

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 14th September, 2023

2.00 pm

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 14th September, 2023, at 2.00 pm
Council Chamber, Sessions House, County
Hall, Maidstone

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

Membership (12)

Conservative (8)	Mrs R Binks (Chairman), Mr D L Brazier, Mr N J D Chard, Mr P C Cooper, Mrs S Hudson, Mr D Robey, Mr D Ross and Mr R J Thomas
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr A J Hook
Green and Independent (1)	Mr M A J Hood
Independent Member (1)	Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 6 July 2023 (Pages 1 - 6)
5. Election of Vice-Chair
6. External Audit Plan 2022/23 (Pages 7 - 40)
7. External Audit Progress Report and Sector Update (Pages 41 - 54)
8. Internal Audit Progress Report (Pages 55 - 96)

9. Internal Audit Annual Opinion (Pages 97 - 146)
10. Audit Risk Assessment (Pages 147 - 184)
11. Annual Governance Statement Update
12. Other items which the Chairman decides are urgent

EXEMPT ITEMS

Motion to exclude the press and public for exempt business

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

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

13. Internal Audit Progress Report (Pages 185 - 192)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 6 September 2023

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

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 6 July 2023.

PRESENT: Mrs R Binks (Chairman), Mr A Brady, Mr N J D Chard, Dr D Horne, Mr M A J Hood, Mr D Jeffrey, Mr H Rayner and Mr R J Thomas

ALSO PRESENT: Mr P Oakford

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Ms F Smith (Audit Manager), Miss K Reynolds (Democratic Services Officer) and Mr J Graham (Pension Fund Treasury and Investments Manager)

UNRESTRICTED ITEMS

122. Apologies and Substitutes

(Item 2)

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

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

(Item 3)

Dr Horne declared an interest in agenda item 6, Independent Member - Term of Office Review.

124. Minutes of the meeting held on 18 May 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 18 May 2023 were correctly recorded. There were no matters arising.

125. Governance and Audit Committee Training Programme

(Item 5)

1. The General Counsel introduced the paper which provided an outline of the recommended training programme and minimum training requirements for Members and substitutes of the Governance and Audit Committee.
2. In response to questions and comments raised by Members it was said that:
 - a) The Part A training would be delivered in an inclusive way, in various formats, to ensure that Members could easily access the training. Given concern

regarding the limited number of trained substitutes, Part A training would be offered to all Members.

- b) Members were in favour of a training provision that included sessions from external providers.
 - c) The General Counsel would work with the Director Finance and Head of Internal Audit to share relevant professional updates with Members through the Teams channel.
 - d) Regarding the sustainability of the Committee and its trained membership, the General Counsel was working with the Deputy Returning Officer to prepare the Council for a range of potential outcomes of the 2025 KCC elections. The Committee would receive an update in January 2025 on the anticipated number of Members standing down at the end of this term.
3. RESOLVED to note and comment on the proposed training programme set out in the report.

126. Independent Member - Term of Office Review

(Item 6)

1. Following his declaration of interest, Dr Horne left the meeting for the duration of this item.
2. The General Counsel introduced the paper which outlined the options available to the Committee for appointing co-opted members.
3. It was proposed and seconded that the current independent co-opted member's term be extended by a further two years and that a second independent co-opted member be appointed for a four-year term. In response to concerns regarding the appropriate way in which to stagger the terms of appointment, the General Counsel agreed to work with colleagues in HR through the recruitment process. The General Counsel would provide an update on the recruitment process to Members via email.
4. RESOLVED to:
 - a) Agree to continue having the current independent co-opted member on the Committee for a further two years, and to recruit a second independent member for a four year term;
 - b) Approve the role description set out in the appendix subject to a review of the remuneration for the role; and
 - c) Delegate to the Monitoring Officer, in consultation with the Chief Finance Officer and Head of Internal Audit, the authority to make arrangements for the recruitment process, following discussion with the Chair.

127. Annual Governance Statement Actions Update

(Item 7)

1. The General Counsel introduced the report which provided Members with an update on some of the ongoing activity that was being progressed in response to the Annual Governance Statement 21/22. The General Counsel gave assurance to Members that a dedicated "AGS team" had been put together to deliver against each of the 13 actions in direct response to the comments of the Governance and Audit Committee. The General Counsel was confident that the AGS team would deliver the actions by the end of the calendar year. Members were told that there would be a number of informal workshops held over the summer related to the

ongoing work to ensure effective scrutiny of decisions, including an opportunity for Members to view the updated decision paperwork and processes. It was said that Members would be provided with a more detailed progress report on the actions alongside the draft Annual Governance Statement 2022/23 in September 2023.

2. The General Counsel said that the Annual Governance Statement 2022/23 would likely reflect the ongoing operational, strategic and fiscal challenges facing the Council. However, Members were assured that the remodeled questionnaire for the Annual Governance Statement 2022/23 was designed to allow for an even more open and honest assessment of the Council. It was also anticipated that the Annual Governance Statement 2022/23 would provide a more directorate-specific action plan which would allow the Committee to ask the relevant Corporate Directors for their response to the findings. In relation to materiality, the Governance and Audit Committee were reminded of the Code of Corporate Governance and the seven principles which should be a prism through which all activity is delivered, even in challenging circumstances.
3. In response to questions and comments from Members it was said that:
 - a) A report on the findings of Grant Thornton's deep dive on governance would be presented to the Governance and Audit Committee in October 2023. Mr Dossett said that the report would give an external review of governance at the Council and set out recommendations for future governance activity. This was not dissimilar to the agenda set out in the Annual Governance Statement.
 - b) The General Counsel said that the role of the Governance and Audit Committee was increasingly important given the challenges and pressures facing the Council. Committee Members were encouraged to request training in areas that they require development in.
 - c) The new decision templates could include a section on anticipated future financial implications of decisions to effectively highlight potential risks.
4. RESOLVED to:
 - a) Note the update on governance activity
 - b) Note the updated survey model for the Annual Governance Statement 2022/23
 - c) Comment on matters which will help inform the preparation of the draft AGS questionnaire for Members

128. Lessons to be Learned from Other Authorities

(Item 8)

1. The General Counsel introduced the report which considered the learning opportunities that flow from the various interventions into other Councils.
2. Questions and comments were raised by Members including the following:
 - a) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services expressed concern regarding the Council's financial position and its financial sustainability. He told the Committee that he and the Section 151 officer were engaging with failing councils to learn lessons from their Executive Members and senior officers, such as Croydon Council. Members were reminded that there was a clear separation of roles between Members

and officers in law, and that Executive Members would need to take tough political decisions to ensure the financial sustainability of the Council.

- b) In response to concerns raised by the Committee regarding the Council's spending, the Director Finance confirmed that she was working with Corporate Management Team colleagues to urgently review the Council's 'business as usual' approach. An update on work in this area would be provided to the Committee at the next meeting.
- c) Members expressed concern regarding the Council's debt-to-reserve ratios. The Section 151 advised the Committee that an all-Member briefing on the financial position of the Council, focusing on reserves and borrowing commitments, would be provided at a future date.
- d) The General Counsel reminded Members of the importance of the agenda setting process and using allocated Committee time to discuss items linked to the Council's risk register.

RESOLVED to note the report.

129. Update on the Governance of KCC Companies

(Item 9)

1. The General Counsel introduced the report which recommended that to further improve the current arrangements, increase transparency, and to give power to the amended terms of reference for the Governance and Audit Committee, the Council's Shareholder Board become a formal sub-Committee of Cabinet. This arrangement would provide the Governance and Audit Committee with oversight of the Council's Shareholder Board as part of the Council's formal governance arrangements.
2. In response to questions and comments from Members it was said that:
 - a) The General Council would work with the Director Finance and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services to establish the reporting mechanisms for providing financial performance information to the Governance and Audit Committee.
 - b) The draft Terms of Reference for the sub-Committee would be shared informally with Governance and Audit Committee Members ahead of its formal consideration at the County Council meeting.
 - c) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services provided assurance to Members that he did not have concerns regarding the Council's holding company.
3. RESOLVED to:
 - a) Agree that the Council's Shareholder Board become a formal sub-Committee of Cabinet
 - b) Recommend to County Council that this change be made, and
 - c) Instruct the Monitoring Officer to draft the necessary Governance changes

130. Rolling Internal Audit Plan 23-24

(Item 10)

1. The Head of Internal Audit and the Audit Manager introduced the report which detailed the proposed Internal Audit Plan for 2023/24; the Internal Audit Charter, which underpins the plans and practice of the Internal Audit team; and the Key Performance Indicators (KPIs) to be tracked and monitored during 2023/24. Members were reminded that there had been a move to a rolling plan model to

ensure that Internal Audit were more responsive and adaptive to changing priorities and emerging risks. It was said that the prioritisation of the planned audits was constantly reviewed and that the scope of each audit would be determined based on a risk assessment. It was emphasised that the updated KPIs reflected an ongoing trend to increasing outcome-based monitoring of the Internal Audit service.

2. It was said that there had been no substantial change to the Internal Audit Charter this year. However, it was anticipated that there would be updates required following the Public Sector Internal Audit Standards and the Global Internal Audit Standard reviews.
3. In response to questions and comments from Members it was said that:
 - a) Consultancy audits were primarily carried out where the Internal Audit service could provide advice to Directorates in timely manner for project assurance and completion.
 - b) The prioritisation of the 'Use of Agency Staff' audit would be reviewed following concerns raised by the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services.
 - c) 'Spot' audits would be carried out as part of the planned activity for 2023-24.
 - d) The Head of Internal Audit said that the service would be open to the consideration of additional areas where assurance was required by the Governance and Audit Committee.
4. RESOLVED to:
 - a) Agree the proposed Internal Audit Plan for 2023/24
 - b) Note Priority 2 audits to be considered for the remainder of 2023/24
 - c) Approve the Internal Audit Charter
 - d) Note the Key Performance Indicators for 2023/24

131. Revised Accounting Policies

(Item 11)

1. The Chief Accountant introduced the report which asked Members to note that there were no changes to accounting policies and to note the provisional external audit timetable. The Chief Accountant confirmed that, since the publication of the report, the draft 2022-23 Statement of Accounts had been published for public inspection within the provisional timetable. It was said that the audit had commenced in the first week of July 2023 as anticipated.
2. RESOLVED to note that there are no changes recommended to the accounting policies and to note the provisional audit timetable.

132. Treasury Management Annual Outturn Report

(Item 12)

1. The Pension Fund and Treasury Investments Manager introduced the report and provided a brief overview of the factors influencing treasury management activity in 2022-23 and the developments in 2023-24.
2. In response to questions and comments from Members it was said that:

- a) As interest rates rise, the likelihood of a lender exercising their option to propose an increase in the interest rate for LOBO (Lender's Option Borrower's Option) loans increased. It was said that this was being monitored and that there were risk management plans in place.
 - b) The Council did not have outstanding loans to other local authorities.
 - c) The maturity structure of borrowing limits had been set to allow flexibility in terms of changing market conditions. The Treasury Management team monitored the maturity profile of the Council's outstanding debt to ensure it remained appropriate.
3. RESOLVED to endorse the report and recommend that it is submitted to County Council.

133. External Audit Progress Report

(Item 13)

1. Mr Paul Dossett from Grant Thornton UK LLP introduced the report which provided an update on the current progress of external audit work and a summary of emerging national issues and developments. It was highlighted that there was ongoing work by DLUCH and the FRC to consider how to deal with the extensive local authority audit backlog. This work included a review of the scope of future audits.
2. RESOLVED to note the report for assurance.

134. Kent Pension Fund External Audit Plan 22/23

(Item 14)

1. Mr Paul Dossett introduced the report which provided an overview of the planned scope and timing of the statutory audit of the Kent Pension Fund. It was highlighted that Grant Thornton's approach to materiality had changed since the prior year's report insofar that, while a higher overall materiality had been set at £115.6m, a lower specific materiality of £24m had been determined for Fund Account transactions for Kent Pension Fund audit.
2. RESOLVED to note the report for assurance.

135. Other items which the Chairman decides are urgent

(Item 15)

There were no matters arising.

Post Meeting Note

The Monitoring Officer provided the Committee with an update on a recent incident. Members were reminded of the importance of maintaining a culture where officers and Members could share pertinent and timely information confidentially.

Kent County Council Audit Plan

Year ending 31 March 2023

Kent County Council
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August 2023



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

Key matters



Financial sustainability – the national context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

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

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Financial sustainability – local context

The financial position for Kent County Council has deteriorated over the past couple of years. You are reporting a 2022-23 provisional deficit of £44.4m. This deficit has been funded from useable revenue reserves which has fallen from £469m as at 31 March 2022 to £416m as at 31 March 2023. The deficit for 2022-23 is as a result of unsustainable growth in certain budget lines and non-delivery of savings. A recent paper by management predicts that the level of useable revenue reserves as at 31 March 2023 is now in the bottom quartile of all County Councils.

If the Council fails to deliver savings and take a grip of unplanned budget growth the Council will continue to record significant deficits. The Council is unable to absorb further years like they had in 2022-23 because useable revenue reserves will run out. The Council is therefore at a 'tipping point' and unless the Council recovers the financial situation, then your S151 will have no other option but to publish a section 114 notice. Our 2021-22 Auditor's Annual Report highlighted this issue as a significant weakness in arrangements and we had a key recommendation as a result.

Key matters

The Council has a very short window to address the financial position – to stop unsustainable growth and deliver savings. Addressing the issue will require a coordinated and focused response from key executive officers, members and employees of the Council. It will require the Council to prioritise and make difficult policy and spending choices. The Council has published a balance budget for 2023-24 which requires the Council to make circa £55m of savings. This represents 4% of the total budget. Whilst this is a challenging savings requirement, it is still achievable. Given that in recent years the Council has not fully delivered savings plans, there is some risk around the delivery of the £55m.

It is worth noting however that the balanced budget for 2023-24 does not take into account the impact of the safety valve agreement. We understand management are currently updating their plans but the impact will either increase the savings requirement or the shortfall will be taken from the general fund.

Dedicated Schools Grant deficit and SEND services

As we have previously reported, Kent County Council currently has one of the largest Dedicated Schools Grant deficit in the country. The deficit has grown over the past number of years, primarily because of higher than funded cost within Special Education Needs and Disability services (SEND). The deficit as at March 2022 was £97.6m and is currently being held in an unusable reserve.

During the summer of 2022, the Council signed an agreement with the Department of Education for a dedicated schools grant ‘safety valve’ which covers the financial years from 2022-23 to 2027-28. The aim of this agreement is to bring the Dedicated Schools Grant (DSG) out of deficit by March 2028. To achieve this, the Department of Education has agreed to provide funding of circa £140m over the next 6 years. This funding is contingent on the Council complying with the conditions and requirements set out in the agreement. These requirements are challenging – and requires full scale transformation of SEND services. Therefore, there is a significant financial sustainability risk to the Council of failing to meet the requirements of the safety valve. Moreover, the £140m of funding from the Department of Education is not sufficient on its own to bring the forecast DSG deficit to nil by the end of March 2028. The Council itself will need to make one-off contributions from its general reserve as well. The amount of these top-ups is dependent on how well the Council can reduce expenditure but the total amount is likely to be material. For 2022-23, the one-off funding from the Local Authority was £17 million. The estimated Local Authority contribution to the safety valve is £84m over the 6 years.

NHS Transactions

In our audit of 2020-21 we identified an issue pertaining to a £4m transaction with an NHS CCG (now ICB). This was followed up in 2021-22 and reported on in our Audit Findings Report. During 2022-23 we were made aware of a potential disagreement regarding the respective funding obligations of the Council and the ICB relating to hospital discharge services. Whilst the amounts involved mean we have not identified this as a significant risk to the audit, given the sensitivities, we have nonetheless tailored in specific tests during our 2022-23 audits to determine that transactions with the NHS are complete, accurate and are regular in nature. We will report to you our findings in relation to these additional procedures in our 2022-23 Audit Findings Report.

Key matters



Governance

Your 2021-22 Annual Governance Statement (AGS) identified several key findings which are cause for concern. 3 of the key findings are summarised below:

- whilst not pervasive, there are occasions where the Council fails to comply with written governance arrangements, an example being the SEND transport contract;
- there is evidence of optimism bias in decision making – greater realism is required to ensure decisions are effective; and
- there are issues and complaints regarding the culture and behaviours exhibited during formal Council and Committee meetings;

Given the current financial distress of the Council, the need for the Council to have robust governance arrangements which everybody complies with is ever more pressing. Your AGS recognises that ‘good governance’ is more than a tick box exercise, but rather a culture where people can discharge their responsibilities effectively, openly and in good faith. The 2021-22 AGS confirms that the Council has begun to accept and own its governance issues and must now push on to implement change. Our Value for Money work will review the arrangements in this area, including progress from the prior year.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Corporate Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Governance and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- As a result of an issue we identified pertaining to an NHS transaction in 2020-21 and 2021-22, we will carrying out specific tests during 2022-23 to identify and test NHS transactions that are included in the financial statements as well as NHS transactions occurring after the balance sheet date.

Introduction and headlines

Purpose

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

Respective responsibilities

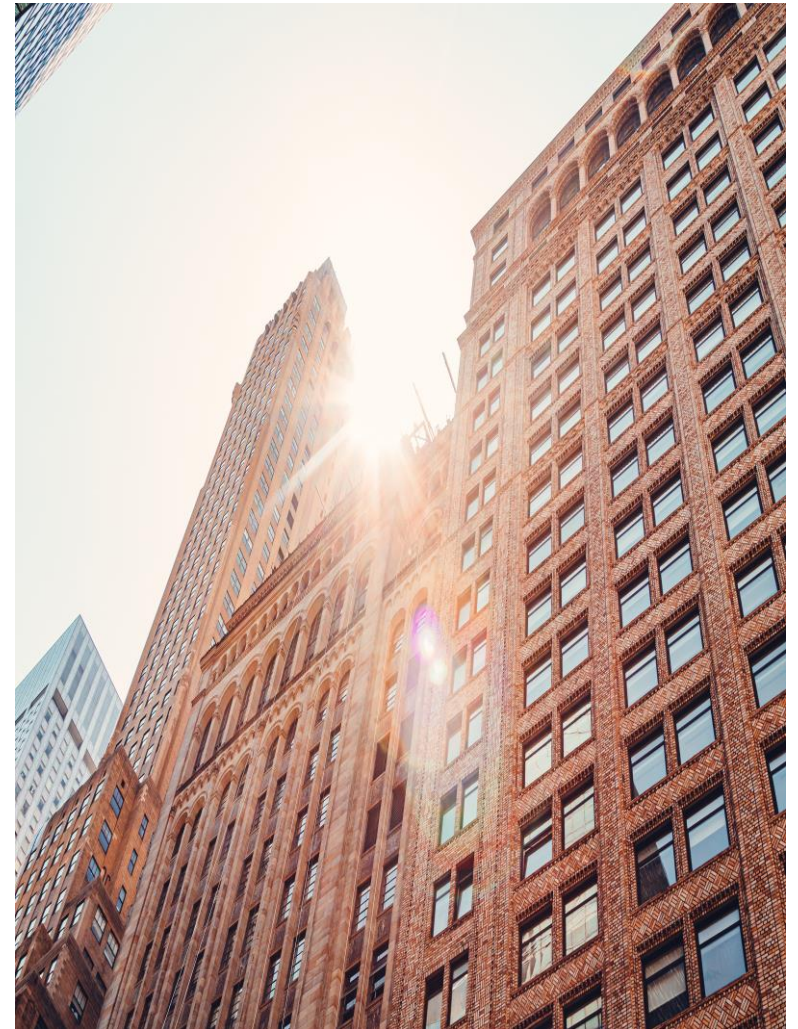
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment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

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

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

- The risk that the valuation of land and buildings as at 31 March 2023 is materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.

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

Page 14 Group Audit

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

- Kent Holdco Ltd
- EDESCO Ltd
- Kent County Trading Ltd
- Cantium Business Solutions Ltd
- GEN2 Property Ltd
- Invicta Law Ltd
- Commercial Services Kent Ltd and its 4 subsidiaries
- Kent Top Temps Ltd
- Commercial Services Trading Ltd and its subsidiary (CES Holdings Ltd)

Introduction and headlines

Materiality

We have determined planning materiality to be £43.5m (PY £41.5m) for the group and £43m (PY £41m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.2m (PY £2.1m) for both the group and the Council.

Senior officers' remuneration is an area of interest to readers of financial statements. We have therefore set a lower level of materiality for this sensitive disclosure of £100,000 compared with the headline materiality of £43m.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified 7 risks of significant weakness. The first 5 risks are those which follow on from the key recommendations raised in our 2021-22 auditor's annual report. Risks 6 and 7 are new risks identified. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

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Risks linked to key recommendations raised in the prior year:

1. the risk that the Council's arrangements to control budgetary spend and deliver savings are not effective leading to the Council's financial positioning worsening and increasing the likelihood of your S151 issuing a S114 notice;
2. the risk to the Council's financial sustainability as a result of ineffective arrangements to manage SEND demand and meet the requirements of the Council's safety valve agreement with Central Government. Failure to meet the requirements could result in a loss of funding;
3. the risk of non-compliance with the Council's decision-making framework as well as the need to strengthen existing arrangements;
4. the risk that the Council's arrangements fail to improve performance of SEND services and does not meet Ofsted standards;
5. the risk that the Council's procurement arrangements are not effective or complied with;

New risks for 2022-23:

6. the risk that behaviours and the culture within the Council do not support effective governance and decision making; and
7. the risk that the arrangements in place to provide statutory services for Asylum Seekers including Unaccompanied Asylum Seeker Children (UASC) are not effective.

Introduction and headlines

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim visit took place in March 2023 and our final visit began in July 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £245,311* (PY: £268,185**) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

**The current year audit fee of £245,311 includes proposed fee variations of £104,186 which are subject to PSAA approval. See page 29 for a detailed breakdown of the proposed fee variations.*

***The prior year audit fee of £268,185 includes fee variations approved by PSAA. We have reported a detailed breakdown of this fee variation in our previous reports.*

Significant risks identified

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

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

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' [ISA (UK) 315]

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council and Group	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings including investment properties as at the balance sheet date (Rolling revaluation)	Council and Group	<p>The Authority revalues its land and buildings on a rolling four-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>Pinpointing the risk:</p> <p>We plan to pinpoint the significant risk around the following</p> <ul style="list-style-type: none"> • assets which are material; • assets where the valuation movement differs significantly to what we would expect based on indices; • assets where we are aware of a significant change in any of the key assumptions from the prior period; and • any other factors which in our auditor judgement increases the risk of material misstatement in a particular asset <p>The pinpointing of the risk around specific items can only be performed at the final accounts stage once we have been able to perform the above risk assessment procedures.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Test revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assess the value of a sample of assets in relation to market rates for comparable properties. This will include to operational land and buildings as well as investment properties.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council and Group	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£564 million in the Council's balance sheet at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p> <p>Triennial revaluation: The LGPS is subject to a full membership revaluation every three years. The 2022-23 year is the first year of a new three year cycle. We therefore must obtain assurances that the non-financial information being sent to the actuary around membership data is complete and accurate.</p>	<p>We will:</p> <ul style="list-style-type: none"> Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. Assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases. Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Our response to the triennial revaluation:</p> <ul style="list-style-type: none"> Perform testing and obtain assurances from the auditor of the pension fund that the data used by your actuary in the full membership valuation is complete and accurate.

