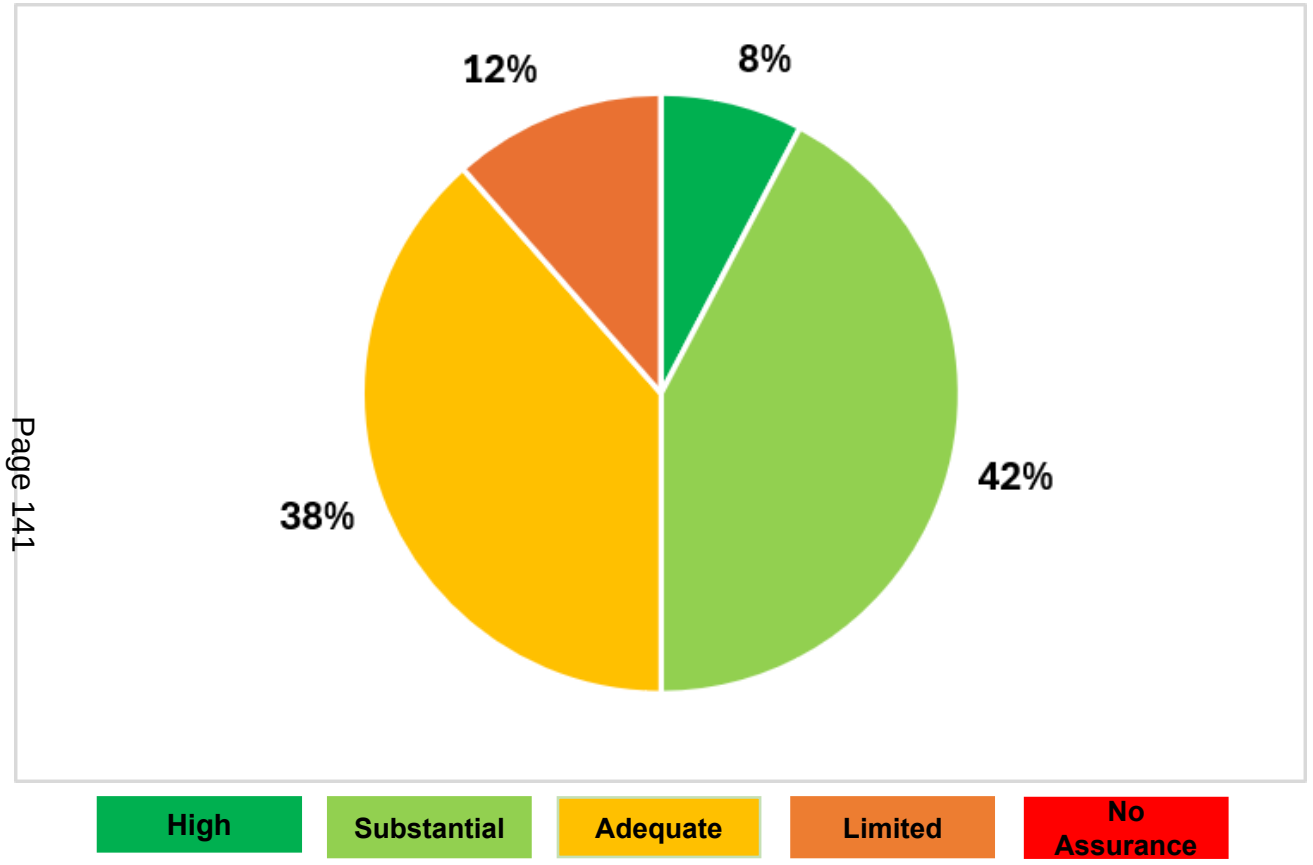
2025-26 Audit Assurance Levels and Prospects for Improvement of Audits



Assurance Level	No	%
High	2	8%
Substantial	11	42%
Adequate	10	38%
Limited	3	12%
No	0	0%

Prospects for Improvement	No	%
Very Good	4	18%
Good	14	64%
Adequate	4	18%
Uncertain	0	0%

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 issues; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so. This report also provides an update on the work completed between May 2026 and July 2026, 17 audit summaries are provided at **Appendix A** covering completed work and updates on ongoing embedded assurance activity.

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Table 1 – Summary of Audits by Committee Meeting

	Governance & Audit Committee – 23rd July 2026			
No	**Audit**		**Opinion**	**Prospects for Improvement**
19	RB11-2026 – Adult Social Care Debt Recovery		**Substantial**	**Good**
21	RB48-2026 – Local Mitigation Fund		**Advisory**	**N/A**
22	RB49-2026 – Data Security and Protection Toolkit		**High**	**Very Good**
23	RB32-2026 - Business Continuity Planning – Post Implementation System Usage (Split opinion)	Functional System	**Substantial**	**Good**
		ASCH	**High**	
		CYPE	**Adequate**	
		GET	**Limited**	
		CED/ DCED	**Adequate**	
24	RB18-2026 - ASCH Provider Failure Risk		**Adequate**	**Good**
25	RB20-2026 - Budget Management		**Adequate**	**Good**
26	RB30-2026 - Essential Living Allowance Follow-up		**Limited**	**Adequate**
27	RB16-2026 - Mosaic Invoice Validation		**Adequate**	**Adequate**
28	RB45-2026 - Oracle Cloud Programme – Communication and Training		**Adequate**	**Adequate**
29	RB44-2026 - Oracle Cloud Programme – Security of Data Migration (***Exempt***)		**Adequate**	**Adequate**
30	RB42-2026 – Commercial & Procurement Oversight Board (CPOB)		**Advisory**	**N/A**
31	RB35-2026 - Restructures		**Substantial**	**Good**
32	RB25-2026 - Process Review of SEND Payments		**Advisory**	**N/A**
33	RB02-2026 - Future Operating Environment – Local Government Reorganisation Implementation		**Substantial**	**Good**

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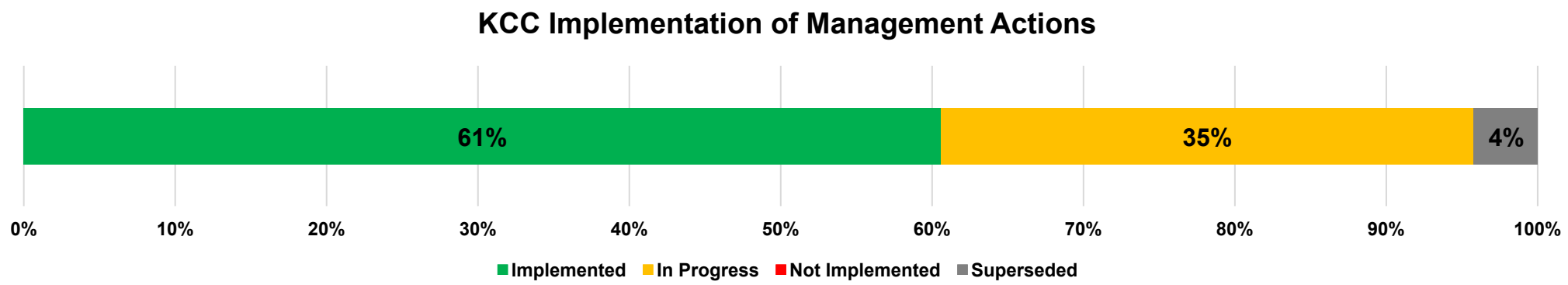
5. Issue Implementation

Details of the current position on the 'Implementation of Agreed Management Actions' is set out at below. This details the implementation status of 71 actions due up till June 2026 categorised by the assurance level assigned to the original report. Though implementation has fallen slightly from the previous period to 61% from 64% there still remains positive implementation compared to those seen in 2024 where implementation dropped to between 22% to 34%. Furthermore, implementation of more longer standing issues (those over 2 years) implementation was at 50%.

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	52	6	37	12	13	0	0	1	2
Total %			32%	71%	63%	25%	0%	0%	5%	4%



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	Age	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
		High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	3+ Years	0	0	0	0	0	0	0	0	0	0
	2-3 Years	0	1	0	0	0	1	0	0	0	0
	1-2 Years	4	9	0	7	4	2	0	0	0	0
	Less than 1 Year	4	3	1	1	3	2	0	0	0	0
CYPE	3+ Years	0	0	0	0	0	0	0	0	0	0
	2-3 Years	0	0	0	0	0	0	0	0	0	0
	1-2 Years	3	1	2	0	0	1	0	0	1	0
	Less than 1 Year	0	4	0	4	0	0	0	0	0	0
GET	3+ Years	0	0	0	0	0	0	0	0	0	0
	2-3 Years	1	0	0	0	1	0	0	0	0	0
	1-2 Years	0	3	0	0	0	3	0	0	0	0
	Less than 1 Year	1	5	0	3	1	2	0	0	0	0
CED	3+ Years	0	1	0	1	0	0	0	0	0	0
	2-3 Years	1	0	1	0	0	0	0	0	0	0
	1-2 Years	0	6	0	5	0	0	0	0	0	1
	Less than 1 Year	1	7	1	6	0	0	0	0	0	1
DCED	3+ Years	0	0	0	0	0	0	0	0	0	0
	2-3 Years	0	0	0	0	0	0	0	0	0	0
	1-2 Years	1	2	0	1	1	1	0	0	0	0
	Less than 1 Year	3	7	1	6	2	1	0	0	0	0
CMT	3+ Years	0	0	0	0	0	0	0	0	0	0
	2-3 Years	0	0	0	0	0	0	0	0	0	0
	1-2 Years	0	1	0	1	0	0	0	0	0	0
	Less than 1 Year	0	2	0	2	0	0	0	0	0	0
Total		19	52	6	34	12	16	0	0	1	2

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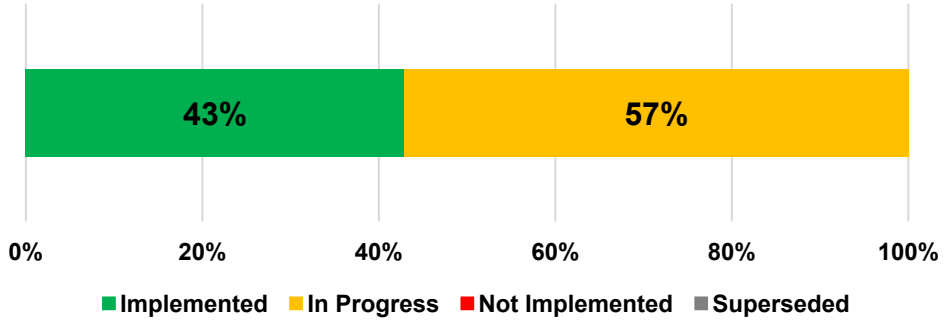
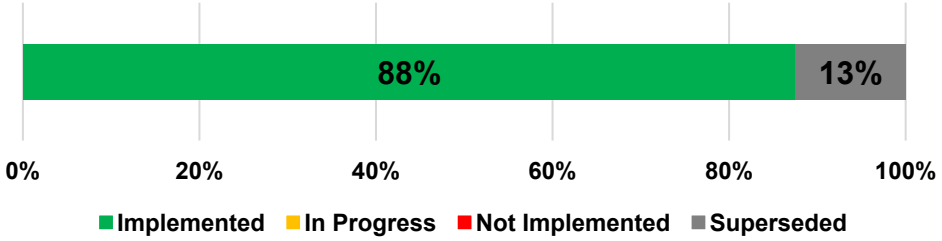
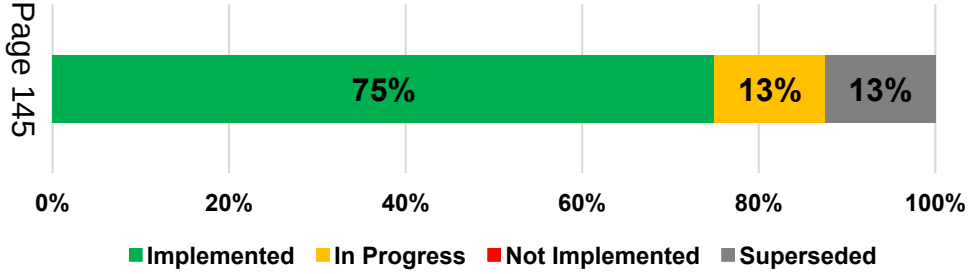
ASCH Implementation of Management Actions



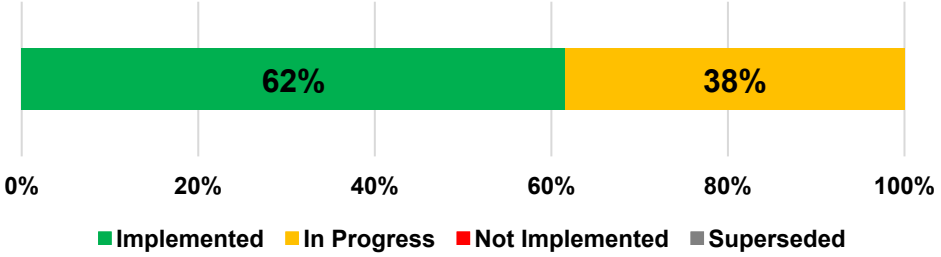
CED Implementation of Management Actions



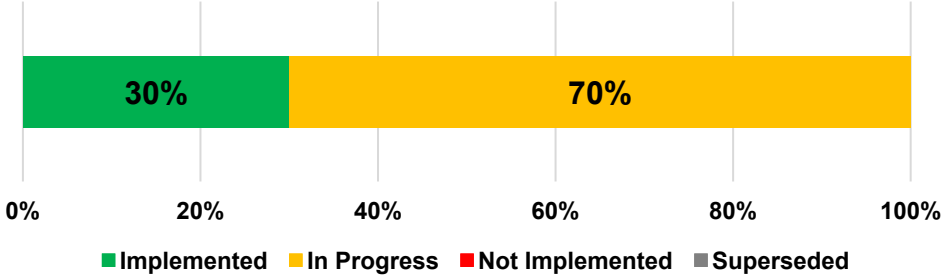
CYPE Implementation of Management Actions



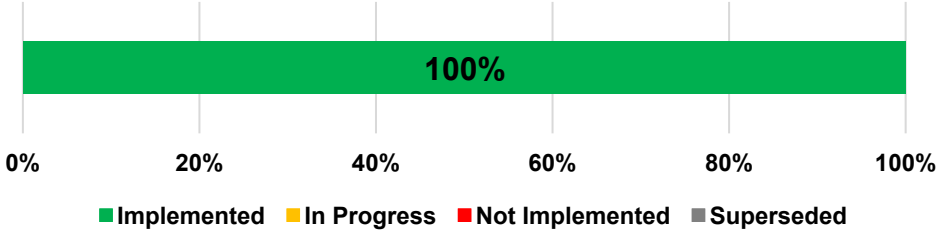
DCED Implementation of Management Actions



GET Implementation of Management Actions



CMT Implementation of Management Actions



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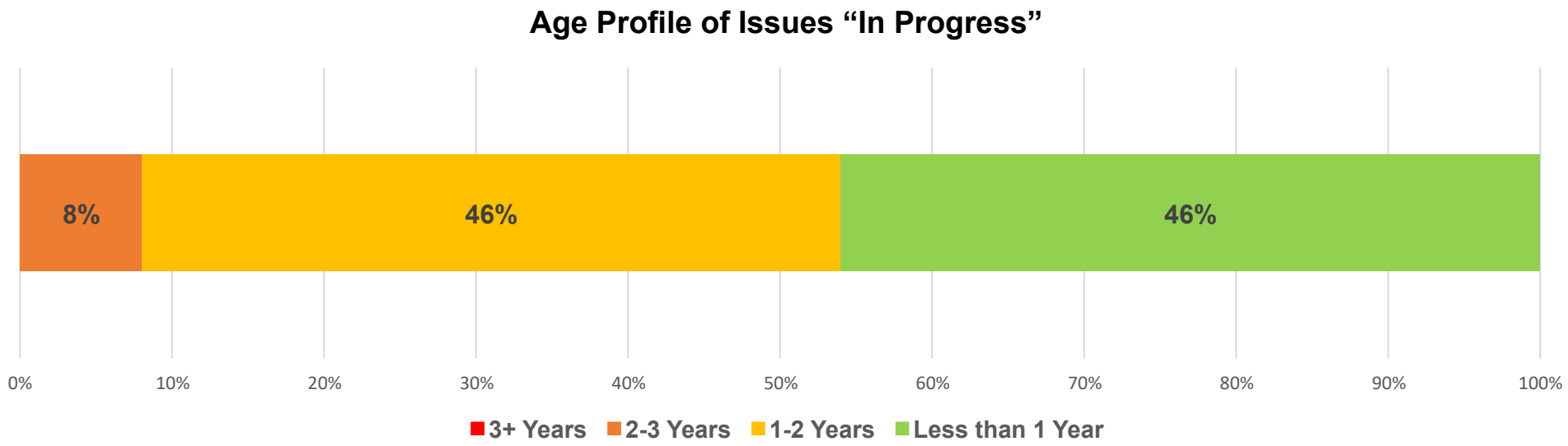
Progress on issues for the period found that 24 issues remain “in progress”. Of which the majority of issues have been open for less than 1 year (46%) or between 1 and 2 years (46%). There were only 7% of issues older than 2 years that have remained in progress.



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RB11-2026 – Adult Social Care Debt Recovery

Audit Objective

The focus of this Internal Audit review was on the debt recovery process. Two areas for development have been raised in this report relating to timeliness and information sharing & communicating but due to this being the responsibility of ASCH no issues have been raised.

Audit Opinion	Prospects for Improvement
Substantial	Good

Actions	Number	Agreed	Risk Accepted
High	0	N/A	N/A
Medium	0	N/A	N/A
Low	1	1	0

Key Strengths

Policies and Procedures	✓ The Debt Recovery Policy demonstrates effective governance through clear ownership, version control, and documented review dates, supporting accountability, transparency, and regular oversight to ensure the policy remains current and fit for purpose.
Debt Recovery Process	✓ Appropriate and consistent recovery actions were undertaken for each debt reviewed, demonstrating a proactive approach to debt management and evidencing that reasonable efforts were made to recover balances before write off decisions were considered.
Write-Offs (Authorisation)	✓ All debt write offs reviewed were approved in line with the established authorisation framework. Write offs signed on behalf of the Section 151 Officer were appropriately delegated in accordance with the Scheme of Delegation and no instances were identified where approval thresholds requiring direct Section 151 Officer authorisation were breached.
Monitoring and Reporting	✓ Clear and informative management reports are regularly produced and used to keep senior management informed of the debt recovery position, supporting effective oversight, timely decision making, and accountability.
Monitoring and Reporting (Automation)	✓ The implementation of the new Oracle Cloud system is intended to enable invoices and statements to be generated automatically, reducing manual intervention, improving timeliness and accuracy, and supporting a more efficient and controlled debt recovery process.

Audit Scope and Scope Limitations

Areas Covered
Commissioning
Operations – Short-Term and Long-Term Support
Holistic ASCH Savings Oversight
Operations – Short-Term and Long-Term Support

Scope Limitations	None

Areas For Development

Low	**Issue 1 – Time Taken to Write Off** • In several instances, debts were pursued for extended periods before being written off, despite the low value involved. This indicates that the time and effort expended to reach the write off decision were not always proportionate to the amount outstanding, potentially reducing the efficiency of the debt recovery process and not presenting best value by delaying.
	Timeliness • During fieldwork there were 7 cases of write off's occurring due to the timeliness of the invoicing/actions, however it is proposed that these will be addressed with the new Oracle Cloud system automatically generating invoices. No issue has been raised.
	Information Sharing and Communicating • During fieldwork it was recognised that one of the write-off cases was as a result of information not being shared with the client by the previous department, highlighting that some delays or write offs may occur due to other errors not within the Debt Recovery department. No issue has been raised.

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RB20-2026 – Budget Management

Audit Objective	
	As part of the 2025-26 Audit Plan, Internal Audit has reviewed the adequacy of budget management arrangements to ensure financial control and accountability are maintained. In forming conclusions, we assessed the budget management processes against the requirements of the Council's Constitution, KCC's Financial Regulations, KCC's financial procedures, Corporate Reserves Requests Guidance, as well as good practice guidance for financial management in local authorities (the CIPFA Financial Management

Audit Opinion	Prospects for Improvement
Adequate	Good

Actions	No	Agreed	Risk Accept
High	1	TBC	TBC
Medium	2	TBC	TBC
Low	1	TBC	TBC

Key Strengths

Directive controls	✓ A range of guidance and support is available to budget managers, including intranet resources and advice from accountants.
Preventative and detective controls	✓ The corporate budget position is subject to regular monitoring and scrutiny and challenge by Senior Management and Members ✓ Utilisation of corporate reserves is subject to Cabinet approval.
Processes and procedures	✓ 22 high-risk/priority savings plan across the Council have been identified and will be subject to greater monthly monitoring and scrutiny by the Strategic Priorities Board (SPB).

Audit Scope and Scope Limitations

Directive controls	
Preventative and detective controls	
Processes and procedures	
Scope Limitations	None

Areas for Development

Medium	**Issue 1 – Budget Manager Training** The Council has developed an eLearning course: 'Budget Manager Basics' for existing budget managers and those looking to move into a budget manager role. However, analysis of 'Budget Manager Basics' training records indicates low uptake of the course among budget managers. Of 474 cost centre managers, only 13 have completed the course. The Chief Accountant's Team has also delivered in-person training to a further 24 budget managers since December 2024. Internal Audit recognise that this training sits alongside a wider range of support available to budget managers.
Low	**Issue 2 – Resource Accountability Statements** The Council's financial regulations require Corporate Directors to ensure that Resource Accountability Statements (RAS) are completed by budget managers. As at the time of our testing in June 2026, 35 out of 68 Heads of Service, 6 out of 23 Directors and none of the 5 Corporate Directors have submitted their RAS.
Medium	**Issue 3 – Aligning Oracle Approval Limits to Scheme of Delegation** The Scheme of Delegation defines four approval levels (£50k, £500k, £1m and unlimited), but we found that the Council's main financial system (Oracle) has been configured with six approval levels. The presence of these additional approval levels in Oracle creates a misalignment between the Council's formally approved governance framework and the system configuration.
High	**Issue 4 – Reserve Utilisation** The Council has set a minimum benchmark of 5% of the net revenue budget to support its financial resilience. The general fund reserves have increased from approximately £39.2m (2.7% of the net revenue budget) in 2024/25 to £66.0m (4.3%) in 2025/26, demonstrating a positive trend. However, reserves remain below the 5% benchmark, and the position is still sensitive to underlying budget pressures, meaning financial resilience cannot yet be considered fully restored.

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RB48-2026 Local Mitigation Fund (LMF)

Audit Objective

Internal Audit was approached to provide advice regarding the set-up of the administration and management of the Local Mitigation Fund (LMF) which is currently being developed prior to going live / open to the applications.

Audit Opinion	Prospects for Improvement
Advisory	N/A

Actions	No	Agreed	Risk Accept
High	0	N/A	N/A
Medium	0	N/A	N/A
Low	0	N/A	N/A

Outcomes

Application Process	✓ Improved decision-making audit trail ✓ Introduction of templates ✓ Provision of a fraud risk assessment which has been used to update the application process ✓ Robust governance structure.
Loan Terms	✓ Loan template includes all required information ✓ Independent director checks facilitate informed decision-making. ✓ Improved monitoring arrangements
Scrutiny	✓ Robust proposed financial assessment framework. ✓ Comprehensive evaluation criteria is in place to ensure value for money.
Timescales	✓ Milestone framework provides clear linkage between achievement and release of funds. ✓ Overall monitoring sheet set-up
Nutrient Reducing Targets	✓ Nutrient reducing targets are clearly defined, supported and monitored. ✓ Funding is only released by evidence of progress against the outcomes.
House Building Targets	✓ Achievement of house building targets will be monitored and tracked.
Oversight	✓ Provision of a comprehensive assurance map setting out the entire process to facilitate the preparation of procedures. ✓ Inclusion of milestones in the monitoring process. ✓ Project oversight and monitoring to facilitate informed decision making.
Subsidy Control	✓ Monitoring and control of subsidiaries.

Conclusion

Internal Audit will continue to provide advice and guidance on an ongoing basis, as and when required, to assist the service when the scheme is open for applications.

There are no management actions to address due to Internal Audit advice being provided on an ongoing basis with regular agile meetings held to discuss and implement any required changes. Improvements suggested by Internal Audit had all been implemented by the date of this management letter.

Audit Scope and Scope Limitations

Areas Covered	
Application Process	
Loan Terms	
Scrutiny	
Timescales	
Nutrient Reducing Targets	
House Building Targets	
Oversight	
Subsidy Control	
Scope Limitations	None

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RB02-2026 - Future Operating Environment – Local Government Reorganisation Implementation – Embedded Assurance

Audit Objective	Internal Audit will operate in a consultancy capacity, attending programme and reorganisation meetings to observe, challenge, and advise on emerging risks and control considerations. While maintaining independence, Internal Audit will not assume any decision-making responsibilities in relation to programme activities The role of Internal Audit is to provide ongoing advice related to Local Government Reorganisation (LGR) programme. This initial review focussed on the Service Complexity Assessments process

Audit Opinion	Prospects for Improvement
Substantial	Good

Audit Scope and Scope Limitations

Areas Covered	
Service Complexity Assessments	
Scope Limitations	None

Observations

- An initial pilot was undertaken with one service in each Directorate. The pilot services were Deprivation of Liberties Safeguards in ASCH, Countywide School Admissions in CYPE and Trading Standards in GET. The aim of the pilot phase was to test and refine the SCA process and ensure that the lessons learned are reflected in wider Council assessments, Following the pilot phase, phase 1 of the process began, which covers all customer-impacted services – this is all services within ASCH, CYPE and GET and a small number of customer-facing services in CED and DCED. A later phase is planned to cover the remaining corporate support services in CED and DCED, which will require close working with District and Medway colleagues through the joint Kent and Medway LGR programme. This is a positive and pragmatic approach to enable the Council to best prepare for the implications of LGR.
- The SCA process is facilitated by two core documents which are Request for Information document (RFI) and the Service Scorecard.
- Review of the core documents found that these covered the core areas for consideration and would enable an opinion on the challenges and opportunities with disaggregation. Some areas for consideration were identified including statutory deadlines and number and scale of contracts however; these are solely for consideration as these are likely to be picked up in wider implementation and planning work for LGR
- A sample of SCA process templates including RFI and scorecards were reviewed and found that these were finalised to a consistent standard which articulated the challenges and opportunities with disaggregation.
- It was highlighted by Officers that other areas in the county outside of KCC are operating information collection however, Internal Audit were informed that this was not to the same level of analysis being undertaken at KCC. KCC Officers are engaging to receive information on other Councils processes to enable further reflection on the current KCC process. This is a sensible approach which enable there to be a level of consistency across the county.
- Once the SCA process has been concluded the findings will be reported internally with outcomes likely to be reported to Devolution and Local Government Re-organisation Cabinet Committee.

Conclusion

Internal Audit will continue to provide advice and guidance on an ongoing basis, as and when required, to assist KCC with progressing through LGR.

In summary, the process for SCA appears robust and reasonable in design which will assist identification of challenges, risks and opportunities presented from disaggregation of county council services. Some areas on the documentation have been identified for consideration to enhance the SCA processes however, these may be picked up in the wider implementation and planning work for LGR.

There are no management actions to address due to Internal Audit advice being provided on an ongoing basis with regular agile meetings held to discuss and implement any required changes. Further advice and updates on LGR will be provided and reported on an ongoing basis moving forward.

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RB24-2026 - No PO No Pay – Embedded Assurance

Audit Objective	The Internal Audit and Counter Fraud service has supported Finance and Procurement in a consultancy capacity to develop and monitor this delivery plan. In addition, Internal Audit provided Finance with Institute of Internal Auditors (IIA) guidance on Accounts Payable auditing as well as an overview of key controls, which has been used to inform additional actions ahead of the No PO No Pay audit on the 2026/27 audit plan. Please note: the assigned auditor for the 2026/27 audit will develop their own detailed work programme to ensure independence and objectivity.

Audit Opinion	Prospects for Improvement
Advisory	N/A

Actions	No	Agreed	Risk Accept
High	0	0	0
Medium	1	1	0
Low	1	1	0

Conclusion

Internal Audit has provided timely assurance throughout the programme, with the observations above highlighting both strengths and areas requiring attention.

In summary, the delivery plan provides a constructive foundation for embedding the No PO, No Pay policy, with 31 items captured, demonstrating that Finance and Procurement have begun to translate known implementation items into a structured improvement plan. During the engagement, and at the time of reporting, six of these items have been closed. Although, during fieldwork, Internal Audit identified multiple gaps in the plan, Finance and Procurement consequently addressed these. Officers have also organised 6-weekly meetings to monitor the plan going forward. Due to resourcing constraints in Procurement, the next important step is for management to confirm item prioritisation and resourcing so that available capacity is directed towards the highest-risk items. Finally, with the help of a data-driven dashboard to assist with assurance, management should identify KPIs to track whether the No PO No Pay policy is being implemented as expected.

Audit Scope and Scope Limitations

Areas Covered

Post-Go-Live & Root Cause Analysis	Governance
Tracking Success to Shape Actions	Building Clear, Achievable Actions
Ensuring Adequate Resourcing	Communication & Change Management
Review Exceptions and Defining Clear Exception Criteria	
Scope Limitations	None

Areas for Development

Medium	**Finding 1 – Prioritisation and Resource Allocation have not yet been completed to support delivery** Resource constraints have been recognised as a delivery risk, particularly within Procurement. Additional resource was identified as being unlikely, meaning prioritisation and risk acceptance will be required. While the delivery plan has continued to develop, management has not yet evidenced a formal prioritisation exercise or resource allocation approach to ensure available capacity is focused on the highest-priority activities.
Low	**Finding 2 – Key Performance Indicators (KPIs) are not defined to track success** The delivery plan includes actions to implement several monitoring mechanisms, including repeat offender reporting, monthly PO reject reporting, six-monthly reporting on non-compliance patterns, and the development of a data-driven assurance dashboard. However, defined KPIs or quantified success measures have not yet been agreed to assess whether the No PO No Pay policy is being implemented as expected.

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RB49-2026 – Data Security and Protection Toolkit

Audit Objective	As part of the 2025/26 Internal Audit Plan, Internal Audit undertook a review of the Council's compliance with the latest version of NHS England's Data Security and Protection Toolkit (DSPT). The aim of the engagement was to provide assurance that the Council is practising good data security and that personal information is handled correctly in line with the Toolkit's assertions.

Audit Opinion	Prospects for Improvement
High	Very Good

Actions	Number	Agreed	Risk Accepted
High	0	0	0
Medium	0	0	0
Low	1	1	0

Key Strengths

- ✓ The Council predominantly demonstrates compliance with each of the mandatory assertions tested and meets the standards set out by DSPT. **See Table 1**
- ✓ The Council's self-assessment process is robust, with good management, regular meetings, and a SharePoint list to gather all evidence in one place

Areas For Development

Low	**Issue 1 – Volunteer Agreements Do Not Include Full Data Security Requirements** • There is no Council-wide standard template for volunteer agreements covering confidentiality, integrity, and availability of data. Documents at directorate level focus on confidentiality only
Ongoing Improvements	• While the use of unencrypted removable media, such as USB flash drives, is prohibited by policy, there are currently no technical controls to prevent this; for example, computer port control, as suggested by the DSPT. However, the Chief Information Systems Officer is aware of this and has informed Internal Audit that work is ongoing to block unencrypted removable media. This is due to progress in June 2026.