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Kent County Council	Yes		<ul style="list-style-type: none"> We have detailed the risks for the audit of this entity on pages 10 to 13. 	Full scope audit performed by Grant Thornton UK LLP
Commercial Services Kent Ltd	No		None	<p>Audit of expenditure, carried out by the component auditor, which will then be reviewed by the group audit team.</p> <p>The nature, time and extent of our involvement in the work of component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor audit documentation and meeting with appropriate members of management.</p>
Kent Holdco Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.

Table continued overleaf...

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Group audit scope and risk assessment cont.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
EDSCO Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Kent County Trading Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Cantium Business Solutions Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
GEN 2 Property Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Invicta Law Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Kent Top Temps Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
Commercial Services Trading Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.

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Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

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

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

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

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

- giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 [the Act].
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act

- We certify completion of our audit.

Other material balances and transactions

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

Our approach to materiality

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

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year.</p> <p>Council:</p> <p>Materiality at the planning stage of our audit is £43m, which equates to 1.5% of your gross expenditure in the 2022-23 draft financial statements.</p> <p>Group:</p> <p>Materiality at the planning stage of our audit is £43.5m, which equates to 1.4% of your prior year group gross expenditure. As at the time of drafting the Audit Plan, the draft figures for 2022-23 group accounts were not available.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>

Our approach to materiality cont.

Matter	Description	Planned audit procedures
3	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> We have identified senior officer remuneration as a disclosure where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £100,000.
4	<p>Other communications relating to materiality we will report to the Governance and Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2,150,000 (PY £2,100,000). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	43,500,000	43,000,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 1.5%.
Performance materiality	28,275,000	27,950,000	Performance Materiality is based on a percentage of the overall materiality. The threshold has been reduced from 75% in the prior year to 65%. The reduction is based on our auditor judgement in considering the requirements of ISA 320. The reduction is broadly in response to the fact we identified several misstatements in the prior year.
Materiality for specific transactions, balances or disclosures senior officer remuneration	100,000	100,000	Senior officer's remuneration disclosure is a sensitive disclosure. We have therefore set a lower level of materiality for this disclosure.
Trivial matters	2,100,000	2,100,000	This balance is set at 5% of overall materiality (rounded).



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 27.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journals	We will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Fixed asset register (Excel)	PPE	We will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Risks of significant VFM weaknesses

As part of our planning work for 2022/23, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in their use of resources that we needed to perform further procedures on.

Our 2021/22 Auditor's Annual Report identified 5 significant weaknesses in arrangements which led to us issuing 5 key recommendations. Each of these 5 significant weaknesses has been rolled forward as significant risks for the 2022/23 VfM audit. In addition, our risk assessment work for 2022/23 has identified a further 2 risks of significant weakness. These are detailed in the following pages.

We will also follow up on the recommendations we made in 2021/22 to assess progress in implementing them. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out on page 25.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

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Financial sustainability – arrangements to address unsustainable growth and deliver savings

The Council made a significant deficit in 2022-23 and has a significant shortfall in its MTFP. The financial sustainability issue is multifactorial but two of the key drivers is unplanned growth in several budget lines and the non-delivery of savings. We concluded that there was a significant weakness in arrangements in this area in our prior year and issued a key recommendation. The risk around the financial position remains and therefore we continue to assess this as a risk of significant weakness for the 2022/23 Value for Money review of arrangements.



Financial sustainability – the SEND deficit and meeting the requirements of the Safety Valve

The SEND deficit is currently circa £100m. Whilst a statutory override enables the Council to remove this from the general fund, over the next 5 years, the Council has agreed with the Department of Education a 'safety valve' to bring this deficit to nil. Failure to comply with the 'safety valve' agreement will result in a loss of funding and will ultimately impact the general fund. There is a significant risk to financial sustainability if the Council's arrangements do not deliver the ambitious requirements of the 'safety valve' agreement. In our 2021-22 auditor's annual report we concluded that there was a significant weakness in arrangements in this area and we continue to identify a risk of significant weakness for our 2022/23 Value for Money review of arrangements.

Risks of significant VFM weaknesses (Continued)



Governance – compliance with the decision-making framework

As part of our work in the 2021-22 auditor's annual report, we identified instances of non-compliance to the Council's internal policies and procedures around decision making. Equally, we identified that the Council needed to strengthen the arrangements around the decision-making framework. We reported to you a significant weakness in this area and issued a key recommendation. As a result, we have identified this as a risk of significant weakness for 2022-23 and will follow up on our recommendation made in the prior year.



Economy, Efficiency and Effectiveness – the performance of SEND services and meeting Ofsted requirements

In our 2021/22 auditor's annual report, we concluded that there was a significant weakness in arrangements around the performance of SEND services and issued a key recommendation. In November 2022, Ofsted and CQC reported that the Council had not made sufficient progress in implementing recommendations they had raised in 2019. This lack of progress coincides with the Council spending more on SEND and having one of the largest SEND deficits in the County. We have therefore continued to identify the arrangements to improve performance of SEND services as a risk of significant weakness.



Economy, Efficiency and Effectiveness – procurement arrangements

In our 2021/22 auditor's annual report, we concluded that there was a significant weakness in arrangements around the Council's procurement strategy and compliance with relevant policies and procedures. We therefore continue to identify the arrangements in this area to be at risk of significant weakness for our 2022/23 Value for Money review of arrangements. The recent High Court judgement increases this risk further.

Risks of significant VFM weaknesses (Continued)



Governance – behaviours and culture

A new risk of significant weakness identified for the 2022-23 Value for Money inspections relates to behaviours and culture. Issues were identified in the Council's Annual Governance Statement that linked to a thematic around behaviours and culture. We will therefore carry out a detailed assessment in this area. Aspects of this work have already been undertaken and discussed with key stakeholders.



Economy, Efficiency and Effectiveness – statutory services in relation to Asylum Seekers

In our 2021/22 auditor's annual report, we updated our understanding around the arrangements the Council has in place to discharge its statutory responsibilities in relation to asylum, in particular, Unaccompanied Asylum Seeker Children (UASC). We understand the Council spends circa £27 million a year in relation to asylum. On your corporate risk register, you have flagged issues pertaining the border, including asylum, as a high risk. We therefore have identified this as a new risk of significant weakness and will detailed work in this area for our 2022/23 Value for Money review of arrangements.

Risks of significant VFM weaknesses (Continued)

We may need to make recommendations following the completion of our work on significant weaknesses. The potential different types of recommendations we could make are as follows:

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

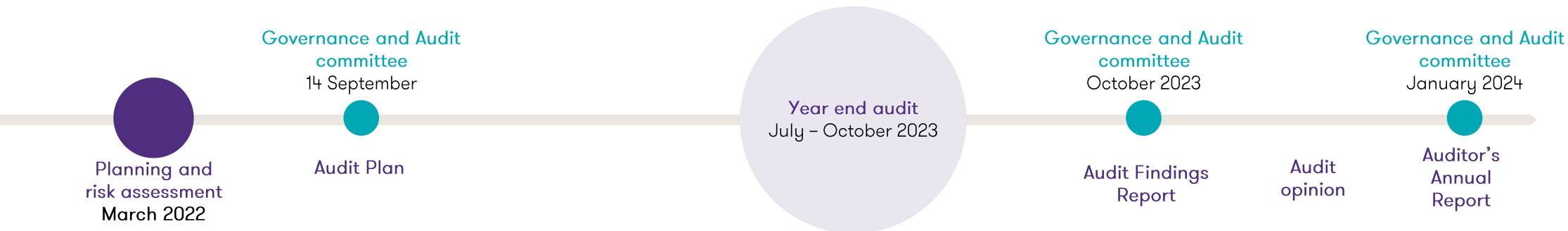
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

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

Audit logistics and team



Paul Dossett, Key Audit Partner

Paul is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Governance and Audit Committee, the Corporate Director and the Chief Financial Officer. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Parris Williams, Senior Manager

Parris is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit and Governance Committee and finance team. He will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Parris will also oversee the delivery of our value for money work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- provide debtor and creditor transaction listings that are the balances outstanding at the year end
- produce timely group accounts with a full suite of supporting working papers including those setting out intra-group eliminations
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- the Council's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Kent County Council to begin with effect from 2018/19. The fee agreed in the contract was £120,062. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Actual Fee 2020/21*	Actual Fee 2021/22*	Proposed fee 2022/23
Kent County Council	£203,432	£268,185	£245,311
Total audit fees (excluding VAT)	£203,432	£268,185	£245,311

The 2020/21 and 2021/22 audit fees include fee variations approved by PSAA. Details of these fee variations have been reported to you in our previous reports.

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Assumptions

In setting the above fees, we have assumed that the Council will:

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

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \[revised 2019\]](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis (Updated)

Scale fee published by PSAA 2022-23

£141,125

Ongoing increases to scale fee identified in 2019/20, 2020/21 and 2021/22

Audit of Group Accounts (not included in the Scale Fee)	£5,260	
Journals testing	£3,000	
Additional audit procedures arising from a lower materiality	£5,260	
Enhanced audit procedures for Property, Plant and Equipment including use of auditor's expert	£7,522	
Increased audit requirements of revised ISAs 540	£6,000	
Additional work on Value for Money (VfM) under new NAO Code	£20,000	
Raising the bar/regulatory factors including the use of an EQCR and additional review	£13,500	
Infrastructure assets	£2,500	
Payroll, additional testing	£500	
Brought forward ongoing fee from the prior year		£204,667

New issues for 2022/23

Additional work on Value for Money (VfM) as a result of 7 risks of significant weakness	£29,644	
New audit requirements in relation to ISA 315	£5,000	
Additional audit requirements in relation to work on the triennial revaluation of the LGPS	£6,000	
Total audit fees 2022/23 (excluding VAT)		£245,311

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services cont.

Other services

Other services provided by Grant Thornton are detailed below:

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees	Threats	Safeguards
Audit related			
Agreed upon Procedures relating to the Teachers' Pensions end of year certificate	£10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None	Nil	N/A	N/A

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

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

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

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

Respective responsibilities

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

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



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Kent County Council Audit Progress Report and Sector Update

Year ending 31 March 2023

September 2023
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at September 2023

2022/23 financial statements audit update

Our final accounts visit started in July 2023 as planned. Your finance team provided us with a set of financial statements and working papers to begin our work. Group financial statements and associated working papers were provided in August 2023. As in previous years, your finance team have engaged well with the audit process and progress has been steady. We have not encountered any significant difficulties to date but there have been some delays in receiving information to our requests, partly due to school holidays and annual leave in August. Our work on pensions and the group accounts has been delayed due to a member of the audit team not being available as initially planned. There are no issues arising from the audit that we need to raise to you at this stage.

Based on current progress, we remain on track to provide an Audit Findings Report to the Governance and Audit Committee (G&A) in October with the aim of issuing the audit opinion later that month or early November. If there are any further delays then our Audit Findings Report will go to the November G&A.

The audit of the Pension Fund is nearing completion and there are no issues that we need to communicate to you at this stage. This will also report to Governance and Audit Committee in October 2023.

Value for Money

We have completed our risk assessment for our value for money (vfm) and issued our Audit Plan which is included in this meeting's papers. Our risk assessment has identified 7 risks of significant weakness as set out below.

Risks linked to key recommendations raised in the prior year:

1. the risk that the Council's arrangements to control budgetary spend and deliver savings are not effective leading to the Council's financial positioning worsening and increasing the likelihood of your S151 issuing a S114 notice;

2. the risk to the Council's financial sustainability as a result of ineffective arrangements to manage SEND demand and meet the requirements of the Council's safety valve agreement with Central Government. Failure to meet the requirements could result in a loss of funding;
3. the risk of non-compliance with the Council's decision-making framework as well as the need to strengthen existing arrangements;
4. the risk that the Council's arrangements fails to improve performance of SEND services and does not meet Ofsted standards;
5. the risk that the Council's procurement arrangements are not effective or complied with;

New risks for 2022-23:

6. the risk that behaviours and the culture within the Council does not support effective governance and decision making; and
7. the risk that the arrangements in place to provide statutory services for Asylum Seekers including Unaccompanied Asylum Seeker Children (UASC) are not effective.

We plan to begin our detailed work on vfm in October 2022 with the aim to report our findings in early 2024 in our Auditor's Annual Report.

Progress at September 2023 (cont.)

Meetings

We met with your Chief Finance Officer in July as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Interim Chief Executive in August to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Internal audit

In the papers for this meeting, internal audit will issue their 2022-23 annual report. We understand that they will conclude that **Adequate Assurance** can be assigned to the Council's internal controls, risk management and governance framework. Whilst the overall opinion is a positive one, internal audit have continued to identify some key areas of risk and weaknesses in your internal controls. Given much documented and well-publicized challenges facing Kent, it is of even greater importance that the Authority implements, and is seen to comply with, the recommendations of Internal Audit.

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Governance Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	July 2023	Completed – included as a separate agenda item
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the October Governance and Audit Committee.</p>	October 2023	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2023	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	January 2024	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

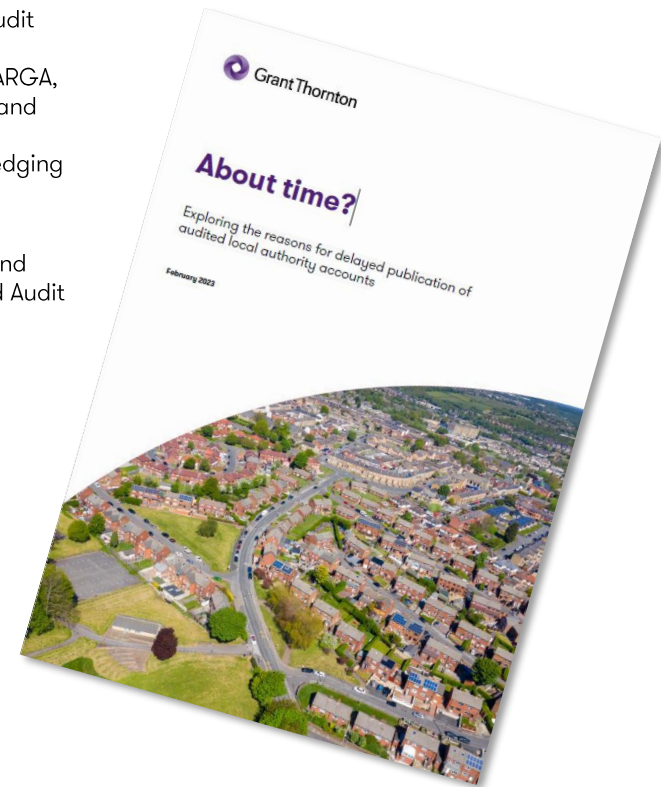
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met. The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In [evidence](#) to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

“Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

“Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that [only 12% of local government audits](#) for 2021-22 were completed by the 30 November deadline.

PSAA said that an alarming 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from the 45% in 2019-20.

Read full report here

committees.parliament.uk/writtenevidence/118580/pdf/

DLUHC to implement its new proposals to clear audit backlog by year-end

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

[The proposals](#) have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/



Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, [Timeliness of local auditor reporting](#), today, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey said cases like that of Thurrock Council and Woking BC demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.



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Read full report here

[Timeliness of local auditor reporting - Committee of Public Accounts \(parliament.uk\)](#)

Around 700,000 children are studying in schools that require major rebuilding or refurbishment works- NAO

The following article and update was written before the recent announcement of school closures were announced.

Department for education published guidance for school buildings constructed using reinforced autoclaved aerated concrete #RAAC – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

Page 52
NAO also published a report this summer about the declining condition of school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life.² These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. DfE has reported £7 billion a year as the best practice level of capital funding to maintain, repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – a lightweight form of concrete prone to failure, used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



LGPS valuation gives ‘cause for optimism – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% now.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

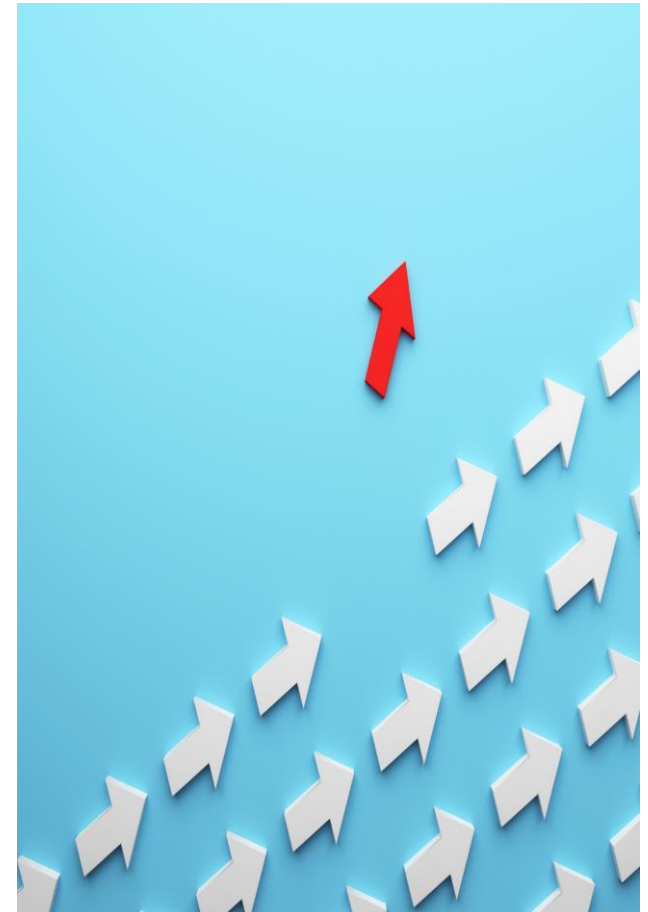
“This is a very positive funding position for the LGPS,” the report said.

“Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read full report here

[LGPS 2022 Valuation - the big picture.pdf \(hymans.co.uk\)](#)



Sustainability reporting in the public sector - CIPFA

Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development.

Public sector sustainability reporting: time to step it up' provides answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read full report from CIPFA here

[Sustainability Reporting \(cipfa.org\)](https://www.cipfa.org.uk/publications/sustainability-reporting)



By: Jonathan Idle – Head of Internal Audit
To: Governance and Audit Committee – 14 September 2023
Subject: **INTERNAL AUDIT PROGRESS REPORT**
Classification: Unrestricted

Summary:

This Progress Report details summaries of completed Audit reports for the period May – August 2023.

Recommendation:

The Governance and Audit Committee note the Internal Audit Progress Report for the period May to August 2023.

FOR ASSURANCE

1. Introduction

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

2. Recommendation

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

3. Background Documents

Internal Audit Progress Report.

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INTERNAL AUDIT PROGRESS REPORT
GOVERNANCE AND AUDIT COMMITTEE
14 September 2023

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 17 summaries of completed work between May and August 2023.

2. Key Messages

- 17 audits have been finalised in the period reported. **Appendix A**
- The summaries in Appendix A include the highest proportion of Limited Assurances in an Internal Audit Progress report since at least 2019.
- 39 of 47 audits from the 2022/23 6-month rolling Audit Plan are either in fieldwork or reporting stage with the remaining deferred or removed from the plan. **Appendix B**
- 1 high priority issue followed up management has accepted the risk. This appears reasonable based on upcoming legislative changes to Councils ability to charge for the disposal of non-household waste materials. **Appendix C**

3. 2022/23 Internal Audit Plan

This report also provides an update on the work completed between May and August 2023. The audit summaries are provided at [Appendix A](#). A summary is provided on current progress against the 2022/23 Audit Plan.

Table 1- Audit Plan Status

Status	Number of Audits	%
Not yet started	0	0%
Planning	0	0%
Fieldwork	1	2%
Ongoing	1	2%
Draft Report	4	9%
Final Report	33	70%
On Hold	6	13%
Removed	2	4%
Total	47	

[Appendix B](#) sets out progress against the Rolling 2022-23 Audit Plan. The alignment of coverage against the [8 Pillars of Corporate Health](#) utilised for Annual Audit Opinion is reported within the separate agenda item.

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

Table 2 – Summary of Audits - September Committee

Governance & Audit Committee – 14 September 2023			
23	CA04-2023 - Decision Making	N/A	N/A
24	CA07-2023 - Procurement	LIMITED	GOOD
25	CA08-2023 - Risk Management	SUBSTANTIAL	GOOD
26	CA09-2023 - Assurance Mapping – Fraud & Error <i>EXEMPT</i>	N/A	N/A
27	CA10-2023 - LATCO Governance Arrangements (<i>DRAFT</i>)	ADEQUATE	TBC
28	CS05-2023 - Social Care Debt Recovery	ADEQUATE	GOOD
29	RB14-2023 - Provider Invoicing (Follow-up)	N/A	N/A
30	RB15-2023 - Engagement of Consultants	N/A	N/A
31	RB16-2023 - Data Quality – LAS System – Risk of Overpayments	LIMITED	GOOD
32	RB17-2023 - Compliance with Financial Regulations (<i>DRAFT</i>)	LIMITED	TBC
33	RB21-2023 - Contract Extensions	LIMITED	VERY GOOD
34	RB22-2023 - Records Management (Follow-up) (<i>DRAFT</i>)	N/A	N/A
35	RB24-2023 - Property Disposals	ADEQUATE	VERY GOOD
36	ICT01-2023 - Cyber Security Patch Management <i>EXEMPT</i>	SUBSTANTIAL	VERY GOOD
37	ICT02-2023 - ICT Consolidated Action Plan	N/A	N/A
38	ICT05-2023 - Payment Card Industry Data Security Standards (PCI DSS) (<i>DRAFT</i>) <i>EXEMPT</i>	LIMITED	TBC

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- 2022/23 Internal Audit Plan
- Issue Implementation
- Under the Spotlight
- Appendix A - Summaries
- Appendix B – 2022/23 Internal Audit Plan Status
- Appendix C– Implementation of Agreed Management Actions
- Appendix D - Definitions

4. Issue Implementation

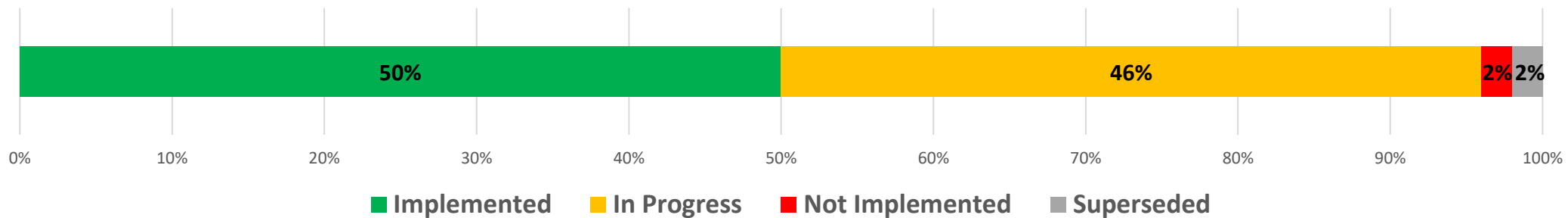
Details of the current position on the 'Implementation of Agreed Management Actions' is set out at **Appendix C**. This details the implementation status of 62 actions categorised by the assurance level assigned to the original report.

The status of implementation agreed actions is summarised below:

Summary of Issue Implementation

	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	14	50	5	27	7	23	1	0	1	0
Total %			36%	54%	50%	46%	7%	0%	7%	0%

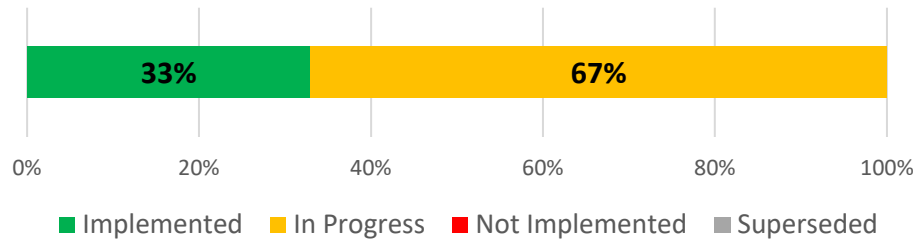
Overall Implementation of Agreed Management Actions



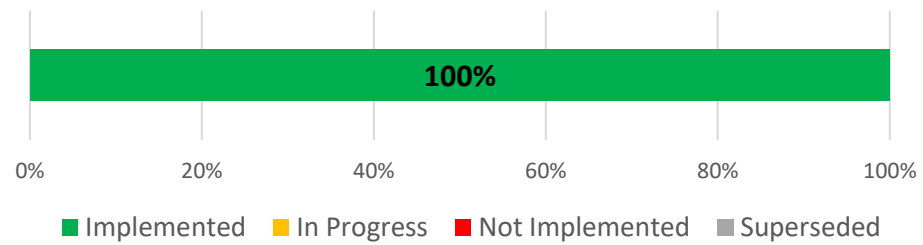
	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
ASCH	0	3	0	1	0	2	0	0	0	0
CYPE	3	4	3	4	0	0	0	0	0	0
GET	2	3	1	0	0	3	1	0	0	0
CED	7	30	1	16	6	14	0	0	0	0
DCED	2	10	0	6	1	4	0	0	1	0
Total	14	50	5	27	7	23	1	0	1	0
Total %			36%	54%	50%	46%	7%	0%	7%	0%

- Section Navigation
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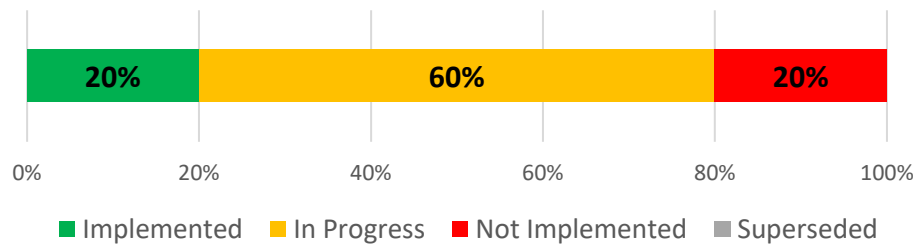
ASCH Implementation of Agreed Management Actions



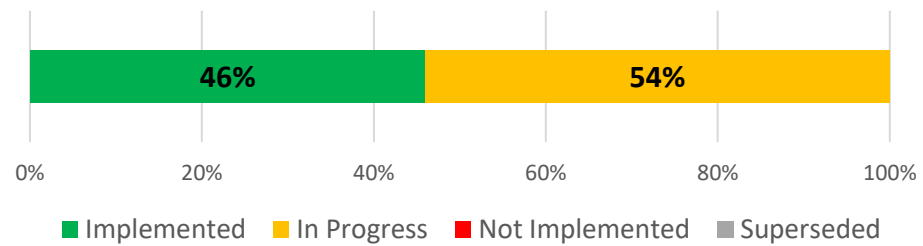
CYPE Implementation of Agreed Management Actions



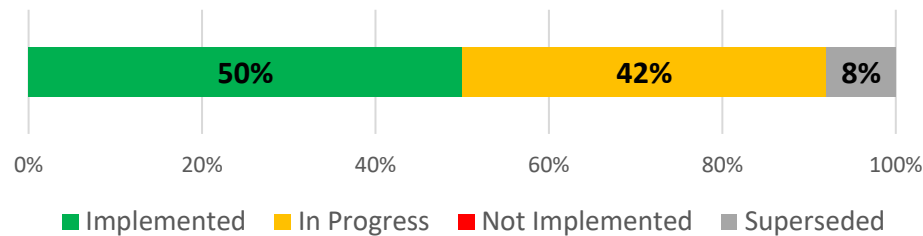
GET Implementation of Agreed Management Actions



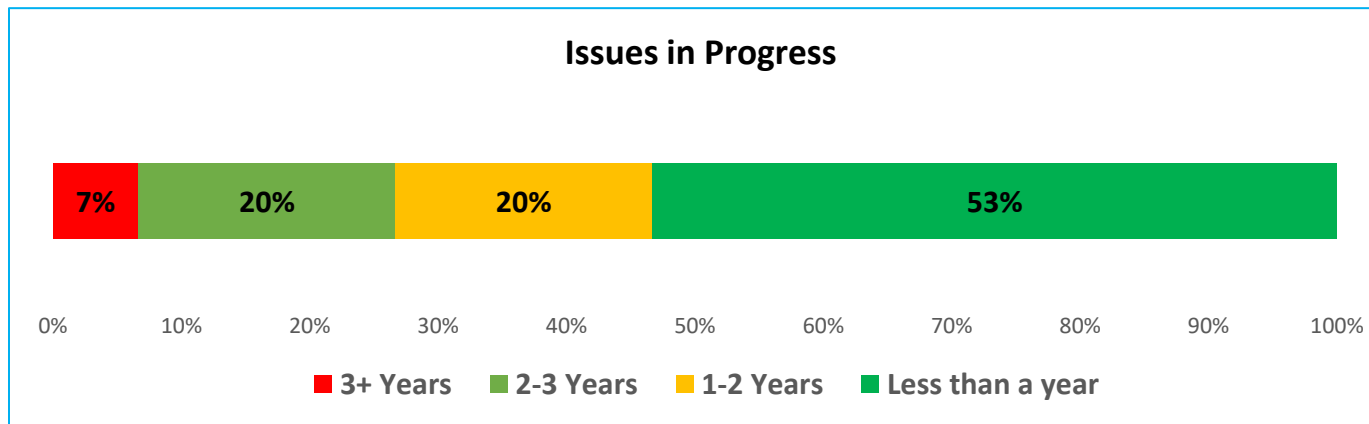
CED Implementation of Agreed Management Actions



DCED Implementation of Agreed Management Actions



Progress on longstanding issues 30 issues remain “in progress” for the period. 2 issues (2 medium priority) are longstanding issues which have remained open past their original implementation date for over 3 years and updates and revised implementation dates are detailed below.



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Ref	Audit	Priority	Original Date	Revised Date
CA09-2018	Departmental Governance Review – Adult Social Care and Health Issue 6 - Committee Terms of Reference	Medium	31/05/2019	31/03/2024

Update - Suggested revisions to the Terms of Reference for the G&A Committee were noted at G&A on 16 March 2023. The revised Terms of Reference and were subsequently agreed by County Council on 25 May. Continuing discussions with Leader regarding future role of Cabinet Committees and potential updates to Terms of References.

RB01-2018	Members Induction and Training Issue 2 - Mandatory Training	Medium	31/12/2017	01/05/2024
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Update - Mandatory training has been discussed at an informal meeting of the Member Development Sub-Committee and it was felt that it was difficult to determine which elements should be mandated. Certain committees such as Regulation, Governance and Audit, Planning Application Committee already require Members to be trained in order to participate. As part of the wider AGS actions and the work of the Member Development Sub Committee, a large piece of work is being undertaken to boost attendance rates to ensure that there is satisfactory substitute coverage, as well as core Committee Member training. As part of the Strategic Member Development Strategy and feedback from sessions held in the lead up to the new Member Induction programme for 2025, there is an opportunity for Members to assess training that should be classified as mandatory

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5. Under the Spotlight!



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

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

Audit Definitions are provided at **Appendix D**

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(A) Adult Social Care and Health	(B) Children, Young People and Education
A1. CS05-2023 - Social Care Debt Recovery	B1. RB16-2023 - Data Quality – LAS System – Risk of Overpayments
(C) Growth, Environment and Transport Cross Directorate	(D) Chief Executive
	D1. CA04-2023 - Decision Making D2. RB22-2023 - Records Management (Follow-up) D3. CA10-2023 - LATCO Governance Arrangement D4. CA08-2023 - Risk Management
(E) Deputy Chief Executive	(F) Cross Directorate
E1. RB24-2023 - Property Disposals E2. ICT02-2023 - ICT Consolidated Action Plan E3. ICT01-2023 - Cyber Security Patch Management <i>EXEMPT</i>	F1. RB15-2023 - Engagement of Consultants F2. RB17-2023 - Compliance with Financial Regulations F3. CA07-2023 - Procurement F4. RB14-2023 - Provider Invoicing (Follow-up) F5. RB21-2023 - Contract Extensions F6. CA09-2023 - Assurance Mapping – Fraud & Error <i>EXEMPT</i> F7. ICT05-2023 - Payment Card Industry Security Standards (PCI DSS) <i>EXEMPT</i>

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A1. CS05-2023 – Social Care Debt Recovery

Audit Opinion	ADEQUATE
Prospects for Improvement	GOOD

Key Strengths

- There is a KCC Debt Management Policy and process documents accessible to staff.
- From a sample of 50 clients with a current social care outstanding debt, 37/50 had appropriate recovery action taken and 8 were subject to either backdated deferred payments or awaiting probate checks.
- There is an escalation process in place which allows additional action to be taken including applying for a legal charge against property. There are currently 10 deferred payment accounts with internal legal services awaiting the legal charge being registered.
- All write offs examined had been subject to appropriate recovery action taken in line with the Debt Management policy and Financial Regulations to ensure that all recovery avenues had been exhausted.
- Each of the sample examined had a supporting fully completed write off form which had been appropriately authorised.
- It was evident for each that appropriate value for money/cost-benefit considerations have been considered before writing off.
- The sample of write offs were approved in accordance with Financial Regulations. Write offs had been accounted for against the relevant budget code.
- Regular reports are provided to senior management detailing the Council's outstanding debt position for those clients who receive a KentCare invoice for either residential or non-residential services.

Areas for Development

- Although there is a KCC Debt Management Policy, this is currently dated 2019 and although it is believed that this has been subject to an annual review there is no version control details. **Low**

- The Debt Management Policy does not detail potential referrals to fraud. **Low**
- Additionally, the process documents are also not version controlled. **Low**
- With regards to the sample of 50 clients with a current KentCare debt, 5/50 failed testing as to whether appropriate debt recovery action had been taken in a timely manner. As referenced within the rationale, this is due to a combination of an unsuitable manual system and lack of resources to ensure sufficient involvement on low value debts. Ongoing work is being done to address this, including procuring a system solution and therefore an issue has not been raised within this report.
- A further point to note that although not included within the audit scope, throughout the audit it was established that there was a suspense account with excess of £27m of payments received but at the time of the audit remained unallocated, including a specific grant funding of £18.5m which had been unallocated for over 2 months.. This is not specific to social care debt. This has been added to the Internal Audit Risk Register for consideration as an addition to the 2023/24 Internal Audit Plan.

Prospects for Improvement

- The overall opinion of **Good** for Prospects for Improvement is based on the following factors:
- Due to the increasing levels of debt, and the manual based system, a business case has been submitted to procure a system solution. To attract staff with the necessary skillset a proposal is underway to introduce specialised job descriptions.
- Issues raised have been accepted with management actions prepared.

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

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B1. RB16-2023 – Data Quality – LAS System – Risk of Overpayments

Audit Opinion

LIMITED

Prospects for Improvement

GOOD

Key Strengths

- An Oracle LAS Controcc payment report is used to identify and check the accuracy of payments over £30k before the pay run.
- Checking the £30k+ payments before they are made should also pick up on credits that require invoices for high-risk cases.
- Officers have just started receiving the KCC monthly credit report which highlights the LAS (overpayments) credits that have not yet been recovered.
- Officers started to check the Manual Payment reports from April 2023 to identify payments that should be made via LAS Controcc.
- There is a downward trend in the percentage of manual payments without a purchase order.
- When clients turn 26 years old, most cases are ended promptly or there is a legitimate reason why they have remained open longer and journal transfers are put in place to ensure the correct team is charged.

Areas for Development

Records for agreed decisions not setup in the LAS

- There is no pro-active monitoring of LAS decisions to track and make sure that records are setup on the LAS in time for the first payment to the provider. **High**
- Audit testing identified 26% (50/194) of decisions made between 1st January and 4th July 2023 did not have a record on the LAS within 3 months of their decision, increasing the likelihood of manual payments. **High**

Percentage of payments made outside of LAS Controcc

- The percentage of payments made outside of LAS Controcc was low between 3% and 10% during 22/23 to 23/24 to June 2023, but the trend shows that the percentage has slightly increased over this period. **High**
- Officers should specify what percentage of LAS manual payments is acceptable and monitor the trend of manual payments to ensure they meet these expectations. **High**
- Strengthening Independence Service Team Support Officers are not tracking why cases are not being loaded or paid via the LAS system, so they cannot identify lessons learned, to inform improvements to increase the efficiency of the LAS processes and systems. **High**

Percentage of payments made outside of LAS Controcc without a Purchase Order

- It is expected that all manual payments should have a Purchase Order. During 22/23 to 23/24 to June, the percentage of manual payments that did not have a Purchase Order has fluctuated between 93% and 23% (see appendix C for specific monthly percentages). **High**
- Sample testing found one case where an invoice had been approved via an email, instead of a Purchase Order, by a Team Manager who did not have sufficient authority. **High**

Note: Checking the operation of Purchase Orders was beyond the scope of this audit, as it is an Accounts Payable process. Although, Internal Audit have observed that Purchase Orders are being raised upon receipt of the invoice rather than in advance. Also, the authoriser does not confirm that the Purchase Order has been raised for the correct amount. It therefore appears that the Purchase Order process is not being operated as intended, so the use of a Purchase Order as a control is compromised. Internal Audit will communicate this issue to the Exchequer team separately and consider adding an audit of Accounts Payable to the Audit Plan.

- The service is not monitoring the percentage of manual payments without a Purchase Order, nor are they monitoring the Cost Centres (teams) not raising Purchase Orders. **High**
- The Subjective Code Book updated in June 2023 contains a different definition for code 523, to that being applied for LAS payments. **High**

Lack of end of service dates and verification of actual hours

- Only 7% of the open cases on the LAS system at the beginning of July 2023 have the planned end date field populated. **High**
- Scheduled residential payments are paid automatically every month and there are risks of considerable overpayments if changing circumstances are not updated promptly. **High**
- Payments are not verified against business records to confirm actual hours have been delivered, so there is a risk that payments are more than the service provided. **High**
- Relying on notification from Social Workers and the Provider is not sufficient to prevent overpayments and prompt update of service records. **High**

Identifying, tracking and monitoring the extent of overpayments

- A complete record of overpayments identified, offset, invoiced, and recovered is unknown because a central record has not been kept. **Medium**
- Checking the £30k+ payments before they are made identifies credits that require invoices, although no record of these checks is retained and the role of the officer undertaking these checks is due to end in 2024. **Medium**
- The service does not monitor whether overpayment invoices are being raised promptly, to track repayments or whether overpayments are increasing or decreasing. **Medium**
- This means the service is unable to identify trends in why overpayments occur, to learn lessons and implement changes to the process to prevent overpayments happening in the future. **Medium**

Reporting errors and overpayments to Internal Audit and Counter Fraud (IACF)

- Officers need to agree criteria for what errors and overpayments should be reported to the Counter Fraud Team. **Medium**

Discrepancies between agreed rates and those setup on the LAS

- Audit sample testing found a couple of cases where the service amount agreed is different to the correct service rate setup on the LAS. **Low**
- The discrepancies found were small, but there is no formal procedure or thresholds to acknowledge and confirm that minor discrepancies are within an acceptable margin of error. **Low**

- A payment to a KCC provider was inaccurate as the rate uplift hadn't been applied in the system. This equates to a £340 underpayment in this case, but the error is likely to be more widespread. **Low**

Decisions unclear as the Outcome field is not always completed

- A Team Manager is not completing the decision field on the panel outcome form, so the decision made for the young person's support package is unclear, which could lead to payment for services that have not been agreed. **Low**

Prospects for Improvement

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

- A Management Action Plan has been developed for each of the issues raised.
- The Assistant Director has provided clear leadership and direction with the formulation of the actions.
- The Support Officers understand the issues, they are motivated and capable, and will ensure that the mitigating actions are promptly embedded into business as usual.
- Successful implementation of some of the actions requires effective co-operation with the relevant Commissioning team.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	3	3	NA
Medium Risk	1	1	NA
Low Risk	2	2	NA

D1. CA05-2023 – Decision Making

Audit Opinion	N/A
Prospects for Improvement	N/A

Introduction

Decision making is a form of governance at Kent County Council (KCC) that ensure the spending of public money is transparent and lawful. The authority for KCC to make decisions derives from Parliament and is informed by legislation including the Local Government Act 1972 and the Local Government Act 2000.

KCC identifies four categories of formal decision making:

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Standing Delegations

Delegated Decisions

Executive Decisions

Non-Executive Decisions

Executive and Non-Executive decisions can be taken as Standing Delegations or Delegated Decisions.

Executive decisions can be key decisions if they involve over £1m spend or saving of Council money; concern more than two electoral divisions; or are otherwise significant in nature. All decision-making activity must be in line with KCC's Constitution and policy framework.

KCC's intranet page of decision making defines four Directorate Officers across the Directorates, who are available to provide advice on when a decision should be made formally.

The process for identifying key decisions is currently under review by the General Counsel to ensure that there are appropriate controls in place to identify when an executive decision is a key decision. The purpose of this internal audit activity was to inform the change in process by investigating the awareness and behaviours of decision making.

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Summary of Findings

Interviews with the Directorate Officers were held between 13th – 18th April 2023. These interviews found that the roles of the Directorate officers are designed to focus on following the key decision process to approval once they have already been identified as key decisions, rather than spotting upcoming key decisions, the responsibility of which lies with project officers. Directorate Officers do provide ad-hoc advice on identifying key decisions to project officers who reach out.

The interviews confirmed that the Directorate Officers' role in regard to the identification of key decisions is to provide guidance when requested, and this is a small part of their overall roles. The responsibility of seeking the advice lies with the project and commissioning officers. The Directorate Officers have appropriate knowledge and experience to provide guidance, and find the process outlined in the Constitution comprehensible however, appreciate the upcoming revamp.

The interviews did find there are varying approaches to key decisions across the Directorates. The ASCH and GET Directorate Officers provide self-written guidance documents, which are in line with the Constitution, to clearly lay out the process for officers in their Directorate. However, this may lead to a potential risk that guidance becomes out of alignment with key decision guidelines especially in light of the planned changes to the Constitution. The Directorate Officer for CPE only shares documents created by Democratic Service to ensure consistency with the Council rules on key decisions.

The interviews outlined multiple ways key decisions may be recognised that are not practical to minute, potentially leading to gaps in identification. These methods include forums and one to one meetings with Directorate officers, though one officer noted that a move to fully formal meetings for identification may limit open discussions of upcoming projects.

Conclusion

Due to the significant work to be undertaken with the Constitution review and testing of AGS responses, the assurance that this audit aimed to give will be provided from alternative planned audit resources.

The Directorate Officer interviews that did take place as part of the audit fieldwork, found that there are varying approaches to identifying key decisions which can potentially lead to gaps in identification. The answers from the AGS and T200 surveys were not available at the time of audit which were required to conclude on the consistency between the Directorate Officer's findings compared to practice.

D2. RB22-2023 – Records Management Follow-up

Audit Opinion

N/A

Prospects for Improvement

N/A

As part of the 2021/22 Audit Plan, Internal Audit undertook a review of Records Management.

The aim of the audit was to provide assurance that adequate progress has been made against issues raised from the previous audit undertaken in October 2021 where it received “Limited Assurance”.

	No. of Issues Raised from Original Report	Implemented	Issue Open and Agreed Actions	Risk Accepted
High	3	0	3	0
Medium	4	0	4	0
Low	0	NA	NA	NA

Key Findings From Follow-up

The follow-up work has identified that of the seven previous issues being reviewed, none have been implemented and therefore remain open. Though issues remain open, good progress has been made to address and a few resulting actions are required to be in a position to mark these as implemented. The issues which have been considered to be in progress and followed up in six months' time:

- Issue 1 – Training
- Issue 2 – Information Asset Register
- Issue 3 – Data Retention Schedule
- Issue 4 – Paper Records
- Issue 5 – Loss of Records
- Issue 6 – Record Cleansing
- Issue 7 – Implementation of the Share Point

Issue Status

Issue	Risk Rating	Status
1 - Training	High	In Progress
2 – Information Asset Register	High	In Progress
3 – Data Retention Schedule	Medium	In Progress
4 – Paper Records	Medium	In Progress
5 – Loss of Records	Medium	In Progress
6 – Record Cleansing	High	In Progress
7 – Implementation of the Share Point	Medium	In Progress

D3. CA10-2023 – LATCO Governance Arrangements

Audit Opinion	ADEQUATE
Prospects for Improvement	TBC

Key Strengths

- Business case to set up trading company that is going to be wholly owned by the Council were submitted to the Cabinet for scrutiny and approval .
- There is a designated Council Shareholder Board to represent the Council's ownership of the LATCOs.
- The decisions that can only be made by the Shareholder Board (reserved matters) have been established and agreed with the LATCOs. Internal Audit's sample testing found the LATCOs are escalating decisions that meet the reserved matters criteria to the Council's Shareholder Board for approval as required.
- Members holding a Council role which involves potential oversight and scrutiny of the LATCo do not hold a position within any KCC LATCo Board.
- KCC Elected Members do not hold a position within any of the KCC LATCo Board .
- The Council's Shareholder Board reviews and approves the LATCo's annual business plans and budgets.