Audit Scope and Scope Limitations

Mandatory Assertions DSPT	
Scope Limitations	None

Table 1 – Summary of Mandatory Assertions

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

✓	Compliant	–	Partially Compliant	✗	Not Compliant

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RB18-2026 – ASCH Provider Failure Risk

Audit Objective	As part of the 2025/2026 Audit Plan, Internal Audit reviewed arrangements for identifying and managing ASCH provider failure risk. In forming conclusions, Internal Audit assessed the management of providers' failure risk relating five contracts.

Audit Opinion	Prospects for Improvement
Adequate	Good

Actions	Number	Agreed	Risk Accepted
High	2	2	0
Medium	4	4	0
Low	0	N/A	N/A

Key Strengths

Clear, consistent, and enforceable directive controls	✓ A quality and assurance framework in place that sets out required monitoring activities that will help to identify providers at risk of failure.
Effective Balance of preventative and detective controls	✓ Commissioners routinely engage with external agencies (i.e. CQC as the regulator, NHS as healthcare commissioners) to share intelligence relating to concerns and providers at risk of failure. ✓ External regulatory (CQC) assurance is used to inform internal assessment of provider failure risk.
Process and Procedures – Administration or insolvency of providers	✓ Vacancy lists and details of suitable alternative local providers are maintained as part of continuity planning in the event that a provider fails or exits the market.

Audit Scope and Scope Limitations

Clear, consistent, and enforceable directive controls
Effective balance of preventative and detective controls
Processes and procedures – administration or insolvency of providers

Scope Limitations	None

Areas for Development

Medium	**Issue 1 – Inconsistent Risk Assessment and Rating** 2 out of 5 contracts in our sample currently maintain a risk matrix to monitor and track providers' risk ratings. Furthermore, there is no clearly defined or consistently applied provider risk assessment or scoring model.
High	**Issue 2 – Lack of Early Warning Provider Financial Risk Indicators** Internal audit found that there is limited use of early warning financial risk indicators. This limits the Council's ability to identify providers that may be at risk of financial pressure before issues escalate into business failure.
High	**Issue 3 – Lack of clarity and compliance with Risk-Based Provider Monitoring** ASCH's Provider Quality Assurance Framework requires commissioners to undertake a range of monitoring activities which are intended to support the early identification of provider failure risk. However, we found that monitoring activity has been limited in practice.
Medium	**Issue 4 – Lack of Oversight of Non-Regulated Providers** Internal Audit found that monitoring arrangements are more established for providers delivering regulated activities.. In contrast, non-regulated providers are subject to comparatively limited monitoring and are not covered by external regulatory assurance.
Medium	**Issue 5 – Establishing Procedures for Provider Failure** While documented procedures exist for managing the closure of care homes, there are no equivalent procedures in place for other providers such as those providing homecare, supported living or community equipment.
Medium	**Issue 6 – Inconsistent Post-Closure Reviews and Learning** While the Council's Strategic Reset Programme team has recently reviewed the closure of two Older People's Residential and Nursing (OPRN) providers, we found that post-closure reviews or reports are not routinely completed when providers close or exit the market.

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RB32-2026 – Business Continuity Planning Post Implementation System Usage

Audit Objective

This audit focussed on the uptake of the Meridian system across the Council and the extent to which directorates have completed and uploaded their BCPs ahead of important LGR announcements due next month.

Audit Opinion

Functional System	Substantial
ASCH	High
CYPE	Adequate
GET	Limited
CED	Adequate
DCED	Adequate

Prospects For Improvement

Good

Audit Scope and Scope Limitations

- System Uptake & Adoption
- User Guides & Training
- Governance & Oversight

Scope Limitations: None

Actions	Number	Agreed	Risk Accepted
High	1	1	0
Medium	3	3	0
Low	0	N/A	N/A

Key Strengths

System Uptake & Adoption	✓ Full compliance has been achieved by ASCH, with all 20 Business Continuity Plans fully uploaded and approved.
User Guides & Training	✓ BCP guidance is appropriately centralised, accessible, and comprehensive, with both written and video resources available through KNet, demonstrating good practice in knowledge sharing and accessibility. ✓ The BCP training video is accurate, relevant, and supports effective use of the Meridian system, contributing to consistent and correct completion of BCPs across the organisation. ✓ BCP training is available and appropriately structured, with a clear distinction between system-specific guidance (KNet) and general awareness training (Delta), supporting both practical system use and broader organisational understanding.
Governance & Oversight	✓ There is a clear and regular reporting mechanism in place, with management information on BCP uptake produced monthly and reported through the Cross Directorate Resilience Forum to support oversight and accountability. ✓ The Cross Directorate Resilience Forum is used to highlight areas where plan upload percentage is not improving.

Areas for Development

Medium	**Issue 1 – BCP non-compliance within CYPE** At the time of testing the rate of BCPs uploaded and approved to the meridian system is 92%.
High	**Issue 2 – Insufficient BCP completion and approval rates within GET** At the time of testing the rate of BCPs uploaded and approved to the meridian system is 39%.
Medium	**Issue 3 – BCP non-compliance within CED** At the time of testing the rate of BCPs uploaded and approved to the meridian system is 40%.
Medium	**Issue 4 – BCP non-compliance within DCED** At the time of testing the rate of BCPs uploaded and approved to the meridian system is 88%.

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RB25-2026 – Process Review of SEND Payments

Audit Objective	Internal Audit has undertaken a consultancy review of Special Educational Needs and Disabilities (SEND) Payment Processes as part of the 2025/26 Internal Audit Plan (RB25-2026). The objective of the review was to provide advice to assess the adequacy and effectiveness of controls supporting the processing of SEND payments, including accuracy, authorisation, governance, and risk management.

Audit Opinion	Prospects for Improvement
Advisory	N/A

Actions	No	Agreed	Risk Accepted
High	2	2	N/A
Medium	2	2	N/A
Low	0	0	N/A

Areas for Development

Medium	**Issue 1– Reliance on Manual Processes and Fragmented Data Sources** Testing confirmed that multiple datasets are used to manage and validate payments, requiring manual intervention to ensure consistency and completeness. While controls are operating effectively, the current environment results in a process that is inherently fragile, labour-intensive, and reliant on manual intervention, with significant dependency on staff knowledge and experience.
Medium	**Issue 2 – Limited Automation of Fraud and Duplicate Payment Controls** Controls to detect duplicate or irregular payments are predominantly manual and detective in nature, relying on spreadsheet-based monitoring, reconciliations, and staff-led analytical review. There is limited use of automated system controls, such as duplicate detection tools, exception reporting, or real-time alerts to highlight unusual transactions.

Conclusion

Overall, Internal Audit has observed that controls supporting SEND payment processes are operating effectively in key areas. Provider set-up, payment accuracy, and authorisation arrangements are well established, with testing confirming that payments are supported by appropriate documentation, aligned to approved funding decisions, and subject to review prior to release.

The process also benefits from strong operational oversight, particularly in the management of complex and higher-risk payments, where Finance staff actively identify and investigate potential issues, including duplicate or overlapping funding.

However, SEND payment processes remain highly reliant on manual activity across both standard and ad hoc payments, including the use of spreadsheets and multiple data sources. While controls are operating effectively, this creates a control environment that is labour-intensive, reliant on staff knowledge, and may reduce efficiency and resilience over time.

The complexity of the process and reliance on manual intervention increases pressure on staff and may reduce resilience over time. Internal Audit also observed that workload and capacity pressures continue to affect an already complex operating environment. Continued focus on service resilience, workforce capacity, and process efficiency will be important to ensure the service remains sustainable and responsive to future demand.

Overall, SEND payment processes are operating within an appropriate control framework and are delivering accurate financial outcomes. The issues identified represent opportunities to strengthen resilience, transparency, and efficiency.

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RB30-2026 – Essential Living Allowance – Follow-up

Audit Objective

As part of the 2025/26 Audit Plan, Internal Audit conducted a follow-up of the Counter Fraud review of Essential Living Allowance (ELA) which was conducted in May 2025. This review identified 4 high risk issues.

The original review focused on ELA in payment across the 18+ Service only. The scope of this review has been extended to cover the Adolescent Team and the Children in Care (CIC) Team for completeness of coverage.

Audit Opinion	Prospects for Improvement
Limited	Adequate

New Issues			
Actions	Number	Agreed	Risk Accepted
High	3	3	0
Medium	4	4	0
Low	0	N/A	N/A

Key Findings

Improvements have been made during 2025/26 which include the following:

Overall Strengths

- ✓ Policy and Guidance has been updated to include process maps.
- ✓ The Local Offer includes the responsibility for the young adult to let the Council know of any situational changes.
- ✓ ELA cards and receipts are held securely in a separate safe.
- ✓ A receipt is required to be signed by the young adult on collection of an ELA card.
- ✓ The card agreement includes a statement which outlines the young adult's responsibility to notify the Council of any changes in their situation.
- ✓ In the majority of cases the card agreement had been signed by the young adult as confirmation of receipt and acceptance of the terms.
- ✓ Where an overpayment has occurred recovery letters are routinely sent out to young adults to facilitate recovery.

18+ Team Strengths

- ✓ Internal Audit was informed that team training sessions have been carried out in the team meetings, and the policy and process has been included in staff induction.
- ✓ Managers conduct a monthly review of entitlement which is documented on a spreadsheet to highlight any differences or changes to cases on the system.

CIC and Adolescent Teams Strengths

- ✓ No strengths identified

Scope Limitations

This review solely focussed on the implementation of the agreed management action plans reported in the original review. All audit opinion judgements are based on the review progress of management actions and does not include any wider service areas.

Risk Rating	Original Issues Raised	Implemented	Outstanding	Risk Accepted
High	4	0	4	0
Medium	0	0	0	0
Low	0	0	0	0

Issue	Risk Rating	Status
Issue 1 – Policy	High	Partially Implemented
Issue 2 – Procedure	High	In Progress
Issue 3 – Review/ Reconciliation of Entitlement	High	In Progress
Issue 4 – Historic ELA Payments to Young Persons	High	In Progress

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RB30-2026 – Essential Living Allowance – Follow-up

Audit Observations

Audit Observations

During this audit a number of concerns were raised and investigations are ongoing:

- The ICS Payments & Compliance Officer following the receipt of the audit sample of 30 young people conducted their own internal review and raised numerous queries on the cases selected due to concerns over accuracy and lack of evidence to substantiate that the correct rate of ELA was in payment.
- There is an alleged misuse of e-vouchers.
- Failure to consistently evidence that ELA cards had been consistently received by the young person.
- Internal Audit was informed that allegedly a semi-independent accommodation provider had invoiced for reimbursement of payments not made.

Therefore, it is proposed that a full audit review be carried out in 2027-28 looking into the areas highlighted in this audit report.

Conclusion

The opportunity to share best practice and lessons learnt following the original review conducted by Counter Fraud has not been utilised. The themes identified in the original review have also been identified within wider services which utilise ELA payments. Some progress has been made in each of the 4 areas reviewed.

The review also identified several other issues new issues.

Newly Identified Issues	
High	**Issue 1 – Liberi – Missing Documentation** Internal Audit found that many documents that would be expected to be stored on Liberi were originally missing.
High	**Issue 2 – Inconsistent Monitoring** The Internal Audit review found that there was inconsistency in the monitoring arrangement across teams. As a result, errors and overpayments are not routinely identified and rectified on a timely basis
High	**Issue 3 – Missing Person (MISPER)** A missing person (MISPER) was included in April monitoring spreadsheet, however there was no update on the situation in the June spreadsheet and then the individual was not included on the July monitoring from within the service. It is unclear on the outcomes of the MISPER.
Medium	**Issue 4 - 18 Year Olds – Monitoring** Internal Audit would expect monitoring of individuals turning 18 to only receive the two weeks ELA payments to cover until Universal Credit is in place however, there was no evidence to support that this monitoring is in place.
Medium	**Issue 5 - Overpayment Identification Tracking** Internal Audit established a request of an investigation into an overpayment in April spreadsheet however, the outcomes of the investigation are not included the in June or July spreadsheet and the individual is now no longer included on the spreadsheet. Internal Audit would expect that the outcomes of the investigation be recorded rather than just removed from the spreadsheet.
Medium	**Issue 6 - Card Request Updates** There is an inconsistency in the records pertaining to ELA cards ordered. The monitoring spreadsheets show a mention of cards being ordered in April however, there is no evidence available to support whether the cards have been received.
Medium	**Issue 7 - Unclear Universal Credit Status** From a sample of case notes that were reviewed by Internal Audit it was found that some case notes were unclear on the UC status, or any progress updates beyond the status

RB42-2026 – Commercial & Procurement Oversight Board (CPOB)

Audit Objective

Since January 2025, Internal Audit and Counter Fraud have attended the CPOB in an advisory capacity. Previously, in July 2025, Internal Audit issued a management letter which highlighted multiple strengths of the CPOB in providing effective strategic oversight and robust assurance across KCC's procurement portfolio. This included clear evidence of structured governance, regular monitoring of procurement activity, and proactive engagement with key stakeholders to support informed decision-making.

Audit Opinion	Prospects for Improvement
Advisory	N/A

Actions	No	Agreed	Risk Accepted
High	0	N/A	N/A
Medium	0	N/A	N/A
Low	0	N/A	N/A

Conclusion

The Commercial and Procurement Oversight Board (CPOB) continues to operate within a strong governance framework, supported by senior representation from key Council functions. It provides effective strategic oversight of procurement activity, ensuring alignment with corporate priorities and compliance with relevant regulations and internal rules.

The Board demonstrates a commitment to continuous improvement through high-quality, timely reporting, active engagement and challenge from members, and a clear focus on risk management. Established arrangements, including action tracking and regular reporting to senior committees, provide assurance that procurement activity is appropriately scrutinised and delivering value for money.

Internal Audit Key Observations

- The CPOB benefits from a broad and senior membership, drawing representation from the Commercial and Procurement Division (CPD) alongside key corporate functions such as Finance and Governance & Law, ensuring a well-rounded perspective in discussions and decision-making.
- Leadership arrangements are clearly defined, with the Board chaired by the Head of CPD and supported by a core membership and additional subject matter experts who attend as required.
- The Board operates within a clear governance framework, supported by a well-defined Terms of Reference, and provides strategic oversight of procurement activity across the Council, ensuring alignment with corporate priorities and objectives.
- The Standards and Improvement Team play an integral role in supporting the effective operation of CPOB, including coordination, administration, and facilitation of meetings.
- A structured approach to forward planning is in place, with oversight of the Council's Procurement Pipeline supported by a rolling 12-month programme of activity.
- The Board promotes effective, transparent, and accountable procurement activity, with a strong focus on achieving value for money. It provides constructive challenge and advice on key risks and issues to support robust and informed decision-making.
- Compliance remains a key focus, with the Board considering adherence to public procurement regulations and the Council's internal rules.
- The Board plays an important role in embedding legislative updates and procurement rule changes, while promoting continuous improvement across procurement practices.
- There is ongoing improvement in the quality, clarity, and timeliness of information presented to the Board. Reports are well-structured and circulated in advance, supporting effective scrutiny and enabling timely consideration of emerging issues.
- Fraud risk management remains a key consideration, with a clear expectation that fraud risk assessments are undertaken as part of individual procurement processes.
- There is a continued focus on capturing and applying lessons learned to strengthen future procurement activity.
- Internal Audit input is incorporated where appropriate, including feedback on individual procurement exercises.
- Regular reporting arrangements are in place, with six-monthly updates provided to the Governance & Audit Committee, Corporate Management Team (CMT), and Corporate Board, supporting organisational oversight.
- An effective action tracking mechanism is in place, enabling clear monitoring of agreed actions, ownership, and progress, and supporting accountability and timely follow-up.

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RB35-2026 - Restructures

Audit Objective	As part of the 2025/2026 Audit Plan, Internal Audit reviewed the adequacy and effectiveness of controls in place to ensure organisational restructures comply with Council policy and employment law, and align with Council objectives.

Audit Opinion	Prospects for Improvement
Substantial	Good

Actions	Number	Agreed	Risk Accepted
High	0	N/A	N/A
Medium	2	2	0
Low	2	2	0

Key Strengths

Governance, approvals, metrics and financial impact	✓ Approved business cases are in place, enabling the Council, in the event of a tribunal or challenge, to demonstrate that restructuring decisions are transparent, strategically aligned, and evidence-based.
Leadership, capacity and accountability	✓ Restructure proposals are subject to Senior Management challenge, scrutiny, and approval before implementation.
Legal compliance and communication	✓ There was timely and adequate communication to staff and Trade Unions to inform them a restructure will be happening. ✓ The staff consultations in our sample met the definition of "genuine and meaningful" as set out in ACAS statutory guidance. ✓ Equality Impact Assessments are carried out before and/or during restructure decisions, as required by the Public Sector Equality Duty.
Redundancy decision-making	✓ The redundancy processes reviewed were found to be fair and transparent, as required under employment law. ✓ Those affected are offered mental health and wellbeing support during the restructure or redundancy process. ✓ Those selected for redundancy were given adequate notice in line with statutory notice period.
Transition to Business-as-Usual, Post-implementation review, guidance and corporate learning	✓ There are appropriate guidance and support from HR to advise departments during a restructure to help ensure compliance with employment law.

Audit Scope and Scope Limitations

Areas Covered
Governance, approvals, metrics and financial impact
Leadership, capacity and accountability
Legal compliance and communication
Redundancy decision-making
Transition to Business-as-Usual, Post-implementation review, guidance and corporate learning

Scope Limitations	None

Areas for Development

Medium	**Issue 1 – Business Case Template** Restructure business case template could be improved to help services clearly show that they have considered alternative options, identified key risks to service delivery, and explained how they will measure and track the benefits of the restructure.
Medium	**Issue 2 – Early Identification of Resource and Capacity** Only half of the business cases in our sample include a high-level project plan outlining key stages such as consultation, the assessment and selection process, notice periods and exit management, and transition to the new structure. However, none clearly identify the staff or resources required to lead or deliver the restructure.
Low	**Issue 3 – Managing Organisational Change Training** The Council has developed an eLearning course for staff leading or managing organisational change, such as restructures ("Managing Others Through Change – Bitesize Learning"). However, our sample testing indicates that uptake of this training is low, as none of the designated restructure managers in our sample had completed the course.
Low	**Issue 4 – Post Project Review/ Customer Feedback** HR advisors involved in restructures are not consistently requesting feedback.

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RB16-2026 – MOSAIC Invoice Validation

Audit Objective

The purpose of this audit was to provide early assurance over the processes and procedures of the work carried out by the Adults Invoice Validation Team.

Audit Opinion	Prospects for Improvement
Adequate	Adequate

Actions	Number	Agreed	Risk Accepted
High	1	TBC	TBC
Medium	2	TBC	TBC
Low	3	TBC	TBC

Key Strengths

MOSAIC Data Accuracy	✓ There is a clear, structured process supported by detailed guidance of MOSAIC data extraction and requirements to complete the AIVT audit process. ✓ A comprehensive data quality log is in place produced by the AIVT identifying root issues of data quality errors. ✓ There has been proactive escalation through a draft report to be presented to senior management that includes clear identification of financial, legal, and equality impacts and well-defined recommendations to address systemic data issues.
Care Provider Evidence Eligibility	✓ The AIVT are working to improve the level of detail set out in the provider contract for record of care delivered. ✓ Within the audit process it includes discussion with key senior management as well as an escalation step that may be required for breach of contract from care providers.
Calculation Accuracy of Identified Overpayments	✓ A calculation methodology is held by AIVT with recent progress in documenting the reclaim methodology and step-by-step process including use of structured Excel tools to support consistent calculation. ✓ There has been a responsive approach to learning, with updates made following identified errors and resolve complex scenarios. Utilising the calculation model, no issues in the recalculation supporting the AIVT audit outcome for a completed care provider review. ✓ There is a defined review process involving Counter Fraud to validate evidence before reclaims are attempted.
Monitoring and Follow up	✓ Detailed reporting has been produced for 5 care provider reviews including calculations, summaries, and proportionate recommendations. ✓ There has been a demonstrated financial impact, with £32,789.66 in secured reclaims to date. ✓ There is a formal approval process in place for reclaim amounts.

Audit Scope and Scope Limitations

MOSAIC Data Accuracy
Care Provider Evidence Eligibility
Calculation Accuracy of Identified Overpayments
Monitoring and Follow up

Scope Limitations	None

Areas for Development

Medium	**Issue 1 – Investigation Period** Testing is limited to four-week periods, reducing the ability to maximise savings, where care providers utilise digital care records there may be opportunity to expand the sample selection utilising Artificial Intelligence
Medium	**Issue 2 – Insufficient Contracted Record Keeping Expectations** Maintaining a record of delivered care is set out in the provider contract template however this lacks detail of the expectations of care provider records.
Low	**Issue 3 – No Formal Approval of Methodologies** Methodologies for the calculation process and AIVT step by step process are not yet formally reviewed or approved internally.
High	**Issue 4 – No Validation of Calculation Methods** There is a lack of specialised and independent validation (e.g. Finance/Accounts) on the calculation methods used, increasing risk of incorrect calculations.
Low	**Issue 5 – Absence of Formal Lessons Learned Process** There is no formal "lessons learned" log to capture and embed improvements from past issues that have been resolved by the AIVT.
Low	**Issue 6 – No Reclaimed Fund Tracking** There is currently a lack of visibility over whether raised invoices have been paid, and funds received meaning the Variation Tracker does not currently capture end-to-end recovery status.

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RB45-2026 – Oracle Cloud Programme – Communication & Training

Audit Objective	The purpose of this audit was to provide assurance over communication and training arrangements in place for the Oracle Cloud Programme.

Audit Opinion	Prospects for Improvement
Adequate	Adequate

Actions	Number	Agreed	Risk Accepted
High	2	2	0
Medium	2	2	0
Low	0	N/A	N/A

Key Strengths

Communications Engagement and Training	• Communications and training plans are substantially complete and ready to be finalised once Go-Live milestones are confirmed, with preparatory activities progressed in advance where possible. • Learning Support Developers have used the delay period productively to enhance Phase 1 training content and strengthen capability across OGL development, administration and project management. • Feedback from Phase 1 and ongoing stakeholder engagement has been used to inform Phase 2 communication, engagement and training preparations.
Training Plans	• A comprehensive Training Plan and Training Needs Analysis are in place, covering user needs, experience levels, scope, learning approaches, dependencies, constraints, risks, performance gaps and lessons learned. • Training governance arrangements include user access planning, defined approval and sign-off processes, RACI responsibilities, resource requirements and transition to BAU considerations. • Draft success measures have been identified to support monitoring of training effectiveness, including learner feedback, observation, system usage, adoption metrics, OGL analytics, error reduction and support demand indicators.
Training Resource	• Dedicated Learning Support Developer resources have been assigned to support training development, delivery and user readiness activities. • Learning Support Developers are currently providing interim administration of the OGL platform and support for development of training content. • Training content development and administration are managed internally, reducing reliance on external providers.

Audit Scope and Scope Limitations

Areas Covered	
Communications, Engagement and Training	Governance and Monitoring of Risks and Issues
Training Plans	Training Resource
Communication and Engagement	Communication and Engagement Plans
Scope Limitations	None

Areas for Development

Medium	**Issue 1 – OCP Programme – Dependency Logging** Programme dependencies were not adequately logged in the OCP Risk Assumptions, Issues and Dependencies (RAID) log; which could mean that not enough information is available to Senior Managers at decision making points.
High	**Issue 2 – Administration and Maintenance of the OGL System and Updating of Training Material Post Go-Live** Extensions to Learning Support Developer contracts and formalisation of a plan for BAU were not yet in place to ensure skills are retained and the management of the OGL system together with the creation and updating of the training content continues after Go-Live.
High	**Issue 3 – Compressed Timescales due to UAT Defect Resolution Over-Running** UAT had somewhat paused awaiting input from the Oracle leading Partner, to provide investigation and possible resolution to address the defects found, in liaison with the Programme Team. The progressing of defect resolution was ongoing and the announcement of the Go-Live date had been delayed. This meant there were risks which could impact on the trainers being able to create accurate content on OGL, and communications and engagement staff providing effective key messages

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RB45-2026 – Oracle Cloud Programme – Communication & Training

Key Strengths

Communication & Engagement Resource	• A dedicated Communications & Engagement Officer has been assigned to the Programme to support communication, engagement and readiness activities. • Ongoing engagement has taken place with subject matter experts, managers, stakeholders and users through established programme forums, including the Business Readiness Group. • Communication objectives, key messages, stakeholder groups, audience requirements and engagement activities have been defined to support user adoption and organisational readiness, including consideration of high-impact stakeholders.
Communication & Engagement Plans	• The Communication & Engagement Plan has been developed using Institute of Internal Communication's (IoIC) guidance and includes detailed activity planning, risk management, programme dependencies and strategies to respond to changing Go-Live timelines. • Stakeholder influence, impact, expectations and readiness requirements have been assessed using stakeholder mapping and risk-rating to support targeted communications and engagement activities. • Defined communication channels, engagement routes, leadership actions, RACI responsibilities and ongoing plan maintenance support delivery and adaptation to organisational change.
Governance and Monitoring of Risks and Issues	• OCP Board and SRP Board arrangements provide oversight of programme progress, risks, issues and user readiness, with risks and issues regularly reported for decision-making. • Governance arrangements support ongoing review of programme risks, issues, user readiness and lessons learned throughout the Programme lifecycle. • A Go/No-Go framework has been established, incorporating directorate readiness approvals, training and communication preparedness, tested OGL content, support model readiness, communication sign-off and Day 1 support arrangements.

Areas for Development

Medium	**Issue 4 – Success Criteria – User Readiness** The Training Plan, Scope and related documents had not yet been approved / signed off. Qualitive and quantitative success criteria had been built into the Communications & Engagement plan, and success criteria and measures were also listed in the Training plan. In some cases the measures listed in the Plans required quantifying, and the Plans updating.

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Appendix B – 2025-26 Rolling Internal Audit Plan Status

No	Ref	Audit	Status	Assurance	Prospects for Improvement	Governance & Audit Committee
	RB01-2026	Fulfilling Best Value Statutory Duty	Fieldwork			
33	RB02-2026	Future Operating Environment – Local Government Reorganisation Implementation	Ongoing	Embedded Assurance	N/A	July 2026
	RB03-2026	New Contact Centre Contract	Deferred			
	RB04-2026	Ongoing Review of Identified Actions	Ongoing	Follow-up	N/A	January 2026
10	RB05-2026	Oracle Cloud Programme - Embedded Assurance	Ongoing	Embedded Assurance	N/A	January 2026
1	RB06-2026	Oracle Cloud Programme - Programme Management – Follow up	Final Report	Follow-up	N/A	September 2025
	RB07-2026	Payment Card Industry Data Security Standards (PCI DSS) Follow up	Deferred			
	RB08-2026	Annual Governance Statement – Directorate Action Plans	Deferred			
	RB09-2026	Contract Management & Monitoring	Deferred			
13	RB10-2026	ASCH Saving Delivery Plan Governance	Final Report	Limited	Good	May 2026
19	RB11-2026	Adult Social Care Debt Recovery	Final Report	Substantial	Good	July 2026
	RB12-2026	Commissioning and Transformation – Embedded Assurance	Ongoing			
18	RB13-2026	Direct Payments including Follow up	Final Report	Follow-up	N/A	May 2026
8	RB14-2026	Information Governance - ASCH	Final Report	Substantial	Good	January 2026
	RB15-2026	ASCH Future Planning of Contracts	Deferred			
27	RB16-2026	MOSAIC Invoice Validation	Draft Report	Adequate	Adequate	July 2026
	RB17-2026	Safeguarding – Protecting Adults at Risk	Deferred			
24	RB18-2026	ASCH Provider Failure Risk	Final Report	Adequate	Good	July 2026
	RB19-2026	Public Substance Misuse Health Campaigns	Deferred			
25	RB20-2026	Budget Management	Draft Report	Adequate	Good	July 2026
	RB21-2026	Post-Implementation Review of Commissioning	Deferred			
15	RB22-2026	Personal Data - Invicta Law (combined with GCSG)	Final Report	Substantial	Good	May 2026

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No	Ref	Audit		Status	Assurance	Prospects for Improvement	Governance & Audit Committee
	RB23-2026	Core Financial Controls		Deferred			
20	RB24-2026	No Purchase Order No Pay		Final Report	Embedded Assurance	N/A	May & July 2026
32	RB25-2026	Process review of SEND Payments		Draft Report	Advisory	N/A	July 2026
	RB26-2026	Recommissioning of TEP - Transition of Early years service back to KCC		Removed			
	RB27-2026	CYPE Assurance Map		Fieldwork			
	RB28-2026	Education Health Care Plan (EHCP) Outcomes		Deferred			
	RB29-2026	All Pay (Replacement of Kent Card) - Card Payments		Deferred			
26	RB30-2026	Essential Living Allowances - Follow-up		Final Report	Limited	Adequate	
17	RB31-2026	Elective Home Education		Final Report	High	Very Good	May 2026
23	RB32-2026	Business Continuity Planning – Post Implementation System Usage	Functional System	Final Report	Substantial	Good	July 2026
			ASCH		High		
			CYPE		Adequate		
			GET		Limited		
			CED		Adequate		
			DCED		Adequate		
3	RB33-2026	Health and Safety		Final Report	Substantial	Very Good	January 2026
	RB34-2026	Managers - People Management Responsibilities (Objective Setting and Performance Management)		Deferred			
31	RB35-2026	Restructures		Final Report	Substantial	Good	July 2026
6	RB36-2026	Property Disposals		Final Report	Substantial	Good	January 2026
	RB37-2026	Economic Strategy		Deferred			
16	RB38-2026	Emissions Trading Scheme – Financial Modelling & Assumptions		Final Report	Adequate	Good	May 2026
2	RB39-2026	Helping Hands Follow up		Final Report	Follow-up	N/A	September 2025
11	RB40-2026	Highways Term Maintenance Contract – Embedded Assurance		Final Report	Embedded Assurance	N/A	January 2026
7	RB41-2026	Utility Works on Kent Network – Process and Alignment of Utility Works		Final Report	Adequate	Good	January 2026

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30	RB42-2026	Commercial & Procurement Oversight Board (CPOB)	Final Report	Advisory	N/A	July 2026
5	ICT01-2026	Backups	Final Report	Substantial	Good	January 2026
	ICT02-2026	Legacy IT Works	Deferred			
	ICT03-2026	Cyber Security Topical Requirements	Fieldwork			
14	ICT04-2026	Laptops – Asset Management	Final Report	Substantial	Good	May 2026
	RB43-2026	Oracle Cloud Programme – Resources	Not Started			
29	RB44-2026	Oracle Cloud Programme – Security of Data Migration	Final Report	Adequate	Adequate	July 2026
28	RB45-2026	Oracle Cloud Programme – Communication & Training	Final Report	Adequate	Adequate	July 2026
	RB46-2026	Oracle Cloud Programme - Readiness for the New Payroll System	Deferred			
	RB47-2026	Oracle Cloud Programme – Lessons Learned Review	Draft Report	Advisory	N/A	
21	RB48-2026	Local Mitigation Fund (LMF)	Final Report	Advisory	N/A	July 2026
22	RB49-2026	Data Security and Protection Toolkit (DSPT)	Final Report	High	Very Good	July 2026
12	RB56-2025	Public Health Service Transformation Programme	Final Report	Embedded Assurance	N/A	January 2026
4	RB31-2025	Unaccompanied Asylum-Seeking Children (UASC) Reception Centres and Registered Children's Homes	Final Report	Substantial	Very Good	January 2026

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Appendix C – Grant Certification

Government Department	Description	Amount	Current Status
Department of Transport	Bus Service Operators Grant (BSOG) – Annual grant to support local bus services (reported Previously)	£1,100,000	Complete
Department of Transport	Integrated Transport & Maintenance Block (Reported Previously)	£47,000,000	Complete
Department of Transport	Local Transport Block Funding – Pothole Fund (Previously Reported)	£4,300,000	Complete
Department of Transport	Bus Service Operator Grant for Walmer in Dover	£2,000,000	Complete
Department for Culture, Media & Sport	Sport England 2023-24	£900,000	Complete
Department for Health	Supplementary substance Misuse Treatment & Recovery (SSMTRG) 2024-25 (mid year & end of year review)	£2,200,000	Complete
Department for Health	SSMTR – Housing Support Fund 2024-25 (mid year & end of year review)	£809,000	Complete
Department for Health	Inpatient Detoxification Treatment (IPD) 2024-25 (mid year & end of year review)	£814,000	Complete
Department for Health	Individual Placement Support (IPS) 2024-25 (mid year & end of year review)	£257,000	Complete
Department for Health	Rough Sleeping Drug & Alcohol Treatment 2024-25 (mid year & end of year review)	£586,000	Complete
Department for Culture, Media & Sport	Sport England	£832,002	Complete
Department for Transport	Bus Services Improvement Grant (BSIP) 2023-24	£18,985,735	Complete
Department for Transport	Bus Services Improvement Grant (BSIP) 2024-25	£18,985,735	Complete
Department for Health	OHID Substance Misuse Grant (DATRIG & IPD)	£3,701,746	Complete
Department for Health	Individual Placement Support (IPS) 2025-26	£198,960	Complete
Total		**£118,007,178**	

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Audit Opinion

High	Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively. Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives. There are examples of best practice. No significant weaknesses have been identified.	**Limited**	Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.
Substantial	Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.	**No Assurance**	Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation. Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved
Adequate	Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk. There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.		