Areas for Development

- The Council has not established a new trading company since 2018, but the policies and procedures that staff are expected to adopt when setting up a LATCo have not been reviewed since 2016. **Low**
- The role and responsibilities, and the delegated powers (if any) of the Shareholder Board is unclear. **Medium**

- The Shareholder Board has not decided what/which non-financial or operational performance information it will challenge and scrutinise on a regular basis. **Medium**
- The Governance and Audit Committee is responsible for reviewing the arrangements in place for managing the commercial opportunities and risks presented through the ownership of LATCOs, but the Committee does not receive regular (at least annual) report on the commercial risks and opportunities relating to the LATCOs. **Medium**
- The Governance and Audit Committee is yet to receive a lessons learned report on the Gen2 experience as requested. **Medium**

Prospects for Improvement

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

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0		
Medium Risk	5		
Low Risk	1		

D4. CA08-2023 – Risk Management

Audit Opinion	SUBSTANTIAL
Prospects for Improvement	GOOD

Key Strengths

- An approved Risk Management Strategy and Policy document is in place. It sets out how officers / teams across the Council are expected to identify, assess, and manage risks.
- The scope of the Council's risk management process is in line with good practice standards (ISO 31000).
- Key roles and responsibilities for managing risks and controls have been clearly defined.
- Risk identification is undertaken at different management levels across the Council.
- Risk registers are maintained at divisional, directorate, and at corporate level for recording new and existing risks on the Council's risk management system (JCAD).
- The Corporate Risk Management team carry out external benchmarking, knowledge sharing, and horizon scanning for new and emerging risks and threats in local government.
- The likelihood and impact of risks occurring is assessed consistently using the risk scoring matrix set out in the Council's risk management policy.
- There is a balanced approach to treating risks. Management is not planning to take material / significant actions to treat risks with a very low inherent risk score.
- Elected Members are kept informed about key risks and how Management is responding to those risks on a regular basis.
- Following the recent corporate restructure, work is currently underway to create a new Directorate risk register on JCAD for the Chief Executive's Directorate

Areas for Development

- Heads of Services are not using JCAD in a consistent manner, some service risk registers are held on JCAD, but some are held locally and outside of JCAD on MS word or excel documents. **Low**
- There is no evidence that a programme risk register is maintained for 4 out of the 11 Strategic Reset Programmes. **Medium**
- 108 risks on JCAD are overdue for review (more than 30 days), and 92 controls / action are overdue for review (more than 30 days). The majority of overdue risks and actions relate service level risks. **Medium**
- There is an agreed threshold for escalating risks to the next management level for review. However, a small number of risks on JCAD which meet the escalation threshold have not yet been escalated or linked to a risk in the next management level. **Low**

Other Matters for Consideration

The audit has identified that there is a sound process in place to identify, review, manage and monitor the key risks facing the Council. However, it was noted that for some of the most significant corporate risks (see below), the risk ratings remain High despite reasonable management actions / controls being in place. A formal management action is not proposed on this, but Senior Management and Members will need to continue to satisfy themselves that all feasible and practical actions have been undertaken to reduce these corporate risks to a more tolerable level and / or keep the target risk levels under review.

- CRR0003- Securing resources to aid economic growth and enabling infrastructure.
- CRR0009- Future financial and operating environment for Local Government.
- CRR0014- Cyber & Information Security Resilience.
- CRR0042- Border Fluidity, infrastructure and regulatory arrangements
- CRR0052- Impact of Climate Change on KCC services.
- CRR0053- Capital Programme Affordability (impacts on performance and statutory duties).
- CRR0056- SEND Delivery Improvement and High Needs Funding shortfall.

D4. CA08-2023 – Risk Management

Prospects for Improvement

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

- No significant issues or risks were identified as a result of this review.
- Management has agreed to ensure that individual programme risk register is maintained for all priority change programmes.
- Maintaining more risk registers on JCAD will improve visibility of risks and improve the Council's ability to monitor risk reviews and the implementation of the mitigating actions.

Summary of Management Responses

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

E1. RB24-2023 – Property Disposals

Audit Opinion

ADEQUATE

Prospects for Improvement

VERY GOOD

Key Strengths

- There is a Freehold Asset Disposal Policy in place which is in-line with legislation and includes clear objectives. The Policy was reviewed and approved by the relevant Cabinet Member in 2022 following a consultation at the Policy & Resources Committee and is next due for review in 2024. The Policy is underpinned by supporting Disposal Process Document; however, it is noted that this document requires some additions.
- There is a clear training programme in place to ensure all staff within the disposal team are inducted adequately.
- An Asset Review Board (ARB) is in place, which receives bi-monthly asset disposal proposals for consideration. The ARB makes a recommendation to the Director of Infrastructure and the Cabinet Member for Finance, Corporate and Traded Services for a decision to declare any assets surplus in line with the Council's Constitution.
- There is adequate monitoring and reporting in place and KPI's are regularly monitored.
- Sample testing found that the key steps within the Policy were being implemented appropriately with peer review and quality control checks in place.
- Sample testing found that systems are appropriately updated with the income from property disposals.
- There is regular budget monitoring in place ensuring that variances are picked up timely, with reasons for variances clearly captured.

Areas for Development

- Overall, the process for property disposal is implemented as per for documented process from the Policy. However, there were additional steps happening in practice which were not reflected in the process, such as:
 - During stage 1, following the surplus declaration process, properties for disposal are presented to the ARB, who make a recommendation to the Director of Infrastructure and Cabinet Member for Finance, Corporate and Traded Services before a decision to dispose of the property is formally taken. Currently, the ARB meetings are not mentioned in the Property Disposal Process. **Medium**
 - Key documents, Property Information Procedure form (PIP12) and Approval To Terms (ATT), used to capture key information are not mentioned within the Policy or Process documents. **Medium**
- For two out of six of the property disposals sampled, the PIP12 form was not signed by the Cabinet Member for Finance, Corporate and Traded Services. According to the Constitution, the Cabinet Member for Finance, Corporate and Traded Services should make a decision to determine whether they or the Director of Infrastructure would be making the disposal decision. Officers explained that a monthly meeting takes place between the Director and Cabinet Member to discuss the disposal pipeline and review any disposals including those that will be subject to a key decision and those that will be progressed under delegations, however, those discussions are not minuted, and therefore the decision was not always captured. It should be made clear if the PIP12 needs to be signed by both the Cabinet Member for Finance, Corporate and Traded Services and the Director of Infrastructure or whether the Cabinet Member has approved for the Director to make the decision. **High**
- For three of the sampled property disposals, there was no evidence that the peer review had taken place. One of the ATT's predated the requirement for the peer review. Officers explained that the peer review is generally done via email and in the two samples, officers had forgotten to copy the information into the ATT. This appears to be an administrative error; however, we advise that all peer reviews are included on the ATT. **High**

E1. RB24-2023 – Property Disposals

Prospects for Improvement

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

- Currently the disposals team is resourced using consultants, however, there is a recruitment plan in place to bring those roles in house and stagger the recruitment to ensure service continuity.
- Internal Audit are satisfied that the findings and actions highlighted by this report will be addressed appropriately by management.

Summary of Management Responses

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

E2. ICT02-2023 – ICT Consolidated Action Plan

Audit Opinion

N/A

Prospects for Improvement

N/A

Introduction

Following the Session House Data Centre Major Incident (MI) that took place between 31st January and 1st February 2021, KCC ICT conducted a review to establish the facts of the incident, and subsequent recovery of services.

The MI review carried out by KCC ICT, determined what went well, and where there was room for improvement in the provision of the service and subsequent recovery capability, and considered the operational risks taken and the effectiveness of Business Continuity Plans. The review's final output consisted of a Consolidated Action Plan which included agreed actions which at the time of the MI were being progressed; the ICT Consolidated Action Plan consisted of 124 total actions from various reports and were consolidated to 95 actions within 39 workstreams.

Conclusion

The Project workstreams within the Data Centre Exit Programme had covered off many of the ICT risks that the Council were carrying at the time of the MI relating to availability of core applications and systems, and in doing so also addressed many of the strategic and technical actions within the ICT Consolidated Action Plan. 70% of the actions within the ICT Consolidated Action Plan were now complete; the remaining 30% of actions are being monitored, and updates are being provided by CBS.

Examples of key technical and strategic actions completed:

All core Council applications and systems are hosted through third parties, residing within the Cloud and external data centres, which reduces the risk of lack of availability to the Council's systems and data.

Backups of Council Data now reside securely in the Cloud, which protects them from ransomware infection.

The Storage Area Network (SAN), damaged at the time of the MI, has since been replaced and the data migrated.

The issue surrounding resourcing of Projects, that KCC demanded of CBS, was raised as part of Internal Audit ICT03-2022 and remains open; Internal Audit are tracking progress as part of the Audit follow-up process, and KCC ICT are continually monitoring the risks and impact to their projects.

Some actions within the ICT Consolidated Action Plan were no longer relevant as they related to the on-premises data centres; the processes and responsibilities to be followed by CBS and KCC ICT staff in the event of a MI will have subtly changed. Fieldwork has commenced, by Internal Audit, to review the Council's arrangements for Disaster Recovery whereby Policies, Procedures and Plans will be an area for review.

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F1. RB15-2023 – Engagement of Consultants

Audit Opinion	N/A
Prospects for Improvement	N/A

Introduction

As part of the 2022-23 Audit Plan, it was agreed that Internal Audit would undertake a review of the *Engagement of Consultants*. This review was originally scheduled to take place as part of a previous Audit Plan but was postponed due to the prioritisation of other high-profile work. The aim of the audit is to review the controls over procurement decisions and the selection of consultants, financial commitment within authority limits, management of performance and termination of contracts.

Consultants may be funded from revenue, capital, or a grant stream. At KCC, 'a consultant is defined as a named individual (i.e. the Council states it wants individual x) taken on to perform a particular, temporary, and defined task'.

Internal Audit Observations

Awareness of the definition of a consultant and corporate policy/guidance in place for the engagement of consultants

- * Guidance on consultants is contained in the **Buying Common Goods and Services** and **Procurement Policy (Spending the Council's Money)** pages on KNet. This guidance is not prescriptive and does not include clarification on the usage of Oracle subjective codes which may confuse staff and may result in interchangeable use of different subjective codes.
- * Internal Audit interviewed staff from the various directorates to assess whether staff could define what a consultant is at KCC. Five out of 12 (42%) staff could not articulate what a consultant is at KCC.
- * In addition, 6 out of 12 (50%) staff could not articulate the difference between consultants, agency staff and professional services. There are separate subjective codes for these three categories on Oracle (**see Appendix A**).
- * Three out of 12 (25%) staff interviewed from the various directorates were not aware if there is a corporate policy in place for the engagement of consultants. Two further staff of the 12 (17%) interviewed were not sure if there is a corporate policy in place for the engagement of consultants but thought it could be found on KNet if there was one.

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b) Misallocations

- * KCC has a *Subjective Code Book (December 2022 version)* which sets out, *'The Service Reporting Code of Practice (SeRCOP) for Local Authorities is the recommended standard for consistent financial reporting under the Local Government Act 2003. There are standard subjective analysis headings relevant to ALL local authorities in England, Scotland, and Wales. By using standard subjective analysis ensures consistency with the requirements for completion of Whole Government Account (WGA) returns. A subjective code is a three-character code that identifies the type of expenditure or income incurred. They are standard throughout Kent County Council (KCC) i.e., they do not vary from Directorate to Directorate. There are separate subjective codes that identify Revenue and Capital expenditure or income'*.
- * There are separate subjective codes for consultants, agency staff, professional fees and commissioned services with limited narrative set out in the *Subjective Code Book (December 2022 version)* and staff may be unclear which subjective code should be used.
- * Internal Audit identified that:
 - o Twelve out of 40 transactions selected (30%) with a value of £412,429 had been misallocated to subjective code *402 Consultants* and should have been posted to different subjective codes. This represents 11% of the total amount of £3,882,022 recoded on subjective code *402 Consultants* as at 31 March 2023. Of these 12 transactions, 11 transactions with a value of £391,385 related to the GET directorate which should have been posted to subjective code *401 Professional services* (3 transactions) and subjective code *530 Commissioned Services – Other* (8 transactions). One transaction with a value of £21,044 related to a secondment from an external body in the CYPE directorate. The 2022/23 accounts are now closed on Oracle and adjustments cannot be made.
 - o Internal Audit reviewed the transactions recorded against subjective code *402 Consultants* and identified invoices totalling £81,093 relating to recruitment agencies that should have been posted to subjective code *044 Agency Staff*. (i) £75,854 of the amount related to ASCH and was identified as an error during the financial year and corrected via journal entries; and (ii) £5,239 of the amount related to CYPE agency staff. Internal Audit did not review transactions on subjective code *044 Agency staff* as this was out of scope.

c) Involving Cabinet Members prior to engaging consultants

- There is differing guidance on KNet regarding involving Cabinet Members prior to engaging consultants:
 - o The **Buying Common Goods and Services** page on KNet sets out that *'...Where a contract for a Consultant or individual contractor is estimated to cost £20,000 or more the Award Report must be forwarded to the relevant Cabinet Member prior to the appropriate officer approving the report'*.
 - o The procurement policy page, **Procurement Policy (Spending the Council's Money)**, sets out that *'Where a contract for a consultant is estimated to cost £50,000.00 or more, details of the proposed award must be forwarded to the relevant Cabinet Member prior to the appropriate officer making the award.*
- The two pages on KNet are not dated so it is not clear which is the more recent guidance.
- Nine of the 12 (75%) staff interviewed from the various directorates either did not know (i) that a Cabinet Member had to be involved prior to engaging a consultant; or (ii) the circumstances in which Cabinet Members were to be involved before engaging a consultant.

F2. RB17-2023 – Compliance with Financial Regulations

Audit Opinion

LIMITED

Prospects for Improvement

TBC

Scope Limitations

As part of planned fieldwork, expenditure across both GET and ASCH was requested for Audit to undertake further data analysis. This analysis would help inform sample selection, where testing would be undertaken to determine whether working practices complied with the Council's Financial Regulations D10ii – x (the use of iProcurement for raising orders).

However, no evidence was provided to Audit within the fieldwork timescales and therefore, it was not possible to undertake testing within this area.

Consequently, no assurances can be provided that the Council's expenditure is processed in accordance with the Financial Regulations D10ii – x.

Key Strengths

- There is a suite of documentation available on K-net to support financial management across the Council. This includes the Financial Regulations, Constitution, Scheme of Delegation Matrix, Commissioning Handbook and Procurement Guidance – Spending the Council's Money.
- The Strategic Procurement, Commissioning Team and the Finance Business Partners and their Teams often assist Services to ensure compliance with Financial Regulations and procurement processes.
- Financial Management training is delivered via Delta, the Council's training platform, face-to-face workshops and 1:1 training. This demonstrates a variety of methods being used to support officers. The training available includes budget manager basics, adult's activity budgets basics, introduction to finance, and introduction to finance in Health and Social Care. However, it was clear that this training wasn't always being utilised effectively and regularly.
- The Learning & Development (L&D) Team help support and increase the likelihood of staff complying with the Financial Regulations by providing a variety of training across the Council.

- The ASCH financial system (Mosaic) is firmly embedded within the Directorate, including use of the system and staff training.
- There was sufficient rationale documentation for all those Single Source Justifications, Direct Awards and Contract Extensions examined. In addition, they were all signed and approved in accordance with the Scheme of Delegation Matrix. However, it was noted that VEAT (Voluntary Ex-Ante Transparency Notice) /Transparency Notices were not always published for the samples examined.

Areas for Development

- The general awareness and application of the Council's Financial Regulations requires improvement. Consistent messages and working practices are not effectively communicated to all staff. As part of fieldwork a survey was undertaken with GET and ASCH Service Managers, Heads of Service and Assistant Directors. 26 responses were received, and the following audit conclusions were noted:
 - 12 responders stated they have not or are not sure if they have read the most recent copy of the Council's Financial Regulations. It was noted that 5 staff utilised outdated copies of the Regulations including the version from 2018, 2020 and 2021. **High**
 - 7 responders confirmed they were not completely sure of the overall purpose of the Financial Regulations. The officers ranged from Service Manager to Assistant Director level. **High**
 - 2 responders confirmed that compliance with the Council's Financial Regulations is 'somewhere in-between optional and compulsory'. This was for a Service Manager and an Assistant Director. Further examination confirmed this may be due to the purchasing process for ASCH not being reflected in the Financial Regulations, which means ASCH staff are not following the Financial Regulations as stated. For example, ASCH are utilising Mosaic rather than iProcurement system. **High**
 - 1 responder stated they were unsure of where to find the Financial Regulations. **High**
 - 13 responders stated they were unsure of any financial management training offered via induction or on an ongoing basis. **High**

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F2. RB17-2023 – Compliance with Financial Regulations

- There is currently misalignment between the requirements of the Financial Regulations and the working practices within ASCH. This includes ASCH utilising Mosaic rather than the iProcurement system to procure care packages. **Medium**
- Financial Management training across the Council requires formal ownership and monitoring. This will help ensure appropriate and consistent training is delivered across the Council officers. **Medium**
- Staff with financial management responsibility should familiarise themselves and undertake financial management training available through Knet (where appropriate). **Medium**
- At the time of testing, there was no Corporate Director training regarding their roles and responsibilities for ensuring compliance with Financial Regulations within their Directorate. Since testing, the L&D Team are looking to deliver a set of bespoke management training sessions to Corporate Directors to cover such areas. **Medium**
- The Single Source Justifications examined established Voluntary Ex-Ante Transparency Notices (VEAT) were not always obtained. Therefore, this process wasn't always undertaken in accordance with the Commissioning Handbook or the Public Contracts Regulations. In addition, the Council's Commissioning Handbook requires updating to reflect that Transparency Notices are now published instead of VEAT Notices. **Medium**

Prospects for Improvement

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

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	1		
Medium Risk	3		
Low Risk	0		

Audit Opinion	LIMITED
Prospects for Improvement	GOOD

Key Strengths

- Policy documents are appropriately detailed and make clear the mandatory principles and regulations on spending the Councils money to which all staff must adhere.
- Guidance documents under the banner of "how to buy anything" set out in sufficient detail the complete process for procuring at various spend levels including what needs to be done by whom, approvals process, and how to request for support from the appropriate team within Strategic Commissioning. There are also additional supporting documents available to staff to provide further advice on matters that may impact procurement activity. Proposed revisions to the Council's Contract Standing Orders "Spending the Council's Money" have been presented at and approved by Governance and Audit Committee and County Council.
- Use of the Kent Portal for procurements over £25k enables a view of all current procurement activity in progress.
- A Contract Management System (CMS) is in use and is capable of recording key information regarding awarded contracts.
- The Procurement and Commercial team have undertaken activity to review the CMS for records completeness and communicate with departments where information is found to be missing or out of date.
- Management Information packs are produced for Corporate Management Team (CMT) providing information regarding current procurement activity by Directorate.
- Cantium accounts payable procedures require that Invoices are not paid without a valid associated Purchase Order.
- The £25k plus purchase requisition procedure includes checks to ensure that Purchase Orders are linked to contracts and that notices of contracts awarded have been published.

Areas for Development

- At the time of audit, some services have direct access to the CMS system to add contract records themselves whilst others will have records added by the Commercial Team on their behalf. Perceptions across departments as to what constitutes a contract is likely to be impacting on what is being added to the CMS and assurance cannot be provided that all contracts are being added or that records being input are accurate. **Medium**
- The CMS system can store related contract information documents however, this functionality is not currently used. Individual teams store tender, scoring and contract documents in their own areas. **Medium**
- Sample testing identified that, for some procurements, not all documents had been retained and stored consistently in one central location. **Medium**
- There are currently no monitored central KPI's in relation to adherence to procurement procedures, the recording of contracts or storage of associated documents. **High**
- Ongoing contract management including operational and commercial performance is the responsibility of the assigned contract manager or team, each contract is therefore managed on an individual basis. There are no universal KPI's in relation to performance. **High**
- Oracle system does not have capacity to record contract numbers or values, subsequently automated tracking of spend against contracts as PO's are raised and invoices processed is not possible. Reliance is placed on individual contract owners monitoring of PO's being raised against contracts. **High**
- The £25k plus procedure for raising Purchase Orders does include the Commercial and Procurement Team verifying that procurement procedures have been followed, and that the Purchase Requisition is linked to a contract, however the procedure for generating Purchase Orders for less than £25k is less robust and assurance cannot be provided that all Purchase Orders raised are linked to current or valid contracts. **High**
- Internal Audit have identified from other areas of activity, procurements that have not been compliant with documented procurement procedures, either through the failure to go out to tender or failure to obtain relevant sign off for a single source tender. This has not been raised as an issue in this report as it has been covered separately in other audit engagements.

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Prospects for Improvement

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

- Appropriate management responses and action plans have been developed in response to the issues raised.
- The new Commercial and Procurement Division, and the revised rules for procurement and contracting enable a greater emphasis to be placed on record keeping and contract management activities.
- Consideration is being given to the automation of some processes as part of the planned implementation of the new Enterprise Business Capabilities (EBC) system.

Summary of Management Responses

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

F4. RB14-2023 – Provider Invoicing Follow-up

Audit Opinion	N/A
Prospects for Improvement	N/A

As part of the 2022/23 Audit Plan, Internal Audit undertook a review of Provider Invoicing.

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

	No. of Issues Raised from Original Report	Implemented	Issue Open and Agreed Actions	Risk Accepted
High	3	2	1	0
Medium	3	1	2	0
Low	0	NA	NA	NA

Key Findings From Follow-up

The follow-up work has identified that of the six previous issues being reviewed, three are now considered closed and three remain open. Though several issues remain open, good progress has been made to address the issues and the remaining actions will be implemented in the near future. The issues which have been agreed to close are as follows:

- Issue 1 – Provider invoice and reconciliation process
- Issue 2 – Performance reporting
- Issue 4 – Provider Contracts

The following issues are in progress and will be followed up in six months' time:

- **Issue 3 - Contract Management of Service Providers**
- **Issue 5 - Financial Health Checks**
- **Issue 6 - Clarity of Roles and Responsibilities in KCC/Cantium**

Issue Status

Issue	Risk Rating	Status
1 - Provider invoice and reconciliation process	High	Implemented
2 - Performance reporting	High	Implemented
3 - Contract Management of Service Providers	Medium	In Progress
4 - Provider Contracts	Medium	Implemented
5 - Financial Health Checks	High	In Progress
6 - Clarity of Roles and Responsibilities in KCC/Cantium	Medium	In Progress

F5. RB21-2023 – Contract Extensions

Audit Opinion

LIMITED

Prospects for Improvement

VERY GOOD

Key Strengths

- Financial Regulations and Contract and Tendering Standing Orders include the strategic roles and responsibilities for managing and signing contracts.
- There is a Commissioning Handbook in place, which includes guidance on managing contracts including contract variations/extensions and was approved by the Corporate Management Team.
- There is contract management training, including contract variations/extensions, for those involved in managing contracts.
- There is an approved Scheme of Delegation for approving contract variations, including contract extensions.

Areas for Development

- Testing found that 60% of contract extensions had been approved in accordance with the Scheme of Delegation Matrix however the remaining 40% had not been approved in accordance with the Matrix (approved by Directors however, this should have been undertaken by Corporate Directors). **High**
- Testing found that the contract extensions risk assessment template was not routinely completed. For the 40% of the contracts (contract values £120m and £3.3m) where the template had not been completed, the contract extension risks were not identified, documented, and reviewed prior to the approval of contract extensions. **High**
- The information contained in the contracts register was not always up-to-date and key information was not documented. **High**
- Testing found that for 80% of contract extensions the Contract Extension Change Control “CCN” template to approve a contract extension was not completed. **Medium**
- There is no monitoring and reporting of which staff have completed and not completed the Commissioning Standard Team’s contract management training. **Medium**

- Sample testing established that contract extensions’ review and decision dates to extend the original contracts were between 2 and 6 months in advance of the contracts’ end date. This did not allow sufficient time to enable a full re-procurement to be undertaken if this was required. **Medium**

Prospects for Improvement

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

- Management have agreed with all the issues identified in this audit review and provided very detailed and comprehensive actions to strengthen the controls in managing contract extensions. Internal Audit are satisfied that these actions will be addressed appropriately by management.
- Management have provided realistic timescales to implement the actions required to control the risks identified.

Summary of Management Responses

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

Appendix B - 2022/23 Internal Audit Plan Status

Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
CA01-2023	Annual Governance Statement - Process	Final Report	ADEQUATE	ADEQUATE	January 2023
CA01-2023	Annual Governance Statement - Returns	Final Report	LIMITED	ADEQUATE	January 2023
CA02-2023	Assurance Mapping - Simultaneous Response, Recovery & Resilience	Final Report	N/A	N/A	January 2023
CA03-2023	Informal Governance	On Hold			
CA04-2023	Decision Making	Final Report	N/A	N/A	September 2023
CA05-2023	Health & Safety	Final Report	ADEQUATE	GOOD	May 2023
CA06-2023	Information Governance	Final Report	N/A	N/A	May 2023
CA07-2023	Procurement	Final Report	LIMITED	GOOD	September 2023
CA08-2023	Risk Management	Final Report	SUBSTANTIAL	GOOD	September 2023
CA09-2023	Assurance Mapping - Fraud & Error	Final Report	N/A	N/A	September 2023
CA10-2023	LATCO Governance Arrangements	Draft Report	ADEQUATE	TBC	September 2023
CR01-2023	Inflation	On Hold			
CR02-2023	Operating Standards	On Hold			
CR03-2023	Preparedness for CQC Inspection-ASCH	Final Report	N/A	N/A	May 2023
CR04-2023	Enterprise Business Capabilities (Oracle)	Final Report	N/A	N/A	May 2023
CS01-2023	Budget Savings	Final Report	LIMITED	ADEQUATE	May 2023
CS02-2023	Imprest Accounts Follow-up	Final Report	N/A	N/A	May 2023
CS03-2023	Purchase Cards	Final Report	ADEQUATE	GOOD	May 2023
CS04-2023	Pension Scheme Admin	Final Report	ADEQUATE	GOOD	May 2023
CS05-2023	Social Care Debt Recovery	Final Report	ADEQUATE	GOOD	September 2023

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RB01-2023	Data Mapping	Final Report	ADEQUATE	GOOD	January 2023
RB02-2023	Talent Management	Final Report	SUBSTANTIAL	GOOD	January 2023
RB03-2023	Individual Contracts with Care Providers	Final Report	LIMITED	GOOD	May 2023
RB04-2023	Making a Difference Every Day (MADE)	Removed	N/A	N/A	
RB05-2023	Change for Kent Children	Removed	N/A	N/A	
RB06-2023	Recruitment & Retention of Social Care Workers (CYPE)	Final Report	SUBSTANTIAL	VERY GOOD	May 2023
RB07-2023	Climate Change – KCC’s Net Zero Action Plan	Final Report	LIMITED	ADEQUATE	May 2023
RB08-2023	Highways Term Contract	Ongoing	N/A	N/A	
RB09-2023	Estate Management / Maintenance	On Hold			
RB10-2023	Modern Slavery	Final Report	N/A	N/A	January 2023
RB14-2023	Provider Invoicing (Follow Up)	Final Report	N/A	N/A	September 2023
RB15-2023	Engagement of Consultants	Final Report	N/A	N/A	September 2023
RB16-2023	Data Quality - LAS system - Risk of Overpayments	Final Report	LIMITED	GOOD	September 2023
RB17-2023	Compliance with Financial Regulations - ASCH and GET	Draft Report	LIMITED	TBC	September 2023
RB19-2023	Estates Change Programme (Sessions House)	Final Report	N/A	N/A	May 2023
RB21-2023	Contract Extensions	Final Report	LIMITED	VERY GOOD	September 2023
RB22-2023	Records Management (Follow-up)	Draft Report	N/A	N/A	September 2023
RB24-2023	Property Disposals	Final Report	LIMITED	GOOD	September 2023
RB26-2023	United Kingdom Resettlement Scheme	On Hold			
RB29-2023	Unregulated Care Placements	On Hold			
RB32-2023	Data Security Toolkit	Final Report	SUBSTANTIAL	VERY GOOD	May 2023

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ICT01-2023	Cyber Security Patch Management	Final Report	SUBSTANTIAL	VERY GOOD	May 2023
ICT02-2023	ICT Consolidated Action Plan	Final Report	N/A	N/A	September 2023
ICT03-2023	Information Technology Risk Management	Final Report	ADEQUATE	GOOD	May 2023
ICT04-2023	Disaster Recovery	Fieldwork	TBC	TBC	
ICT05-2023	Payment Card Industry Data Security Standards (PCI DSS)	Draft Report	LIMITED	TBC	September 2023
AD01-2023	SEND Transport (NB- included within 2-22 Opinion)	Final Report	N/A	N/A	September 2022

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3+ Years

Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA07-2019	Data Protection	Adequate	Issue 2 - Data Protection Impact Assessments - Project & Programme Management and Commissioning	Medium	CED	Implemented
CA09-2018	Departmental Governance Review – Adult Social Care and Health	Adequate	Issue 6 - Committee Terms of Reference	Medium	CED	In Progress
ICT05-2020	Members ICT	Adequate	Issue 1 - ICT Support for Members	Medium	CED	In Progress
RR01-2018	Members Induction and Training	Adequate	Issue 2 - Mandatory Training	Medium	CED	Implemented
RR20-2019	LD Lifespan Pathway Post Implementation	Adequate	Issue 1 - Pathway Plans and Assessments	High	CYPE	Implemented

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2-3 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
CA01-2021	Annual Governance Statement	Adequate	Issue 1 - Progress Against 2017/18 & 2018/19 Issues	Medium	CED	Implemented
CA01-2021	Annual Governance Statement	Adequate	Issue 3 - Making AGS a Living Process	Medium	CED	Implemented
CA01-2021	Annual Governance Statement	Adequate	Issue 4 - Learnt Lessons from the 2019/20 AGS Process	Medium	CED	Implemented
CA06-2020	Data Protection Deep Dive	Adequate	Issue 1 - Record of Processing Activity (ROPA)	High	CED	In Progress
CA06-2020	Data Protection Deep Dive	Adequate	Issue 2 - Data Breaches	Medium	CED	Implemented
CA07-2021	Information Governance - Remote Working	Adequate	Issue 1 - Policies & Procedures	Medium	CED	In Progress
CA07-2021	Information Governance - Remote Working	Adequate	Issue 2 - Staff Awareness	Medium	CED	Implemented
CA07-2021	Information Governance - Remote Working	Adequate	Issue 3 - Data Protection Training	Medium	CED	Implemented
CA07-2021	Information Governance - Remote Working	Adequate	Issue 4 - Risk Assessment	Medium	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 1 - Central log and Imprest Holder Oversight	High	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 3 - Security	High	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 5 - Imprest Training	Medium	CED	Implemented
CS04-2020	Imprest Accounts	No Assurance	Issue 6 - Cash Counts and Reconciliations	Medium	CED	In Progress
CS04-2020	Imprest Accounts	No Assurance	Issue 7 - Imprest Limits	Medium	CED	Implemented
RB45-2020	Non-domestic Waste Charging	Adequate	Issue 4 - Reconciliation of iPad downloads and Worldpay Data	High	GET	Management Accepts Risk

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1-2 Years						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
AD01-2022	Provider Complaint	N/A	Issue 3 - Due Diligence	High	CED	In Progress
CA01-2022	Annual Governance Statement	Adequate	Issue 2 - Confirmation of Compliance with CIPFA Code of Financial Management	Medium	CED	In Progress
CS02-2022	General Ledger	Substantial	Issue 2 - Miscoding of Asylum Seeking Young People Accommodation Costs	Medium	CED	In Progress
ICT03-2021	Cyber Security - Management of Backups for Applications, Data and active Network Devices.	Adequate	Issue 2 - Business Continuity Plan (BCP) Recovery Time Objectives (RTO)	High	DCED	Superseded
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 2 - Resources	High	DCED	In Progress
PS06-2022	New Grant Funding	Substantial	Issue 1 - Fraud Risk Assessments	Medium	CED	In Progress
PS13-2022	Data Protection (ASCH)	Adequate	Issue 1 - Improving Uptake of Mandatory Data Protection Training	Medium	ASCH	In Progress
RB16-2021	Workforce – Recruitment & Retention of AMHPs	Substantial	Issue 2 - Gathering, monitoring, analysing and reporting of AMHP recruitment and retention data	Medium	ASCH	In Progress
RB23-2021	Accommodation for Young People/Care Leavers	Limited	Issue 3 - Housing Costs (Housing Benefit)	High	CYPE	Implemented

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CA05-2023	Health & Safety	Adequate	Issue 2 - Remedial Safety Works– Facilities Management	Medium	DCED	Implemented
CS01-2022	CIPFA Financial Management Code	Substantial	Issue 1 - Completeness of Self-Assessment	Medium	CED	In Progress
CS01-2022	CIPFA Financial Management Code	Substantial	Issue 2 - Managing Key Financial Resilience Risks	Medium	CED	Implemented
CS03-2023	Purchase Cards	Adequate	Issue 1 - Card Holder signed compliance	Medium	CED	In Progress
CS03-2023	Purchase Cards	Adequate	Issue 4 - Card Holder Register	Medium	CED	Implemented
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 3 - Programme / Project Management Systems	Medium	DCED	In Progress
ICT03-2022	IT Cloud Strategy, Security and Data migration	Adequate	Issue 4 - Programme and Project Status Reporting	Medium	DCED	In Progress
ICT03-2023	Information Technology Risk Management	Adequate	Issue 2 - Escalating IT Risks to Management Team in a Timely Manner	Medium	DCED	Implemented
ICT03-2023	Information Technology Risk Management	Adequate	Issue 3 - Defined IT Division’s Risk Appetite	Medium	DCED	Implemented
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 1 - Software Asset Register	Medium	DCED	In Progress
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 2 - Movers and Leavers	Medium	DCED	In Progress
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 3 - Patching Compliance	Medium	DCED	Implemented
ICT04-2022	IT Data Security Audit for DSP Toolkit	Adequate	Issue 4 - Backups	Medium	DCED	Implemented

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Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB01-2022	Declaration of Interests - Members	Adequate	Issue 1 - Register of Interests	High	CED	In Progress
RB01-2022	Declaration of Interests - Members	Adequate	Issue 2 - Centralised Register of Members Interests	High	CED	In Progress
RB01-2022	Declaration of Interests - Members	Adequate	Issue 3 - Key Decisions	Medium	CED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 1 - Guidance for Data Mapping including Process For Updating Data Maps	Medium	CED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 2 - Responsibility for Data Mapping	Medium	CED	In Progress
RB01-2023	Data Mapping	Adequate	Issue 3 - Data Mapping incomplete across the Council	Medium	CED	In Progress
RB02-2023	Talent Management	Substantial	Issue 1 - Connection of The Six Talent Management Elements Under One Umbrella	Medium	DCED	Implemented
RB06-2023	Recruitment & Retention of Social Workers (CYPE)	Substantial	Issue 1 - Health & Wellbeing	Medium	CYPE	Implemented
RB12-2022	Contract Management (ASCH)	Adequate	Issue 2 - Key Performance Indicators	Medium	CED	Implemented
RB12-2022	Contract Management (ASCH)	Adequate	Issue 5 - Reporting High Risk Provider Issues to Senior Management	Medium	CED	Implemented
RB12-2022	Contract Management (ASCH)	Adequate	Issue 6 - Resolving Known System Issues with Mosaic Provider Portal	Medium	ASCH	Implemented
RB25-2022	School Themed Review	Adequate	Issue 1: Model School Finance Policy, Kelsi guidance and Financial Control expectations require review	High	CYPE	Implemented
RB25-2022	School Themed Review	Adequate	Issue 2: Security	Medium	CYPE	Implemented

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Less Than a Year						
Engagement Reference	Engagement Name	Audit Opinion	Title	Risk Rating	Directorate	Status
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 1 - Scrutiny, Challenge and Approval of Debt Write Offs	High	GET	Implemented
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 2 - Under-utilisation of KMBF	Medium	GET	In Progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 3 - Assessing Environmental Impact of KMBF Schemes	Medium	GET	In Progress
RB30-2022	Kent & Medway Business Fund	Adequate	Issue 4 - Repayment Holiday Contract Variation	Medium	GET	In Progress
Page 94	Direct Payment Misuse - Carers Contract	N/A	Issue 1 - Escalation Process	Medium	CED	Implemented
	Direct Payment Misuse - Carers Contract	N/A	Issue 2 - Policies and Procedures	Medium	CED	Implemented
	Direct Payment Misuse - Carers Contract	N/A	Issue 3 - Recovery Process	High	CED	Implemented
	Overpayment Investigation	N/A	Issue 1 – ControCC	Medium	CYPE	Implemented
	Overpayment Investigation	N/A	Issue 2 – Financial Regulations	High	CYPE	Implemented

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Audit Opinion

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

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

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By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 14th September 2023

Subject: **INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR 2022-23**

Classification: Unrestricted

Summary:

This Annual Report details:

- The overall outcomes and key themes from Internal Audit work undertaken during 2022-23.
- The translation of these outcomes to the resultant annual opinion on the Council's systems of governance, risk management and internal control that is incorporated into the Annual Governance Statement.
- The related performance of the Internal Audit service in delivering this work.

Recommendation: FOR ASSURANCE

1. Introduction

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

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

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

1.3 The Annual Report includes the following components:

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

1.4 The issues detailed in the attached report will be considered by the Council in the formulation of the draft Annual Governance Statement for 2022-23.

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 2022-23 Internal Audit work and the resultant '**Adequate**' opinion to the Annual Governance Statement.

3. Background Documents

Appendix A: Internal Audit Annual Report 2022-23.

Jonathan Idle, Head of Internal Audit

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T: 03000 417840

September 2023



Kent County Council

Internal Audit Annual Report 2022-23

September 2023

1. Purpose and Background

1.1 This Annual Report provides a summary of the work completed by the Internal Audit service during 2022-23.

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

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

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

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

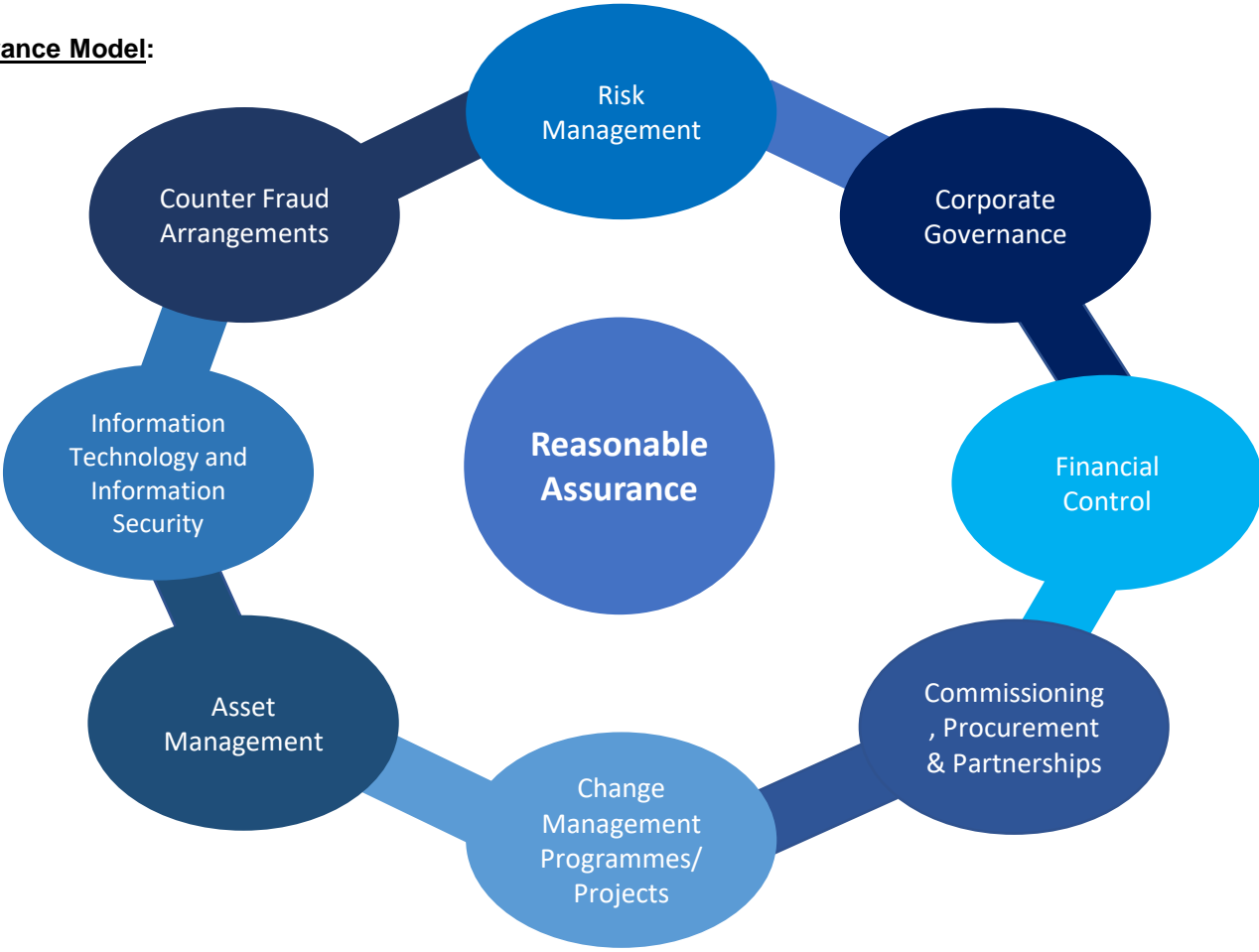
1.5 The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:

- Assurance Opinions from audit assignments;
- 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.

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

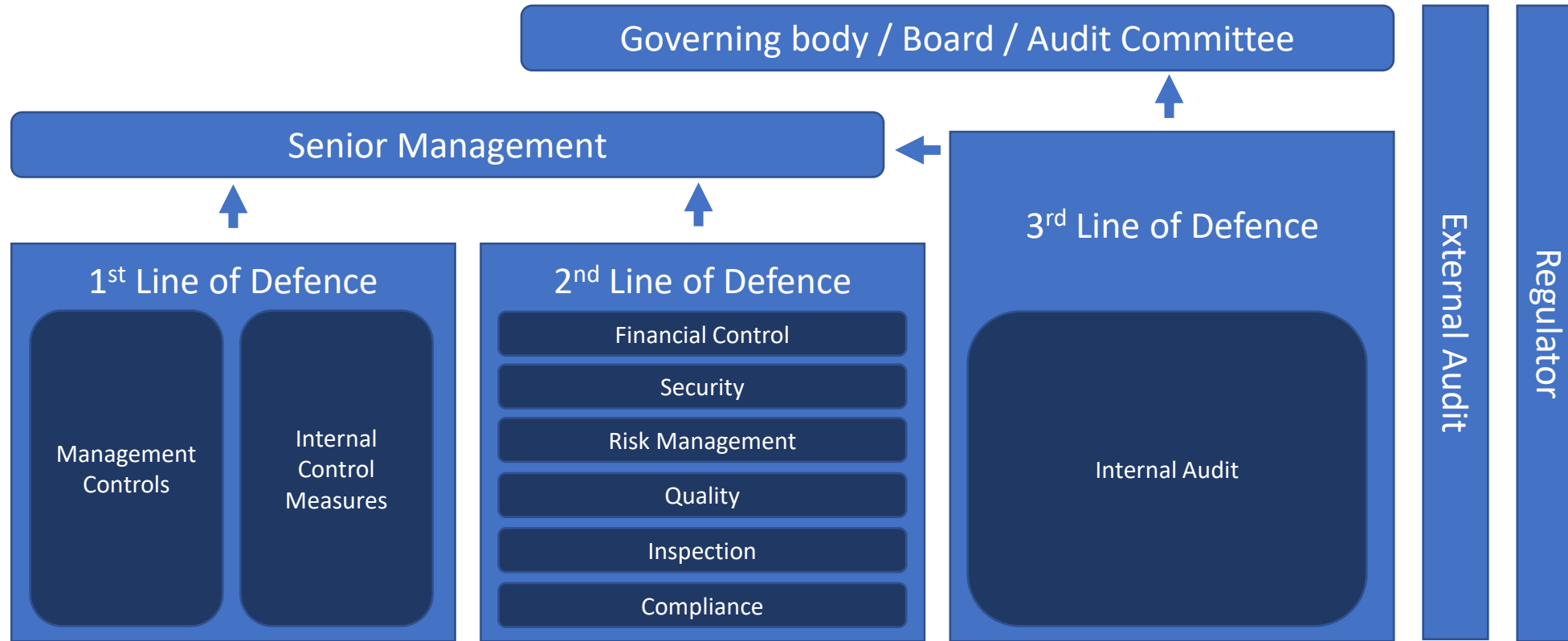
Figure 1: Reasonable Assurance Model:



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

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

Figure 2: Three Lines of Defence Model:



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2. Annual Opinion

Overall Assurance and Opinion

- 2.1 Internal Audit concludes that **Adequate** Assurance can be assigned in relation to the Council’s corporate governance, risk management and internal control arrangements.
- 2.2 This opinion is principally based upon the evaluation of the findings, conclusions and assurances from the work undertaken by Internal Audit compared to eight key indicators of corporate health, as set out in paragraphs 3.7-3.9, which concludes “Adequate” assurance for five of the eight indicators, “Substantial” for one indicator and “Limited” for two indicators.
- 2.3 There has been an increase in the number of systems, processes or functions assigned a “Limited” assurance in 2022-23 to 35% and this compares to 9% in 2019-20. The decrease in the assigning of “Substantial” or “High” assurance opinions as reported in the Annual Report last year has continued a downward trend, for example from 49% in 2020-21 to 26% in 2022-23. There have also been significant issues raised in non-assurance work as reported to the Governance and Audit Committee.
- 2.4 The opinion is also based on the evaluation of the implementation by management of actions to address internal control and risk management issues identified by Internal Audit reports. In 2022-23, full implementation rates increased from 41% in 2021-22 to 50%, which is in the right direction. As stated in the Annual Report for 2021-22, the contrast to 2019-20, however, when full implementation rates were at 62% combined with an accompanying increase in the proportion of actions “in progress” is significant. It has been highlighted in Annual Opinion reports since 2019-20 that there was a concerning trend which required improvement and this concern remains. This was also highlighted in the External Audit Annual Report for 2021-22, which referred to the level of actions “in progress”, commenting that “... *it will be important that internal audit reports are taken seriously and addressed on a timely basis.*”
- 2.5 It should be emphasised that the assignment of an overall “Adequate” assurance opinion in 2022-23 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 the last two years and the significant risks it continues to address.
- 2.6 No incidences of material external or internal fraud have been detected or reported and there was positive external assurance that the Council has effective arrangements in place to manage the risk of fraud. This relates to actual losses as there have been attempts to defraud that would have been material but have been prevented.