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Prospects for Improvement	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

Issue Risk Ratings	
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.
Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system 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.

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

Document is Restricted

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By:	Russell Smith – Interim Head of Internal Audit
To:	Governance and Audit Committee – 23rd July 2026
Subject:	**INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR 2025-26**
Classification:	Unrestricted

Summary:

This Annual Report details:

- The overall outcomes and key themes from Internal Audit work undertaken during 2025-26.
- 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 Global Internal Audit Standards (GIAS) 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 GIAS and the result of the Internal Audit Quality Assurance an 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 GIAS;
- Internal Audit Performance;
- Internal Audit Resources; and
- Disclosure on Impairment and Escalation.

1.4 The issues detailed in the attached report have will be considered by the Council in the formulation of the draft Annual Governance Statement for 2025-26.

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 2025-26 Internal Audit work and the resultant **'Adequate'** opinion to the Annual Governance Statement.

3. Background Documents

Appendix A: Internal Audit Annual Report 2025-26.

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July 2026

Kent County Council

Internal Audit Annual Report 2025-26

July 2026

1. Purpose and Background

1.1 This Annual Report provides a summary of the work completed by the Internal Audit service during 2025-26.

1.2 Professional Internal Audit Standards 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 professional standards 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.

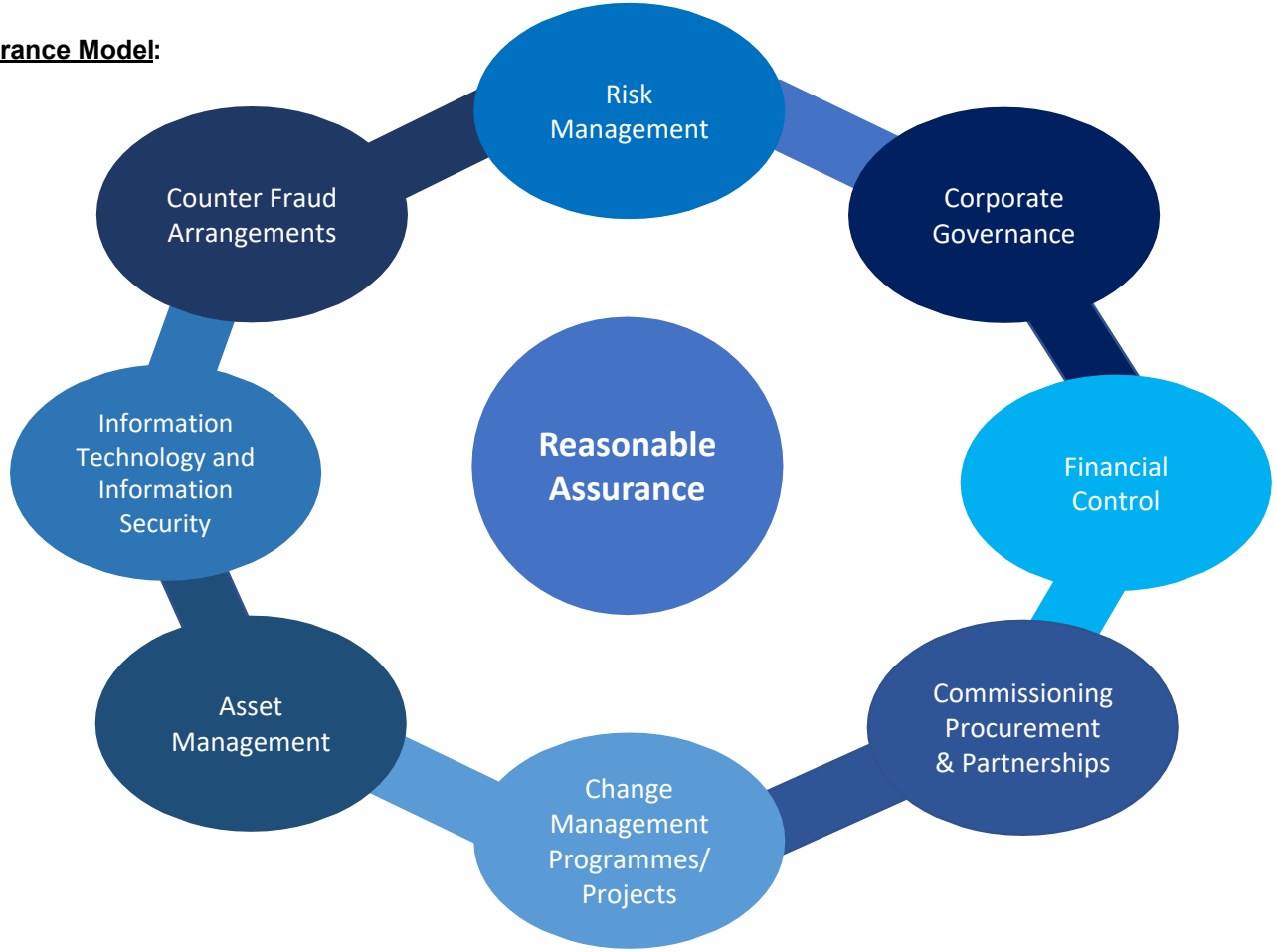
1.4 Additionally, the report highlights key messages and outcomes, issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from work undertaken by Internal Audit.

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 resource 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.

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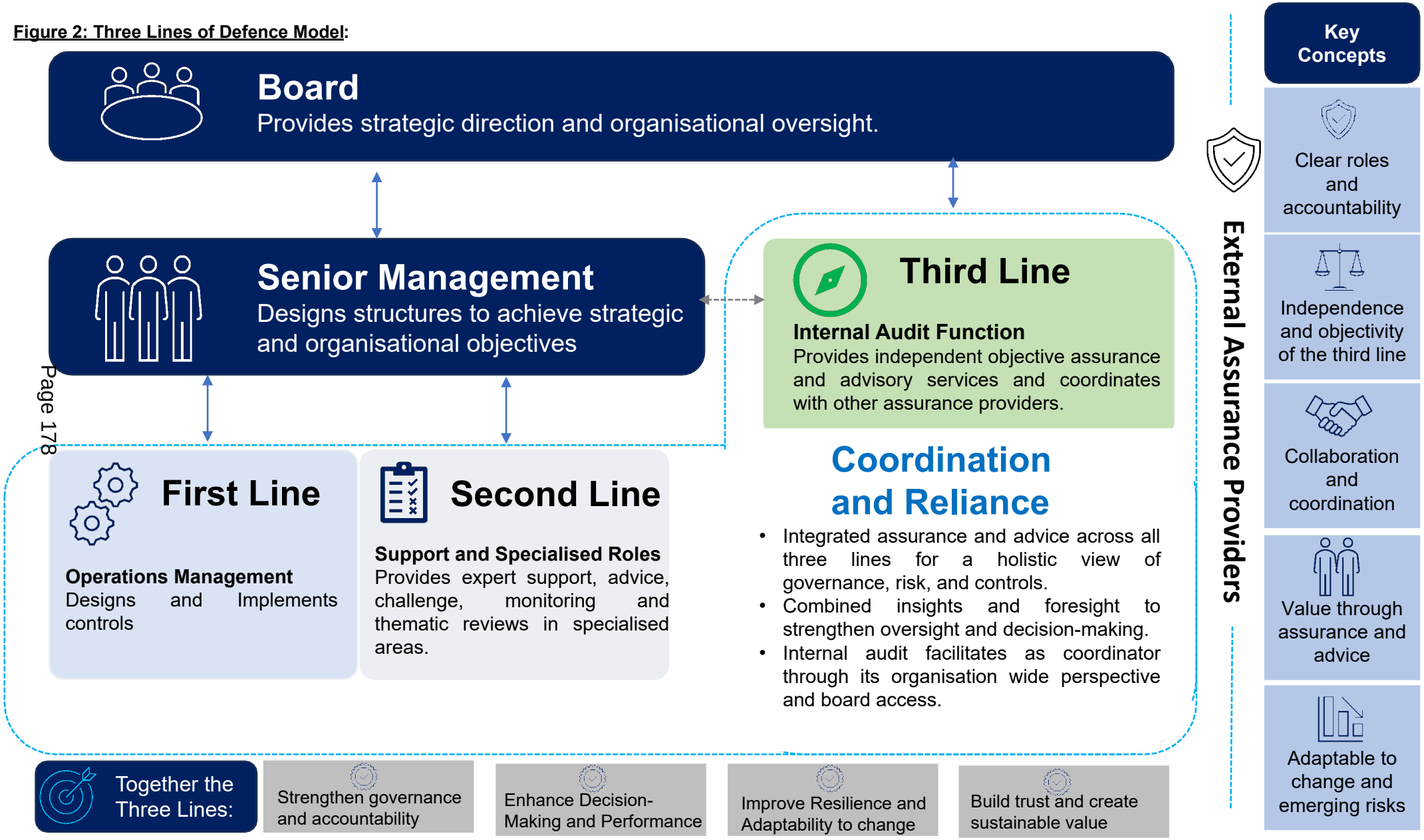
1.8 The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model:

Figure 2: Three Lines of Defence Model:



Key Concepts

- Clear roles and accountability
- Independence and objectivity of the third line
- Collaboration and coordination
- Value through assurance and advice
- Adaptable to change and emerging risks

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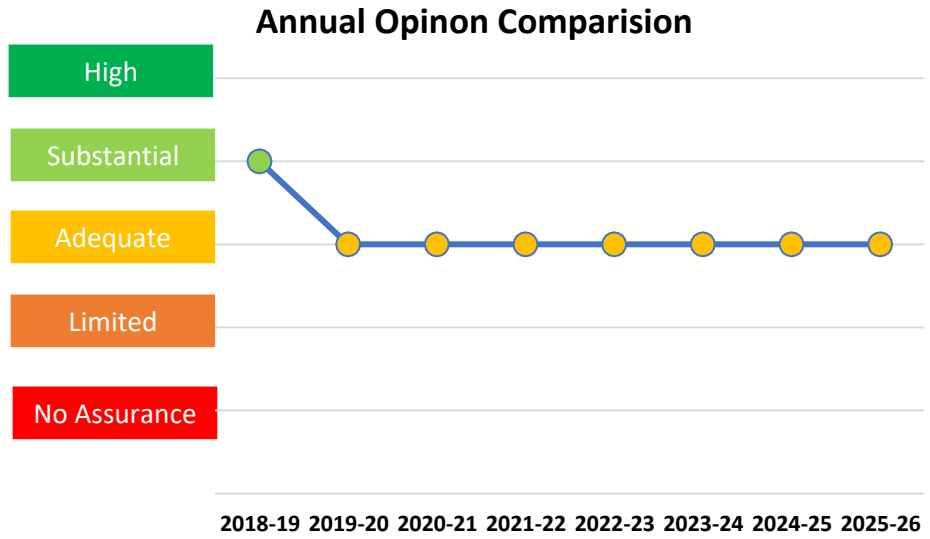
2. Annual Opinion

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 overall.

2.3 There has been a maintained trajectory in the proportion of systems, processes or functions which are assigned an assurance level of "Substantial" or High" with 50% in 2025-26 in line with 50% in 2024-25 and 52% in 2023-24. There was a slight increase in the assigning of "Limited" assurance in 2025-26 to 17% from 15% in 2024-25.



2.4 A 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 improvements across 2025-26. Thus, for example, the outcome of the Programmed Follow Up work was that of 28 issues raised, 69% had been fully implemented.

2.5 The opinion is also based on the evaluation of the implementation of agreed management actions to address internal control and risk management issues identified by Internal Audit reports. In 2024-25, full implementation rates increased to 62% in 2024-25 from 34% in 2023-24. The positive trend in implementation of management actions was taken into 2025-26 with implementation reported to January (64%) and July (61%) Governance and Audit Committees. This was a positive step in the implementation of agreed management actions and should be continued to be built upon in 2026-27.

2.6 It should be emphasised that the assignment of an overall "Adequate" assurance opinion in 2025-26 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 navigate.

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2.7 Internal Audit aims to add and protect organisational value and continues to work collaboratively with stakeholders, senior management and the Governance and Audit Committee to improve governance and internal control arrangements. Examples include:

- 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;
- Helping the Council look back and learn from experiences with clear and targeted reports;
- Providing insight by evaluating the Council's current state of maturity and examining the strengths, weaknesses and effectiveness of risk management arrangements;
- Highlighting emerging risks and blind-spots that require monitoring and managing, for example identifying weaknesses using advanced data analytics;
- 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 income generated services delivered to external clients;
- Promoting and delivering on the ethos of talent management and development of members of the service; and
- Input to Council wide Information Governance and Risk groups.

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 using a risk-based approach to engagement planning.

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3. Summary of Internal Audit Work 2025-26

Delivery Against the Internal Audit Plan

3.1 **Appendix 1** details delivery against the 2025-26 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 5**. For the 2025-26 Audit Plan, a total of 33 audit engagements were undertaken of which 26 (79%) audit opinions were given. The assurance levels assigned are set out in **Appendix 5**.

3.3 Overall, 50% of systems or functions have been assigned with "Adequate" assurance or lower with 38% assigned Adequate and 12% assigned Limited assurance. The assigning of "Substantial" or "High" assurance opinions (50%) in 2025-26 was in line with 2024-25 (50%). Furthermore, the levels of High assurance reviews (8%) has decreased from 2024-25 (20%) as illustrated in Table 1.

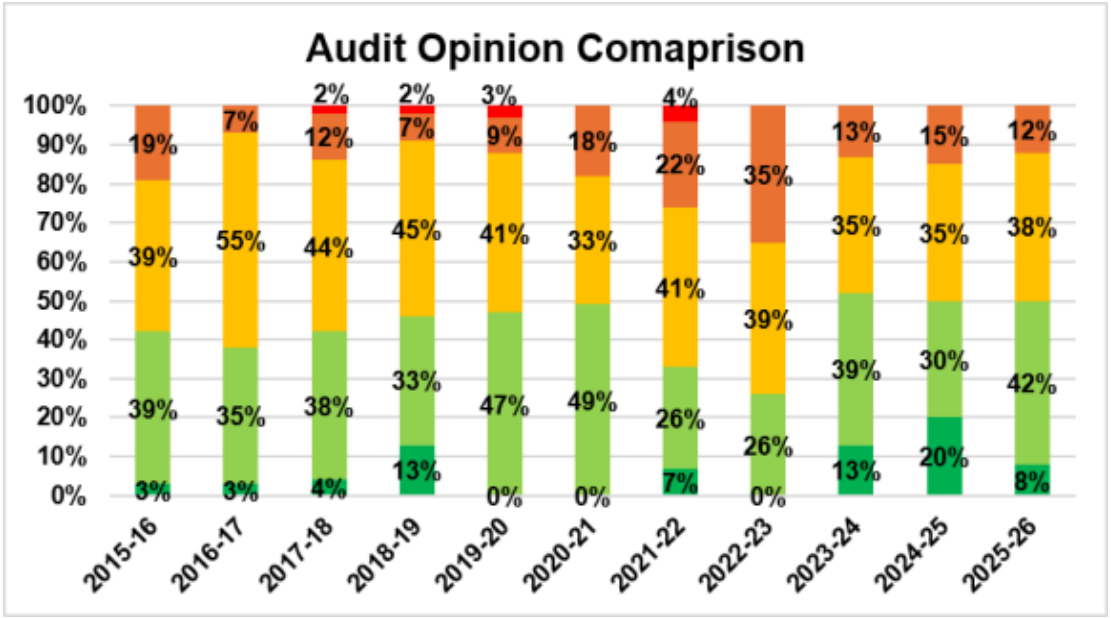
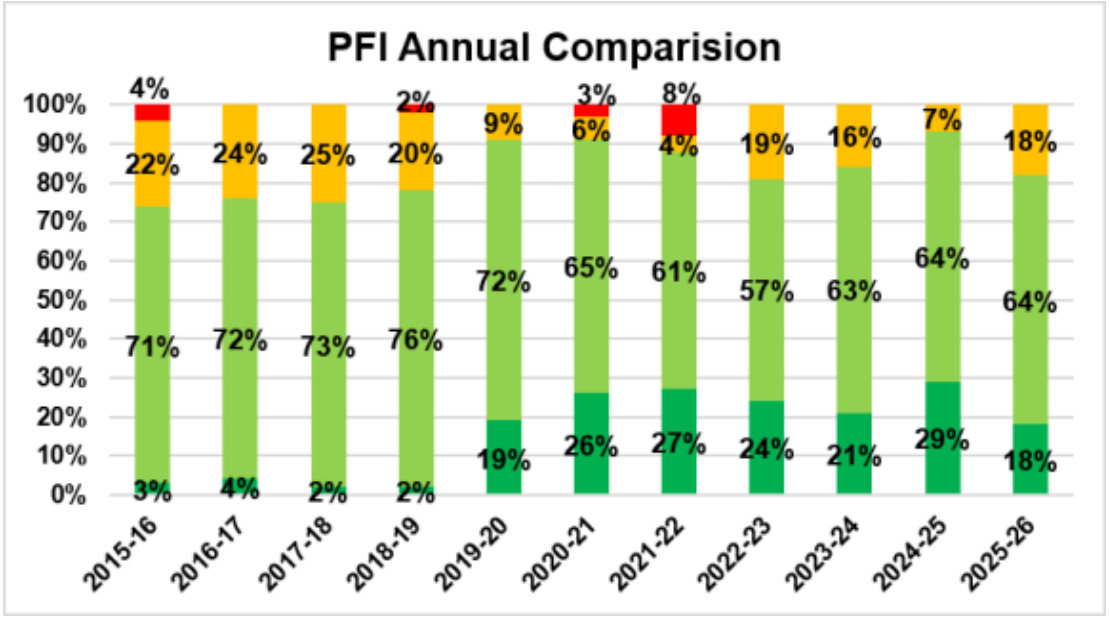


Table 1: Summary of Assurance Opinions 2015-16 to 2025-26

Assurance Level	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
High	3%	3%	4%	13%	0%	0%	7%	0%	13%	20%	8%
Substantial	39%	35%	38%	33%	47%	49%	26%	26%	39%	30%	42%
Adequate	39%	55%	44%	45%	41%	33%	41%	39%	35%	35%	38%
Limited	19%	7%	12%	7%	9%	18%	22%	35%	13%	15%	12%
No Assurance	0%	0%	2%	2%	3%	0%	4%	0%	0%	0%	0%
Substantial or Above	**42%**	**38%**	**42%**	**46%**	**47%**	**49%**	**34%**	**26%**	**52%**	**50%**	**50%**

3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2025-26 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 5**.

3.6 Overall, 82% of systems or functions have been assessed as having good, or better, prospects for improvement. This is a slight decrease from the previous year, as illustrated in **Table 2**.

Table 2: Summary of Prospects for Improvement 2015-16 to 2025-26

Prospects for Improvement	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Very Good	3%	4%	2%	2%	19%	26%	27%	24%	21%	29%	18%
Good	71%	72%	73%	76%	72%	65%	61%	57%	63%	64%	64%
Adequate	22%	24%	25%	20%	9%	6%	4%	19%	16%	7%	18%
Uncertain	4%	0%	0%	2%	0%	3%	8%	0%	0%	0%	0%
Good or Above	74%	76%	75%	78%	91%	91%	88%	81%	84%	93%	82%

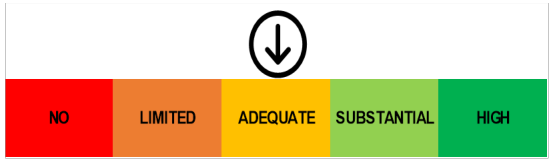
Reasonable Assurance Methodology Analysis

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 audit activities which both assign an opinion in addition to those that make audit conclusions and observations in management letters against 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 effectiveness of governance, risk management 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
1	RB06-2026 - Oracle Cloud Programme – Programme Management Follow-up	Follow-up	N/A	September 2025
10	RB05-2026 - Oracle Cloud Programme – Embedded Assurance	Embedded Assurance	N/A	January 2026
11	RB40-2026 - Highways Term Maintenance – Embedded Assurance	Embedded Assurance	N/A	January 2026
13	RB10-2026 - ASCH Saving Delivery Plan Governance	Limited	Very Good	May 2026
16	RB38-2026 - Emissions Trading Scheme – Financial Modelling & Assumptions	Adequate	Good	May 2026
17	RB31-2025 – Elective Home Education	High	Very Good	May 2026
28	RB45-2026 - Oracle Cloud Programme – Communication & Training	Adequate	Adequate	July 2026

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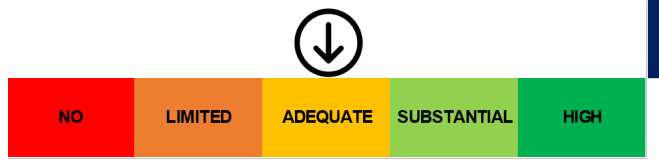
1. Corporate Governance



Direction of Travel

No.	Audit		Opinion	Prospect for Improvement	Summary to Committee
33	RB02-2026 - Future Operating Environment – Local Government Reorganisation Implementation		Substantial	Good	July 2026
23	RB32-2026 – Business Continuity Planning – Post Implementation System Usage (Split Opinion)	Functional System	Substantial	Good	July 2026
		ASCH	High		
		CED	Adequate		
		DCED	Adequate		
		CYPE	Adequate		
		GET	Limited		
-	RB04-2026 - Ongoing review of identified actions		Follow-up	N/A	January & July 2026

A Governance Recommendation Improvements Plan (GRIP) is in place which tracks identified improvements from Internal and External Audit, AGS and associated reports.

The ASCH Saving Delivery Plan Governance review identified that there are ongoing refinements to governance structures with several improvements however, a lack of transparency over alternative savings plans for undeliverable savings and weekly savings target review meetings also did not include savings targets for transparency. In addition, the Terms of Reference for Directorate Management Team is currently being strengthened.

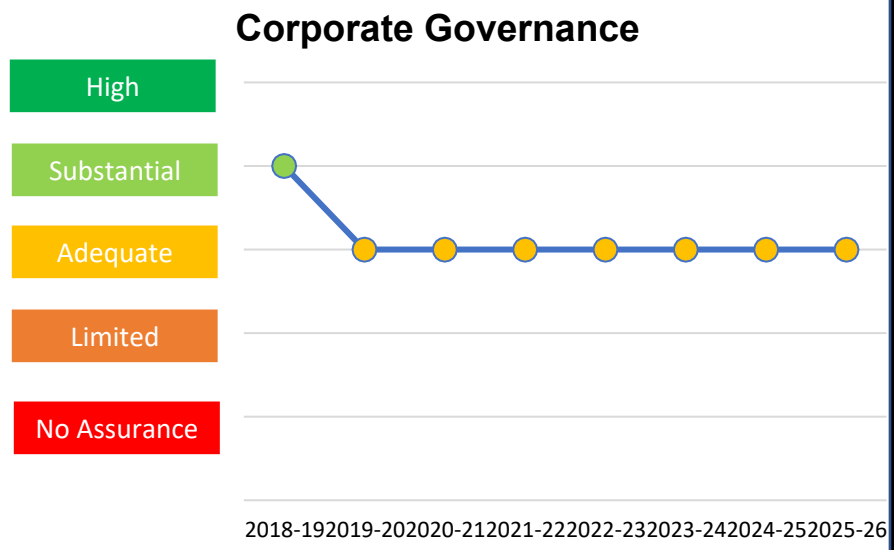
The review of Elective Home Education (EHE) found that EHE decision making criteria is evidenced to support decisions and governance arrangement to be operating effectively.

The review of Business Continuity Plans identified that a number of plans had not been uploaded and approved within the Meridian system. The Corporate Management Team cannot obtain the assurance needed that business continuity arrangements are in place, up to date, and consistent with corporate standards across the organisation which may weaken governance.

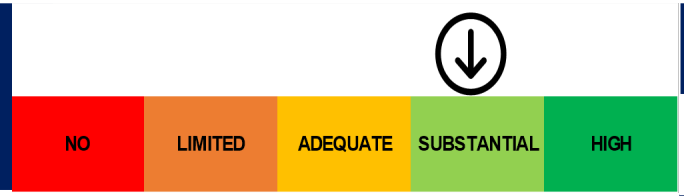
The embedded assurance provided on the Highways Term Maintenance Contract found that there has been adequate internal governance arrangement in place for the procurement phase. There were clear programme roles and responsibilities and timely arrangements to support decision making.

Implementation of agreed management actions found that broadly more positive implementation rates had been maintained during 2025-26

Internal Audit continue to provide embedded assurance on the Oracle Cloud Programme which will continue into 2026-27. Enhancements in relation to decision making and governance have been identified This is a pivotal time for the programme and a new programme Director has been appointed to drive the programme through to implementation of phase 2.



2. Risk Management



Direction of Travel

No.	Audit		Opinion	Prospect for Improvement	Summary to Committee
1	RB06-2026 - Oracle Cloud Programme – Programme Management Follow-up		Follow-up	N/A	September 2025
3	RB33-2026 - Health and Safety		Substantial	Very Good	January 2026
4	RB31-2025 - Unaccompanied Asylum-Seeking Children (UASC) – Reception Centres and Registered Children's Homes		Substantial	Very Good	January 2026
10	RB05-2026 - Oracle Cloud Programme – Embedded Assurance		Embedded Assurance	N/A	January 2026
13	RB10-2026 - ASCH Saving Delivery Plan Governance		Limited	Good	May 2026
17	RB31-2026 - Elective Home Education		High	Very Good	May 2026
34	RB47-2026 - Oracle Cloud Programme – Lesson Learned Review		Advisory	N/A	July 2026
23	RB32-2026 – Business Continuity Planning – Post Implementation System usage (Split Opinion)	Functional System	Substantial	Good	July 2026
		ASCH	High		
		CED	Adequate		
		DCED	Adequate		
		CYPE	Adequate		
		GET	Limited		
24	RB18-2026 – ASCH Provider Failure Risk		Adequate	Good	July 2026

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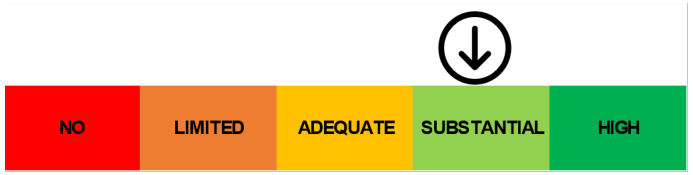


Direction of Travel

Review of Oracle Cloud Program (OCP) identified that risk management practices within the programme continue to embed. Internal Audit have observed an improvement in this with greater emphasis taken at the OCP Board and financial risk quantification taking place where possible.

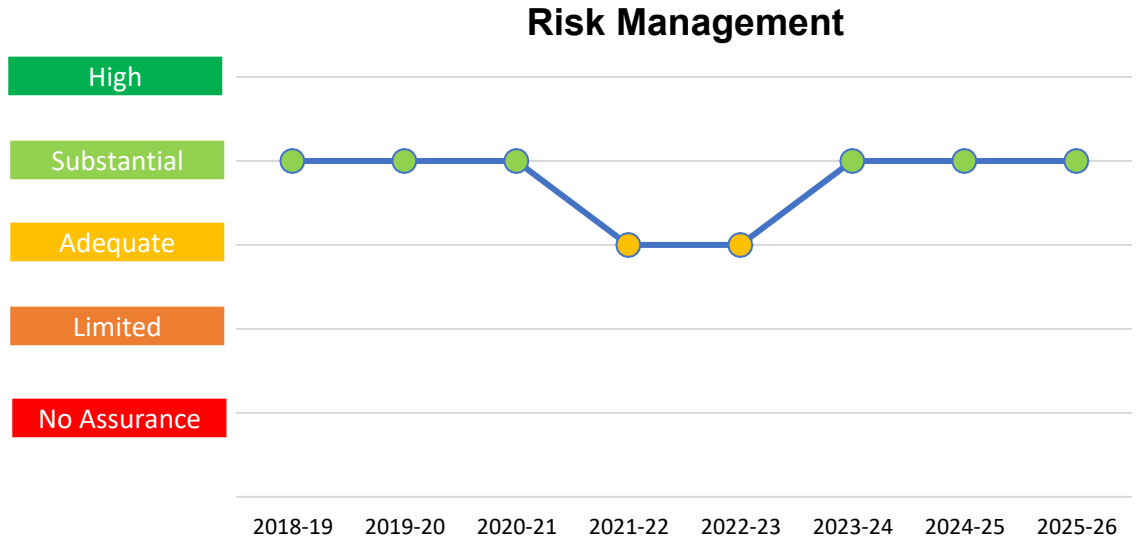
Audit assurance was provided on Health and Safety risk profiling app in which it was found to be generally working effectively utilisation of the app could be enhanced. In addition, training arrangements could be enhanced.

The review of Business Continuity Planning found that there is a robust functional processes in place however, several BCP's had not been uploaded and approved in the meridian system.

The review of unaccompanied Asylum-seeking children reception centres and registered children's homes found that reputational risks are well managed. In addition, there are live risk registers and structured risk matrices in place used to assess treats.

The review of ASCH Saving Plan Delivery Governance found that though risks and barriers are identified and noted in weekly highlight reports that there is no comprehensive risk log in place to monitor and review risks effectively.

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. Internal Audit did not undertake a review of Risk Management during 2025-26 as the previous review found a comprehensive and formally approved framework is in place, aligned with ISO 31000 and the Orange Book. A review of Risk Management will be undertaken during 2026-27.