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

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

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

3. Summary of Internal Audit Work 2022-23

Delivery Against the Internal Audit Plan

3.1 Appendix 1 details delivery against the 2022-23 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 2. For the 2022-23 Audit Plan, a total of 48 audit engagements were undertaken of which 23 were opinion based and the assurance levels assigned are set out in Appendix 3.

3.3 Overall, 74% of systems or functions have been assigned with “Adequate” assurance or lower with 39% assigned Adequate and 35% assigned Limited or No assurance. This represents a continued decrease in the assigning of “Substantial” assurance opinions in 2022-23 and a continued increase, compared to the previous two years, of the assigning of “Limited” and “No” assurance opinions in 2022-23, as illustrated in Table 1.

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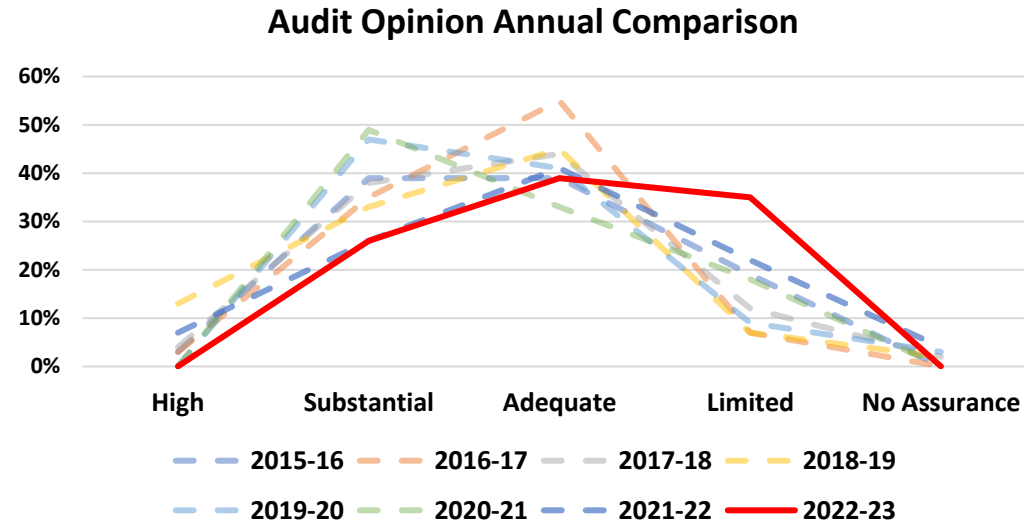


Table 1: Summary of Assurance Opinions 2015-16 to 2022-23

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

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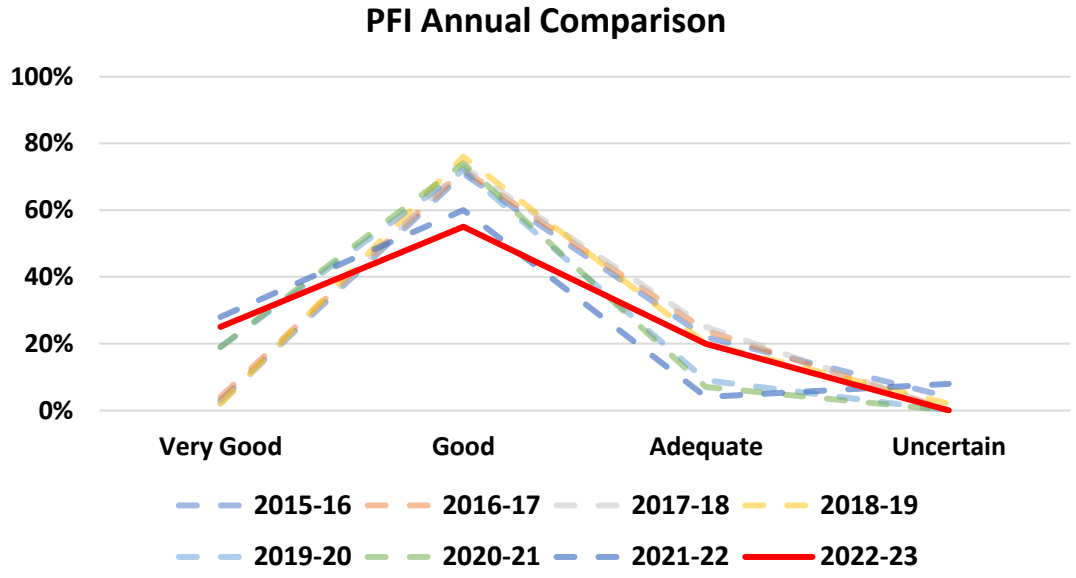
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3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2022-23 Audit Plan have been reported in Progress reports to the Governance and Audit Committee throughout the year.

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 2.

3.6 Overall, 81% of systems or functions have been assessed as having good, or better, prospects for improvement. This is a decline from the previous year, as illustrated in Table 2:



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Table 2: Summary of Prospects for Improvement to 2022-23

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

Reasonable Assurance Methodology Analysis

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

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

Table 3: Audit Outcomes Evaluated on Reasonable Assurance Model

1. Corporate Governance				
No	Audit	Opinion	Prospect for Improvement	Summary to Committee
6a	CA01-2023 - Annual Governance Statement - Process	ADEQUATE	ADEQUATE	January 2023
6b	CA01-2023 - Annual Governance Statement - Returns	LIMITED	ADEQUATE	January 2023
13	RB07-2023 - Climate Change – KCC’S Net Zero Action Plan	LIMITED	ADEQUATE	May 2023
23	CA04-2023 - Decision Making	N/A	N/A	September 2023
27	CA10-2023 - LATCO Governance Arrangements	ADEQUATE	TBC	September 2023



The review of the AGS process highlighted that significant progress has been made to refine and enhance the processes to produce the AGS. It also identified inaccuracies in the majority of assurance statements provided by senior management.

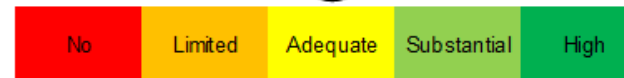
The governance, reporting and decision-making structure for the Net Zero 2030 Plan was unclear, which compromises the effectiveness of the Environment Board. It was also found that Accountable officers will be nominated to deliver each of the Net Zero actions but there is no mechanism to ensure that this role becomes a priority and an integral part of their job and there were weaknesses in the action plans to implement the Plan.

An advisory review of decision making highlighted that there are varying approaches to identifying key decisions which can potentially lead to gaps in identification.

2. Risk Management



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
4	RB10-2023 – Modern Slavery	N/A	N/A	January 2023
5	CA02-2023 - Assurance Map – Simultaneous Response, Recovery & Resilience	N/A	N/A	January 2023
8	ICT03-2023 - Information Technology Risk Management	ADEQUATE	GOOD	May 2023
14	CR03-2023 - Preparedness for CQC Inspection (ASCH)	N/A	N/A	May 2023
16	CA05-2023 - Health & Safety	ADEQUATE	GOOD	May 2023
25	CA08-2023 - Risk Management	SUBSTANTIAL	GOOD	September 2023

The review of Risk Management found that the Councils process is in line with good practice standards (ISO 31000) with clearly defined roles and responsibilities for managing risks and controls. The review found that risk registers are not maintained for all programmes within the Strategic Reset Programme.

Health and Safety arrangements were found to be adequate however, issues were identified with safety inspection records and a number of remedial works work overdue.

Non assurance work relating to preparations to comply with Modern Slavery legislation identified significant work being undertaken to address known weaknesses but there was a need to ensure that all suppliers, particularly including those setup some years ago, have had appropriate levels of due diligence and to ensure risks in the supply chain are mitigated.

An assurance mapping exercise was undertaken on Simultaneous Emergency Response, Resilience and Recovery arrangements concluded that at the time of the review, the Council had plans, capacity, capability and preparedness to meet its obligations when responding to or recovering from simultaneous emergency incidents.

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3. Financial Control



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
13	RB07-2023 - Climate Change – KCC’S Net Zero Action Plan	LIMITED	ADEQUATE	May 2023
15	RB03-2023 – Individual Contracts with Care Providers	LIMITED	GOOD	May 2023
17	CS01-2023 - Budget Savings	LIMITED	ADEQUATE	May 2023
18	CS02-2023 - Imprest Accounts (Follow-up)	N/A	N/A	May 2023
19	CS03-2023 - Purchase Cards	ADEQUATE	GOOD	May 2023
20	CS04-2023 - Pension Scheme Admin	ADEQUATE	GOOD	May 2023
21	RB33-2023 – Public Health (Grant Certification)	N/A	N/A	May 2023
28	CS05-2023 - Social Care Debt Recovery	ADEQUATE	GOOD	September 2023
29	RB14-2023 - Provider Invoicing (Follow-up)	N/A	N/A	September 2023
30	RB15-2023 – Engagement of Consultants	N/A	N/A	September 2023
31	RB16-2023 - Data Quality – Lifespan Pathway – Risk of Overpayments	LIMITED	GOOD	September 2023
32	RB17-2023 - Compliance with Financial Regulations (ASCH & GET)	LIMITED	TBC	September 2023
39	CS01-2022 - CIPFA Financial Management Code (Part 2)	SUBSTANTIAL	VERY GOOD	January 2023

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3. Financial Control



Direction of Travel



The budget savings audit identified that planned savings did not all have an initial business case documented. The audit concluded that there was an increasing risk around the Council’s ability to achieve the savings it needs to deliver its Medium-Term Financial Plan (MTFP).

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

A review found that the current cost of the Net Zero 2030 Plan has not been fully estimated, spend to date has not been monitored and, therefore, the amount of funding required to achieve the Plan was not known at the time of the audit. The review concluded it was anticipated that the current approach for securing external funding will not be sufficient to fund the full cost of the Plan.

The audit of Individual Contracts with Care Providers and their procurement could not provide assurance that value for money is achieved or monitored. In respect of the Follow Up audit of a Limited Assurance audit report from 2020 on Imprest Accounts, although there has been significant actions undertaken, full implementation of the actions agreed initially has not occurred.

The audit of the use of Purchase Cards is an example of where a procedure is in place but not complied with, for example in completing compliance with due diligence requirements.

Although not within the scope of the audit, the review of Social Care Debt Recovery identified a suspense account with significant levels of unallocated receipts including a specific grant funding of £18.5m which had been unallocated for over 2 months.

The review of the Engagement of Consultants reported on a lack of clarity regarding the correct subjective financial coding for payments to consultants and the difference between consultants, agency staff and professional fees and commissioned services resulting in a significant proportion of financial misallocations.

The review of compliance with Financial Regulations within 2 Directorates indicated a major lack of awareness over the Council’s Financial Regulations.

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4. Change, Programme and Project Management



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
10	RB19-2023 - Estates Change Programme (SHQ - Sessions House)	N/A	N/A	May 2023
12	CR04-2023 – Enterprise Business Capabilities (Oracle)	N/A	N/A	May 2023
25	CA08-2023 – Risk Management	SUBSTANTIAL	GOOD	September 2023

During 2022-23 coverage of change, programme and project management was not extensive due to changes in projects identified on the plan such as MADE and Change for Kent Children, however the findings from adequate opinion.

The Risk Management review found that risk registers are not maintained for all programmes within the Strategic Reset Programme.

Changes to the SHQ Programme and to its objectives were not reviewed and approved by SRP Board as required. The Council’s Project and Programme Management Toolkit does not include express guidance to SROs and their teams about what they need to do if a project or programme needs to go back a stage or two due to a significant change to the original business case/ objectives.

The EBC programme is not fully following the Council’s Operating Standards or Programme and Project Management toolkit. An independent review of the EBC project / programme management arrangements, to include legal advice received on the procurement arrangements was recommended.

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5. Procurement, Commissioning and Partnerships



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No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
4	RB10-2023 – Modern Slavery	N/A	N/A	January 2023
15	RB03-2023 – Individual Contracts with Care Providers	LIMITED	GOOD	May 2023
21	RB33-2023 - Public Health Grants	N/A	N/A	May 2023
24	CA07-2023 - Procurement	LIMITED	GOOD	September 2023
29	RB14-2023 – Provider Invoicing (Follow-up)	N/A	N/A	September 2023
30	RB15-2023 - Engagement of Consultants	N/A	N/A	September 2023
33	RB21-2023 - Contract Extensions	LIMITED	VERY GOOD	September 2023

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

The Procurement audit reported high risks in relation to how Council procurement procedures are adhered to, contract management arrangements and how expenditure is monitored against contracts.

The follow up of the Provider Invoice audit identified that of the six previous issues being reviewed, three are now considered closed and three remain open. Issues which have been addressed related to the provider invoice and reconciliation process, performance reporting and provider contracts.

Although several issues remain open relation to contract management, financial health checks and clarity of roles between KCC and Cantium, good progress has been made to address the issues and the remaining actions will be implemented in the near future.

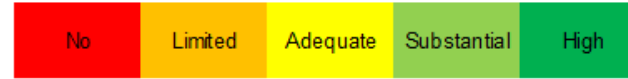
The review of the Engagement of Consultants highlighted lack of awareness and/or understanding of the definition of a consultant and also conflicting guidance within the Council as to when a Cabinet member should be involved prior to the engagement of a consultant.

A review within the Council relating to commissioning responsibilities has recently been undertaken. This has been included within the 2023/24 rolling audit plan for consideration

6. Information Technology and Information Security



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
7	RB01-2023 – Data Mapping	ADEQUATE	GOOD	May 2023
8	ICT03-2023 – Information Technology Risk Management	ADEQUATE	GOOD	May 2023
11	CA06-2023 – Information Governance – Role of the Information Asset Owner	N/A	N/A	May 2023
22	RB32-2023 - Data Security Protection Toolkit (DSPT)	SUBSTANTIAL	VERY GOOD	May 2023
34	RB22-2023 - Records Management (Follow-up)	N/A	N/A	September 2023
36	ICT01-2023 - Cyber Security Patch Management	SUBSTANTIAL	VERY GOOD	September 2023
37	ICT02-2023 - ICT Consolidated Action Plan	N/A	N/A	September 2023
38	ICT05-2023 - Payment Card Industry Security Standards (PCI DSS)	LIMITED	TBC	September 2023

Key roles and responsibilities for managing ICT compliance and risk have been allocated. Patching performance is measured and the Cyber Audit found that this is on target. Independent IT Health Checks (ITHC) are carried out annually on the external, internal network and systems.

The Data Mapping Audit found that Records of Processing activity have not been fully documented across the Council and some gaps exist.

The review of the role of Information Asset Owners (IAO) in relation to the Government’s mandatory minimum measures for handling personal data and relevant IAO found that policies and procedures are in place but there is a lack of consistency and some ambiguity across the Council as to where responsibilities for some data handling sits. There is also no individual or body within the Council that has responsibility for ensuring that the Council meets the Government’s mandatory minimum data handling measures. Furthermore, data handling responsibilities tend to be delegated and the degree of IAO oversight varies across Directorates.

The follow up of the Records Management Limited Assurance audit from 2021, which had included issues relating to the Information Asset Register, the data retention schedule, loss of records and records cleansing reported that actions remained in progress rather than fully implemented

Significant issues were identified as part of the Payment Card Industry Security Standards audit including achieved full compliance with PCI DSS requirements.

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7. Asset Management



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
3	RB02-2023 - Talent Management	SUBSTANTIAL	GOOD	January 2023
4	RB10-2023 - Modern Slavery	N/A	N/A	January 2023
9	RB06-2023 - Recruitment and Retention of Experience Social Workers (CYPE)	SUBSTANTIAL	VERY GOOD	January 2023
10	RB19-2023 - Estates Change Programme (Sessions House)	N/A	N/A	May 2023
35	RB24-2023 - Property Disposals	ADEQUATE	VERY GOOD	September 2023

Audits of talent management and recruitment and retention of experienced social workers found several strengths within these two distinct pieces of work. For talent management, there are strong initiatives across the expected 6 core elements of attraction, identification, development, engagement, retention and deployment.

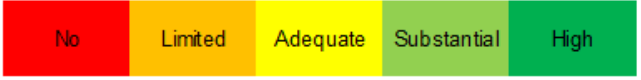
The review of modern slavery found that significant work has been undertaken to address known weaknesses following the SOC (Serious and Organised Crime) project and to develop more robust processes, including the introduction of a new team. There are still further actions to be taken to ensure effective mitigation of the SOC risk in the supply chain.

The review of Property Disposals reported a lack of evidencing of appropriate authorisations by a Cabinet member for property disposals.

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8. Counter Fraud Arrangements



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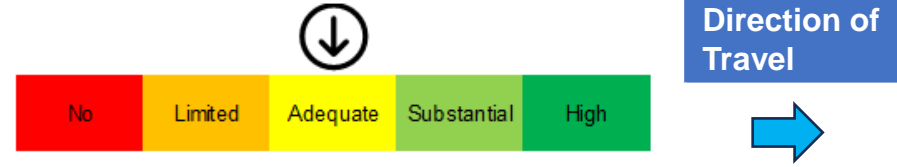
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
8	ICT03-2023 - IT Risk Management	ADEQUATE	GOOD	May 2023
18	CS02-2023 - Imprest Accounts (Follow-up)	N/A	N/A	May 2023
19	CS03-2023 - Purchase Cards	ADEQUATE	GOOD	May 2023
24	CA07-2023 - Procurement	LIMITED	GOOD	September 2023
26	CA09-2023 - Assurance Map – Fraud & Error	N/A	N/A	September 2023
29	RB14-2023 - Provider Invoicing (Follow-up)	N/A	N/A	September 2023
30	RB15-2023 - Engagement of Consultants	N/A	N/A	September 2023
31	RB16-2023 – Data Quality – LAS System – Risk of Overpayments	LIMITED	GOOD	September 2023
32	RB17-2023 - Compliance with Financial Regulations (ASCH & GET)	LIMITED	TBC	September 2023
33	RB21-2023 - Contract Extensions	LIMITED	VERY GOOD	September 2023
-	Carers Contract	N/A	N/A	Fraud Investigation
-	Mandate Fraud	N/A	N/A	Fraud Investigation
-	Personal Transport Budgets	N/A	N/A	Fraud Investigation
-	School Investigation	N/A	N/A	Fraud Investigation
-	Overpayment Investigation	N/A	N/A	Fraud Investigation
-	Employee Related Fraud Investigation 2022	N/A	N/A	Fraud Investigation

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No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
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Arrangements in respect of the Counter Fraud Team in place to support the organisation in meeting its objectives are Adequate. This is based on the Fighting Fraud And Corruption Locally Self-Assessment completed in January 2023, that provided assurance that there is relevant reporting, resources and activity to support management in managing the risk of fraud. Additionally, the Counter Fraud Assurance Map provides assurance across all three lines of defence.


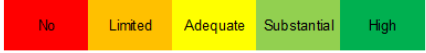

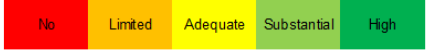

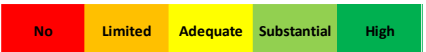

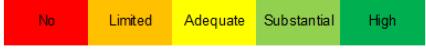
Counter Fraud Arrangements are in place within the organisation (1st & 2nd Line of Defence) to prevent and detect fraud are Adequate. This is based on a review of several audits within the 2022-23 Audit Plan that have an identifiable or inherent fraud risk. Given the significance of cyber enabled fraud during 2022/23, the importance of having strong controls within IT is also a factor with audits concluding Substantial assurance for Cyber Security Patch Management and Adequate assurance for IT Risk Management, Purchase Cards and Property Disposal.


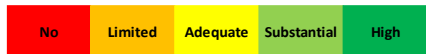

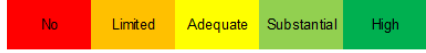

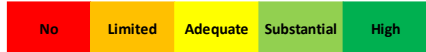

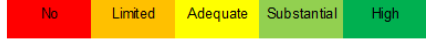
The Limited assurance audit on Data Quality – LAS Systems identified high-risk issues relating to manual payments and ending of services and lack of verification of actual hours, A Limited assurance audit on Individual Contracts identified limited due diligence checks on contracted providers and a lack of contract monitoring. Within the Limited assurance on Procurement, a lack of monitoring of spend against contract was identified as a key control to detect any fraudulent activity. A high-risk issue relating to the awareness and application of the Council's Financial Regulations is also a factor. This is due to the majority of financial controls held within the Regulations that both the 1st and 2nd lines of defence should be adhering to.

The Counter Fraud Team have also issued management letters following an investigation where controls were either not in place or had failed. These have included, a lack of defined roles and responsibilities to address direct payment misuse within a provider who had been commissioned to provide a case management service, an overpayment due to the failure to end a provision within the LAS system, a lack of monitoring and repayment of a significant loan to a school and the lack of a required verification check that led to a temporary loss following a fraudulent request to change bank details of a supplier.

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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



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Strengths and Areas for Development

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

Strengths:

- 26% of systems and functions that were assigned a Substantial Assurance opinion.;
- The Council generally has good policies and procedures in place (however not consistently complied with); and
- Adequate arrangements in place to manage the risk of fraud.

Areas for further development:

- As stated in the previous Annual Report for 2021-22, compliance with expected Council Governance arrangements with greater awareness required by relevant officers and members who should be accountable for how the Council operates.
- The need for a stronger financial 2nd line of defence within Directorates.
- As stated in the previous Annual Report for 2021-22, enhanced commitment and actions for the full implementation of agreed actions to address internal control and risk management issues identified by Internal Audit reports.

Assessment against Significant Risks at KCC

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

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Other Sources of Assurance

- 3.11 In line with Institute of Internal Auditors' Practice Guidance, there is a criteria, summarised in Appendix 2, which should be utilised for Internal Audit to be able to place reliance upon other assurance providers, which maybe either internal or external sources of assurance.
- 3.12 All sources of assurance identified are taken at a point in time and, based on the criteria, absolute assurance for the vast majority of other assurances cannot be derived from these pieces of work undertaken.
- 3.13 During the course of the 2022-23 Internal Audit plan, Ofsted undertook a review of [Children's Services](#) which received an Outstanding rating. Ofsted also undertook a revisit [inspection of SEND](#) in which it was determined that a written statement of action was required because of significant areas of weakness in the Council's practices.
- 3.14 In order to identify gaps in assurance, prevent duplication in the assurance process and record the outcomes of the assessment of the adequacy and effectiveness of the service's internal control, risk management and corporate governance arrangements, assurance mapping processes are undertaken each year to ensure it reflects developing processes and procedures. A number of assurance mapping exercises have been undertaken across the Council by Internal Audit and it is intended that they will be refreshed as part of the 2023-24 Audit Plan. The maps currently completed are as follows in Table 5:

Table 5: Summary of Assurance Mapping

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

Legend	No Assurance Available	Some Assurance Available	Assurance Available	N/A
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3.15 The assurance mapping exercises to date have highlighted a number of areas for further review from Internal Audit such as Patch Management which was reviewed as part of the 2022/23 Audit plan and found to be operating adequately. More broadly, the maps have highlighted there are internal working groups to provide oversight for each risk reviewed in most instances reviewed. Risk management is also present for each area. The Simultaneous Response, Recovery and Resumption assurance mapping exercise found some assurance is available across each line of defence however, a review of Business Continuity Planning will be undertaken during 2023-24 to provide further assurance.

4. Implementation of Agreed Actions

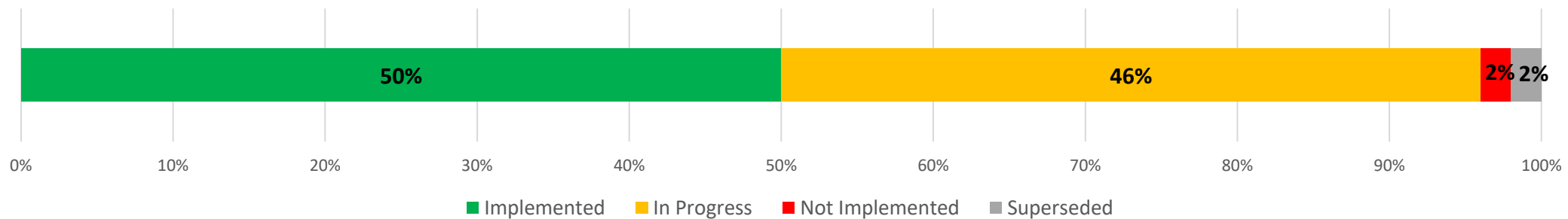
4.1 Details of the year end position on the implementation of actions from Internal Audit reports was reported to September GAC. This set out the implementation status of 64 actions categorised by the age of actions assigned to the original report. Summary of the details reported to September GAC are contained within this section of the report.

4.2 The status of implementation is summarised in Table 6:

Table 6: Summary of Action Implementation

Page 125	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	14	50	5	27	7	23	1	0	1	0
Total %			36%	54%	50%	46%	7%	0%	7%	0%

Overall Implementation of Agreed Management Actions

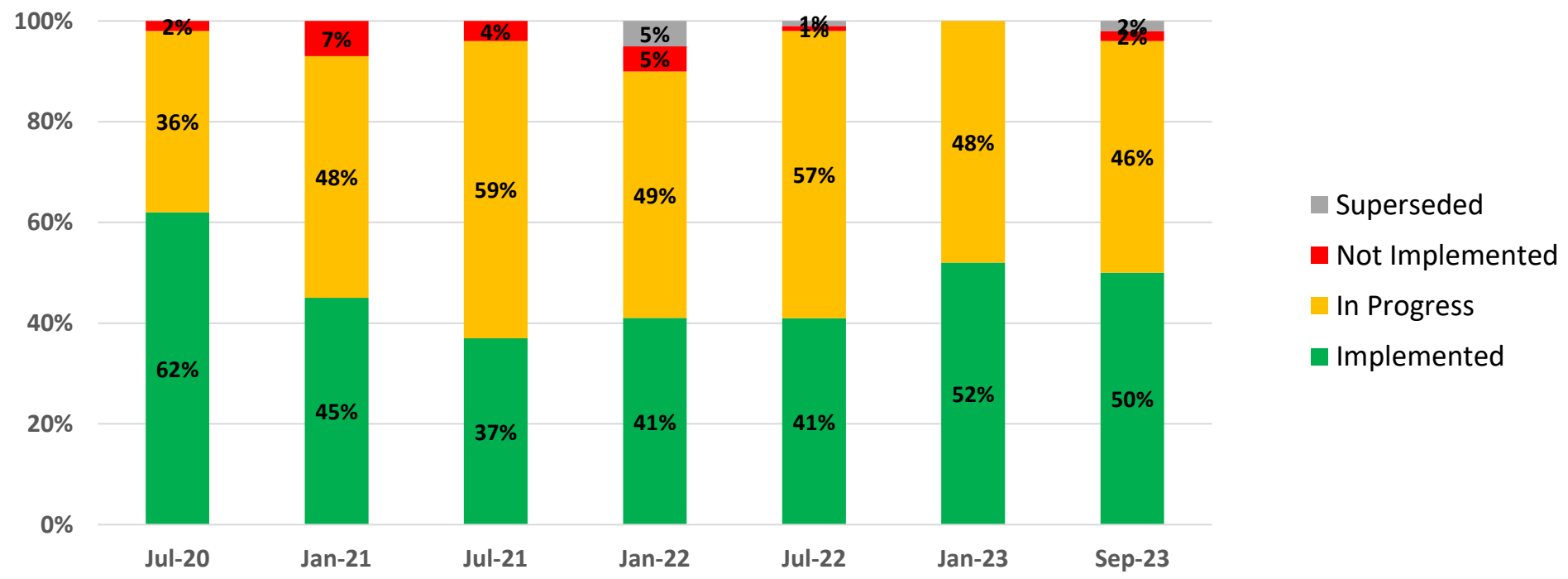


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- 4.3 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, highlights an improved position from 2021-22 as shown in the graph from 41% to 50% full implementation.
- 4.4 The Implementation of issues rate has, however, reduced since January 2023 and the overall rate again leaves room for significant improvement. A dashboard of outstanding actions is available to Directorates and discussions on outstanding actions will be undertaken during relationship management meeting throughout the 2023-24 period.
- 4.5 It should be emphasised that the Annual External Audit Report for 2021-22, presented to GAC in March 2023, made an Improvement Recommendation to the Committee which referred to the level of "In Progress" actions and that "., it will be important that Issues from internal audit reports are taken seriously and addressed on a timely basis.

KCC IMPLEMENTATION OF ISSUES

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Programmed Follow Ups

4.5 Programmed Follow Ups undertaken as part of the 2022-23 Internal Audit Plan were reported to July GAC which included, three in depth follow ups were undertaken of areas where, mainly, in the previous year audit opinions had been Limited, with the following results:

Table 7: Programmed Follow Ups 2022-23

Audit	Previous Opinion	Number of Issues Previously Raised		Implemented		In Progress		Not Implemented / Superseded	
		High	Medium	High	Medium	High	Medium	High	Medium
Imprest Accounts (Follow-up)	No Assurance	4	3	2	0	2	3	0	0
Provider Invoicing (Follow-up)	Limited	3	3	2	1	1	2	0	0
Records Management (Follow-up)	Limited	3	4	0	0	3	4	0	0
Total		10	10	4	1	6	9	0	0

*Includes updated position following additional follow-up work undertaken and also awaiting evidence / evaluation at the time of this draft report.

4.6 The Imprest Accounts Follow Up audit highlighted that there had been good progress since the original audit and though 5 actions remain open there are a few facets that require to be addressed to be in a position to close these actions. These are being tracked closely by the work of the CYPE Cashless Project which Internal Audit are invited to attend to provide ongoing advice.

4.7 There has been some progress in the full implementation of agreed actions with 25% fully implemented. Revised audit opinions have not been given for these audits because of the limited scope of the follow-up, which focussed only on the areas where issues were raised in the previous report. Where action remains outstanding, revised dates for implementation have been agreed and these will be followed-up to their conclusion.

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 2022-23, Internal Audit audited / certified 56 grants to the value of €3.7m Euros and £69m.

The breakdown of the 56 grants was:

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

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

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

5.4 The diversification of Internal Audit by offering a proportion of our services to other public sector related or associated bodies has continued throughout 2022-23, including:

- Commercial Services Group (CSG) – including Kent Commercial Services, 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; and
- Management of the audit and fraud service at Tonbridge and Malling Borough Council.

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

- 6.1 All internal audit work completed during 2022-23 has been conducted in accordance with the Standards, the Internal Audit Manual and the Quality and Assurance Improvement Programme (QAIP).
- 6.2 The Standards require all public sector internal audit functions to be externally assessed on a five-yearly basis and undertake periodic self-assessments, to assess conformance with the Standards. In 2021, an independent assessor completed the External Quality Assessment (EQA) and assessed that the service “Generally Conforms with the Public Sector Internal Audit Standards”. This was the highest possible assessment available and reconciled with our own internal self-assessment.
- 6.3 A self-assessment has been undertaken for the current year which found that the Internal Audit service remains as “Generally Conforms with the Public Sector Internal Audit Standards”. Further details of the outcomes of the self-assessment can be found in Table 9.
- 6.4 Global Internal Audit Standards are currently being reviewed and it is anticipated that new standards will be in place in 2024. Therefore, Internal Audit compliance with the Standards will need re-assessment against these once they have been finalised. There are a number of significant changes to the Standards, including the expectations of an Audit Committee and Internal Audit will need to review these throughout the 2023/24 period to ensure any required changes to Audit practices are addressed to remain compliant.

Table 9: Conformance with PSIAS

Generally Conforms

Partially Conforms

Does Not Conform

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Definition of Internal Auditing

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

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

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

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7. Internal Audit Performance

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

Table 10: Internal Audit Performance 2022-23

Performance Indicator	Target	18-19	19-20	20-21	21-22	22-23	Performance Against Previous Period
Outputs				Original Plan	Revised Plan	Original Plan	Revised Plan
90% of Audits Completed (by Year End)	90%	97%	93%	67%	96%	69%	100%
Outcomes							
% of High Priority Issues / Risks Issues Agreed	N/A	100%	100%	100%	100%	100%	
% of High Priority Issues / Risks Issues Implemented	N/A	56%	57%	34%	45%	44%	
% of All Other Issues Agreed	N/A	100%	100%	100%	98%	100%	
% of All Other Issues Implemented	N/A	55%	34%	46%	39%	50%	
Client Satisfaction	90%	91%	97%	98%	95%	98%	

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Plan Delivery

7.2 Table 10 highlights performance in respect of the Audit Plan (83%), reflecting a challenging year in respect of delivering the Audit Plan, which has been reported to the Committee at previous meetings. In conjunction with this a number of audits have been put on hold or removed from the plan due to changes in organisational priorities.

Client Satisfaction

7.3 At the end of each audit review, a client satisfaction questionnaire is sent to the auditee. The cumulative result for these surveys was 98% satisfaction, which is above target and shows similar position from 2021-22 performance.

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

- *“Good to have feedback conversations throughout, understanding emerging findings and discussing these.”*
- *“The Auditor clearly explained the scope of the audit and what my role would be in terms of assisting with the findings. The Auditor kept me briefed at all stages, particularly when changes occurred such as completing the field work ahead of the intended deadline. I was involved in reviewing the draft of the final report, and the Auditor invited my feedback with regards to its accuracy and clarity.”*
- *“Was clear on the approach from start to finish. Kept to agreed timescales. Kept up to date throughout. Was flexible during our busy periods.”*
- *“Auditor was collaborative and worked with us throughout the process.”*
- *“The audit was a helpful benchmark for us and helped to confirm our internal assessment of progress providing and confirming the focused areas for action to move us forward. The Auditor was very good in reviewing the whole end to end process for KCC to achieve Net Zero by 2030, from actions to carbon savings and modelling I believe the report offers the opportunity to review and understand current issues that face the delivery of Net Zero by 2030.”*

Client Perception

7.5 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of the Corporate Management Team and the Governance and Audit Committee on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses, with the comments received, will be utilised as part of the continuous improvement for the service. The results are detailed in Appendix 7 and the key responses were (with comparison to 2021-22):

- 92% (100% 22-23) strongly agree / agree that Internal Audit understands the Council, its needs and objectives;
- 92% (new question) strongly agree/ agree that Internal Audit covers the key risks facing the Council, at the right time.
- 92% (89%) strongly agree / agree that Internal Audit collaborates with the Council to assist in achieving its objectives and managing its risks;
- 92% (100%)strongly agree / agree that Internal Audit demonstrates competence and due professional care;
- 92% (89%) strongly agree / agree that Internal Audit adds value;
- 69% (88%) strongly agree / agree that Internal Audit is insightful, proactive and future focused;
- 85% (67%) strongly agree / agree that Internal Audit promotes and supports organisational change and transformational change;
- 85% (89%) strongly agree / agree that Internal Audit provides timely reports which are of a high standard and meet the readers' needs;
- 46% (45%) strongly agree / agree that Internal Audit enables benchmarking and the sharing of good practice;
- 92% (100%) strongly agree / agree that Internal Audit demonstrates quality and continuous improvement; and
- 92% (89%) strongly agree / agree that Internal Audit provided an effective service in 2022-23.

7.6 The survey also requested any additional comments and one of the two comments received is replicated below:

“I stand to be corrected but wonder how deeply Internal Audit have reviewed the drivers of overspending in Children's and Adults Services recently? Its more seeking an assurance about process, rather than anything more. Recommendations in Audit Reports are consistently constructive and focussed, although sometimes I wonder if Management have also identified the same points. The KCC Internal Audit Service is, to my mind, well aligned with the organisation - its needs and challenges, with good representation at the senior level and the clout to ensure things get done. I am so pleased that Head of Internal Audit's leadership has ensured a well-resourced and developed team, as this is such an important aspect of our assurance. “

7.7 Additionally, at a County Council meeting in July 2023, the Council's External Audit Partner commented: *“ Clearly, there is a strong Internal Audit function in the Council.”*

8. Internal Audit Resources

- 8.1 In accordance with the PSIAS, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function.
- 8.2 In 2022-23, the service has been supported by the Corporate Director of Finance in ensuring there were sufficient resources to enable an annual Internal Audit opinion to be derived. This has included, when required, the enhancement of the in-house team by additional capacity from a contracted provider and agency recruitments.
- 8.3 It is also concluded that there have been no limitations of scope which adversely impacted upon the ability to provide an annual opinion.
- 8.4 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.
- 8.5 As reported in the 2021-22 Annual Report, the impact of undertaking the SEND Transport review in 2022 had a significant impact upon the ability to deliver as a shared service provider in 2022-23 with consequences of reduced coverage at Kent County Council.
- 8.6 Consequently, there has been a review of resources, taking into consideration the external income that the service derives for the Council, with support from the Corporate Statutory Officers, with the following key strategic objectives:
- (i) Maintain a “fit for purpose” structure, from which the service can develop and progress, providing the necessary wide level of assurance service to reflect current risks faced by the Council;
 - (ii) Ensure there is sufficient level of resources, with emphasis on increasing the level of qualified auditors, to meet demand for assurance and consultancy services within KCC and its external clients to continue to deliver assurance and income to support the maintenance of an experienced skills base;
 - (iii) Have a robust and resilient structure to prepare for potential opportunities for KCC Internal Audit;
 - (iv) Provide a development route for progression and succession; and
 - (v) Create posts to manage the risks of staff retention.
- 8.7 The review was presented to and approved by the Corporate Management Team in June 2023, which in due course should result in increased capacity and resilience of the service to deliver for the Council and across its external client base and decrease the reliance upon agency and bought—in resource.

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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 restriction on the scope of Internal Audit work findings during 2022-23. 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 2022-23.
- 9.6 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.

Appendix 1 - 2022/23 Internal Audit Plan Status

No	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
39	CS01-2022	CIPFA Financial Management Code (Part 2)	Final Report	SUBSTANTIAL	VERY GOOD	January 2023
6a	CA01-2023	Annual Governance Statement - Process	Final Report	ADEQUATE	ADEQUATE	January 2023
6b	CA01-2023	Annual Governance Statement - Returns	Final Report	LIMITED	ADEQUATE	January 2023
5	CA02-2023	Assurance Mapping - Simultaneous Response, Recovery & Resilience	Final Report	N/A	N/A	January 2023
-	CA03-2023	Informal Governance	On Hold			
23	CA04-2023	Decision Making	Final Report	N/A	N/A	September 2023
16	CA05-2023	Health & Safety	Final Report	ADEQUATE	GOOD	May 2023
11	CA06-2023	Information Governance – Role of the Information Asset Owner	Final Report	N/A	N/A	May 2023
24	CA07-2023	Procurement	Final Report	LIMITED	GOOD	September 2023
25	CA08-2023	Risk Management	Final Report	SUBSTANTIAL	GOOD	September 2023
26	CA09-2023	Assurance Mapping - Fraud & Error	Final Report	N/A	N/A	September 2023
27	CA10-2023	LATCO Governance Arrangements	Draft Report	ADEQUATE	TBC	September 2023
-	CR01-2023	Inflation	On Hold			
-	CR02-2023	Operating Standards	On Hold			
14	CR03-2023	Preparedness for CQC Inspection-ASCH	Final Report	N/A	N/A	May 2023
12	CR04-2023	Enterprise Business Capabilities (Oracle)	Final Report	N/A	N/A	May 2023
17	CS01-2023	Budget Savings	Final Report	LIMITED	ADEQUATE	May 2023
18	CS02-2023	Imprest Accounts Follow-up	Final Report	N/A	N/A	May 2023
19	CS03-2023	Purchase Cards	Final Report	ADEQUATE	GOOD	May 2023
20	CS04-2023	Pension Scheme Admin	Final Report	ADEQUATE	GOOD	May 2023
28	CS05-2023	Social Care Debt Recovery	Final Report	ADEQUATE	GOOD	September 2023

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No	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee	
7	RB01-2023	Data Mapping	Final Report	ADEQUATE	GOOD	January 2023	
3	RB02-2023	Talent Management	Final Report	SUBSTANTIAL	GOOD	January 2023	
15	RB03-2023	Individual Contracts with Care Providers	Final Report	LIMITED	GOOD	May 2023	
-	RB04-2023	Making a Difference Every Day (MADE)	Removed	N/A	N/A		
-	RB05-2023	Change for Kent Children	Removed	N/A	N/A		
9	RB06-2023	Recruitment & Retention of Social Care Workers (CYPE)	Final Report	SUBSTANTIAL	VERY GOOD	May 2023	
13	RB07-2023	Climate Change	Final Report	LIMITED	ADEQUATE	May 2023	
	RB08-2023	Highways Term Contract	Ongoing	N/A	N/A		
-	RB09-2023	Estate Management / Maintenance	On Hold				
Page 105	RB10-2023	Modern Slavery	Final Report	N/A	N/A	January 2023	
	RB14-2023	Provider Invoicing (Follow Up)	Final Report	N/A	N/A	September 2023	
	RB15-2023	Engagement of Consultants	Final Report	N/A	N/A	September 2023	
31	RB16-2023	Data Quality - LAS system - Risk of Overpayments	Final Report	LIMITED	GOOD	September 2023	
32	RB17-2023	Compliance with Financial Regulations - ASCH and GET	Draft Report	LIMITED	TBC	September 2023	
10	RB19-2023	Estates Change Programme (Sessions House)	Final Report	N/A	N/A	May 2023	
33	RB21-2023	Contract Extensions	Final Report	LIMITED	VERY GOOD	September 2023	
34	RB22-2023	Records Management (Follow-up)	Draft Report	N/A	N/A	September 2023	
35	RB24-2023	Property Disposals	Final Report	ADEQUATE	GOOD	September 2023	
-	RB26-2023	United Kingdom Resettlement Scheme	On Hold				
-	RB29-2023	Unregulated Care Placements	On Hold				
22	RB32-2023	Data Security Toolkit	Final Report	SUBSTANTIAL	VERY GOOD	May 2023	
21	RB33-2023	Public Health Grants	Complete	N/A	N/A	May 2023	

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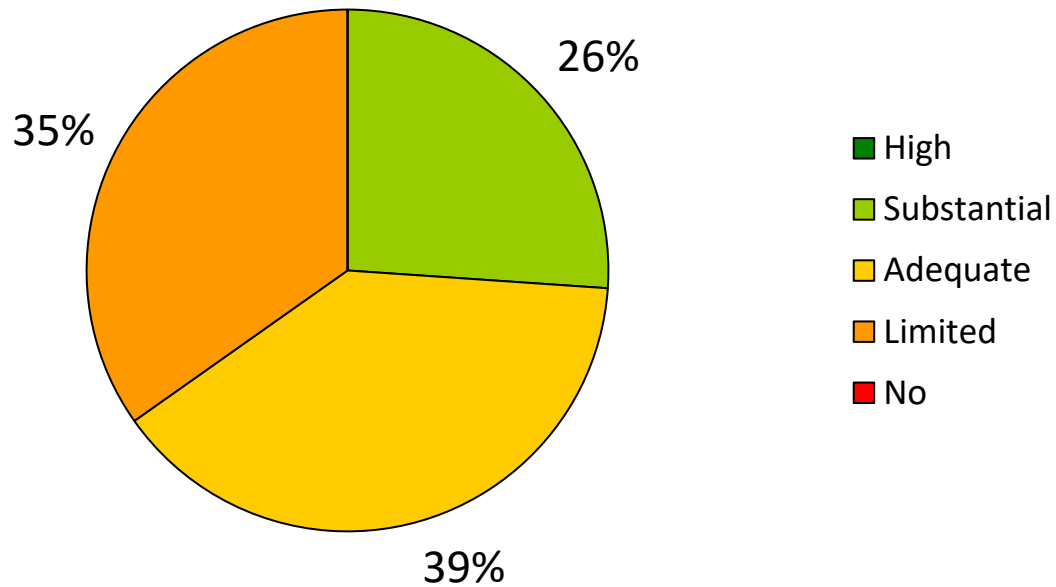
No	Ref	Audit	Status	Assurance	Prospects for Improvement	Committee
36	ICT01-2023	Cyber Security Patch Management	Final Report	SUBSTANTIAL	VERY GOOD	September 2023
37	ICT02-2023	ICT Consolidated Action Plan	Final Report	N/A	N/A	September 2023
8	ICT03-2023	Information Technology Risk Management	Final Report	ADEQUATE	GOOD	May 2023
	ICT04-2023	Disaster Recovery	Fieldwork	TBC	TBC	
38	ICT05-2023	Payment Card Industry Data Security Standards (PCI DSS)	Draft Report	LIMITED	TBC	September 2023