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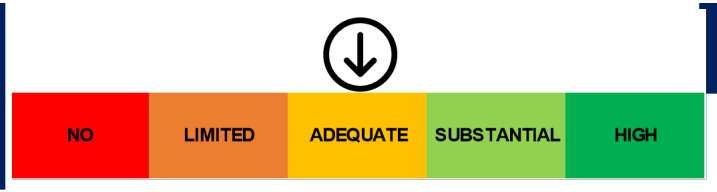

Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
1	RB06-2026 - Oracle Cloud Programme – Programme Management Follow-up	Follow-up	N/A	September 2025
2	RB39-2026 - Help Hands Follow-up	Follow-up	N/A	September 2025
4	RB31-2025 - Unaccompanied Asylum-Seeking Children (UASC) – Reception Centres and Registered Children's Homes	High	Very Good	January 2026
10	RB05-2026 - Oracle Cloud Programme – Embedded Assurance	Embedded Assurance	N/A	January 2026
15	RB10-2026 - ASCH Saving Delivery Plan Governance	Limited	Good	May 2026
16	RB38-2026 - Emissions Trading Scheme – Financial Modelling & Assumptions	Adequate	Good	May 2026
18	RB13-2026 - Direct Payments Follow-up	Follow-up	N/A	May 2026
19	RB11-2026 - Adult Social Care Debt Recovery	Substantial	Good	July 2026
20	RB24-2026 - No Purchase Order No Pay	Embedded Assurance	N/A	July 2026
21	RB48-2026 – Local Mitigation Fund (LMF)	Advisory	N/A	July 2026
25	RB20-2026 - Budget Management	Adequate	Good	July 2026
26	RB30-2026 - Essential Living Allowance Follow-up	Limited	Adequate	July 2026
27	RB16-2026 - MOSAIC Invoice Validation	Adequate	Adequate	July 2026

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3. Financial Control

NO | LIMITED | ADEQUATE | SUBSTANTIAL | HIGH

Direction of Travel

No.	Audit	Opinion	Prospects for Improvement	Summary to committee
32	RB25-2026 - Process review of SEND Payments	Advisory	N/A	July 2026

The Limited Assurance review of ASCH Saving Delivery Plan Governance found a number of enhancements in relation to savings plans. Management action plans have been determined for these areas and will be followed-up by Internal Audit during 2026-27.

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.

Follow-up reviews of Direct Payments and Helping Hands were undertaken which found positive implementation of previously identified actions. Further work will be explored for Direct payments during 2026-27 utilising data-driven assurance.

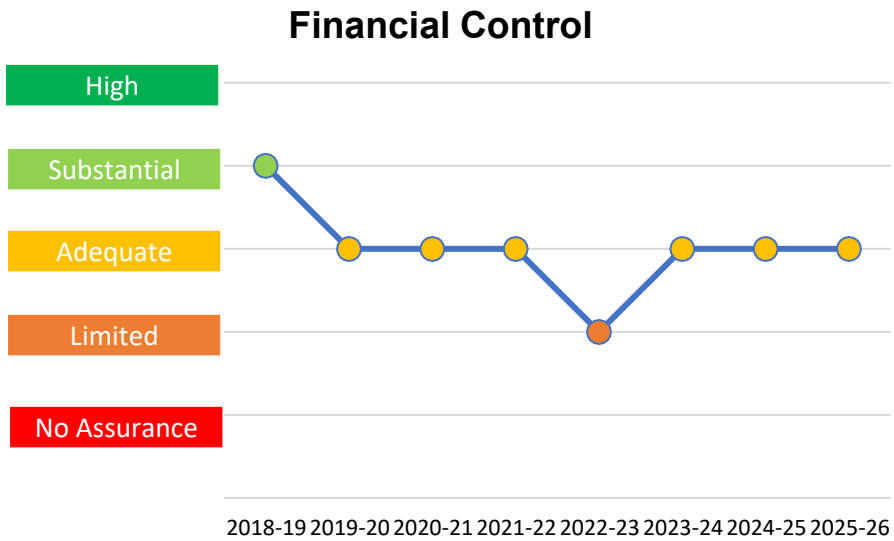
Embedded assurance work on the Oracle Cloud Programme initially identified significant weaknesses in relation to financial management however, there has been improvement on the financial monitoring and reporting of the budget position to the Programme Board.

The advisory review of the Local Mitigation Fund (LMF) provided ongoing advice throughout in which provided advice on governance, scrutiny and monitoring of the fund. The advice given resulted in strengthening of controls with all suggestions made by Internal Audit implemented.

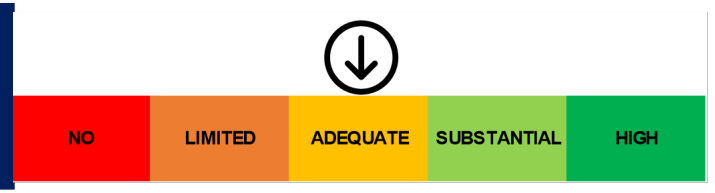
For the UASC audit it was found that financial controls in relation to cash, cards and procurement were operating effectively.

The review of MOSAIC Invoice validation found that there was a clear structured process which was supported by detailed guidance. The issues identified in this review related to heavy reliance on manual data extraction and the calculation methods used to determine any reclaim amounts.

The Emissions Trading Scheme review found that the MTFP Spending App provides transparent visibility of the ETS financial pressure submitted into the financial plan. However, there was not a structured process for approving or tracking changes to ETS figures with no supplementary versions or evidence of prior reviews, meaning the evolution of estimates cannot be reconstructed, verified easily or independently.



4. Change, Programme and Project Management



Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
1	RB06-2026 - Oracle Cloud Programme – Programme Management Follow-up	Follow-up	N/A	September 2026
7	RB41-2026 - Utility Works on Kent Network – Process and Alignment of Utility Works	Adequate	Good	January 2026
10	RB05-2026 - Oracle Cloud Programme – Embedded Assurance	Embedded Assurance	N/A	January 2026
12	RB56-2025 - Public Health Service Transformation Programme Delivery – Embedded Assurance	Embedded Assurance	N/A	January 2026
16	RB38-2026 - Emissions Trading Scheme – Financial Modelling & Assumptions	Adequate	Good	May 2026
28	RB45-2026 - Oracle Cloud Programme – Communication & Training	Adequate	Adequate	July 2026
33	RB02-2026 - Future Operating Environment – Local Government Reorganisation Implementation	Substantial	Good	July 2026

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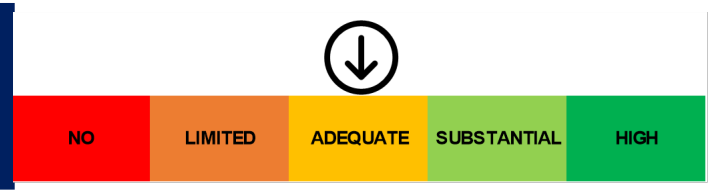


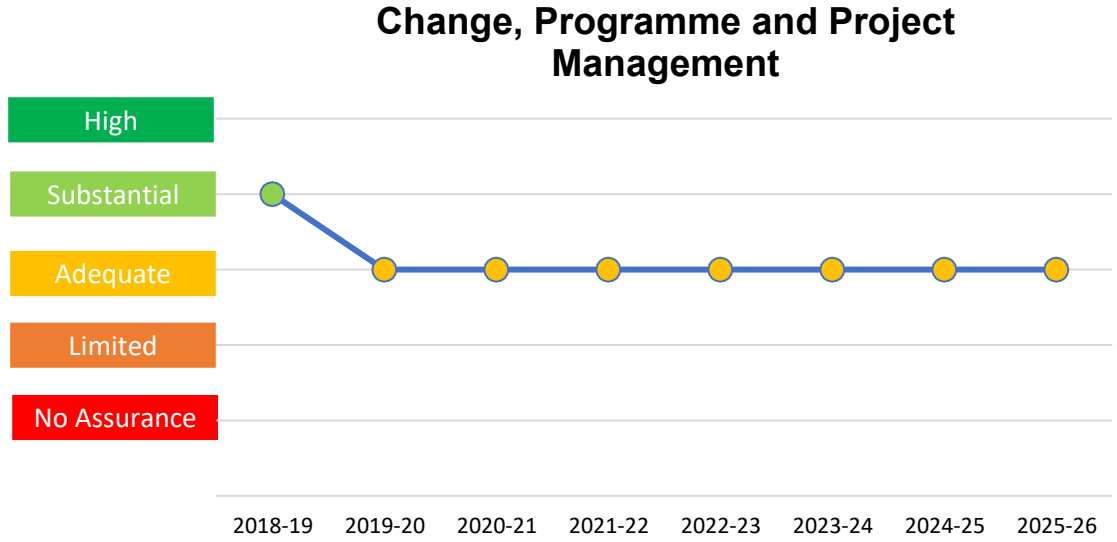
Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee

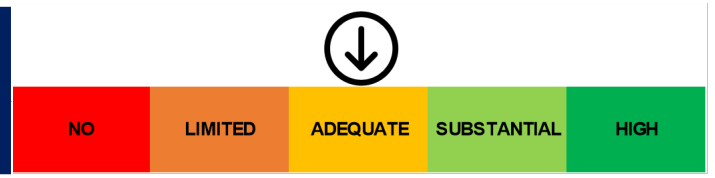
The review of Utility Works found that applications for utility works are responded to timely and that permit applications, decisions and changes are documented. However, the Kent Permit scheme had not been reviewed for 4 years which places KCC at risk of breaching regulations.

Review of Public Health Service Transformation Programme Delivery found that projects are being delivered effectively, with no evidence of significant missed milestones or negative outcomes. Roles and responsibilities were generally well understood, escalation routes were clear, and budgets had been verified by the Strategic Financial Advisor and incorporated into future planning. However, opportunities to strengthen consistency and resilience through proportionate improvements, such as ensuring project plans are regularly refreshed, and embedding key financial risks into RAID logs.

Review of Local Government Reorganisation (LGR) has primarily reviewed the processes in place for service complexity assessments. The review found there to be a robust process in place with good consistency of the assessments that were undertaken. Work around LGR will continue into 2026-27 as there becomes more certainty on the future operating models.



5. Procurement, Commissioning and Partnerships



Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
11	RB40-2026 - Highways Term Maintenance Contract – Embedded Assurance	Embedded Assurance	N/A	January 2026
12	RB56-2025 - Public Health Service Transformation Programme Delivery – Embedded Assurance	Embedded Assurance	N/A	January 2026
16	RB38-2026 - Emissions Trading Scheme – Financial Modelling & Assumptions	Adequate	Good	May 2026
20	RB24-2026 - No Purchase Order No Pay	Embedded Assurance	N/A	July 2026
24	RB18-2026 - ASCH Provider Failure Risk	Adequate	Good	July 2026
27	RB16-2026 - MOSAIC Invoice Validation	Adequate	Adequate	July 2026
30	RB42-2026 - Commercial & Procurement Oversight Board (CPOB)	Advisory	N/A	July 2026

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5. Procurement, Commissioning and Partnerships

NO | LIMITED | ADEQUATE | SUBSTANTIAL | HIGH

Direction of Travel

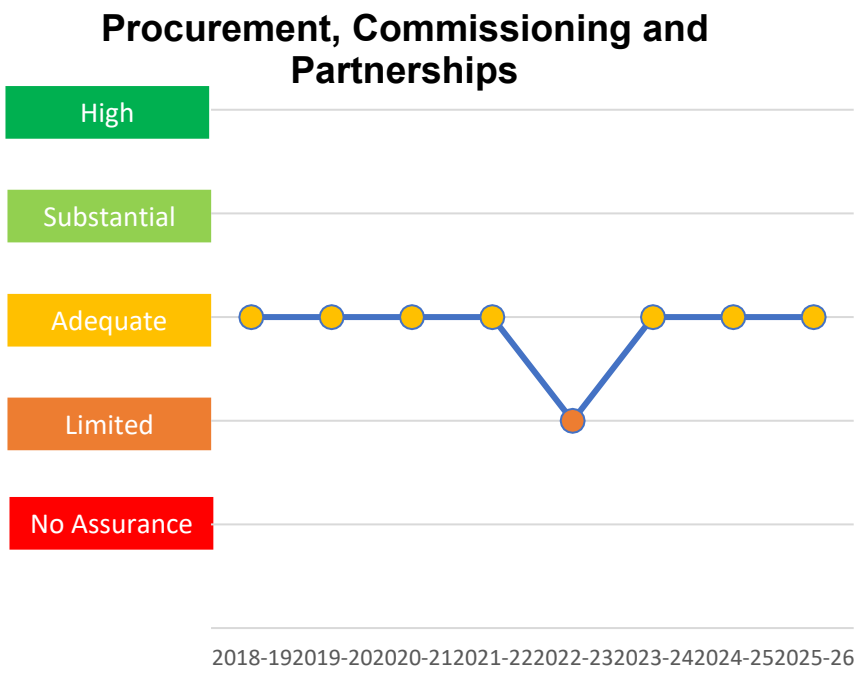
There have been a number of positive strides in relation to how KCC approaches procurement, commissioning and partnerships such as the work of the Commercial & Procurement Oversight Board and Contract Review Group.

The embedded assurance review of Public Health Service Transformation Programme Delivery found that there has been consistent input from the Commercial & Procurement Team throughout each project. Each of the budgets for the services has been ratified by the Strategic Financial Advisor, considered the lifespan of the contract period, and has been incorporated into the 2026-27 budget build.

The Audit review of ASCH Provider Failure Risk found that though there is a quality and assurance framework in place to help identify providers at risk of failure there is an inconsistent risk assessment and rating applied to providers. Furthermore, it would be beneficial to embed early warning provider financial risk indicators.

The embedded assurance on the Highways Term Maintenance contract found that the project has benefited from clear roles and responsibilities, strong engagement from senior officers, and timely decision-making throughout the commissioning cycle.

From November 2024, KCC has implemented a No PO No Pay Policy which should enhance the control environment. Continued emphasis in 2026-27 on Procurement, commissioning and partnerships related audits will include an audit of Contract Management Framework Assurance.



6. Information Technology and Information Security

NO | LIMITED | ADEQUATE | SUBSTANTIAL | HIGH

Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
5	ICT01-2026 – Backups	Substantial	Very Good	January 2026
8	RB14-2026 - Information Governance (ASCH)	Substantial	Good	January 2026
14	ICT04-2026 - Laptops Asset Management	Substantial	Good	May 2026
15	RB22-2026 - Personal Data - Invicta Law (combined with GCSG)	Substantial	Good	May 2026
22	RB52-2025 - Data Security Protection Toolkit (DSPT)	High	Very Good	July 2026
29	RB44-2026 - Oracle Cloud Programme – Security of Data Migration	Adequate	Adequate	July 2026

For the review of Backups, it was found that there were adequate policies and standards with a clear understanding of roles and responsibilities.

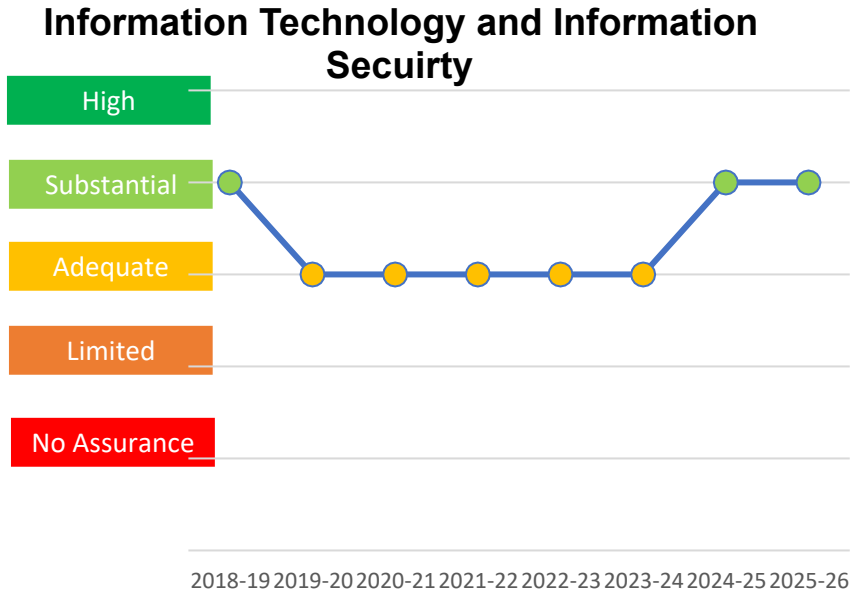
The Laptops Asset Management review found that the process for return of laptops had improved with the process embedded into HR workflows and appropriate oversight including an asset register. However, some enhancements were identified relating to the escalation path which would benefit the process.

The audit of ASCH Information Governance identified arrangements in place to be robust though further enhancements relating to the timeliness of Subject Access Request returns and assurance over third party provider compliance were identified.

The review of Personal Data also found controls for the most part to be operating effectively. Some enhancements in relation to the follow-up of data breaches and consistency of the application of data minimisation principles were identified.

The DSPT review found that the Council is compliant with required mandatory assertions and no areas for improvement were identified.

Areas for improvement were identified in the review of data migration including enhancements to the strategy and clear roles and responsibilities.



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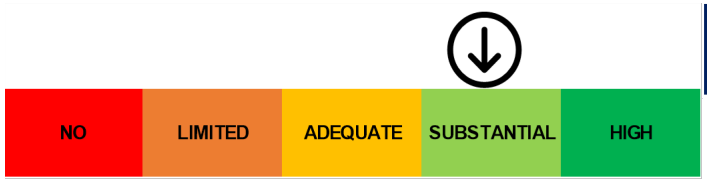
7. Asset Management



Direction of Travel

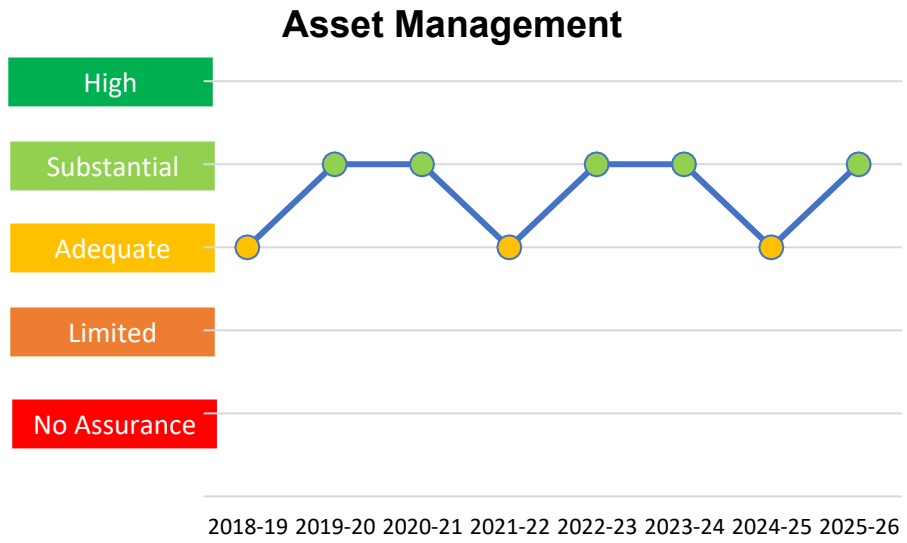
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
6	RB36-2026 - Property Disposal	Substantial	Good	January 2026
11	RB402-26 - Highways Term Maintenance Contract – Embedded Assurance	Embedded Assurance	N/A	January 2026
14	ICT04-2026 - Laptops Asset Management	Substantial	Good	July 2026
31	RB35-2026 - Restructures	Substantial	Good	July 2026
34	RB47-2026 - Oracle Cloud Programme – Lessons Learned Review	Advisory	N/A	July 2026

The review of Property Disposals found that the disposal programme is regularly reported for scrutiny and challenge to Members with all capital receipts sampled fully recorded in the Council's Financial management system. However, it was found that ongoing asset management obligations were not consistently completed.

The Oracle Cloud Programme – Lessons Learned review identified areas in which resources are managed should be enhanced such as the overarching Programme Plan.

The Laptops Asset Management review found that the process for return of laptops had an improved process embedded since the previous audit undertaken in 2020/21.

The review of restructures found that proposals are subject to senior management challenge, scrutiny and approval ahead of implementation. There are support mechanisms in place for those affected by restructures. However, enhancements were identified relating to business cases and resourcing capacity.



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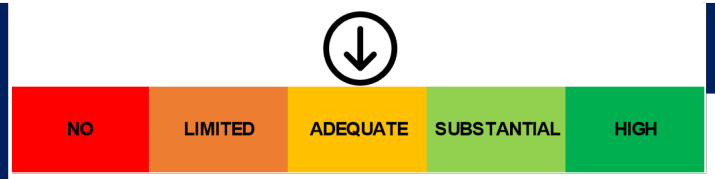
8. Counter Fraud Arrangements



Direction of Travel

No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
6	RB36-2026 - Property Disposal	Substantial	Good	January 2026
10	RB05-2026 - Oracle Cloud Programme – Embedded Assurance	Embedded Assurance	N/A	January 2026
14	ICT04-2026 - Laptops Asset Management	Substantial	Good	May 2026
18	RB13-2026 - Direct Payments Follow-up	Follow-up	N/A	May 2026
20	RB24-2026 - No Purchase Order No Pay	Embedded Assurance	N/A	July 2026
27	RB16-2026 - MOSAIC Invoice Validation	Adequate	Adequate	July 2026
26	RB30-2026 - Essential Living Allowance Follow-up	Limited	Adequate	July 2026

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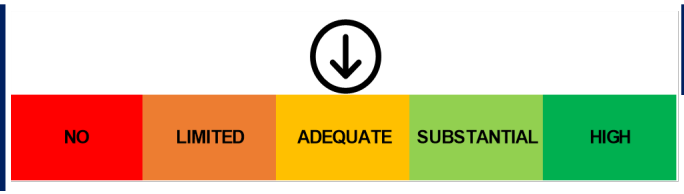

Direction of Travel

The Annual Counter Fraud Report was presented to Governance and Audit Committee which identified an increase of 25% from the previous financial year in the number of published irregularity referrals. There manly centred around referrals contract management, blue badge and theft. The increase in referrals demonstrates greater awareness within the services of the reporting requirements into Internal Audit. There has been an increase in irregularity referrals contract management, blue badge and theft

The Counter Fraud Team received a positive peer review during 2025-26 in which they were found to be conformant with the Counter Fraud Professional standards.

A fraud risk assessment was performed within the Local Mitigation Fund which identified additional areas that had not been previously considered e.g. segregation of duties in the administration of the scheme. The fraud risk assessment has been used to update the application process. This was completed alongside Internal Audits consultancy work on the scheme as covered within the Internal Audit plan.

Key Fraud Risks within the Older Person Residential & Nursing services have been shared with management to embed into their risk management framework. This focused on procurement and contract management risks associated to this high value service

The Group of States against Corruption (GRECO) evaluation has been completed with the draft report having gone through the European Councils plenary committee for adoption. The evaluation reviewed national legislation and frameworks alongside local authorities' policies and practices. The final report has been received and is subject to Ministry of Justice Ministerial review prior to publication. Work is underway to address recommendations relevant to KCC with key officer which the outcomes reported to the next Governance and Audit Committee. Outcomes of this report will be considered as part of the 2026-27 Annual Audit Opinion.

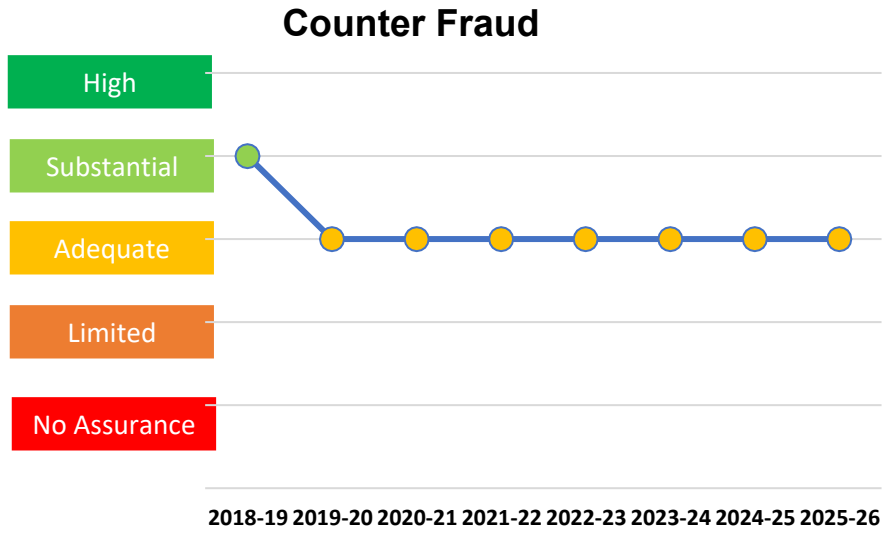

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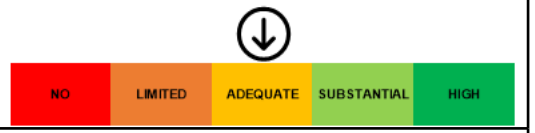
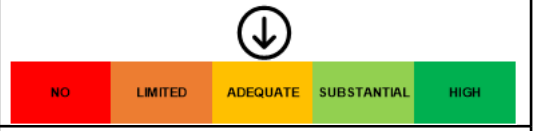
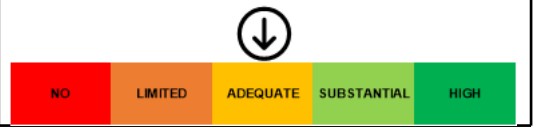
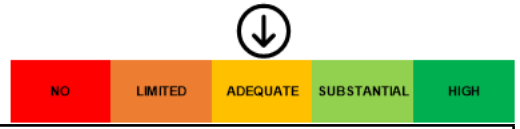
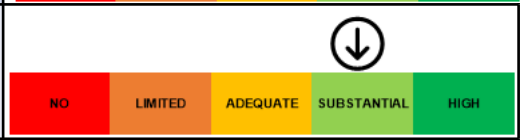
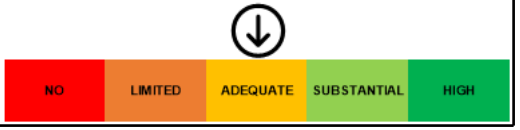
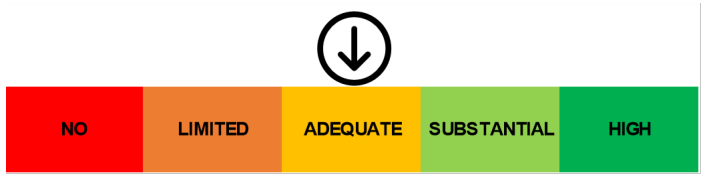
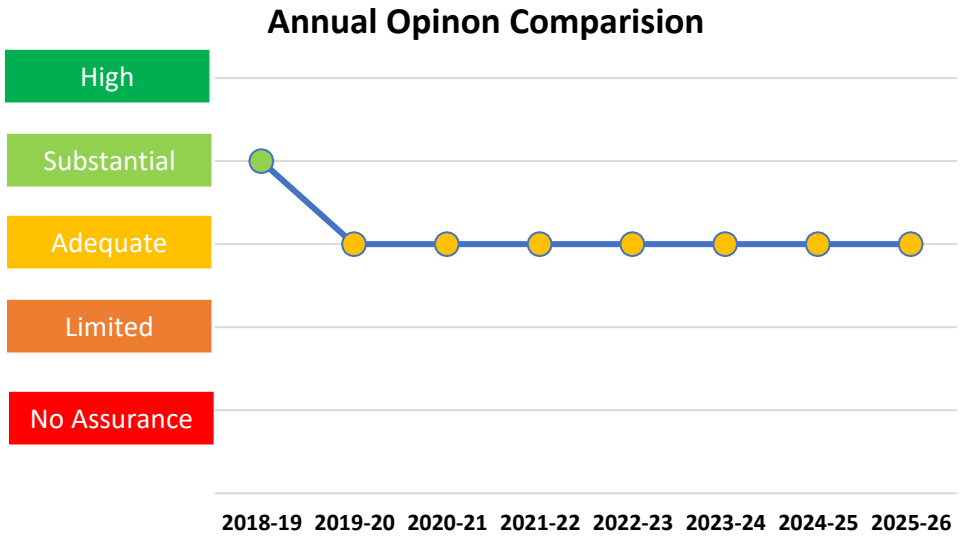
Table 4: Audit Opinion based on Reasonable Assurance Model

No.	Theme	Overall Opinion
1	Corporate Governance	
2	Risk Management	
3	Financial Control	
4	Change, Programme and Project Management	

No.	Theme	Overall Opinion
5	Procurement, Commissioning and Partnerships	
6	Information Technology and Information Security	
7	Asset Management	
8	Counter Fraud	

Overall Assurance Opinion



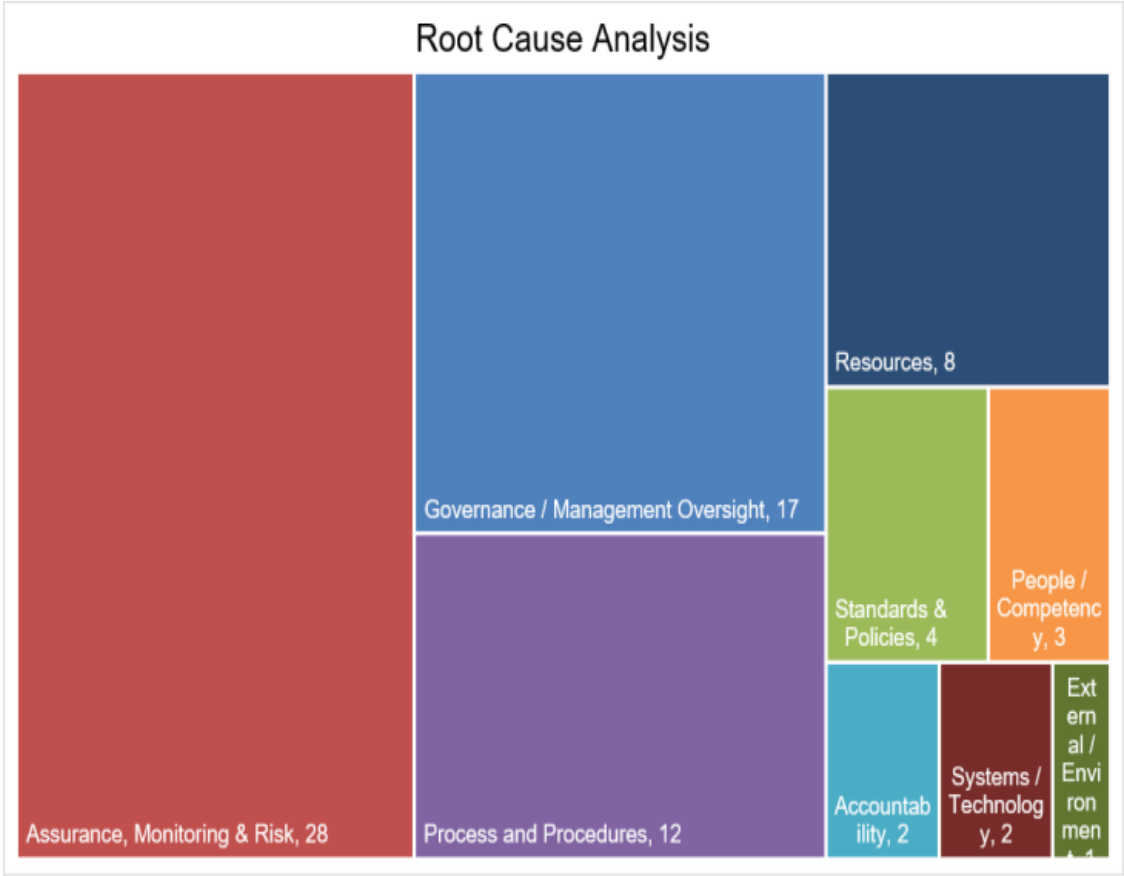


Root Cause

3.7 Root cause analysis (RCA) is a technique for identifying the underlying key causes behind audit findings and is an integral part of the internal audit process. Various tools and techniques are used to identify and address root causes, ensuring that the findings from Internal Audit work are meaningful and actionable. Providing management with an understanding of the root causes means they can then take action to prevent the recurrence of negative outcomes and to promote recurrence of positive ones. The use of RCA, and resulting management action, helps mitigate preventable risk exposure and demonstrates how Internal Audit adds value to KCC. This approach aims to prevent recurring failures, leading to stronger systems, better performance, and potential savings. A breakdown of the root causes of the 77 issues raised in 2025-26 are as follows:

3.8 The four areas with the most significant underlying causes are:

- **Assurance, Monitoring & Risk** (6 High, 15 Medium and 7 low issues) – findings were linked to a lack of internal or external mechanisms to monitor and assure service quality.
- **Governance/ Management Oversight** (3 High, 15 Medium and 7 Low issue) - findings were linked to governance arrangement in place.
- **Processes and Procedures** (2 High, 6 Medium and 4 Low issue) – evaluation of the effectiveness and clarity of established processes and procedures; and
- **Resources** (3 High, 2 Medium and 3 Low Issues) – Linked to the adequacy and/ or availability of resources available.



Root Cause Category	High	Medium	Low	Total
Governance / Management Oversight	3	11	3	17
Assurance, Monitoring & Risk	6	15	7	28
Standards & Policies	0	3	1	4
Process and Procedures	2	6	4	12
Accountability	1	0	1	2
People / Competency	0	2	1	3
Resources	3	2	3	8
Systems / Technology	0	2	0	2
External / Environment	0	1	0	1
Total	15	42	20	77

Other Sources of Assurance

3.9 In line with Global Internal Audit Standards (GIAS) standard 9.5, the Chief Audit Executive (Head of Internal Audit) must consider relying on the work of internal and external assurance providers. 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.

3.10 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.

3.11 During the course of the 2025-26 Internal Audit plan, the Group of States against Corruption (GRECO) undertook a review of KCC as part of their evaluation of the effectiveness of measures adopted by authorities of the United Kingdom. The review covered the following areas:

- Governance Structure
- Anti-corruption/ integrity policy and risk management
- Standards of conduct and ethics
- Conflicts of interest prevention
- Transparency, access to information and public participation
- Control mechanisms, oversight and accountability

3.12. The GRECO review is in the process of being finalised and published and themes will be considered in the 2026-27 Head of Internal Audit Opinion.

3.13 During 2025-26 Internal Audit have not placed reliance on the work of other assurance providers. However, Internal Audit actively co-ordinate with other assurance activities where appropriate to do so. For example, the audit of **Safeguarding – Protecting Adults at Risk** was not undertaken as Management at the time were undertaking an internal review and CQC had previously provided some coverage.

3.13 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. The maps currently completed are as follows in Table 5:

Table 5: Summary of Assurance Mapping

Risk	Last Reviewed	Risk Register		1st Line of Defence				2nd Line of Defence				3rd Line of Defence					
		Current	Tolerance	Policies & Procedures	Training	Mgmt. Info	Self Assess Process	Compliance/ Financial Control	Quality	Internal Groups	Risk Mgmt.	3rd Parties	Partners	Regulators	Internal Audit	External Audit	Other
Information Governance	2021-22	High	Medium														
Cyber Security	2024-25	High	Medium														
Safeguarding Children	2020-21	Medium	Medium														
Safeguarding Adults	2020-21	Medium	Medium														
Simultaneous Response, Recovery & Resumption	2022-23	Medium	Medium														
Fraud & Error	2022-23	Medium	Low														
Public Health	2023-24	Medium	Low														

RAG Rating	No Assurance Available	Some Assurance Available	Assurance Available	N/A

3.14 Previous assurance mapping exercises to date have highlighted a number of areas for further enhancements such as Cyber Security Training which was reviewed as part of the 2024-25 Audit plan. More broadly, the maps have highlighted there are internal working groups to provide oversight for each risk reviewed. Risk management is also present for each area. No additional assurance mapping has been completed as part of the 2025-26 Rolling Internal Audit Plan however; there is planned work included for 2026-27.

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Strengths and Areas for Development

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

Strengths:

- 49% of systems and functions that were assigned a High or Substantial Assurance opinion;
- The Overall Opinion assigned for the Information Technology and Information Security theme of Corporate Health has remained substantial overall in 2025-26;
- The Overall Opinion assigned for the Asset Management theme of Corporate Health has increased to substantial overall in 2025-26; and
- Adequate arrangements in place to manage the risk of fraud and financial control.

Areas for further development:

- Positive progress has been made in the level of full implementation of agreed actions to address internal control and risk management issues identified by Internal Audit however, this needs to be built upon moving forward.
- Root cause analysis of the issues raised during 2025-26 identified themes relating to **Governance/ Management Oversight , Assurance, Monitoring & Risk, Processes & Procedures and Resources.** These themes may suggest that enhancements in the second line are required and would improve the control environment particularly surrounding monitoring arrangements (see three lines model figure to section 1: Purpose and background).

Assessment against Significant Risks at KCC

3.16 **Appendix 3** details the significant risks with a risk rating of 25 at KCC as reported to the Governance and Audit Committee in July 2025 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.

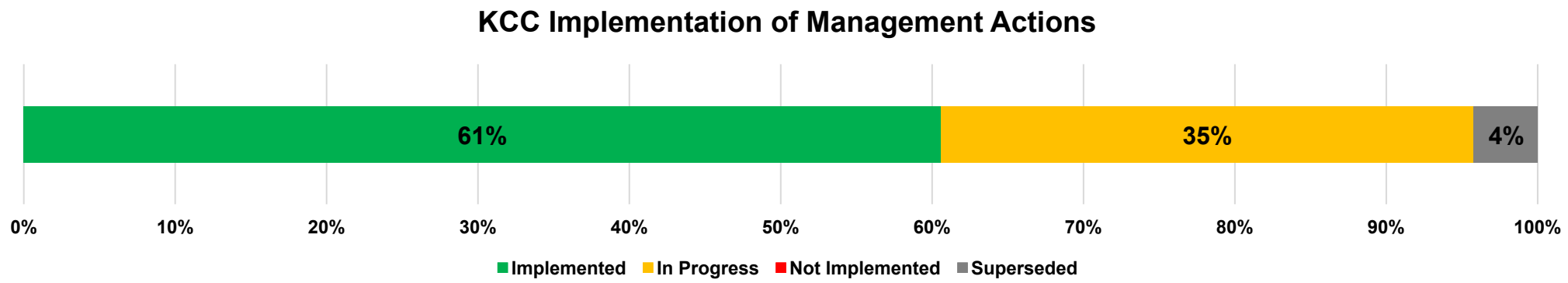
4. Implementation of Agreed Actions

4.1 Details of final round of follow-ups of the implementation of actions from Internal Audit reports is set out in the below section. 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

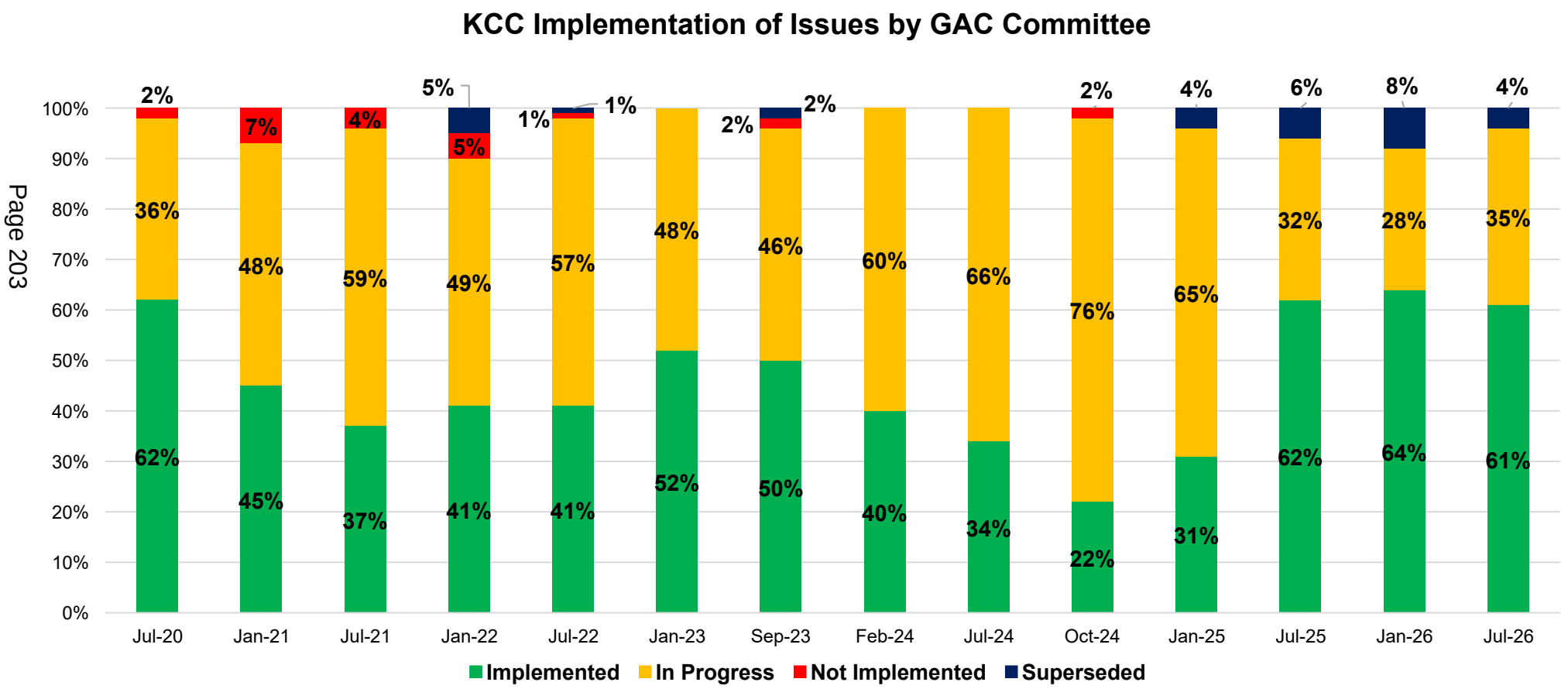
	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	19	52	6	37	12	13	0	0	1	2
Total %			32%	71%	63%	25%	0%	0%	5%	4%



4.3 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, highlights an improved position from 2023-24 as shown in the graph from 34% (July 2024) to 61% (July 2026) full implementation.

4.4 Recent implementation rates during 2025-26 have been maintained with Implementation reported as 64% in January and 61% in July to the Governance and Audit Committee. This should now be built on further to continue to improve implementation rates further into 2026-27.

4.5 In addition, Internal Audit have made enhancements to the follow-up process which includes plans to provide dashboards of outstanding issues to Directorates. The process will remain under review during 2026-27 for any further enhancement to support the implementation of management actions.



Programmed Follow Ups

4.6 Programmed Follow Ups, undertaken as part of the 2025-26 Internal Audit Plan, were reported to July GAC which included, four in depth follow ups undertaken on areas where, mainly, in the previous year audit opinions had been Limited or as a result of an investigation, with the following results:

Table 7: Programmed Follow Ups 2025-26

Audit	Previous Opinion	Number of Issues Previously Raised		Implemented		In Progress		Not Implemented		Superseded	
		High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
RB06-2026 – Oracle Cloud Programme – Programme Management Follow-up	LIMITED	3	2	2	1	1	1	0	0	0	0
RB13-2026 – Direct Payments Follow-up	LIMITED	2	7	1	5	1	2	0	0	0	0
RB30-2026 – Essential Living Allowance Follow-up	INVESTIGATION	4	0	0	0	4	0	0	0	0	0
RB39-2026 - Helping Hands Follow-up	LIMITED	5	5	5	5	0	0	0	0	0	0
	Total	14	14	8	11	6	3	0	0	0	0

4.7 There has been good progress in the full implementation of agreed actions with 69% fully implemented while 31% remain in progress. Follow-ups of Helping Hands found that there had been significant progress against the agreed actions which all are now considered closed. 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 2025-26, Internal Audit audited / certified 15 government grants to the value of £118m.

The breakdown of the 15 grants was:

- 6 Department for Transport;
- 7 Department of Health; and
- 2 Sport England grant.

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

5.3 The diversification of Internal Audit by offering a proportion of our services to other public sector related or associated bodies has continued throughout 2025-26, including:

- Commercial Services Group (CSG) – 33 companies including, Invicta Law, The Education People and Cantium Business Solutions;
- Appointed auditor to 10 Parish Councils;
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority;
- Internal audit of Kent and Medway Fire and Rescue Service;
- Internal Audit of Canterbury Cathedral; and
- Management of the audit and fraud service at Tonbridge and Malling Borough Council.

Income within the outturn budget for 2025-26 was approximately £480k, which is approximately a 10% increase from the previous year. Since 2019-20 Internal Audit have yielded circa £2.9m in income.

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6. Conformance with Professional Standards

6.1 Professional Internal Audit Standards (Standards) are mandatory for all private and public sector internal audit functions. The Global Internal Audit 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. Outcomes of the QAIP are detailed in **Appendix 4** which includes actions to be undertaken during 2026-27.

6.2 The last External Quality Assessment (EQA) was reported to May Governance and Audit Committee in May 2026. The EQA concluded that the service 'Generally Conforms' with the Global Internal Audit Standards.

6.3 The results of the EQA are summarised in **table 9** and **table 10**. The actions as a result of the EQA are being proactively taken forward and progress will be reported to the Governance and Audit Committee during 2026-27.

Table 9 – Summary of GIAS Conformance

Summary of IIA Conformance	Standards	Does not conform	Partially Achieves	Generally Achieves	Fully Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13	0	0	1	12	13
Governing the Internal Audit Function	9	0	0	6	3	9
Managing the Internal Audit Function	16	0	0	9	7	16
Performing Internal Audit Services	14	0	0	3	11	14
Total		0	0	19	33	52

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 2025-26

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. However, gaps identified will require consideration in the coming year.

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 2025-26 annual opinion, 82 relationship management meetings were undertaken to discuss the rolling Internal Audit Plan.

B) Stakeholder feedback 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 2025-26.

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 for 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 identified that 83% responded as **strongly agree** or **agree** that Internal Audit provides timely reports which are of a high standard and meets your needs. This is an increase from 2024-25 (87%)

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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) 41% of the Rolling Internal Audit Plan utilised data analytics as part of the work undertaken where it was feasible to undertake.
b) The coverage of the Rolling Internal Plan aligned to KCC's strategy at the time, 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) 33 audits have been undertaken during the course of 2025-26 in which **15 high priority** and **42 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 LGR, Highways Term Maintenance Contract and continued work on the Oracle Cloud Programme.

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
32%

% of All Issues Agreed
100%

% of All Issues Implemented
57%

F. Client Satisfaction

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)

Client Satisfaction surveys at the end of each audit
98%

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 found that overall, a positive view of the Internal Audit Service with 4 out of the 11 questions asked receiving 100% either strongly agree or agree.

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
64.67 Days

There were 6 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%

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Client Satisfaction

7.2 The cumulative result for these surveys was 98% satisfaction, which is a slight increase position from 2024-25 performance.

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

"The Auditor was professional, communicative, and helpful throughout the process. He clearly outlined the purpose and process of the audit, and was engaged with staff to ensure appropriate and proportionate analysis was undertaken. He ensured he understood the purpose of the system being audited which resulted in actions which align with our priorities and will help further embed the risk profiling system within the organisation."

"The auditors and service worked well together to establish what information was most helpful to the audit and ensure it was provided in a timely way, with minimal impact to the service's day-to-day working."

"Strong audit process and knowledgeable auditor who worked with us to create an audit report which is both useful for our own assurance as well as to help steer improvements."

"The Auditor was helpful throughout and explained the process and took time to understand the complexities".

"Auditor fully engaged with Project Team attending Project Board regularly and upskilled to understand the complexities of the procurement and importance of ensuring a successful award and eventual mobilisation of new contract."

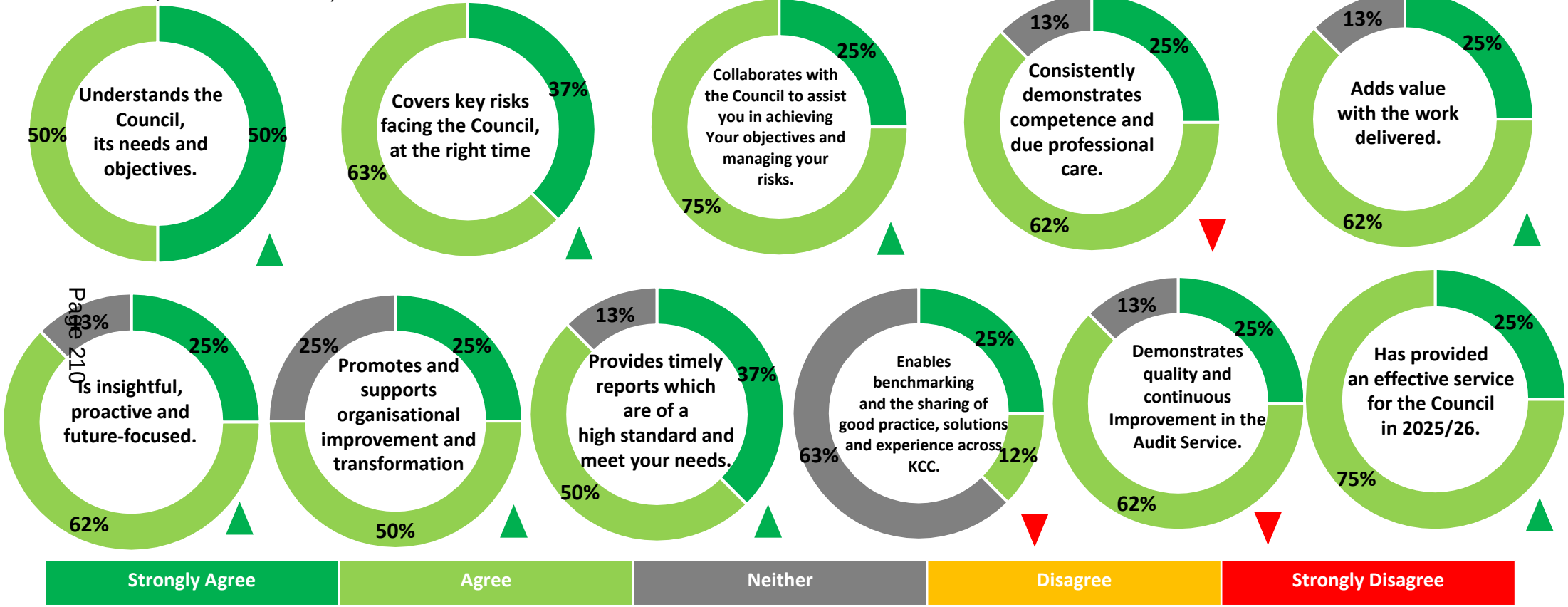
"Friendly, engaging and keen to ensure the right information is collated as evidence for the audit and it is understood fully before analysing. Happy to answer any questions or provide clarity, quick at responding to messages or emails and always happy to join a call to discuss points in further detail. A positive experience working with internal audit. ."

"The Auditor was very clear, thorough, professional, knowledgeable in their approach to both us and the audit. As this was my first audit, the Auditor spent time talking through the process and what was required and was on hand to address any queries."

"This audit was a follow up to a previous audit, and unfortunately the previous accountable Director and most of the Lead Officers had left the Department. I had recently moved into this portfolio when the audit began, and the auditor was very helpful and proactive in arranging meetings, sharing the previous audit and taking me through scope of this audit and what was needed. ."

Client Perception – Member of Governance and Audit Committee

7.4 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of the Corporate Management Team and Members 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 below, and the key responses were (with comparison to 2024-25):



7.5 The above is a broadly improved position to those obtained from CMT in 2024-25. The survey demonstrates received positive perception of the service as all areas covered in the perception survey did not receive either strongly disagree or disagree. However, there are some areas in which Internal Audit build upon into 2026-27; most noticeably surrounding benchmarking. Internal Audit will seek to improve how good practices or areas for organisational learning can be more widely shared.

8. Internal Audit Resources

8.1 In accordance with professional standards, members of the Governance and Audit 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, the service has conducted successful recruitment exercises in a challenging market and excellent new colleagues have joined the team.

8.3 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 a number of other organisations, which is a significant source of income to Kent County Council.

8.4 Internal Audit has adequate resources in relation to technology with software available to support undertaking data analytics such as PowerBi and Audit Management Software to document audits undertaken which facilitates follow-up of agreed management actions. However, as Internal Audits Data Analytical capabilities grow there is a risk that the current KCC Laptops may not be sufficient to support this and therefore this is being monitored closely.

8.5 It is also concluded that there have been no limitations of scope which adversely impacted upon the ability to provide an annual opinion.

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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 2025-26. 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 2025-26.

9.6 The 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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Appendix 1 – 2025-26 Rolling Internal Audit Plan Status

No	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
	RB01-2026	Fulfilling Best Value Statutory Duty	Fieldwork			
33	RB02-2026	Future Operating Environment – Local Government Reorganisation Implementation	Ongoing	Embedded Assurance	N/A	July 2026
	RB03-2026	New Contact Centre Contract	Deferred			
	RB04-2026	Ongoing Review of Identified Actions	Ongoing	Follow-up	N/A	January 2026
10	RB05-2026	Oracle Cloud Programme - Embedded Assurance	Ongoing	Embedded Assurance	N/A	January 2026
1	RB06-2026	Oracle Cloud Programme - Programme Management – Follow up	Final Report	Follow-up	N/A	September 2025
	RB07-2026	Payment Card Industry Data Security Standards (PCI DSS) Follow up	Deferred			
	RB08-2026	Annual Governance Statement – Directorate Action Plans	Deferred			
	RB09-2026	Contract Management & Monitoring	Deferred			
13	RB10-2026	ASCH Saving Delivery Plan Governance	Final Report	Limited	Good	May 2026
19	RB11-2026	Adult Social Care Debt Recovery	Final Report	Substantial	Good	July 2026
	RB12-2026	Commissioning and Transformation – Embedded Assurance	Ongoing			
18	RB13-2026	Direct Payments including Follow up	Final Report	Follow-up	N/A	May 2026
8	RB14-2026	Information Governance - ASCH	Final Report	Substantial	Very Good	January 2026
	RB15-2026	ASCH Future Planning of Contracts	Deferred			
27	RB16-2026	MOSAIC Invoice Validation	Draft Report	Adequate	Adequate	July 2026
	RB17-2026	Safeguarding – Protecting Adults at Risk	Deferred			
24	RB18-2026	ASCH Provider Failure Risk	Final Report	Adequate	Good	July 2026
	RB19-2026	Public Substance Misuse Health Campaigns	Deferred			
25	RB20-2026	Budget Management	Draft Report	Adequate	Good	July 2026
	RB21-2026	Post-Implementation Review of Commissioning	Deferred			
15	RB22-2026	Personal Data - Invicta Law (combined with GCSG)	Complete	Substantial	Good	May 2026

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No	Ref	Audit		Status	Assurance	Prospects for Improvement	Committee
	RB23-2026	Core Financial Controls		Deferred			
20	RB24-2026	No Purchase Order No Pay		Final Report	Embedded Assurance	N/A	May & July 2026
32	RB25-2026	Process review of SEND Payments		Draft Report	Advisory	N/A	July 2026
	RB26-2026	Recommissioning of TEP - Transition of Early years service back to KCC		Removed			
	RB27-2026	CYPE Assurance Map		Fieldwork			
	RB28-2026	Education Health Care Plan (EHCP) Outcomes		Deferred			
	RB29-2026	All Pay (Replacement of Kent Card) - Card Payments		Deferred			
26	RB30-2026	Essential Living Allowances - Follow-up		Final Report	Limited	Adequate	July 2026
17	RB31-2026	Elective Home Education		Final Report	High	Very Good	May 2026
23	RB32-2026	Business Continuity Planning – Post Implementation System Usage	Functional System	Final Report	Substantial	Good	July 2026
			ASCH		High		
			CED		Adequate		
			DCED		Adequate		
			CYPE		Adequate		
			GET		Limited		
3	RB33-2026	Health and Safety		Final Report	Substantial	Very Good	January 2026
	RB34-2026	Managers - People Management Responsibilities (Objective Setting and Performance Management)		Deferred			
31	RB35-2026	Restructures		Final Report	Substantial	Good	July 2026
6	RB36-2026	Property Disposals		Final Report	Substantial	Good	January 2026
	RB37-2026	Economic Strategy		Deferred			
16	RB38-2026	Emissions Trading Scheme – Financial Modelling & Assumptions		Final Report	Adequate	Good	May 2026
2	RB39-2026	Helping Hands Follow up		Final Report	Follow-up	N/A	September 2025
11	RB40-2026	Highways Term Maintenance Contract – Embedded Assurance		Final Report	Embedded Assurance	N/A	January 2026
7	RB41-2026	Utility Works on Kent Network – Process and Alignment of Utility Works		Final Report	Adequate	Good	January 2026

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30	RB42-2026	Commercial & Procurement Oversight Board (CPOB)	Final Report	Advisory	N/A	July 2026
5	ICT01-2026	Backups	Final Report	Substantial	Good	January 2026
	ICT02-2026	Legacy IT Works	Deferred			
	ICT03-2026	Cyber Security Topical Requirements	Fieldwork			
14	ICT04-2026	Laptops – Asset Management	Final Report	Substantial	Good	May 2026
	RB43-2026	Oracle Cloud Programme – Resources	Not Started			
28	RB45-2026	Oracle Cloud Programme – Communication & Training	Final Report	Adequate	Adequate	July 2026
29	RB44-2026	Oracle Cloud Programme – Security of Data Migration	Final Report	Adequate	Adequate	July 2026
	RB46-2026	Oracle Cloud Programme - Readiness for the New Payroll System	Deferred			
	RB47-2026	Oracle Cloud Programme – Lessons Learned Review	Draft Report	Advisory	N/A	
21	RB48-2026	Local Mitigation Fund (LMF)	Final Report	Advisory	N/A	July 2026
19	RB49-2026	Data Security and Protection Toolkit	Final Report	High	Very Good	July 2026
12	RB56-2026	Public Health Service Transformation Programme	Final Report	Embedded Assurance	N/A	January 2026
4	RB31-2025	Unaccompanied Asylum-Seeking Children (UASC) Reception Centres and Registered Children's Homes	Final Report	Substantial	Very Good	January 2026

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Appendix 2 - IIA Assessment Criteria Other Sources of Assurance

The institute of Internal Auditors suggests that the Chief Audit Executive (Head of Internal Audit) should not rely on outdated work that no longer reflects the current risk landscape, is not aligned with the objectives and scope of the internal audit engagement or is otherwise irrelevant. The following criteria is suggested to determine the reliance of internal and external assurance providers:

Assessment of Reliance of Internal or External Assurance Providers

Element	No Reliance	Low reliance	Moderate reliance	High reliance
Purpose	The provider shows limited understanding of, or alignment with, the objectives and scope of the internal audit function. The provider's work lacks relevance or fails to contribute to strategic goals.	The internal audit function recognises the assurance provider's work but performs substantial independent testing or revalidation to confirm the adequacy and accuracy of the findings. Reliance on the work product is minimal and limited to specific, noncritical areas.	A formal agreement or memorandum of understanding establishes authority and delineates the scope of assurance activities. The internal audit function moderately relies on the provider's work products, supplementing them with periodic validations or targeted reviews to ensure alignment with internal audit standards.	A charter or contract provides the authority and scope of assurance activities and establishes the intent for the internal audit function to rely on the assurance provider's work product.
Independence and Objectivity	The provider has significant conflicts of interest and lacks independence.	The provider maintains some independence but may have occasional conflicts of interest.	The provider is mostly independent with minor potential conflicts.	The provider's professional judgment is impartial, free from inappropriate interference from others.
Competency	The provider lacks the necessary experience and qualifications.	The provider has basic qualifications but limited experience.	The provider possesses adequate skills and experience for standard tasks and performs effectively on routine engagements.	The provider understands the risks to organisational processes, how controls are designed to operate in response to the risks, and what constitutes a weakness or deficiency.
Elements of Practice: Risk Assessment and Planning	The provider's methodologies are considered inadequate or misaligned with organisational needs.	Assurance activities are inconsistently guided by risk-based methodologies, with notable gaps in their application or execution.	Assurance activities are guided by generally sound methodologies, but engagement plans may not fully align with best practices or the engagement risk assessment.	Assurance activities are guided by appropriate methodologies and include engagement plans that incorporate a risk assessment.
Elements of Practice: Performance of Assurance Engagements	The provider lacks a demonstrated history of competency, reliability, or adherence to professional standards.	The provider's performance history is uneven, with limited evidence of reliable results. Documentation may be incomplete or fail to meet professional standards.	The provider demonstrates a history of meeting objectives, but the reliability of the results shows some inconsistencies or limitations.	The provider demonstrates a history of achieving the established objectives and producing reliable results. Documentation should be maintained as evidence of performance to relevant professional standards.
Communication of Results	The results of assurance activities are not reported clearly, and there is little or no follow-up on identified issues.	The provider communicates results but may lack clarity or timeliness.	The provider communicates results clearly but may not always provide timely updates.	The results of assurance activities are reported timely to an appropriate level of management, and issues are tracked until they are mitigated.

Appendix 3 – Extract of KCC Significant Risks

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
RB48-2026	Local Mitigation Fund (LMF	Advisory	N/A

CR0009	Future financial and operating environment for local government		High (20)
Ref	Audit	Opinion	PFI
RB02-2026	Future Operating Environment – LGR Implementation	Substantial	Good

CR0045	**Maintaining effective governance and decision making in a challenging financial and operating environment**		High (20)
Ref	Audit	Opinion	PFI
RB05-2026	Oracle Cloud Programme	Embedded Assurance	N/A
RB06-2026	Oracle Cloud Programme – Programme Management – Follow-up	Follow-up	N/A
RB10-2026	ASCH Saving Delivery Plan Governance	Limited	Good
RB02-2026	Future Operating Environment – LGR Implementation	Substantial	Good

CR0014	Cyber and information security resilience		High (20)
Ref	Audit	Opinion	PFI
RB22-2026	Personal Data	Substantial	Good
ICT01-2026	Backups	Substantial	Good
ICT04-2026	ICT Asset Management	Substantial	Good
RB44-2026	Oracle Cloud Programme – Security of Data Migration	Adequate	Adequate

CR0015	Managing and working with the social care market		High (20)
Ref	Audit	Opinion	PFI
RB10-2026	ASCH Saving Delivery Plan Governance	Limited	Good
RB16-2026	MOSAIC Invoice Validation	Adequate	Adequate
RB18-2026	ASCH Provider Failure Risk	Adequate	Good

CR0052	Impacts of Climate Change on KCC Services		High (20)
Ref	Audit	Opinion	PFI
No Audit Coverage			

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

CR0058	Capacity and Capability of the Workforce		High (16)
Ref	Audit	Opinion	PFI
RB35-2026	Restructures	Substantial	Good

CR0059	Significant failure to bring forecast budget overspend under control within budget level assumed		High (25)
Ref	Audit	Opinion	PFI
RB11-2026	Adult Social Care Debt Recovery	Substantial	Good
RB20-2026	Budget Management	Adequate	Good
RB10-2026	ASCH Saving Delivery Plan Governance	Limited	Good
RB16-2026	Mosaic Invoice Validation	Adequate	Adequate
RB25-2026	Process Review of SEND Payments	Advisory	N/A

CR0064	Risk of Failing to Deliver Effective Adult Social Care Services		High (20)
Ref	Audit	Opinion	PFI
RB10-2026	ASCH Saving Delivery Plan Governance	Limited	Good
RB13-2026	Direct Payments Follow-up	Follow-up	N/A
RB18-2026	ASCH Provider Failure Risk	Adequate	Good

CR0066	ASCH recommissioning Programme		High (16)
Ref	Audit	Opinion	PFI
RB18-2026	ASCH Provider Failure Risk	Adequate	Good

Appendix 4 – Quality Assurance & Improvement Programme (QAIP)

The professional standards 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 2025-26, the following Improvement areas were addressed:

Improvement Issue
Assessment of compliance against new Global Internal Audit Standards and addressing 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.
Continue to develop wellbeing, support and approaches for the team.
Implementation of key priorities from Internal Audits Income Strategy.
Assessment of compliance against new Global Internal Audit Standards and address any areas of non-conformance confirmed by the External Quality Assessment.

Improvements required for the service in 2026-27 include:

Improvement Issue
Implementation of identified actions from External Quality Assessment for compliance with Global Internal Audit Standards
Continue to develop wellbeing, support and approaches for the team
Determine an action plan to implement priorities from the Internal Audit Strategy.
Explore the use of artificial intelligence in audit methodology and improved use of data analytics.
Continue to review new audit management software for efficiencies in its use including follow-up of management actions.
Embed Follow-ups Dashboard into the process.
Embed Data-Driven Assurance
Review embedded assurance methodology
Review Prospects for Improvement methodology

Appendix 5 - Definitions

Audit Opinion

High	**Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.** **Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.** **There are examples of best practice. No significant weaknesses have been identified.**
Substantial	**Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.** **Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.**
Adequate	**Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.** **There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.**
Limited	**Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.** **Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.**
No Assurance	**Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.** **Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved**

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Prospects for Improvement

Very Good	**There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.**
Good	**There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.**
Adequate	**Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives**
Uncertain	**Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.**

Issue Risk Ratings

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.**
Medium	**There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system 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.**

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By:	Russell Smith – Interim Head of Internal Audit
To:	Governance and Audit Committee – 23 July 2026
Subject:	**ROLLING INTERNAL AUDIT PLAN 2026/27, INTERNAL AUDIT STRATEGY + INTERNAL AUDIT CHARTER**
Classification:	Unrestricted

Summary: This report details the proposed Rolling Internal Audit Plan for 2026/27; the Internal Audit Strategy and Charter, which underpins the plans and practice of the Internal Audit team and the key performance indicators to be tracked and monitored during 2026/27.

Recommendation: FOR DECISION

Introduction

1) The Global Internal Audit Standards (GIAS) require the Internal Audit service to produce a risk-based audit plan. This paper sets out the proposed 2026/27 Rolling Internal Audit Plan (Plan), including a summary of the available resources.

2) The 2026/27 Plan will be a rolling 6-month plan, to allow more flexibility to incorporate changing and emerging risks into the Plan, replacing the previous fixed annualised audit planning approach.

3) This paper sets out the following:

- The current priority audits. These Audits have been prioritised using our risk-based assessment and evaluation methodology, following the criteria detailed below. A significant proportion of the priority audits will be undertaken throughout the year. Internal Audit will focus deliver against priority audits identified and ensure sufficient coverage against 8 themes of Corporate Health, Corporate Risks and those linked to Securing Kent's Future. The audits contained in the plan will be risk assessed throughout the current year.

- A reserve list of audits has also been included and will be considered should the priority audits included should the risk landscape change. The significance and priority of all potential audits identified within the audit planning process, will be continually risk assessed throughout the year.

- The key performance indicators to track and monitor audit plan delivery and service performance during 2026/27.

- The Internal Audit Strategy is a mandatory requirement of the Global Internal Audit Standards that must include a vision, strategic objectives, and supporting initiatives for the internal audit function**.** This has been updated following the outcomes of the recent External Quality Assessment.

- The Internal Audit Charter is also a mandatory requirement of the Global Internal Audit Standards, which should be reviewed and updated periodically. The Charter sets out the purpose, authority and responsibility of Internal Audit.

2026-27 Internal Audit Plan

4) The Global Internal Audit Standards (GIAS) stipulates the need for the development of an Audit Plan.

5) To enable the Internal Audit service to be more flexible and adaptive to changing priorities and emerging risks, the Plan for 2026/27 will be a 6-month rolling Plan. This dynamic approach will ensure optimum value to the Council and stakeholders and more effective deployment of audit resources.

6) The Plan will be reviewed every 3 months by completing an assessment of all potential audits identified against the following criteria:

Significance	How important is the activity to the Council in achieving its objectives, key plans and managing its risks?
Sensitivity	How much interest would there be if things went wrong and what would be the reputational impact?
Time	When is the best time for the audit to be completed?

7) The quarterly review will also consider an evaluation of relevant business intelligence to identify new priorities / emerging risks and potential audit areas.

8) Another key consideration, when reviewing and updating the Plan throughout the year, will be to ensure there continues to be sufficient coverage of the 8 themes of Corporate Health, which are utilised to ensure there is sufficient coverage for the Head of Internal Audit's Annual Opinion in July 2027.

9) Any amendments to the Plan will be reported to the Governance and Audit Committee.

10) The Plan for 2026/27 is attached at **Appendix A**. This includes 100 potential priority (42 Audits) and reserve audits (58), which are spread across the Directorates as follows:

Directorate	Number of Audits
Cross-Directorate	21
Adult Social Care & Health	16
Chief Executive Directorate	15
Children, Young People and Education	18
Deputy Chief Executive	22
Growth, Environment & Transport	8
Total Audits	**100**

11) The Plan has been developed through a risk-based planning process, including the following elements:

- A review of the corporate and division risk registers and discussion with the Corporate Risk Manager.
- Discussions with Corporate Directors, Directors and Heads of Service.
- Attendance at Directorate Management Team meetings.
- Horizon scanning to identify emerging risks and issues.
- Organisational priorities linking to Securing Kent's Future.
- A review of audits deferred from the 2025/26 Plan.
- Undertaking an assessment to determine the required coverage needed for the Head of Internal Audit's Annual Opinion for 2026/27.
- A review of the Council's Annual Governance Statement.
- A review of previous cyclical / core audit work.
- Identification of audit reviews to be followed up.
- Consideration of other sources of assurance.

12) The Plan includes some audits with specific scope areas where this has already been identified and some audits where scope is still to be determined.

13) The Plan does not detail the number of days to be assigned to the individual audits, but it does illustrate the total days / resources available.

14) **Appendix A** sets out how the audits listed on the Plan map to the Reasonable Assurance – 8 Themes of Corporate Health**,** KCC's Corporate Risks and to Securing Kent's Future.

15) In addition to the projects listed on the Plan, there is also have **30** days set aside for grant certification work.

16) The outcomes from the 2026/27 Plan will provide the following:

- Overall opinion and assurance to support the 2026/27 Annual Governance Statement.
- Assurance against the mitigation of key corporate risks.
- Assurance over the critical systems of the Council.
- On-going advice and information to management on risks and controls.
- Opportunities to provide management with value for money support and advice.

17) Excluded from Appendix A are detailed plans for:

- Internal Audit coverage of Commercial Services Group

- Income generating and shared service work with Tonbridge and Malling Borough Council, Kent and Medway Fire and Rescue Service, Canterbury Cathedral, Parish Councils and audits of selected grants.

Resources

18) Based on the current Team resources, the total days available for 2026/27 is **1978** days.

19) The number of audit days available for the KCC 2023/24 Audit Plan is estimated to be **989**.

20) A summary of the overall Audit Plan is illustrated below:

2023/24 KCC Audit Plan	Days
KCC	989
Contingency	50
Audit Development	50
Sub-Total	**1089**
External Clients	**859**
Grants	30
Sub-Total	**889**
Total	**1978**

21) Based on the current staffing levels and assumptions, there is sufficient resource to deliver the 2026/27 Audit Plan.

Key Performance Indicators

22) **Appendix A** sets out the Key Performance Indicators (KPI's) to be tracked and monitored during 2026/27. The updated KPI's reflect an ongoing trend to increasing outcome-based monitoring of the Internal Audit service.

Internal Audit Strategy

- The Global Internal Audit Standards (GIAS) includes a mandatory requirement (Standard 9.2) for the Chief Audit Executive (CAE - Head of Internal Audit at KCC) to:

  "...develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation." The Standard further specifies that the strategy "include a vision, strategic objectives, and supporting initiatives for the internal audit function."

- The External Quality Assessment presented to Governance and Audit Committee in May 2026 detailed the suggested action to enhance the Internal Audit Strategy with defined objectives with implementation plans, and defined Key Performance Indicators (KPIs).

- The Internal Audit Strategy which is attached at **Appendix B** has been reviewed to ensure it remains fit for purpose and has been refreshed to incorporate these points.

Internal Audit Charter

- It is a requirement of the Global Internal Audit Standards (the Standards) that the purpose, authority and responsibility of Internal Audit is formally defined in an Internal Audit Charter and that this be periodically reviewed and presented for approval to senior management and the Board (defined as the Audit Committee in the Local Government Application Note by CIPFA).
- The Charter, which is attached at **Appendix C** has been reviewed to ensure it remains fit for purpose to support delivery of the 2026/27 Plan and is compliant with the Standards. No amendments have been made to the Charter previously submitted in January 2025.

Conclusions

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

Recommendations

24) Members are asked to:

- Agree the proposed Rolling Internal Audit Plan for 2026/27
- Approve the Internal Audit Strategy
- Approve the Internal Audit Charter
- Note the Key Performance Indicators for 2026/27

Appendices:

Appendix A - 2026/27 Audit Plan
Appendix B - Internal Audit Strategy
Appendix C - Audit Charter

Russell Smith
Interim Head of Internal Audit
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Kent County Council

Rolling Internal Audit Plan

Governance and Audit Committee

July 2026 GAC

Internal Audit Strategy

1) The Global Internal Audit Standards (GIAS) includes a mandatory requirement (Standard 9.2) for the Head of Internal Audit (Chief Audit Executive) to:

   "...develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation." The Standard further specifies that the strategy "include a vision, strategic objectives, and supporting initiatives for the internal audit function." This is considered within the profession as the most significant change of the revised Standards.

2) **Appendix A** sets out the revised Internal Audit Strategy which incorporates findings from the recent External Quality Assessment (EQA).

Internal Audit Charter

3) Under the Global Internal Audit Standards (GIAS) and the Public Sector Application note which are mandatory for internal audit practice in the public sector, the nature of Internal Audit activity must be formally defined in an Audit Charter (Charter). The Charter sets out the purpose and scope of internal audit within KCC; it also confirms the independence of the service, defines reporting arrangements and authorises Internal Audit access to all systems, records, personnel and assets that are deemed necessary in order to undertake Internal Audit and Counter Fraud work. The Charter was last approved by the Audit and Governance Committee in April 2025.

4) For 2026-27, the Charter has been reviewed and there have been no changes since the previous amendments to align to the new Global Internal Audit Standards. The Audit and Governance Committee is asked to review and approve the updated Charter attached at **Appendix B**.

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2026-27 Audit Plan Summary

DIRECTORATES							
PRIORITIES	**CROSS DIRECTORATE**	**ASCH**	**CED**	**CYPE**	**DCED**	**GET**	**TOTALS**
PRIORITY	15	6	4	8	6	3	42
RESERVE	6	10	11	10	16	5	58
TOTALS	**21**	**16**	**15**	**18**	**22**	**8**	**100**

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

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

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

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Global Internal Audit Standards – Topical Requirements

7) As per the Global Internal Audit Standards (GIAS) Internal Audit must consider topical requirements as part of the annual planning process. Each topical requirement is considered by Internal Audit Standards Advisory Board (IASAB) for applicability to the UK public sector. The IASAB considers full or partial application as well as disapplication if appropriate for the sector. IASAB consider both the topical requirement and the associated user guidance and at present the only topical requirement published to applicable for the Rolling Internal Audit Plan relates to Cyber Security and third party.

8) The following lists for each effective Topical Requirement the audit engagement proposed on the audit plan, where these may be used as part/all of the scope:

Topical Requirement	Public Sector Application	Audits
Cyber Security	Fully applicable for the public sector	• Cyber Security Topical Requirements • Legacy IT Works
Third Party	Suitable for UK Public Sector for Commercial Contracts but may not be relevant for some other third-party engagements.	• Contract Management Framework Assurance

9) As a result, the above audits will need to consider the topical requirement as part of scoping the Internal Audit.

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2026-27 Audit Resources

CLIENTS	DAYS
Kent County Council	989
Grants	30
Other Clients	859
Contingency	50
Audit Development	50
TOTAL	**1978**

Available Resource	DAYS
Resource	1978

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Priority Audits (42)

Adult Social Care & Health (ASCH) (6)

- Achievement of Savings ASCH – Governance Follow-up
- Care Quality Commission Actions / Outputs
- ASCH Assurance Mapping and Reporting
- Direct Payments (ASCH) – Data Driven Assurance
- Safeguarding – Protecting adults at risk
- ASCH Contract Management - Future Planning of Contracts

Chief Executive Department (CED) (4)

- Core Financial Controls
- Risk Appetite implementation and Risk Reporting
- Management of Reserves
- Public Health NHS Health Checks – In-sourcing Programme

Children, Young People & Education (CYPE) (8)

- Education, Health and Care Plans (EHCP)
- No Recourse to Public Funds
- Families First
- Early Years Funding
- Community Learning & Skills (CLS) - financial viability
- Individual Tutoring (CYPE)
- Funding of Children's Integrated Care Board (ICB) Placements
- CYPE Assurance Mapping

Deputy Chief Executive Department (DCED) (6)

- Legacy IT Works
- New Contact Centre contract
- Cyber Security Topical Requirements
- Payroll
- Application of Data Protection Impact Assessments (DPIA)
- Managers - People Management Responsibilities (Sickness)

Growth, Environment & Transport (GET) (3)

- Capital Investment & Asset Management
- Economic Strategy
- Strategic Workforce Planning (GET)

Cross Directorate (15)

- Local Government Reorganisation
- Annual Governance Statement (AGS) Directorate Action Plans
- CYPE to ASCH Transitioning Arrangements
- Contract Management Framework Assurance
- Post-Implementation Review of Commissioning
- Oracle Cloud Programme – HR Connect
- Purchase Cards - Data Driven Assurance
- Clarity System Assurance Checks and Data Quality
- Supporting Staff Performance
- Verifying Goods and Services
- Oracle Cloud Programme Embedded Assurance
- Data Security Protection Toolkit (DSPT)
- Management of Capital Projects by Schools
- Payment Card Industry Data Security Standard (PCI DSS) Follow-up
- Ongoing Review of Identified Actions

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Reserve List Audits (58)

Adult Social Care & Health (ASCH) (10)

- ASCH Payment to Providers
- Shared Costs with NHS
- Prevention Programme
- Workforce Recruitment and Retention/stability
- Information Asset Management
- ASCH Safeguarding Referrals and Signposting
- 3rd Party Social Care Risks
- Deprivation of Liberty Safeguards
- Supported Living Provider Invoicing Accuracy Reviews
- MOSAIC – Data Driven Assurance

Chief Executive Department (CED) (11)

- Savings improvement Programmes
- Contract Management Database
- Supply Chain Management
- Budget Setting and Monitoring
- Partial VAT Exemption
- Serious and Organised Crime (SOC)
- Subcontracting by Providers
- Kent Pension Fund – Governance Arrangements
- Government Grant – Administration, Accounting & Monitoring

<u>Public Health</u>

- Public Health – Budget Forecasting & Expenditure
- Sexual Health Invoicing / LARC & Cross-Charging Validation

Children, Young People & Education (CYPE) (10)

- Care Leaver Payments
- Safeguarding Assurance Map Refresh
- High-Cost Placements
- Arrangements for paying early years Providers (Childminders)
- School Deficits
- Schools – Building Maintenance
- Children's Residential Provision – Unregulated Providers
- Establishments – Respite Centres
- Funding of out of County Placements
- E-Vouchers – Data Driven Assurance

Deputy Chief Executive Department (DCED) (16)

- Public Switched Telephone Network (PSTN)
- Communities Programme - SRP
- Managers - People Management Responsibilities (Development)
- Managers - People Management Responsibilities (Health, Wellbeing and Attendance)
- Recruitment
- Bullying and Harassment
- Use of Social Media
- Desk Booking Arrangements
- Network Monitoring
- IT Project Management
- Software Licenses
- Vehicle Safety
- Procurement Act 2025
- Data Protection
- Refugee Resettlement Scheme
- Contract Register
- Project Management Office (PMO)

Growth, Environment & Transport (GET) (5)

- Active Travel Scheme
- Creative Economy
- Contract Management of the Marsdon Contract (moving traffic offences)
- Waste and Circular Economy
- DEFRA Checking of Goods Changes

Cross Directorate (6)

- Data Driven Assurance Opportunities
- Spending the Councils Money
- Equality, Diversity and Inclusion
- Driver Expenses – Data Driven Assurance
- Home to School Transport – Data Driven Assurance
- Imprest – Data Driven Assurance

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Audit Plan mapped to Reasonable Assurance – 8 Themes of Corporate Health (42)

Corporate Governance (5)

- ASCH Achievement of Savings – Follow-up
- Economic Strategy
- Annual Governance Statement (AGS) Directorate Action Plans
- Education, Health and Care Plan (EHCP)
- Ongoing Review of Identified Actions

Risk Management (6)

- CYPE Assurance Mapping
- ASCH Assurance Mapping and Reporting
- Oracle Cloud Programme Embedded Assurance
- Risk Appetite implementation and Risk Reporting
- Care Quality Commission Actions / Outputs
- Safeguarding – Protecting adults at risk

Financial Control / VFM (11)

- Payment Card Industry Data Security Standard (PCI DSS) Follow-up
- Funding of Children's Integrated Care Board (ICB) Placements
- Individual Tutoring (CYPE)
- Management of reserves
- Payroll
- Direct Payments (ASCH)
- Community Learning & Skills (CLS) - financial viability
- Core Financial Controls
- Management of Capital Projects by Schools
- Purchase Cards - Data Driven Assurance
- Early years Funding

Commissioning, Procurement & Partnerships (4)

- ASCH Contract Management - Future Planning of Contracts
- Contract Management Framework Assurance
- New Contact Centre Contract
- Post-Implementation Review of Commissioning

Change Management and Programmes/ Projects (5)

- Oracle Cloud Programme - HR Connect
- CYPE to ASCH Transitioning Arrangements
- CYPE Families First
- Public Health NHS Health Checks – In-sourcing Programme
- Local Government Reorganisation

Asset Management (4)

- Supporting Staff Performance
- Capital Investment & Asset Management (GET)
- Strategic Workforce Planning (GET)
- Managers - People Management Responsibilities (Sickness)

Information Technology & Information Security (5)

- Data Security Protection Toolkit (DSPT)
- Legacy IT Works
- Cyber Security Topical Requirements
- Clarity System Assurance Checks and Data Quality
- Application of Data Protection Impact Assessments (DPIA)

Counter Fraud (2)

- No Recourse to Public Funds
- Verifying Goods and Services

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Audits against KCC Significant Risks

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

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

CR0015	Sustainability of the Social Care Market	High (25)
Audit		
Achievement of Savings ASCH – Governance Follow-up		
Direct Payments (ASCH)		
CYPE to ASCH Transitioning Arrangements		

CR0052	Adaptation of KCC Services to climate change impacts	High (16)
Audit		
No Coverage		

CR0009	Future financial and operating environment for local government	High (25)
Audit		
Local Government Reorganisation		
Oracle Cloud Programme Embedded Assurance		
Families First		
Community Learning & Schools (CLS) - financial viability		

CR0053	Asset Management and Degradation and associated impacts, linked to Capital Programme affordability	High (25)
Audit		
Management of Capital Projects by Schools		
Capital Investment & Asset Management (GET)		

CR0014	Cyber and Information Security Resilience	High (20)
Audit		
Payment Card Industry Data Security Standard (PCI DSS) Follow-up		
Data Security Protection Toolkit		
Legacy IT Works		
Application of DPIAs		
Cyber Security Topical Requirements		

CR0045	Maintaining effective governance and decision making in a challenging financial and operating environment	High (16)
Audit		
Annual Governance Statement (AGS) Directorate Action Plans		
Ongoing Review of Identified Actions		
Risk Appetite implementation and Risk Reporting		

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CR0059	Risk of Significant Variance to the Level of Savings and Income Agreed in KCC's Budget	High (16)
Audit		
Core Financial Controls		
Data Driven Assurance - Purchase Cards		
No Recourse to Public Funds		
Verifying Goods and Services		
Direct Payments (ASCH)		
Education, Health and Care Plans (EHCP)		
CYPE New Children's Placements		
Management of Reserves		

CR0064	Risk of Failing to Deliver Effective Adult Social Care Services	High (20)
Audit		
Safeguarding – Protecting adults at risk		
Care Quality Commission Actions / Outputs		
ASCH Assurance Mapping and Reporting		
Direct Payments (ASCH)		
CYPE to ASCH Transitioning Arrangements		

CR0066	ASCH recommissioning programme	High (16)
Audit		
ASCH Contract Management - Future Planning of Contracts		
Contract Management Framework Assurance		

CR0058	Capacity and Capability of the Workforce	High (16)
Audit		
Supporting Staff Performance		
Strategic Workforce Planning (GET)		

10) There is no audit coverage against 1 high risk identified on the Corporate Risk Registers (**Adaptation of KCC Services to climate change impacts – High 16**). This risk has been previously reviewed by Internal Audit as part of the work undertaken in 2022-23 and 2024-25.These reviews focussed on the governance and oversight of climate change. Given the long-term nature of addressing the risks of climate change and Local Government Reorganisation on the horizon Internal Audit have focussed on the risks which require mitigations more immediately. Should risks change in year then this area will be reconsidered for review.

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2. Risk Based Audits

2.1 Cross Directorate

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB01-2027	Clarity System Assurance Checks and Data Quality	This audit will use data analytics to assess whether key controls are functioning sufficiently and provide assurance that data quality, accountancy controls and management assurance arrangements in place are sufficient.	Data Driven Assurance
RB04-2027	Annual Governance Statement (AGS) Directorate Action Plans	To provide assurance that: • Directorate action plans arising from the AGS are complete, appropriate, and aligned to identified control weaknesses • Actions are being effectively implemented, monitored, and reported • Governance improvements are adequately embedded and evidenced	Assurance
RB05-2027	CYPE to ASCH Transitioning Arrangements	To provide assurance that arrangements for transitioning individuals from Children's Social Care to Adult Social Care are: • Timely, well-planned, and person-centred • Compliant with statutory requirements (e.g., Care Act 2014, Children and Families Act 2014) • Effectively coordinated across services • Delivering continuity of care and positive outcomes	Assurance
RB06-2027	Contract Management Framework Assurance	To provide assurance that the Contract Management Assurance Framework: • Is well-designed, consistent, and embedded • Ensures contracts are effectively managed, monitored, and deliver value for money • Provides robust governance, risk management, and compliance oversight	Assurance

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2. Risk Based Audits

2.1 Cross Directorate

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB07-2027	Post-Implementation Review of Commissioning	To provide assurance that the commissioned service: • Has been implemented as intended • Is delivering expected outcomes and value for money • Is supported by effective contract management, governance, and performance monitoring	Assurance
RB08-2027	Local Government Reorganisation	To provide embedded assurance on Local Government Reorganisation implementation.	Embedded Assurance
RB09-2027	Supporting Staff Performance	To provide assurance that the organisation has effective arrangements to: • Set, monitor, and manage staff performance. • Support employees to achieve objectives and improve performance. • Address underperformance in a fair, timely, and consistent manner.	Assurance
RB10-2027	Verifying Goods and Services	To provide assurance that: • Goods and services received are accurately verified before payment • Payments are made only for valid, authorised, and received items/services • Controls prevent fraud, error, and duplicate or incorrect payments	Assurance

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2. Risk Based Audits

2.1 Cross Directorate

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB11-2027	Oracle Cloud Programme Embedded Assurance	To provide embedded assurance on the Oracle Cloud Programme.	Embedded Assurance
RB12-2027	Ongoing Review of Identified Actions	To provide assurance on the progress of implementation of management actions.	Follow-up
RB13-2027	Data Security Protection Toolkit (DSPT)	To provide assurance that KCC meets required DSPT standards and assertions.	Assurance
RB14-2027	Management of Capital Projects by Schools	To provide assurance that schools: • Plan and deliver capital projects effectively, compliantly, and within budget • Have appropriate governance, procurement, and financial controls • Ensure works are properly specified, monitored, and completed to standard	Assurance
RB15-2027	PCI DSS Follow-up	To provide assurance on the progress of implementation of management actions.	Follow-up
RB16-2027	Data Driven Assurance - Purchase Cards	This audit will use data analytics to assess whether key controls are functioning sufficiently.	Data Driven Assurance
RB17-2027	Oracle Cloud Programme – HR Connect	To provide assurance on HR connect readiness for the new Oracle Cloud	Assurance

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2. Risk Based Audits

2.1 Cross Directorate

Reserve List

Audit Title	Nature of Work
Data Driven Assurance Opportunities	Assurance
Spending the Councils Money	Assurance
Equality, Diversity and Inclusion	Assurance
Driver Expenses – Data Driven Assurance	Data Driven Assurance
Home to School Transport – Data Driven Assurance	Data Driven Assurance
Impprest – Data Driven Assurance	Data Driven Assurance

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2. Risk Based Audits

2.2 Adult Social Care & Health (ASCH)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB18-2027	Achievement of Savings ASCH – Governance Follow-up	To provide assurance on the progress of implementation of management actions	Follow-up
RB19-2027	Care Quality Commission Actions / Outputs	To provide assurance that: • Actions arising from CQC inspections are appropriately identified, implemented, and monitored • Improvements lead to sustained compliance and improved service quality • Governance arrangements ensure timely and effective delivery of actions	Assurance
RB20-2027	ASCH Assurance Mapping and Reporting	To provide consultancy and advice to KCC on assurance mapping, reporting and monitoring framework in place across ASCH focusing on the highest risk areas.	Assurance Mapping
RB21-2027	Direct Payments (ASCH) – Data Driven Assurance	The audit will use data analytics to assess whether key controls are functioning sufficiently and provide assurance on the arrangement for Direct Payments.	Data Driven Assurance
RB22-2027	Safeguarding – Protecting adults at risk	To provide assurance that the organisation has effective arrangements to: • Identify, respond to, and manage safeguarding concerns • Protect adults at risk from abuse or neglect • Comply with statutory safeguarding responsibilities and guidance	Assurance

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2. Risk Based Audits

2.2 Adult Social Care & Health (ASCH)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB23-2027	ASCH Contract Management - Future Planning of Contracts	To provide assurance that the organisation: • Has effective arrangements to plan, manage, and sustain future ASC contracts • Ensures continuity of care, market stability, and value for money • Aligns contract planning with strategic priorities, demand, and financial pressures	Assurance

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2. Risk Based Audits

2.2 Adult Social Care & Health (ASCH)

Reserve List

Audit Title	Nature of Work
ASCH Payment to Providers	Assurance
Shared Costs with NHS	Assurance
Prevention Programme	Assurance
Workforce Recruitment and Retention/stability	Assurance
Information Asset Management	Assurance
ASCH Safeguarding Referrals and Signposting	Assurance
3rd Party Social Care Risks	Assurance
Deprivation of Liberty Safeguards	Assurance
Supported Living Provider Invoicing Accuracy Reviews	Assurance
MOSAIC – Data Driven Assurance	Data Driven Assurance

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2. Risk Based Audits

2.3 Chief Executive Department (CED)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB25-2027	Core Financial Controls	To provide assurance that: • Core financial systems and processes are robust, compliant, and operating effectively • Financial transactions are accurate, authorised, and properly recorded • Risks of fraud, error, and misstatement are minimised	Assurance
RB26-2027	Risk Appetite implementation and Risk Reporting	To provide assurance that: • The organisation's risk appetite is clearly defined, communicated, and embedded • It is consistently applied in decision-making and risk management • Reporting provides meaningful insight into risk exposure against appetite	Assurance
RB27-2027	Management of reserves	To provide assurance that: • Reserves are appropriately established, maintained, and utilised • The level of reserves is adequate, justified, and aligned to financial risks and plans • Governance, monitoring, and reporting arrangements are robust and transparent	Assurance
RB24-2027	Public Health NHS Health Checks – In-sourcing Programme	To provide assurance on the transition of the NHS Health Check service being brought in-house, including: • TUPE transfer of staff • New service provision and outreach arrangements • Risks, governance, value for money, and whether expected benefits (cost effectiveness, streamlining, integration with smoking cessation and LARC) are being realised.	Assurance

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2. Risk Based Audits

2.3 Chief Executive Department (CED)

Reserve List

Audit Title	Nature of Work
Savings Improvement Programmes	Assurance
Contract Management Database	Assurance
Supply Chain Management	Assurance
Budget Setting and Monitoring	Assurance
Partial VAT Exemption	Assurance
Subcontracting by Providers	Assurance
Kent Pension Fund – Governance Arrangements	Assurance
Serious and Organised Crime (SOC)	Assurance
Government Grant – Administration, Accounting & Monitoring	Assurance
Public Health – Budget Forecasting & Expenditure	Assurance
Sexual Health Invoicing / LARC & Cross-Charging Validation	Assurance

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2. Risk Based Audits

2.4 Children, Young People & Education (CYPE)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB28-2027	CYPE Assurance Mapping	To provide consultancy and advice to KCC on assurance mapping, reporting and monitoring framework in place across CYPE focusing on the highest risk areas.	Assurance Mapping
RB29-2027	Education, Health and Care Plans (EHCP)	To provide assurance that: • EHCP processes are compliant, timely, and person-centred • Plans are appropriately assessed, issued, and monitored • Arrangements deliver effective outcomes for children and young people (CYP) with SEND	Assurance
RB30-2027	No Recourse to Public Funds	To provide assurance that: • NRPF cases are identified, assessed, and managed appropriately and lawfully • Support is provided only where the authority has a statutory duty • Financial, safeguarding, and immigration-related risks are effectively managed • Controls prevent fraud, error, and duplicate or incorrect payments	Assurance
RB31-2027	Families First	Review to assess the financial stability of the project after the 3-year funding ends and to assess compliance with the grant conditions.	Assurance
RB02-2027	Early Years Funding	To provide assurance on the adequacy and effectiveness of controls in place for early years funding.	Assurance

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2. Risk Based Audits

2.4 Children, Young People & Education (CYPE)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB32-2027	Community Learning & Skills (CLS) - financial viability	To provide assurance that: • Community Learning Skills are financially sustainable and well-managed • Financial risks are identified, monitored, and mitigated • Decision-making supports long-term viability and value for money	Assurance
RB33-2027	Individual Tutoring (CYPE)	To provide assurance that: • Individual tutoring is appropriately commissioned, value for money, targeted, and delivered • Support meets the educational needs of children supported • Governance, safeguarding, and financial controls are robust and effective	Assurance
RB34-2027	Funding of Children's Integrated Care Board (ICB) Placements	To provide assurance that: • New placements are appropriate, timely, and meet the needs of the child • Processes comply with statutory requirements and safeguarding standards • Financial, commissioning, and oversight arrangements are robust and provide value for money	Assurance

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2. Risk Based Audits

2.4 Children, Young People & Education (CYPE)

Reserve List

Audit Title	Nature of Work
Care Leaver Payments	Assurance
Safeguarding Assurance Map Refresh	Assurance Map
High-Cost Placements	Assurance
Arrangements for paying early years Providers (Childminders)	Assurance
School Deficits	Assurance
Schools – Building Maintenance	Assurance
Children's Residential Provision – Unregulated Providers	Assurance
Establishments – Respite Centres	Assurance
Funding of out of County Placements	Assurance
E-Vouchers – Data Driven Assurance	Data Driven Assurance

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2. Risk Based Audits

2.5 Deputy Chief Executive Department (DCED)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB35-2027	Legacy IT Works	To provide assurance that: • Legacy systems are identified, managed, and controlled effectively • Risks relating to security, resilience, support, and compliance are mitigated • There is a clear strategy for maintenance, replacement, or decommissioning	Assurance
RB36-2027	New Contact Centre contract	To provide assurance that: • The new contact centre contract has been implemented effectively and is delivering intended outcomes • Performance, quality and customer experience meet contractual expectations • Governance, contract management and financial controls are robust	Assurance
RB37-2027	Cyber Security Topical Requirements	Review in line with the Institute of Internal Audits Cyber Security topical requirements.	Assurance
RB38-2027	Managers - People Management Responsibilities (Sickness)	To provide assurance that: • Sickness absence is effectively recorded, monitored, and managed • Processes are applied consistently and in line with policy and legislation • The organisation minimises absence levels while supporting employee wellbeing	Assurance

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2. Risk Based Audits

2.5 Deputy Chief Executive Department (DCED)

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB39-2027	Payroll	To provide assurance that: • The new payroll system is operating effectively, accurately, and securely • Key payroll controls are embedded and functioning as intended • Risks associated with system implementation and data migration have been appropriately managed	Assurance
RB40-2027	Application of Data Protection Impact Assessments (DPIA)	To provide assurance that: • DPIAs are appropriately identified, completed, and approved where required • DPIAs effectively assess and mitigate data protection and privacy risks • DPIA processes are embedded, consistent, and compliant with UK GDPR	Assurance

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2. Risk Based Audits

2.5 Deputy Chief Executive Department (DCED)

Reserve List

Audit Title	Nature of Work
Public Switched Telephone Network (PSTN)	Assurance
Communities Programme – SRP	Assurance
Managers - People Management Responsibilities (Development)	Assurance
Managers - People Management Responsibilities (Health, Wellbeing and Attendance)	Assurance
Recruitment	Assurance
Bullying and Harassment	Assurance
Use of Social Media	Assurance
Desk Booking Arrangements	Assurance
Network Monitoring	Assurance
IT Project Management	Assurance
Software Licenses	Assurance
Vehicle Safety	Assurance
Procurement Act 2025	Assurance
Data Protection	Assurance
Refugee Resettlement Scheme	Assurance
Project Management Office (PMO)	Assurance

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2. Risk Based Audits

2.6 Growth, Environment & Transport

Priority Audits

Ref	Audit Title	Scope	Nature of Work
RB41-2027	Capital Investment & Asset Management	To provide assurance that: • Capital investment decisions are strategically aligned, well-governed, and deliver value for money • Assets are effectively managed, maintained, and utilised • Risks relating to capital projects and asset portfolios are appropriately controlled	Assurance
RB42-2027	Economic Strategy	To provide assurance that: • The Economic Strategy is well-designed, evidence-based, and aligned to priorities • Delivery arrangements are effective, coordinated, and monitored • Outcomes and impacts are measured, reported, and achieved	Assurance
RB43-2027	Strategic Workforce Planning	To provide assurance that: • Strategic workforce planning is robust, evidence-based, and aligned to organisational priorities • The organisation has the capacity, capability, and skills needed now and in the future • Workforce risks are identified, managed, and mitigated effectively	Assurance

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2. Risk Based Audits

2.6 Growth, Environment & Transport

Reserve List

Audit Title	Nature of Work
Active Travel Scheme	Assurance
Creative Economy	Assurance
Contract Management of the Marsdon Contract (moving traffic offences)	Assurance
Department for Environment, Food and Rural Affairs (DEFRA) Checking of Goods Changes	Assurance
Waste and Circular Economy	Assurance

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2026-27 Internal Audit Key Performance Indicators

11) The Key Performance indicators (KPI's) and Performance Monitoring for the Internal Audit service have been previously been reviewed with the intention of updating to more modern metrics updates with an ongoing shift from quantitative to outcome and value measuring performance.

12) Thus, it has been the tradition within Internal Audit to concentrate upon input and output metrics such as:

- Percentage of the Audit Plan delivered.
- Planned v Actual days / % of audits completed within resource allocation.
- Delivery of all agreed Audit Committee papers on time.
- % of Draft audit reports issued within ten working days of completion of fieldwork.
- % of Final Reports issued within five working days of receipt of responses to draft report.

13) These are valid to measure within the service internally as they are part of how Audit Managers monitor individual and team efficiency, however it is more relevant to report to the Governance and Audit Committee and stakeholders on whether there is value from the work of Internal Audit and whether the work helps the organisation strengthen controls and the management of risk and achieve its objectives and priorities.

14) To further shift the performance measurement of the Internal Audit service to being outcome based and accountable to the Governance and Audit Committee, the following measures in Table 1 will be reported to the Committee:

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2025-26 Internal Audit Key Performance Indicators – Table 1

KCC Key Performance Indicator			
	Factor	**Basis**	**Measured by**
A	Strategic Alignment	For Internal Audit to be relevant, its coverage must be aligned to the Council's main risks	• Either an Assurance Map on Internal Audit coverage or reporting to the Committee on annual coverage compared to the Corporate Risk Register
B	Rolling Audit Plan	Having a Rolling Audit Plan reflects the need for coverage of key risks at the right time	• Number of Relationship Management meetings held to discuss Rolling Audit Plan • Stakeholder feedback on the effectiveness of IA coverage
C	Timely Insights	In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders	• Stakeholder feedback on effectiveness of collaboration • Stakeholder Feedback on Embedded Assurance insights
D	Adding Value	The fundamental basis for the service to the Council that Internal Audit should be providing.	• The proportion of audit coverage providing wider assurance via the use of data analytics • Recording how audit coverage has contributed to the Council saving money. • Documenting how and where IA has provided guidance for improving poor or effective controls. • Documenting how IA has provided embedded assurance advice from the initial stages of strategic initiatives
E	Management Actions	To determine if there has been actual improvement from Internal Audit reviews	• % of high priority / risk issues agreed • % of high priority / risk issues implemented. • % of all issues agreed • % of all issues implemented.
F	Client Satisfaction	Determining whether value is added	• Client satisfaction surveys at the end of each audit. • Annual Key stakeholder perception survey (some questions to be amended)
G	Audit Efficiency	The responsibility to operate efficiently	• Time from audit planning to draft report being issued. • Completion of all Grant Certifications for the Council/ respective Directorates within set timescales.

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Appendix - C

Internal Audit Charter for Kent County Council

Purpose

The purpose of the Internal Audit function is to strengthen Kent County Council's ability to create, protect, and sustain value by providing the Governance and Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit function aims to enhance Kent County Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Kent County Council's Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Governance and Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

Kent County Council's Internal Audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Head of Internal Audit (referred to as Chief Audit Executive in the Standards) will report at least annually to the Governance and Audit Committee and senior management regarding the Internal Audit function's conformance with the Standards, for example in relation to the Internal Audit Strategy.

Mandate

Authority

The requirement for the Council to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2015. This supplements the requirements of Section 151 of the Local Government Act 1972 for the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Council has delegated this responsibility to the Corporate Director of Finance.

Appendix - C

The Internal Audit service's authority is created by its direct reporting relationship to the Governance and Audit Committee. Such authority allows for unrestricted access to the Governance and Audit Committee. The Head of Internal Audit has direct access to the Chair of the Governance and Audit Committee and has the opportunity to meet with the Governance and Audit Committee in private. The Chair of the Governance and Audit Committee will be involved in the appointment and termination of the Head of Internal Audit.

The Governance and Audit Committee authorises the Internal Audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Kent County Council and other specialised services from within or outside Kent County Council to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Head of Internal Audit will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference, thereby establishing the independence of the Internal Audit function. The Head of Internal Audit will report functionally to the Governance and Audit Committee and administratively (for example, day-to-day operations) to the Corporate Director of Finance. The Head of Internal Audit will have free and unrestricted access and freedom to report in their own name to the Corporate Director of Finance, Chief Executive, Monitoring Officer and Chair of the Governance and Audit Committee.

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Governance and Audit Committee if actions have not been taken and supports the internal auditors' ability to maintain objectivity.

The Head of Internal Audit will confirm to the Governance and Audit Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organisational independence, the Head of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Head of Internal Audit will disclose to the Corporate Director of

Finance and/or the Chair of the Governance and Audit Committee any impairment internal auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such impairment on the Internal Audit function's effectiveness and ability to fulfil its mandate.

This will also include ensuring that if an audit is undertaken in an area where the Head of Internal Audit has operational responsibility, appropriate measures are put in place to avoid compromising independence.

If requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of Internal Audit must highlight to the Governance and Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics. The Governance and Audit Committee must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Head of Internal Audit, Governance and Audit Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Head of Internal Audit, Governance and Audit Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

Appendix - C

Governance and Audit Committee Oversight

To establish, maintain, and ensure that Kent County Council's Internal Audit function has sufficient authority to fulfil its duties, the Governance and Audit Committee, in line with its Terms of Reference, will:

- Discuss with the Head of Internal Audit and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Head of Internal Audit has unrestricted access to, communicates, and interacts directly with the Governance and Audit Committee, including in private meetings without senior management present.
- Ensure Internal Audit are independent of the activities it audits, is effective, has sufficient experience.
- Discuss with the Head of Internal Audit and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Head of Internal Audit and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review and approve the Internal Audit Charter annually with the Head of Internal Audit to consider changes affecting the organisation, such as the employment of a new Head of Internal Audit or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Receive communications from the Head of Internal Audit about the Internal Audit function including its performance relative to its plan
- Ensure a Quality Assurance and Improvement Programme has been established and review the results annually.
- Make appropriate inquiries of senior management and the Head of Internal Audit to determine whether scope or resource limitations are inappropriate.

In accordance with the Global Internal Audit Standards in the UK public sector – Application note, the following are adaptations to Global Internal Audit standard requirements:

- Provide view, where appropriate, on the internal audit function's human resources administration and budgets and expense.
- Provide input, where requested, to senior management on the appointment and removal of the Head of Internal Audit, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards; and

- Provide input, as required, to senior management on the Head of Internal Audit's performance.

Head of Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Head of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation aligned to the Council's values and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Head of Internal Audit will ensure that the Internal Audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Head of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Kent County Council or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Kent County Council employee that is not employed by the Internal Audit function, except to the extent that such

employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Head of Internal Audit, Governance and Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Head of Internal Audit has the responsibility to:

- At least annually, develop a risk-based Internal Audit Plan that considers the input of the Governance and Audit Committee and senior management, discuss the Plan with the Governance and Audit Committee and senior management and submit the Plan to the Governance and Audit Committee for review and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to the Governance and Audit Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Kent County Council's business, risks, operations, programmes, systems, and controls.
- Communicate with the Governance and Audit Committee and senior management if there are significant interim changes to the Internal Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note.
- Follow up on engagement findings and confirm the implementation of action plans and communicate the results of Internal Audit services to the Governance and Audit Committee and senior management and for each engagement as appropriate
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the Internal Audit mandate.

- Identify and consider trends and emerging issues that could impact Kent County Council and communicate to the Governance and Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to Kent County Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Governance and Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Head of Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Governance and Audit Committee.

Communication with the Governance and Audit Committee and Senior Management

The Head of Internal Audit will report annually to the Governance and Audit Committee and senior management regarding:

- The Internal Audit function's mandate.
- The Internal Audit plan and performance relative to its plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the IIA's Global Internal Audit Standards, and the UK Public Sector Application Note and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Governance and Audit Committee that could interfere with the achievement of Kent County Council's strategic objectives.
- Results of assurance and advisory services.
- Internal Audit resources, budget and any significant revisions to the Internal Audit Plan and Budget.

Internal Audit resources are set in accordance with the Council's budget setting process, with guidance from the Finance Division. The Head of Internal Audit is responsible for the management of the budget.

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The Rolling Internal Audit Plan considers the work that is needed to enable the Head of Internal Audit to provide an assurance on the control environment and governance across the Council. To ensure that there are adequate Internal Audit resources available to deliver the Plan, an assessment is made to determine the number of staff days available and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the Plan.

The detailed Rolling Audit Plan, including a resource plan, is reported to the Governance and Audit Committee. If there are significant revisions to the Internal Audit Plan and resources available that impact on the ability of Internal Audit to fulfil its role, this should be reported to the Governance and Audit Committee with any proposed mitigating actions in such circumstances.

Quality Assurance and Improvement Program

The Head of Internal Audit will develop, implement, and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit function. The programme will include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the Head of Internal Audit will communicate with the Governance and Audit Committee and senior management about the Internal Audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External Quality Assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Kent County Council; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Scope and Types of Internal Audit Services

The scope of Internal Audit services covers the entire breadth of the organisation, including all of Kent County Council's activities, assets, and personnel. The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Governance and Audit Committee and management on the adequacy and

effectiveness of governance, risk management, and control processes for Kent County Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

This effectively means that Internal Audit has independent oversight of all the Council's operations, resources, services and processes and Internal Audit engagements may include evaluating whether:

- Risks relating to the achievement of Kent County Council's strategic objectives are appropriately identified and financial and other management controls manage the risks to achieve the Council's objectives
- The actions of Kent County Council's officers, Corporate Management Team management, employees, and contractors or other relevant parties comply with Kent County Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being conducted effectively, efficiently, and ethically.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Kent County Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, protected adequately. accounted for and safeguarded from losses arising from:

  – Fraud and other offences

  – Waste, extravagance and inefficient administration, poor value for money and other causes.

The scope of Internal Audit work may also include:

- Reviewing the suitability and reliability of financial and other management data developed within the organisation.
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new

- systems are being developed or where improvements are sought in the efficiency of
- existing systems.
- Promoting and raising awareness of fraud and corruption.
- Investigating allegations of fraud and corruption.
- Providing advice (consultancy) to Directorates for a variety of issues, such as project assurance, controls advisory requests, areas of concern and lessons learnt reviews.

Where the Head of Internal Audit considers that the scope of audit work is being restricted, the Corporate Director of Finance and the Governance and Audit Committee will be advised.

Internal Audit is not relieved of its responsibilities in areas of the Council's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of Internal Audit will provide an annual audit opinion as to the adequacy of the Council's governance arrangements, internal controls, and risk management processes. This will be used to support the Annual Governance Statement.

Provision of Assurance to Third Parties

The Council's Internal Audit section is sometimes requested to undertake Internal Audit and assurance activity for third parties. These include internal audit services, grant certification and financial accounts sign-off.

The same principles detailed in this Charter will be applied to these engagements.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagement's objectives and be alert to significant control issues

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Approved by the Governance and Audit Committee at its meeting on 23rd January 2025.

Acknowledgments/Signatures

_____	_____
Head of Internal Audit	Date
_____	_____
Governance and Audit Committee Chair	Date
_____	_____
Chief Executive	Date

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Appendix B - KCC Internal Audit Strategy

KCC's Internal Audit Function's Purpose Statement Where are we going?	
Purpose	Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
Vision	The internal audit function will be recognised as a trusted partner and strategic advisor, providing real time foresight and insight.
Values	The internal audit function is committed to operating with excellence, integrity, objectivity, competency, due professional care, professional courage, and confidentiality.

Strategic Challenge(s) to be Addressed
A strategic scan of both external and internal factors revealed stakeholder expectations for the internal audit function to develop findings with better insights and foresight about management's governance, risk, and controls. The insights and foresight should be delivered promptly and support our organisation's strategy. Internal audit staff must understand the strategy and how stakeholders define and recognise great insight and foresight, prioritise the most impactful engagements, be efficient and timely, and communicate results that satisfy stakeholder expectations.

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Current position
The Internal Audit team undertook an External Quality Assessment in 2026 in which the service was assessed as **Generally conforms** with the Global Internal Audit Standards. A maturity assessment has also been undertaken which for the majority of areas the service is assessed as Optimising however, there are areas to develop further surrounding Organisational Relationships and Culture, Technology and Innovation and People and Resource Management. **Table 1** shows the current maturity of the Internal Audit Function.

Table 1 – Maturity Assessment

Key Success Factors	Position		Process, Technology and innovation				People & Resources
	Services and Role of IA	Organisational Relationships and Culture	Ethics and Professionalism	Performance Management & Accountability	Governance Structures	Technology and Innovation	People and Resource Management
Key GIAS	**Principle 9**	**Principle 6**	**Domain II**	**Principle 8**	**Principle 7**	**Standard 10.3**	**Principle 10**
Level 5 - Optimising	IA plays significant role in driving change and impact which it delivers using flexible assurance and advisory products.	IA advises and influences top-level management/ board.	Continuous improvement in professional practices, IIA/ industry alignment, strategic planning. full integrated assurance	Public reporting of IA effectiveness, & industry leader	Independence, power, and authority of the IA activity	Data analytics enabled. Integrated GRC tools across three lines, with real time monitoring and alerts.	Leadership Involvement with Professional Bodies, workforce projection, capacity optimisation role based competency

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			against risk appetite				framework, training and CPD support.
Level 4 - Managed	Various service offerings on Governance, Risk Management and Control.	Effective and ongoing communications & relationships with the board and EC.	Audit Strategy leverage Organisation's priorities & management of risks and integrated assurance against risk appetite.	Integration of qualitative and quantitative performance measures.	Independent oversight of the IA activity. CAE reports to top level authority. Leverage tech, DA, and innovation.	Data analytics managed. Integrated audit workflows and data sharing with other assurance functions.	IA contribute to management development. IA activity supports Professional Bodies. Workforce planning, competency framework, training, and CPD.
Level 3 - Implemented	Overall assurance on Governance, Risk Management and Control.	Coordination with other review Groups/assurance providers. Integral component of management team.	Quality assurance & improvement framework. Risk-based audit plans.	Performance measures. Cost information. IA management Reports	Management oversight of the IA activity. Funding mechanisms.	Data analytics defined. Specialised audit workflow tools used to support risk assessments delivery and reporting. Monitoring through unstructured data and reporting.	Team building and competency. Competent staff. Workforce coordination Training and some support for CPD.

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Level 2 - Defined	Cyclical/ compliance auditing.	Managing within the IA activity	Professional practices and processes framework. Audit plan based on management/ stakeholder priorities.	IA operating budget. IA business plan.	Full access to the organization's information, assets, and people. reporting relationships established.	Data analytics aware. Office technology used to support record keeping, with EUC solutions for universe and reporting. More manual business monitoring.	Individual professional Development. skilled people identified and recruited.
Level 1 - Initial	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the positions; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of larger organizational unit; no established capabilities; therefore, no specific key process areas. Data analytics naïve with no data analytics skills.						

The model consists of five distinct levels, each representing a progressively more advanced stage of maturity:

- Level 1 - Initial: At this foundational level, the internal audit function is largely ad hoc and unstructured. Few processes are formally defined, and practices are applied inconsistently. The focus is primarily on compliance and basic financial controls, with limited use of data analytics or technology.
- Level 2 - Defined: As the function progresses to the Defined level, basic practices and procedures are established and performed on a regular, repeated basis. Audit planning becomes more risk-based, and the team begins to leverage data analytics to enhance testing and insights. Professional practices are defined but may not be fully integrated.
- Level 3 - Implemented: At the Implemented level, internal audit policies, procedures, and approaches are formally defined, documented, and integrated with one another. The function consistently adheres to professional standards, such as the GIAS. Technology and data analytics are embedded into the audit lifecycle, enabling more efficient and effective assurance.
- Level 4 - Managed: As the function reaches the Managed level, it becomes an integral component of the organisation's governance and risk management framework. Audit plans are dynamic and responsive to changing business needs. Continuous monitoring and data-driven insights enable proactive risk identification. The function is seen as a trusted advisor, delivering value beyond basic assurance.
- Level 5 - Optimising: At the pinnacle of maturity, the internal audit function is fully aligned with the organisation's purpose and strategic objectives. It focuses on continuous learning and improvement, leveraging advanced analytics and innovative techniques to deliver predictive insights. The function is adaptive and consistently delivers measurable value to the organisation.

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Strategic Objectives
Below sets out the strategic objectives of the Internal Audit team that will enable the achievement of purpose, vision and values.

Strategic Objectives		Performance Measures
1) Aligning our Coverage to Strategic Objectives and Key Risks	Internal Audit will provide improved insights and outcomes via ensuring that we have a strong understanding of the organisation's objectives and needs and providing assurance on the associated risks and promotion of good governance. By understanding clients' risks and needs, we can update our risk-based rolling audit plans, accordingly, ensuring a role in advising on strategic changes that benefits the organisation. This approach leads to insightful audits that effectively address issues and enhance value. Internal Audit will ensure there is extensive engagement with stakeholders across the organisation and regular client meetings foster trust whilst maintaining the critical independence and objectivity needed to add value and we believe this approach will elevate our impact across the organisation and to our clients.	Strategic alignment of Rolling Internal Audit Plan to Strategic Objectives and Key Risks
2) Innovative Approaches to Auditing	Internal Audit will embrace, develop and adopt the latest technologies and audit approaches across all our work. This innovation will drive more efficient ways of working and be utilised as part of improving the impact of the advice and insights we provide to continuously increase quality and outcomes for the organisation and clients we deliver to. Our innovative	Number of audits utilising Data Analytics Number of audits utilising Artificial Intelligence

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	approach will embrace new technology and will include: • Maximising the benefits of artificial intelligence tools in the planning, testing and reporting of audits to further increase our productivity. • Transforming approaches to include automated testing, semi-automating the follow up process and continuous auditing. Developing real-time assurance will enable the function to deliver to concentrate on key risks and enable auditors to have more capacity to review more audits which create additional value and insights for the Organisation and our clients. • Increasing the leverage of advanced Data Analytics including continuous auditing to provide deeper insights, expanding risk coverage and provide greater assurance including continuous auditing. Maximising technological opportunities provides another significant opportunity for more efficient report writing, providing prompt and concise reporting with less manual time and effort, by using graphics to be as user friendly to our clients as possible. Innovation opportunities also include expanding the use of the agile audit approach to provide enhanced service to stakeholders and management, facilitating regular feedback loops during an audit and increased engagement with stakeholders throughout the audit process, which will increase reporting productivity and quality.	Continuous reporting measure
3) Workforce Planning and Talent Management	Internal Audit will continue, in accordance with organisation Strategies and Policies, to undertake ongoing Workforce Planning and Talent Management, reviews to regularly: • Review skills, capability, capacity, workforce profile and development requirements. • Ensure team members have development opportunities.	Number of qualified Staff Number of Staff undertaking and maintaining Professional qualifications. Number of experienced staff

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	• Take actions, wherever possible, on staff retention risks. • Ensure recruitment approaches attract and secure quality staff. • Ensure that adequate succession plans are in place to make the service future proof. Internal Audit will remain committed to promoting health and wellbeing for the team so that it creates a culture whereby everybody within the team collectively cares and supports each other. The team will be provided a safe space with a no blame culture to learn, try new ideas and pioneer audit practices.	Number of staff leavers
4) Creating Financial Value to the Organisation	The success in maintaining existing clients will, subject to agreement with our host organisation, be continued with the aim of maximising the income earned from the delivery of services to both ensure the long-term financial sustainability of the service and yield income for the host Organisation and to promote the maintenance of expertise and skills within the team. This is in addition to core audit and counter fraud work which will ensure adequate coverage of financial risks and, in relevant areas of coverage, seeks to promote areas of financial improvement for the organisation. Internal Audit will there is sufficient coverage within its Internal Audit plans of value for money audits, financially focused audits and fraud audits to help the organisation save money. Internal Audit will continue to maximise financial efficiency for the host organisation by effective budget management and implementation of cost efficiency.	Documented income to Council as KPI (KCC only) Added Value Through Perception Surveys Number of audits which are related to value for money, financially focussed or fraud.
5) Culture of Continuous Improvement	The culture and mindset of the Internal Audit team is one of continual learning, improvement and development and this will be the underlying	Outcomes of Quality Assurance Improvement Programme (QAIP)

Appendix B - KCC Internal Audit Strategy

	basis within the Strategy for fostering an environment to ensure quality and success. Forward thinking, adaptability and being receptive to change will be at the core of how the Internal Audit service develops and will involve being vigilant, recognising when change is on the horizon and being prepared to change, as necessary. This agility will allow the service to seize opportunities, mitigate risks and continue a path of growth and success. Adaptability requires a mindset that values continuous learning, improvement and innovation over any false comfort of the status quo. This is underpinned by the organisations own continuous improvement ensuring adequate implementation of agreed management actions which are implemented timely.	Review outcomes of self-assessments Training / CPD hours attended Questionnaire feedback Implementation of agreed management actions. Stakeholder perception survey

Supporting Initiatives How do we plan to achieve the objectives and who is responsible?	Owner	Start Month/ Year	End Month/ Year
1.1 Internal Audit will ensure there is extensive engagement with stakeholders across the Council and regular client meetings.	Head of Internal Audit	April 2026	July 2027
2.1 Maximising the benefits of artificial intelligence tools in the planning, testing and reporting of audits to further increase our productivity.	Head of Internal Audit	April 2026	July 2028
2.2 Transforming approaches to include automated testing, semi-automating the follow up process and data driven assurance and continuous auditing activities.	Head of Internal Audit	April 2026	July 2028
3.1 Review skills, capability, capacity, workforce profile and development requirements.	Head of Internal Audit	April 2026	July 2027

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3.2 Ensure team members have development opportunities.	Head of Internal Audit	April 2026	July 2027
3.3 Take actions, wherever possible, on staff retention risks.	Head of Internal Audit	April 2026	July 2027
3.4 Ensure recruitment approaches to attract and secure quality staff.	Head of Internal Audit	April 2026	July 2027
3.5 Develop succession plans to make the service future proof.	Head of Internal Audit	April 2026	July 2027
4.1 Maintain existing clients through ongoing relationship management.	Head of Internal Audit	April 2026	July 2027
5.1 Review and update Data Analytics and Artificial Intelligence Strategy.	Head of Internal Audit	April 2026	July 2027
5.2 Integration of Artificial Intelligence into Audit processes to enhance efficiency.	Head of Internal Audit	April 2026	July 2027
5.3 Development of follow-ups dashboards for monitoring of implementation of agreed management actions.	Head of Internal Audit	April 2026	July 2027
5.4 Inclusion of standard agenda item at each internal team meeting on continuous improvement.	Head of Internal Audit	April 2026	July 2027
5.5 Re-establish subject matter experts (SME) and provide Dedicated research / horizon scanning time outside of the annual audit planning exercise for client leads.	Head of Internal Audit	April 2026	July 2027

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What are the risks that could prevent us from or impede meeting our objectives?
1. The learning curve for internal auditors implementing new methodologies may initially delay engagement completion rather than increasing efficiency.
2. The learning curve related to using new audit software may initially delay engagement completion rather than increasing efficiency.
3. Internal auditors' view of how engagement objectives, findings, and conclusions proactively support management actions to deliver on the organisation's strategy may differ from the perspectives of individual members of the board and management because aligning these elements is subjective and the organisational strategy may evolve.
4. Financial pressure on the host organisation may result in spending controls leading to Internal Audit function having an inability to undertake external training.
5. Skilled staff leaving as we approach Local Government Reorganisation.
6. Access to technologies and licenses needed to support innovation.

Appendix B - KCC Internal Audit Strategy

What are the key dependencies within our organisation related to the internal audit function's strategic objectives and initiatives? (Who must do what for the strategic objective to be met?)
1. Internal auditors must have access to the organisation's strategy, and the chief audit executive must have open ongoing communication with the board, senior management, and other key stakeholders regarding the strategy and how governance, risk management and control processes impact the strategy.
2. Members, management, and other key stakeholders must complete stakeholder surveys promptly.
3. Management must promptly cooperate with the internal audit function's requests for information and respond to draft audit communications within the requested timeframes.
4. The internal audit function must be given an adequate budget for resources, software and technical support.
5. The internal audit function must be given the resources and time necessary for training.

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From: Petra Der Man, Head of Law (Monitoring Officer)

To: Governance and Audit Committee, 23 July 2026

Subject: Draft Annual Governance Statement 2025/26

Status: Unrestricted

Summary: 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 output within the Council.

---

1) Introduction

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

b) The statement relies on the contribution of Members and Officers and a commitment to the continuous improvement of the way in which things are done by the Council in governance terms. Our statements have been very clear about where improvements can and should be made but this is done solely in the interests of identifying issues and making improvements. It is vital that the process is not weaponised as the Council has used the AGS process to identify and confront a number of issues that have remained out of sight in other organisations.

c) The statement comes to the Committee in draft to update Members on progress of the development of the statement and to provide an opportunity for the Committee to understand and influence the strategic direction of the statement ahead of finalisation.

d) After the 23 July 2026 meeting, the Monitoring Officer will address the further changes that need to be made before finalising the Annual Governance Statement in consultation with the Chair. The final draft will be brought to the Governance and Audit Committee on 30 September 2026.

e) The final draft of the AGS is then sent to all Cabinet Members, Corporate Directors and Directors. It is also recommended that a copy of the approved Annual Governance Statement is then sent to all Members.

2) Governance and Audit Committee's Responsibility

a) This report and the draft statement are brought to the Committee to provide an opportunity for Members to consider and raise any issues ahead of the finalisation of the statement.

b) Members are reminded that the purpose of this Committee, in accordance with its Terms of Reference, is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements.

c) This report is brought to the Governance and Audit Committee for their consideration as the Committee is responsible for:
   i. monitoring the development and operation of the Council's corporate governance, financial, risk, and assurance frameworks and arrangements to ensure it meets recommended practice, is embedded across the whole Council and is operating consistently throughout the year,
   ii. review and approval of the Statement of Accounts, with related reports, and the Annual Governance Statement, and
   iii. reporting to full Council for assurance on the Accounts and Annual Governance Statement approval.

3) Recommendation:

The Governance and Audit Committee is asked to COMMENT on the Draft Annual Governance Statement.

4) Appendices

Appendix: Draft Annual Governance Statement for 2025/26

5) Background Documents

None.

6) Relevant Director and Report Author

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Kent County Council

Annual Governance Statement

2025/26

Kent County Council

Annual Governance Statement 2025/26

Contents

Executive Summary

To follow in final draft.

Purpose of Statement

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

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

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

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

It is important also as a way of assessing the extent to which the Council is meeting it's Best Value Duty.

It is hoped that the reader will find this statement a thorough and honest account of the operation of Kent County Council's governance arrangements which highlights both strengths and the areas requiring further improvement. It is important to acknowledge that the authority's governance journey is a continual one, and this statement recognises the Council's position at a point in time. The statement relates to the financial year ending 31 March 2026 and whilst it refers to matters subsequent and prior, the primary focus of the statement is on that period of time.

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

The approach taken to the Annual Governance Statement by Kent County Council in recent years has involved greater and broader testing across the Council through a survey of those playing a role in supporting governance at all levels of the organisation.

The collection of information over these years now allows us to provide comparative analysis on a range of questions to provide a picture over an extended period.

As with previous years, the final version of the Annual Governance Statement will be informed by the Annual Internal Audit Opinion and the outcome of audit and review activity from within the financial year in question. 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.

Scope of Responsibility

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

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

What is governance?

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

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

The Code of Corporate Governance

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

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

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

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

For Members there is the Kent Code of Member Conduct that is adopted under Section 27(2) of the Localism Act 2011. It is the responsibility of Members to comply with the provisions of this code and these provisions are set out in the authority's Constitution.

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

Members and Officers are expected to work together on a basis of mutual respect and trust. Members set the County Council's policy direction and Officers are responsible for implementing decisions taken and providing professional advice at all

stages. KCC's Scheme of Delegation sets out the framework for how specific delegations are allocated to Officers.

Kent Council Council's Cabinet Committees are constituted of elected Members and are established as advisory Committees of the Executive. Cabinet Committees review most key decisions prior to their being taken, together with related matters affecting Kent or its residents, in the subject area covered by the Committee. The Council also has a Scrutiny Committee whose role is to scrutinise the actions and decisions of the Executive and a suite of other Committees which undertake specific functions on behalf of the Council. Membership and information about each Committee is set out on the County Council's website. The County Council has designated Officers to act as each of the following: Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Law), the Section 151 Officer (Corporate Director Finance), Director of Adult Social Services, Director of Children's Services, and Director of Public Health. Their functions are explained in Section 11 of KCC's Constitution and responsibilities are placed on these individuals by a combination of legislation and the Council's own governance.

During 2025/26, Members continued to be mindful of the statutory responsibilities of the Monitoring Officer, particularly in light of issues previously considered under Section 5 of the Local Government and Housing Act 1989. In earlier years, a number of Section 5 reports were presented in connection with breaches of statutory duties arising from Kent County Council's involvement in judicial review proceedings relating to the care of unaccompanied asylum-seeking children (UASC), including matters concerning their accommodation in hotels by the Home Secretary.

The Monitoring Officer function has been refocused following the Senior Management restructure in autumn 2025. This is discussed further in the 'Operating Environment' section below. A Section 5/5A framework is currently in development and will set out guidance as to how the Monitoring Officer of the Council will approach their statutory duties under sections 5 and 5A (s5/5A) of the Local Government and Housing Act 1989.

The role of Chief Executive continues to incorporate the statutory responsibilities of the Head of Paid Service, building on the governance changes introduced in the 2022/23 municipal year. Personnel Committee agreed in 2025 to the continued appointment of the Chief Executive Officer, providing continuity of leadership at a critical time for the organisation, particularly in the context of Local Government Reorganisation. The Chief Executive retains overall accountability for ensuring that appropriate resources, capacity and organisational arrangements are aligned to fulfil these duties effectively. This continuity and stability in senior leadership supports the Council's ability to maintain effective governance, manage organisational change, and sustain service delivery during a period of significant transformation. The current Chief Executive's impact on the Council's governance is expanded on in the 'Operating Environment' section below.

A permanent Corporate Director Finance was appointed in the 2025/26 financial year and started in post in March 2026. The Corporate Director Finance acts as the Council's Section 151 Officer and Chief Finance Officer responsible for making the necessary arrangements for local financial and management controls, under section 151 of the Local Government Act 1972. The Interim Section 151 Officer again reflected the increasingly challenging financial position of the Council in both a Section 25 assurance statement to the budget in February 2026 and in reports/comments to Committees throughout the year.

Operating Environment

At the outset of this statement, it is important to record the operating environment and context in which services were delivered and this AGS was drafted. Whilst it has been less than a year since the approval of the Annual Governance Statement for 2025/26 in October 2025, it is important to reiterate some of what has been stated previously and provide further information regarding the Council's current operating environment.

Financial:

The revenue and capital budget forecast monitoring position as at Quarter 3 2025-26 were reported to Cabinet on 29 January 2026. The forecast outturn variance for Quarter 3 showed an overspend of £43.5 million, representing 2.8% of the overall budget. It was stated that the forecast revenue overspend reported in Q2 needed immediate attention and steps had been taken to mitigate the level of the overspend.

In response to the forecast overspend on the revenue budget, a decision was made to introduce firmer spending controls in December 2025; these were in place for the remainder of the financial year. Under these controls, all discretionary spending was stopped and a recruitment freeze was put into place immediately. The freeze was lifted in April 2026, before which all recruitment activity needed explicit approval by the Recruitment Control Panel, who considered each vacancy on an individual case basis.

The budget for 2026/27, agreed at County Council on 12 February 2026, was the first budget of the new Administration. A below-maximum Council Tax increase was included in the agreed budget.

On 25 June 2026, a report to Cabinet report set out the revenue and capital budget monitoring outturn position in 2025-26, savings delivery in 2025-26 and the reserves and prudential indicators position as at 31 March 2026. The 2025-26 outturn highlighted another challenging financial year, with a revenue overspend of £22.7m (excluding schools) and a £33.0m overspend in Schools' Delegated Budgets. While Growth, Environment & Transport, the Chief Executive's Department, the Deputy Chief Executive's Department and Non Attributable Costs delivered underspends, Adult Social Care & Health again faced substantial pressures due to rising demand,

complexity and unachieved savings, resulting in an overspend of £42.9m. Children, Young People & Education had a small overspend.

The continuing growth of the Dedicated Schools deficit, now at £130.5m, remains the Council's most significant financial risk.

Phase 1 of the Oracle Cloud Programme was implemented in August 2025 and replaced the Council's previous Finance and Procurement system. Phase 2 will deliver a replacement HR And Payroll function and is still in final stages of testing. Phase 2 is expected to go live later in financial year 2026/27. Additional funding of £7,562,446 is required to complete the implementation of the Oracle Cloud Programme. Proposed decision 26/00040 looks to take this funding from the flexible use of capital receipts.

Governance Arrangements:

In December 2025, the Council considered a series of proposals for moving various Committee functions to deliver a more efficient approach to formal meetings. The proposals involve the bringing together of the functions of some of the Ordinary Committees of the Council into one place and the disbanding of a sub-committee.

Following consideration of these recommendations, County Council agreed the following structural amendments:

- Planning Applications Committee to assume all functions of the Regulation Committee, including responsibility for its sub-committees and panels. The Regulation Committee was therefore disbanded.
- Selection and Member Services Committee to take on all functions of the Electoral and Boundary Review Committee, resulting in the disbanding of that committee.
- Member Development Sub-Committee to be deleted, with its functions to be delivered through alternative engagement methods.

At the time of writing, some of these changes remain to be implemented. There are training requirements for some committees, and to ensure the committees can legally function, plans are being made to ensure this training gap is closed.

Alongside these structural changes, the Council has continued to refocus its governance framework through the separation of the Monitoring Officer role from other senior corporate functions; with the intent being to enable a clearer approach to the governance oversight role. The governance implications of this are yet to be established.

Senior Management Changes:

Since the start of the 2025/26 financial year, several changes have taken place within the Council's senior management structure. This includes turnover in the positions of Head of Internal Audit and Counter Fraud; Corporate Director Adult

Social Care; and Head of Law. Furthermore, in September 2025, County Council endorsed Personnel Committee's recommendation to proceed with amendments to the senior management structure of the Council, to enable recruitment to the post of Deputy Chief Executive. The objective was to refine the operating model of the corporate departments to better support the organisation's changing strategic needs and evolving operating context. Implementation of the revised structure commenced during the latter part of 2025. In November 2025, the Personnel Committee made the determination that Amanda Beer would continue as Chief Executive Officer on a permanent basis, having previously undertaken the role on a fixed-term contract. The Council also appointed a new Monitoring Officer, who took up the role in November 2025. The Monitoring Officer is no longer a member of the Corporate Management Team, but has an open invitation to attend every such meeting.

Due to ongoing budgetary and operational pressures, alongside the need to ensure that capacity is aligned to priority areas and that decision-making accountabilities are clear, proportionate and avoid duplication, a decision was taken in June 2026 not to appoint to the Head of Governance role. For six months these responsibilities were successfully shared and it was decided that formalising this arrangement would deliver savings that support the current challenging financial position, while also creating development opportunities across multiple levels within the service. The two new posts are: Head of Information Governance, Consultations and Member Support and Head of Democratic Services.

The Council appointed a new Corporate Director of Finance (Section 151 Officer), who came into post in March 2026.

Political Changes:

As mentioned in the previous Statement, the majority of Members elected in May 2025 were new to the role of County Councillor. The Council has also seen the first change to the majority Political Group since 1997. The resource put into planning and preparing for the induction of the new Council has mitigated the impact of this change, and there has been a resetting of the policy and priorities of the Council to reflect the new administration.

Reforming Kent 2025-2028 was approved as the Council's new Strategic Statement at County Council in November 2025, replacing the previous administration's Strategy, Framing Kent's Future. The Strategy is focused on 4 aims that are structured around the areas of greatest challenge and opportunity and each of these are supported by a number of objectives and priorities. Following the first six months, a review of the document was completed to assess progress and to ensure it remained appropriate for the needs of Kent. Some additions and revisions were made to the document as a result and reported to the Annual General Meeting in May 2026.

The four aims and supporting objectives are:

1. Putting Kent Residents First
2. Reforming Kent County Council
3. Supporting Residents that need help
4. Building Better Communities

The Council has also experienced changes in its political composition during the year. New political groups have been formed, and the Council now has six political groups. These changes have influenced the dynamics of decision-making, scrutiny, and member engagement.

A comprehensive induction programme was delivered following the elections, including two mandated training sessions on cyber security and role of members in an emergency. At present, neither of these training sessions have been attended by the full membership. The programme continued throughout the year with tailored development sessions to support new Members in undertaking their roles effectively.

In December 2025, County Council approved the establishment of Political Assistant posts for qualifying Political Groups in accordance with section 9 of the Local Government and Housing Act 1989. One such Political Assistant has been appointed to the Reform UK Group and was in post from December 2025 to April 2026.

The Monitoring Officer function plays a critical role in maintaining standards of conduct and supporting effective governance through the management of Code of Conduct complaints. Given the increase in both the volume and complexity of complaints, there is a clear need for a more focussed and strategic approach to this function. This includes identifying recurring themes, targeting early intervention, and working proactively with Members and political groups to address underlying behavioural issues. The first “Standards Regime and Member Complaints Update” report went to the Standards Committee in April 2026 and it is planned that these will be delivered on a more regular basis, tailored to the Standards Committee.

The Monitoring Officer is holding an open-door approach with Members across all Groups.

External Pressures and Local Government Reorganisation:

The organisation continues to operate within a complex and evolving landscape of cross-cutting government pressures. Competing policy priorities exacerbate the financial challenges and resource constraints faced by the council. This presents an ongoing risk as the Council prepares for significant structural change through local government reorganisation.

On 28 November 2025, KCC submitted its Strategic Business Case to government advocating for a single unitary authority covering all of Kent and Medway (Option 1A). The submission outlined the Council’s assessment that a single unitary model represented the most financially sustainable and operationally coherent option for the area. Kent Council Leaders’ portal published all five business cases, including KCC’s Option 1A and multi-unitary alternatives from other district councils.

In February 2026, Government launched a public consultation on multiple competing proposals (one, three, four, or five unitary authorities) submitted by Kent councils.

The scale, complexity, and timing of the Government's requirements in relation to local government reorganisation are already having, and will continue to have, a significant impact on the operating position and capacity of the Council.

The Devolution and Local Government Re-organisation Cabinet Committee continue to have a role in considering the risks, timeframes, and governance implications of Local Government Reorganisation for KCC.

Internal Audit – Annual Opinion

To follow in final draft.

Review of effectiveness

Kent County Council has a responsibility to review the effectiveness of its governance. This review has been co-ordinated by the Head of Law and the Legal Services division and has drawn on a range of sources. These sources include a survey carried out on the Corporate Management Team, the Challenger group and, separately, those Officers closely involved with governance and decision-making processes, as well as ongoing monitoring of governance activity throughout the year.

Given the changes at Corporate Director level during the period covered by this Statement, it is recognised that some respondents were not able to provide full personal assurance across all areas covered by the survey. In these instances, responses have been interpreted with due regard to organisational context and, where possible, triangulated against other available evidence, including returns from Heads of Service, governance Officers, and ongoing monitoring activity. The absence of full personal assurance in these cases was taken to indicate non-compliance, but rather reflects transitional circumstances and the timing of appointments.

Returns submitted by Corporate Directors and Directors provided a high level of overall assurance regarding compliance with the Constitution, the Scheme of Delegation, and formal decision-making requirements. The majority of respondents confirmed that decisions were taken, recorded and published appropriately and that suitable assurance was sought from services prior to submission. Most Directors also confirmed that, while operating in a highly pressured environment, they generally had sufficient resources to discharge their statutory and constitutional responsibilities. There is clear evidence of a shift from reactive compliance to more planned, embedded governance

However, the responses also indicated that there are ongoing governance pressures. In particular, late engagement with governance processes, often driven by political timetables, external dependencies or capacity constraints, was

recognised as a continuing risk. While compliance with internal governance remains high, decisions taken close to deadlines increase pressure on statutory processes. There was indication that Officers felt that Members and the public did not fully appreciate the shrinking capacity of the service directorates.

Understanding and ownership of governance responsibilities across the organisation is broadly positive. Most Directors expressed confidence that Officers understand delegated authority, escalation routes and governance obligations, and governance Officers strongly affirmed a positive professional culture within the Officer cohort. Nevertheless, capacity pressures, training gaps and reliance on inherited arrangements in a small number of areas mean this assurance is not universal, indicating the importance of sustained training and reinforcement of governance expectations.

Responses indicate that the internal Officer governance culture is a clear organisational strength, with Officers demonstrating high levels of professionalism, openness to advice and respect for governance requirements. This is consistent with previous years' findings.

There is also a generally positive perception of Member/Officer relations, but with a significant minority (almost one quarter) of governance Officers experiencing isolated but repeated incidents of poor behaviour involving specific Members. These are not considered to be a systemic issue. While not a direct governance failure, these results present an emerging cultural risk which, if not addressed, could impact long-term governance capacity.

Due to the significant number of newly elected Members, including the establishment of a new majority political group, there is an increased need for Officers to demonstrate clear and visible political neutrality in both practice and perception. A number of established ways of working, previously taken for granted as part of the status quo, are now being reviewed to ensure they are appropriately formalised within policies and guidance, supporting consistency and transparency. In response to this shift, the organisation is also adapting how it engages and communicates, recognising the need to work differently with a largely new cohort of councillors and to support effective governance arrangements in this changing context.

Over 2025/26 there has been heightened media scrutiny due to KCC being one of the largest authorities with a change of administration in May 2025. With this attention, there has arguably been greater engagement between Members and the press. It is difficult to ascertain the impact of this on internal governance processes. However, it can be said that there have been incidences in which the Code of Conduct complaints process has been politicised through this engagement with the media. The Marketing & Resident Experience Team are playing a key role in responding to requests from the press, and ensuring that these responses are aligned with Council policies.

Given the Senior Management restructure, the statutory functions of the Monitoring Officer (separate from the Head of Law role) are undertaken by a small team. The new Monitoring Officer function has improved the handling and reporting of Code of Conduct Complaints. In future Statements, it is expected that any trends in complaint figures or themes will be expanded on further in the Annual Governance Statement where these are seen to have a material impact on governance effectiveness.

Formal reporting of numbers and trends concerning Code of Conduct complaints to the Standards Committee took place in April 2026, but refers to the period covered by this AGS. The number of complaints is high compared to previous years, with a high percentage (40%) being complaints by Members against other Members. In total, 85 Code of Conduct complaints were received between 6 May 2025 to 31 March 2026. This is approximately four times the amount of complaints received in the same period the previous year.

The resourcing of the Monitoring Officer function is an area that has been reviewed in light of increasing governance activities, volume of complaints, and the work involved in providing governance advice connected with Local Government Reorganisation. It is also important to reflect on the impact of the restructure on how governance is managed at the Council.

In terms of resourcing more generally, the Council has seen a shift in both recruitment and retention dynamics over the past year. This is influenced in part by the increasing uncertainty associated with the forthcoming Local Government Reorganisation. As the potential structure, scale, and timing of changes have become more widely understood, this may affect staff confidence and career planning, contributing to increased turnover in some service areas and a more cautious approach from candidates considering new roles. The Council has put in measures, including regular staff briefings, to help ensure the continued delivery of high-quality services while maintaining a stable and engaged workforce throughout the transition period.

The Council maintains a whistleblowing framework as a critical component of its governance and assurance arrangements, enabling Officers to raise concerns about wrongdoing, fraud, malpractice or breaches of standards in a safe and confidential manner. There is a clear organisational expectation that individuals should feel able to use this process without fear of reprisal, and that all concerns will be treated seriously, investigated appropriately and handled in line with established procedures. Awareness of the whistleblowing policy is supported through internal communications, reinforcing the importance of early escalation of concerns. While there is no evidence to suggest systemic barriers to use of the process, it remains important that the Council continues to promote a culture of openness, ensuring that Officers at all levels feel confident that concerns will be listened to, acted upon and that they will be protected when raising them in good faith.

The Governance and Audit Committee continues to play a central role in providing independent assurance on the adequacy of the Council's governance, risk management and control arrangements. An effectiveness review undertaken in April 2026, informed by a Member self-assessment and independent feedback, found that while the Committee continues to provide a sound level of baseline oversight, there are areas where its effectiveness could be further strengthened. In particular, the review highlighted the need to enhance Member engagement, understanding of the Committee's role and terms of reference, and the level of constructive challenge provided to Officers. The findings also emphasised the importance of a more structured and targeted training offer, alongside improved work planning and focus on key risks.

At the time of writing, a recruitment exercise is being carried out to appoint a second Independent Member to the Governance and Audit Committee following the departure of the former Independent Member at the end of the 2025/26 financial year.

Review of Prior Year Actions

An important place to start is in reviewing the actions that have previously been identified to improve the Council's governance.

There has been a comparatively short period of time since the publication of the prior year's Annual Governance Statement. This is intentional and in pursuance of bringing the Annual Governance Statement reporting timescales in line with the Statement of Accounts. However, given activity around devolution, local government reorganisation and, subsequently, the elections, those actions that have not been completed have been added to the actions for 2025/26.

The actions from the prior year AGS are set out in the following table. In the final version of the AGS this table will be completed, actions are anticipated to be green status at that time and the further information section will be completed.

Title	Contact	Action Update January 2026
Ongoing monitoring of the new governments legislative pipeline and the governance implications of proposals	Tristan Godfrey	This is undertaken as part of business as usual activity. Briefing documents are prepared as appropriate.
Development of an annual schedule of governance training for Officers	Joel Cook	Service / team level engagement to support ad hoc training and briefings on request is ongoing Full planned schedule in development.
Adopting best practice governance around the Council's response to Governments' requests regarding Local Government Reorganisation proposals	Tristan Godfrey	The Governance Team is liaising with Kent Secretaries Group on a regular basis and sharing information on best practice and common approaches. Paper of LGR and governance presented to Devolution and LGR Cabinet Committee on 23 March 2026.

Monitor and evaluate the impact of the changes to the Scrutiny Terms of Reference introduced in March 2025	Joel Cook	Positive progress made in developing a longer term and planned approach to Scrutiny, with a greater Strategic focus and allowing sufficient notice for responses by the Executive and Directorates. Opposition Chairing of Scrutiny has been effective.
Develop Scrutiny Work Programme	Joel Cook	Key issue identified (SEND) built into longer term work programme to undertake, iterative, ongoing and co-ordinated Scrutiny of a key service area for the Council in a managed way. Work programme now includes 'look back at previous decisions' elements.
Section 5 framework	Tristan Godfrey	The Governance Team have produced different iterations of a Section 5 framework and these have been sent to the Monitoring Officer for review.
Review of the County Council Meeting Procedure Rules	Tristan Godfrey	Recommendations were considered by County Council in May 2026. These built on the Monitoring Officer's ongoing review of the Constitution, which has taken a phased approach to improvement in light of Local Government Reorganisation, focusing on targeted amendments and governance best practice..
Implementation of the Decision Making App	Lizzy Adam	The app has been tested internally and is ready to be implemented on a phased basis starting with the July decision making cycle.
Review of Governance Processes following the elections	Tristan Godfrey	Governance processes remain under review and the lessons to be learned from the post-election period are being worked through. A report was presented on matters relating to the election to the Selection and Member Services Committee on 5 March 2026.
Develop a mechanism for Governance and Audit Committee to have oversight of savings plans with monitoring of key activity	Tristan Godfrey	Initial emails have been sent to the Finance Team to establish how this action can best be delivered.

Improve Corporate Director access to key assurance data.	Section 151 Officer	As the Corporate Director Finance (Section 151 Officer) changed within the year, assurances for 2025/26 were provided by the Deputy Section 151 Officer. The Deputy Section 151 Officer had received all of the necessary assurances from the relevant services.
Review of the Code of Practice for Local Government Publicity	Ben Watts	Work has been started and local protocols are being drafted. On track for delivery by end 2025/2026 financial year.
Review of Information provided on the Council's Website to reduce need for FOI requests	Lizzy Adam	An analysis of the most frequent type of FOIs requests is underway ahead of a review of the website.
Improve visibility and accessibility of governance training, particularly for new starters and junior staff.	Joel Cook	Governance and Decision-making Knet page includes guidance documentation and videos to provide introductions and detailed explanations. Page also include FAQs. Review planned for end of Financial Year, including comms approach.
Ensure that Fraud Risk assessment training is arranged for directorate and work to improve effective counter fraud and anti-corruption arrangements.	Corporate Management Team	This action related specifically to the Adult Social Care and Health directorate. From the survey returns it is evident that this has not yet been fulfilled, but will be carried over into 2026/27 to apply more widely.
Complete full data mapping for service.	Director Infrastructure	A list of key systems and data processed has been documented, to ensure that this is kept up to date the team are reviewing this to ensure that data ownership and data processors information is in line with data management protocols.
Ensure that AGS is on DIVMT agendas at least once a year, with updates on actions as appropriate	Ben Watts, Petra Der Man	Discussions around AGS are taking place but this will be tested at the end of the financial year to ensure compliance.

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Key Findings and Conclusions from the Review of Effectiveness

1. The review provides a high level of assurance that the Council's governance framework is operating effectively and is embedded across the organisation, with strong compliance observed against the Constitution, Scheme of Delegation and formal decision-making requirements.
2. There is clear evidence of a continued shift from reactive compliance towards more planned and embedded governance, supported by a professional Officer culture characterised by openness, integrity and respect for governance processes.
3. Timing pressures remain a key challenge, with late engagement in governance processes (often driven by political, operational or external factors) continuing to place strain on statutory procedures, representing an ongoing operational risk.
4. Understanding and ownership of governance responsibilities across the organisation is generally strong; however, this is not yet consistent in all areas, with capacity pressures, training gaps and reliance on legacy arrangements affecting the level of assurance in a minority of cases.
5. The internal governance culture among Officers is a significant strength and continues to underpin effective governance arrangements, with high levels of professionalism and responsiveness to advice.
6. Member/Officer relationships are broadly positive; however, isolated but repeated incidents of poor behaviour involving a minority of Members present an emerging cultural risk which may impact governance effectiveness if not addressed.
7. The external and political environment, including increased media scrutiny following the May 2025 change of administration, has contributed to a more complex governance landscape, with some indication that formal processes such as Code of Conduct complaints have been influenced by this context.
8. The volume and nature of Code of Conduct complaints, including a high proportion of Member-to-Member complaints, indicate a shift in the political dynamic which requires continued monitoring and management.
9. The Monitoring Officer function has improved the handling and reporting of complaints and capacity within this function has been reviewed to ensure it remains resilient in light of increasing governance demands and ongoing organisational change.
10. The Governance and Audit Committee continues to provide essential independent assurance, although its effectiveness review identifies the need to strengthen Member engagement, understanding of its role, training provision and the level of constructive challenge.
11. The Council's whistleblowing arrangements remain an important safeguard within the governance framework, and continued emphasis is required to ensure Officers feel safe, supported and confident to raise concerns.

12. Overall, the Council's governance arrangements are considered sound and effective. No fundamental weaknesses have been identified; however, targeted improvements are required in relation to capacity, consistency, culture and continuous development to ensure governance remains robust in a complex and evolving environment.

AGS Identified Actions for 2026/27

The draft identified actions for 2026/27 are set out in the following table. The final version of the AGS will develop these further alongside further key activities.

Title	Contact
Full implementation of the Decision Making App.	Ben Watts
Review of Company Governance and report to Governance and Audit Committee.	Ben Watts
Development of a training programme for Members on Constitutional roles and responsibilities, and matters relating to the Code of Conduct , in consultation with the Chair of Standards Committee.	Petra Der Man
Establish clear governance principles and processes for LGR-related activity, including preparation for decision-making during a transition period.	Tristan Godfrey David Whittle
Review whether the MO has sufficient resources to carry out statutory function alongside the additional, specialist governance advice that will be required alongside the LGR process.	Petra Der Man
Ensure that Fraud Risk assessment training is arranged for directorates and work to improve effective counter fraud and anti-corruption arrangements.	Corporate Management Team
Review of budget templates.	

Report of the Monitoring Officer

To be finalised in final version of Annual Governance Statement.

Section 5 of the Local Government and Housing Act 1989 designates the Monitoring Officer as having a range of responsibilities regarding the lawful conduct of the County Council. These responsibilities include a duty to provide a report to all Members in circumstances where a contemplated decision, act, or omission by or on

behalf of the Executive leads (in their view) to maladministration or a contravention of the rule of law.

In any given year, there is always the possibility that circumstances lead to situations where the Council may be said or may be found to have acted contrary to its statutory duties without this having been done deliberately or with full awareness of this being the case. Where there are such decisions, there is always an impact on individuals or groups of individuals.

This report identifies the operating environment and the challenges faced by the Council and has referred to the key themes throughout. The issuing of a Section 5 report is intended to be used only as a last resort. To mitigate the risk of needing to do so in the future, there are a number of matters that the Monitoring Officer wishes to record here in the AGS, and which inform the findings.

Annual Governance Statement 2025/26 Conclusion

To be finalised in final version of Annual Governance Statement.

The Council can be assured that its governance arrangements are sound and operating effectively, with no evidence of systemic failure. However, continued focus is required in relation to governance capacity, timeliness, Member conduct, and the resilience of key statutory functions.

Signatory Section

Signatories (signed in the order set out below)

Petra Der Man, Monitoring Officer

Brendan Arnold, Section 151 Officer

Amanda Beer, Chief Executive

Linden Kemkaran, Leader of the Council

Appendix 1: Decision Making at Kent County Council

The Council has specific powers granted by Parliament and Government. The Constitution sets out how the legal powers of the Council are dispersed and organised.

It is also the document that underpins our formal governance processes, including decisions that are taken by or on behalf of the Council, including the Executive.

A Key Decision is required where a proposal fulfils at least one of the following:

a. requires savings or expenditure of over £1m;
b. has a significant effect on two or more electoral divisions;
c. adopts a major new strategy; or
d. involves significant service development.

A Key Decision may only be taken by the Leader, Cabinet or a Cabinet Member. All Key Decisions require assessments of risk, financial, legal and equalities implications to be completed before they are taken. All decisions are published here: https://democracy.kent.gov.uk/mgDelegatedDecisions.aspx.

The formal Key Decision process begins with publication of a Forthcoming Executive Decision (FED). The FED provides advance notice of the proposed decision, decision-maker, anticipated decision date, and relevant background information. For most Key Decisions, publication must allow a minimum 28-day notice period before the decision can be taken.

Before the decision is formally taken, Officers publish a Proposed Record of Decision (PROD). The PROD sets out the decision to be taken; the rationale for the decision; financial, legal and equality considerations; and details of consultation undertaken or proposed, including any relevant Cabinet Committee consideration. The PROD enables scrutiny by Members prior to the final decision.

Once the Leader, Cabinet or Cabinet Member has formally determined the matter, a Record of Decision (ROD) is published. The ROD is the legal record of the decision taken. The publication of the ROD starts the call-in period (five clear working days) for decisions that are subject to Scrutiny call-in. If no valid call-in is received during that period, the decision becomes effective and may be implemented.

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From: Petra Der Man, Monitoring Officer

Katy Reynolds, Senior Governance Manager

To: Governance and Audit Committee, 23 July 2026

Subject: Review of Governance and Audit Committee Effectiveness

Status: Unrestricted

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1) Introduction

1.1. It is best practice to conduct an annual review of the effectiveness of the Governance and Audit Committee. This should include different aspects, such as terms of reference and work plans.

1.2. It is timely to review the Committee's effectiveness a year after the May 2025 elections. The intention is to ensure that the terms of reference, training programme, Committee support and work plans assist the Committee in carrying out its 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.

1.3. The following paper outlines some key recommendations for further improving Committee effectiveness.

2) April 2026 Effectiveness Review

1.4. In April 2026, Committee Members were provided with an opportunity to complete a self-assessment of the Governance and Audit Committee's effectiveness and ten responses were received. The survey was developed using questions from the National Audit Office effectiveness tool and the CIPFA self-assessment of good practice. The survey results have been analysed and compared to the prior years' responses.

1.5. An exit interview was also conducted with the Independent Member of the Governance and Audit Committee. The feedback has been integrated into the review below.

1.6. The survey responses indicated that over the past year the Committee performed well in terms of providing basic oversight assurance. Some Members had an overall positive view of the Committee's effectiveness and identified a few key areas where minor improvement was needed. However, the majority of Members felt that significant or major improvements were required in order to improve the Committee's effectiveness.

1.7. A recurring concern related to low levels of Member engagement in meetings. Respondents felt that this may be attributable to a lack of understanding of the role of Governance and Audit Committee Members and some respondents were open about not being entirely familiar with the role of the Committee and its terms of reference. Other respondents pointed to the frequent changes in Committee membership over the past year. Strengthening Member capability was identified as a priority area for improvement.

1.8. Linked to the above, Members highlighted the risk of groupthink. The Committee is not yet considered to be consistently demonstrating strong, independent challenge. It was emphasised by the majority of respondents that there needed to be greater challenge in those areas where the Committee required further assurance from Officers and the Administration. Members are reminded that the purpose of the Governance and Audit Committee is to provide independent and high-level focus on the adequacy of governance, risk, finance, and control arrangements. Towards this purpose, some respondents felt that the Committee could sometimes drill into too much detail on a small number of issues, rather than seeking assurance at the system level.

1.9. An overwhelming majority of the survey respondents found that there were improvements required in the culture of learning and personal development within the Governance and Audit Committee. Under the training framework for the committee, the mandatory training to sit of the Committee is known as Part A training, with supplementary Training Part B. While most Members felt that the induction training (Part A) was a helpful introduction to the Committee, some Members indicated the need for a more robust programme of practical, just-in-time training (Part B). It was suggested that shorter, topic-specific training be delivered on technical areas. In addition, the scope of the Committee needed to be clarified, particularly in relation to the wholly owned companies.

1.10. Some Members felt that the Committee needed greater risk oversight. There were suggestions that the Committee regularly have “deep dives” into key risks on the agenda.

1.11. A notable concern raised was the perceived lack of transparency from Officers. A minority of Members felt that Officers were potentially withholding or limiting responses and that follow-up questions from Members were discouraged. However, it is not clear whether this is a comment about Officers generally or reflects a couple of specific issues that had been brought up in the Committee meetings immediately preceding the circulation of the survey. In any case, further work needs to be done to establish what the Governance and Audit Committee perceives the role of the Committee to be and the type of assurance required.

1.12. Members felt that the Committee did not have ownership of the work planning process. Additionally, it was raised that longer meetings often resulted in a lack of focus towards the end of the agenda. While the forward plan was updated in real-time on the Governance and Audit Committee Teams site, Members felt that presenting this as an agenda item would increase transparency and result in a more focused agenda.

3) Recommendations for Improvement

Further to the survey responses received, the following recommendations are made:

a) Further development of a robust ‘Part B’ training programme for Members and substitutes of the Governance and Audit Committee, which addresses the issues raised in the survey.
b) Complete a review of the Governance and Audit Committee Teams site to confirm it is current, accessible, and fit for purpose.
c) Review and present the Governance and Audit Committee forward work plan as a standing agenda item to strengthen Committee ownership of the work planning process, improve transparency, and support more focused meetings.
d) As part of the above, improve agenda prioritisation to ensure high-risk issues receive sufficient time.

4) Recommendations

The Governance and Audit Committee is asked to:

a) Consider and comment on the review of effectiveness.

5) Background Documents

None.

6) Relevant Director and Report Authors

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