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Assurance Levels 2022/23

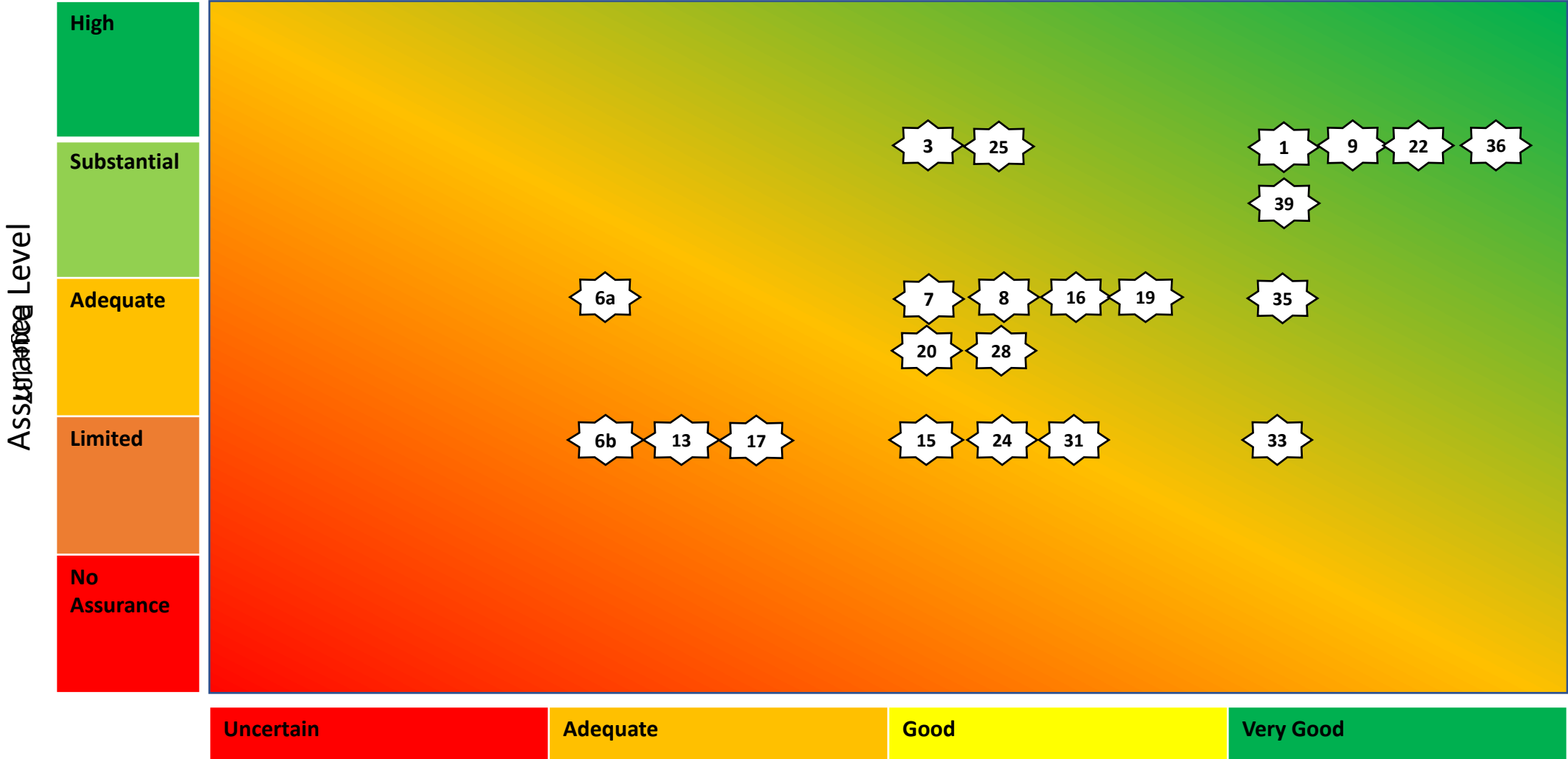
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Assurance Level	No	%
High	0	0%
Substantial	6	26%
Adequate	9	39%
Limited	8	35%
No	0	0%

Prospects for Improvement	No	%
Very Good	5	24%
Good	12	57%
Adequate	4	19%
Uncertain	0	0%

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



Prospects for Improvement

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Assessment Criteria Other Sources of Assurance

Low Reliance

- Program commitment
- Broad expertise
- Assess and report risk

- Common purpose
- Process expertise
- Inspection discipline
- Point-in-time conclusion

- Common purpose
- Process expertise
- Repeatable testing
- Issue tracking
- Analytics

- Integral purpose/priority
- Technical expertise
- Rigorous practice
- Sustained remediation
- Continuous monitoring
- Communicate emerging risk

High Reliance

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The detail below shows Internal Audit projects against high risk areas from the Corporate Risk Register reported to May 2023 GAC

Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0002	Safeguarding - Protecting Adults at Risk	High (20)	Medium (15)	CR03-2023	Preparedness for CQC Inspection (ASCH)	N/A	N/A
				RB03-2023	Individual Contracts with Care Providers	LIMITED	GOOD

Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0003	Securing resources to aid economic recovery and enabling infrastructure	High (25)	Medium (16)				

Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0009	Future financial and operating environment for local government	High (20)	High (16)	CS01-2023	Budget Savings	LIMITED	ADEQUATE
				RB17-2023	Compliance with Financial Regulations (ASCH & GET)	LIMITED	TBC
				CA07-2023	Procurement	LIMITED	GOOD
				RB21-2023	Contract Extensions	LIMITED	VERY GOOD
				CS05-2023	Social Care Debt Recovery	ADEQUATE	GOOD
				RB16-2023	Data Quality – LAS System – Risk of Overpayments	LIMITED	GOOD
				CS01-2022	CIPFA Financial Management Code (Part 2)	SUBSTANTIAL	VERY GOOD
				N/A	Grant Certifications	N/A but all positively certified	N/A

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Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0014	Cyber and information security resilience	High (20)	High (20)	CA02-2023	Assurance Mapping – Simultaneous Response, Recovery & Resumption	N/A	N/A
				CA06-2023	Information Governance – Role of IAO	N/A	N/A
				RB22-2023	Records Management (Follow-up)	N/A	N/A
				RB32-2023	Data Security Protection Toolkit (DSPT)	SUBSTANTIAL	VERY GOOD
				ICT01-2023	Cyber Security Patch Management	SUBSTANTIAL	VERY GOOD
				ICT02-2023	Data Centre Outage Lessons Learned Review	N/A	N/A
				ICT03-2023	Information Technology Risk Management	ADEQUATE	GOOD
				ICT04-2023	Disaster Recovery	TBC	TBC

Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0015	Managing and working with the social care market	High (20)	Medium (15)	RB03-2023	Individual Contracts with Care Providers	LIMITED	GOOD
				RB21-2023	Contract Extensions	LIMITED	VERY GOOD
				RB16-2023	Data Quality - LAS system - Risk of Overpayments	LIMITED	GOOD
				RB14-2023	Provider Invoicing (Follow-up)	N/A	N/A

Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0042	Border fluidity, infrastructure and regulatory arrangements	High (20)	High (16)				

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Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0052	Impacts of Climate Change on KCC Services	High (20)	High (16)	RB07-2023	Climate Change - KCC'S Net Zero Action Plan	LIMITED	ADEQUATE
Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0053	Capital Programme affordability	High (25)	High (16)	RB19-2023	Estates Change Programme (Sessions House)	N/A	N/A
				RB24-2023	Property Disposals	ADEQUATE	GOOD
Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0056	SEND Delivery Improvement and High Needs Funding shortfall	High (25)	High (16)				
Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0057	Home To School Transport Pressures	High (16)	Medium (12)		Home to School Transport (Follow-up)	IN PROGRESS	
Risk No	Risk Title	Current Rating	Target Rating	Audit Ref	Title	Opinion	PFI
CRR0058	Recruitment and Retention of the workforce	High (25)	Medium (9)	RB02-2023	Talent Management	SUBSTANTIAL	GOOD
				RB06-2023	Recruitment & Retention of Experienced Social Care Workers (CYPE)	SUBSTANTIAL	VERY GOOD

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Appendix 4 – Quality Assurance & Improvement Programme (QAIP)

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

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

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

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

During 2022-23, the following Improvement areas were addressed:

Improvement Issue
Received Agile Audit Training and commenced implementation of a more efficient approach to auditing which increases engagement during the course of the audit.
Implemented a more effective approach to following up Cold Reviews.
Reviewed Audit reporting to Committee.
Refreshed the Performance Management system.
Increased the coverage of key risk facing the Council.
Increased income levels to assist the Council.
Improved use of data analytics.

Improvements required for the service in 2023-24 include:

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

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

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Appendix 1 – 2022/23 Internal Audit Plan Status

Appendix 2 - IIA Assessment Criteria Other Sources of Assurance

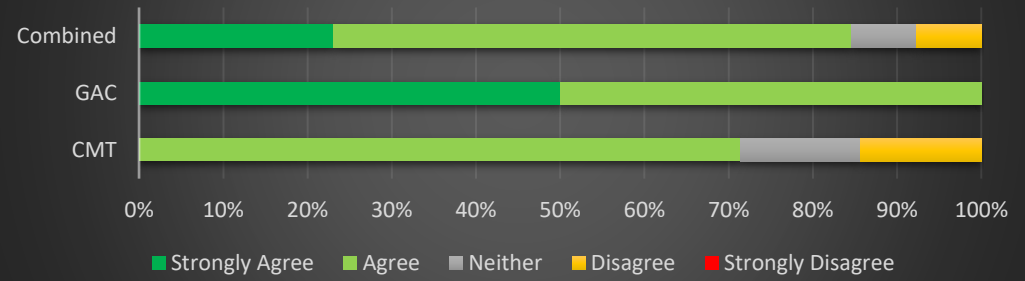
Appendix 3 - Extract of KCC Significant Risks

Appendix 4 - QAIP

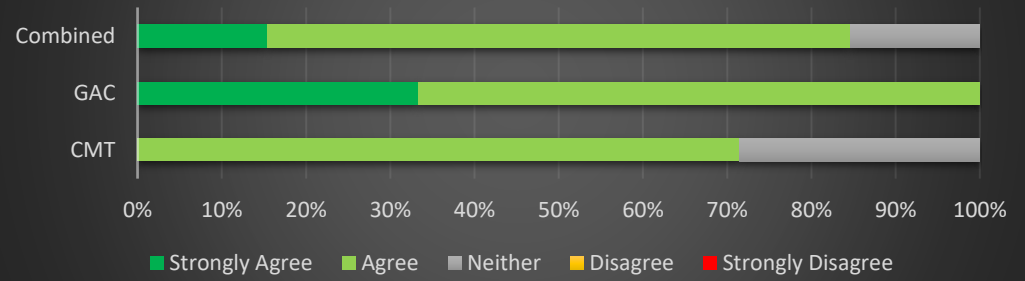
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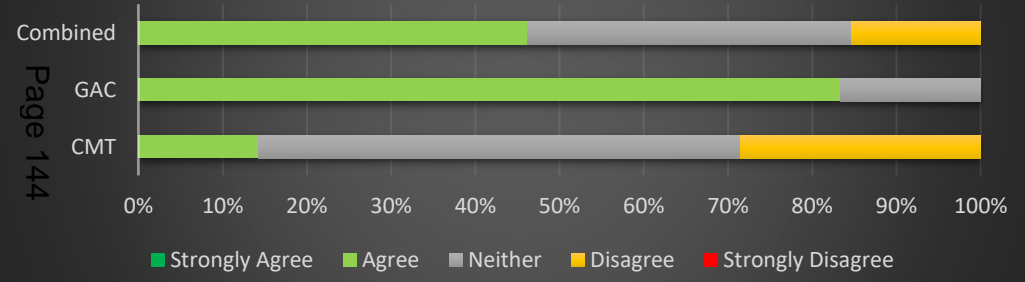
Promotes and supports organisational improvement and transformation.



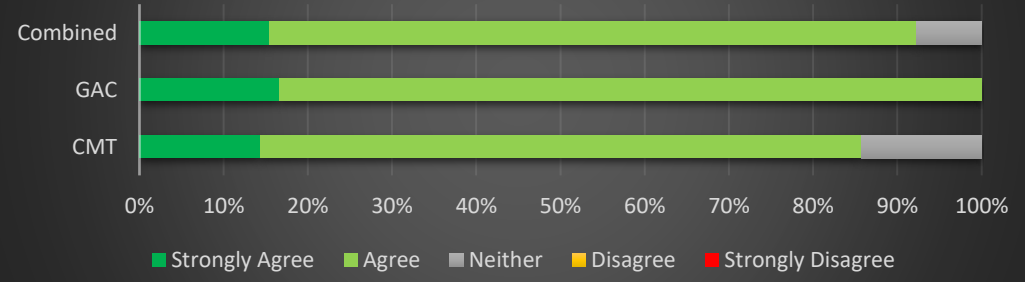
Provides timely reports which are of a high standard and meet your needs.



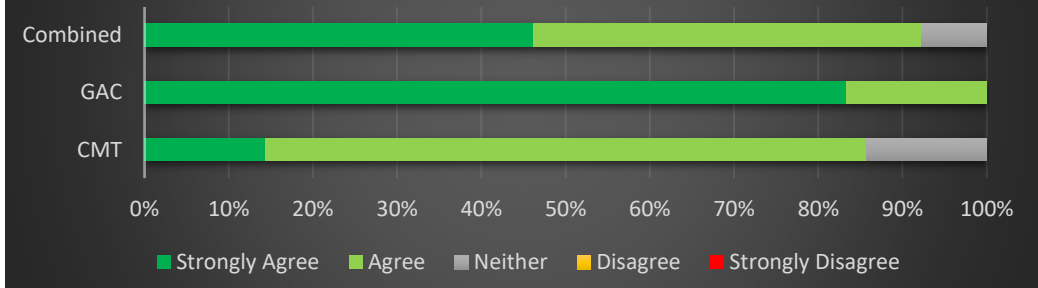
Enables benchmarking and the sharing of good practice, solutions and experience across Kent County Council.



Demonstrates quality and continuous improvement in the Audit Service.



Has provided an effective service for the Council in 2022/23.



Appendix D - 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.

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

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By: Peter Oakford, Deputy Leader and Cabinet Member for
Finance, Corporate and Traded Services
Zena Cooke – Corporate Director Finance

To: Governance and Audit Committee – 14 September 2023

Subject: **Audit Risk Assessment**

Classification: Unrestricted

Summary: The attached questionnaire from Grant Thornton summarises management's responses to questions on the Council's processes in relation to general enquiries of management, fraud, law and regulations, going concern, related parties and accounting estimate.

FOR DECISION

Introduction

1. Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Governance and Audit Committee (G&AC). ISA (UK&I) emphasises the importance of two way communication between the auditor and the G&AC and also specify matters that should be communicated.
2. This two way communication enables the auditor to obtain information relevant to the audit from the G&AC and supports the G&AC in fulfilling its responsibilities in relation to the financial reporting process.
3. Usually the questionnaire is completed as part of the audit planning process and taken to G&AC in April. Due to delays in finalising and signing off the 2021-22 Statement of Accounts, the audit planning had overlapped with the 2022-23 closure of accounts and delayed the completion of the questionnaire.

Purpose of Report

4. As part of Grant Thornton's risk assessment procedures they are required to obtain an understanding of management processes and the G&AC oversight of the following areas:
 - General Enquiries of Management
 - Fraud
 - Laws and regulations
 - Related Parties
 - Going Concern
 - Accounting Estimates

5. The attached report includes a series of questions on each of these areas and the response we have provided to Grant Thornton. Although incorporated into a Grant Thornton report and layout, these are responses are from KCC management.
6. The G&AC should consider these management responses in terms of its understanding and provide any comments it wishes to make.

Recommendation

7. Members are asked to consider and agree the management responses provided to Grant Thornton.

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Informing the audit risk assessment for Kent County Council 2022/23

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Kent County Council's external auditors and Kent County Council's Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Governance and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Governance and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Governance and Audit Committee and supports the Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Kent County Council's management. The Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The High Needs deficit has been highlighted as the Council's biggest single financial risk. Ongoing rises in demand to support children and young people with Special Educational Needs and Disability (SEND). This demand is rising much faster than increases in High Needs funding within the Dedicated Schools Grant. The Council has agreed and is implementing an SEN Action Plan and is part of the government's "Safety Valve" programme.</p> <p>The year end out-turn position has had a significant impact and has arisen due to a number of factors:</p> <p>Inflation increases over and above estimated price levels included within capital and revenue budgets.</p> <p>Under or non-delivery of savings plans agreed as part of the 22-23 and MTFP.</p> <p>Increase in costs due to heightened inflation, risk to investment income and disruption to supply as a result of the Russian invasion of Ukraine.</p> <p>Workforce recruitment and retention issues for key suppliers of council services leading to increased costs and/or service disruption.</p> <p>Increased demands on council services due to a range of complex factors including latent/supressed demand from Covid-19 lockdowns, increased complexity of need for some client groups and higher expectations leading to increased demand.</p> <p>Changes in working and personal lives following the pandemic leading to the need to make permanent changes to way in which council services are provided.</p> <p>Shortfalls in capital grants for highways asset management.</p> <p>Reduced income from capital receipts and developer contributions.</p>

General Enquiries of Management

Question	Management response
<p>2. Have you considered the appropriateness of the accounting policies adopted by Kent County Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes</p> <p>No</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes, but no derivatives. Details of our financial instruments are included in the Statement of Accounts. See note 38 of the Statement of Accounts</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Potential material change in value of land and buildings or infrastructure assets where changes in accounting treatment are implemented as experienced in the 2021/22 changes required by CIPFA .
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No, Not aware of any loss contingencies or unasserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Kent County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Invicta Law, the Council's retained (and owned) legal provider. Bevan Brittan LLP, Browne Jacobsen, Burgess Salmon, Anthony Collins, Ashfords LLP, Bates Wells, Dentons, Freeths, Kennedys, Pinsent Masons, Taylor Rose, Trowers, Weightmans Bird and Bird. No significant or material litigation from prior years.

General Enquiries of Management

Question	Management response
<p>9. Have any of the Kent County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No – some low level fraud has been reported but it would not affect the financial statements.</p> <p>No – none from a legal perspective that would materially affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Newton Europe – to review the robustness of the savings and growth plans for 2023-24 and longer term savings and cost reduction measures and to work with Children's Services on SEND.</p> <p>PWC – a new Capital Reporting Solution to significantly enhance the monitoring and reporting of the Council's 10 year capital programme</p> <p>Itelligenti – to develop revenue and capital financial monitoring reporting solutions using the latest technology to enable more automation and a move away from manual spreadsheet based reporting</p> <p>Bettergov – to provide support with Mosaic changes/development.</p> <p>MCL – to provide consultancy/advice to Public Transport on concessionary fare re-imburement and support for the delivery of the Bus Service Improvement Plan, including establishing the Bus Enhanced Partnership</p> <p>Highways regularly use a number of professional advisors to support their work in delivering major schemes. SLC Rail have been commissioned to support on the implementation Agreement and contractual matters for Thanet Parkway (Network Rail).</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Expected credit losses have been considered. Trade debtors will factor in expected credit losses as set out in our bad debt policy.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Governance and Audit Committee and management. Management, with the oversight of the Governance and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Governance and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Kent County Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Governance and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Governance and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Governance and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Kent County Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Kent County Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes and the risk is considered to be minimal. Controls are in place through the budget setting, budget monitoring and year-end analytical review. We now have details on a business intelligence dashboard of cost centres per budget manager, key service lines and manager analysis enabling an easily accessible view at a detailed level allowing us to target and challenge any budget manager where we perceive there may be anomalies. We also have a regular balance sheet management review. Variances must be explained and validated. Significant changes from previous year's spend must also be explained.</p> <p>Fraud risks have been developed through the analysis of fraud referrals both within the organisation and through engagement with other public/ private sector organisations and publications such as fighting fraud locally. This has resulted in an overall risk of fraud included in the corporate risk register (CRR0049). There is a specific risk within Libraries, Registration and Archive (LRA0008) on internal fraud.</p> <p>There is also a specific risk in relation to employee pay and expenses (PC0004). There is also a specific fraud risk relating to procurement fraud (SC006). These risks have been considered and relevant controls have been put in place to help mitigate against the risk event. In addition to the above work has progressed with engaging with Divisional Management Teams in embedding fraud risk assessments and the mapping out of controls to mitigate the risk, this work has been delayed due to Covid, however we have only 6 divisions left to work with to complete this exercise, once done the risk assessments form part of our relationship management meetings with divisions.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Mandate Fraud and faster payment (there was an attempt to facilitate a faster payment of £1.2m via an email hack), financial assessment in respect of personal budgets, use of direct payments, imprest accounts, IR35 Compliance, procurement fraud have been considered as most at risk to fraud, however these have not resulted in values of fraud or error that would be material to the accounts. In addition, Blue Badge fraud remains the highest referral fraud type with reputational damage being the main risk as opposed to financial risk.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Kent County Council as a whole, or within specific departments since 1 April 2022? If so, please provide details.</p>	<p>We are aware of instances of actual, suspected or alleged fraud, errors or other irregularities these are covered in the Counter Fraud Progress Reports presented to Governance and Audit Committee - Browse meetings - Governance and Audit Committee (kent.gov.uk)</p> <p>Counter Fraud Progress reports were presented to G&A in July 22, Oct 22, Jan 23 & May 23.</p> <p>However key risk areas have been:</p> <p>Supporting Living – Allegations of providers invoicing for services not delivered, control weakness is that there is no financial reconciliation within the Mosaic Payment Portal to check relevant business records (client contact sheets/ rota's) against what has been invoiced.</p> <p>Email hacks an attempted fraud to gain a £1.2m faster payment</p> <p>An actual loss of £222.769 (fully recovered) following an email hack of a social care provider that resulted in a mandate fraud.</p> <p>An actual loss of £164,453 in a maintained school following an email hack of a building contractor commissioned to deliver a capital build project.</p> <p>Lower levels of fraud within Direct Payments and Blue Badges continue to be received.</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>A Counter Fraud Report is provided to the Governance and Audit committee which is also provided for information to the Corporate Management Team.</p> <p>There is a corporate risk register that goes to G&A Committee and CMT on a regular basis.</p> <p>The Head of Internal Audit & Counter Fraud regularly liaises with the Council's Statutory Officers to discuss risks.</p> <p>Internal Audit & Counter Fraud colleagues regularly liaise with the Council's Corporate Risk Management Team.</p>

Fraud risk assessment

Question	Management response
<p>5. Have you identified any specific fraud risks? If so, please provide details.</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Kent County Council where fraud is more likely to occur?</p>	<p>Mandate fraud has evolved, we have seen two attempts made through the hacking of suppliers email accounts to facilitate a change of bank account. This saw an actual loss of £222,769 which was recovered in full from the bank and a further attempt which if actioned would have seen a loss of over £1.2m due to the size of payments made to the supplier. Two factor authentication failed (human error) on the second attempt. Advice provided to the control team and additional verbal verification via a telephone call is now in place.</p> <p>Direct payment misuse has seen a slight increase in 2022/23 but not to a material level.</p>
<p>6. What processes does Kent County Council have in place to identify and respond to risks of fraud?</p>	<p>There is through the report to G&A analysis of the fraud types (existing and emerging), volumes and amounts, this is derived from the reporting for financial irregularities by services to the Counter Fraud Team, this processes is a requirement of the financial regulations of the Council.</p> <p>The Anti Fraud and Corruption Strategy has been updated to reference any new initiatives, policies or strategies to be risk assessed for fraud by a Counter Fraud Specialist. This requirement is still being embedded within the organisation and is raised through relationship management meetings.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Kent County Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>Page 16 20 21 22</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Each year an annual audit plan is developed that takes into account the risks of the council, including fraud risks. Where there is a significant risk (such as imprest accounts) this has prompted a full review to assess the effectiveness of internal controls.</p> <p>In addition the Counter Fraud Team have developed and are progressing a work programme to assess the Counter Fraud Culture within business units to support management in ensuring there is a robust culture within the 1st and 2nd lines of defence.</p> <p>Standard fraud awareness sessions have been delivered, in particular to Commissioning Officers on fraud risks within the commissioning life cycle. Infrastructure on fraud and bribery risks. School Finance officers, senior leaders and governors. In addition, a school anti-fraud policy has been updated to include a fraud risk assessment for the schools to complete and embed into their risk management framework.</p> <p>We are not aware of any areas where internal controls are not in place or not effective. Nothing has been reported by management in this respect.</p> <p>Participation in the NFI helps detect fraud and error within the council's systems.</p> <p>The performance of Budget Managers against budget is a factor in their annual performance assessment, so inappropriate influence over the financial reporting process is a potential risk . However, this is a relatively minor risk and is mitigated by regular budget monitoring, schemes of delegation and year end processes. Reminders that evidence to support all transactions has been issued to finance teams. Key decisions and other significant decisions are reviewed to establish and set out the financial implications and these are provided by the finance team.</p>

Fraud risk assessment

Question	Management response
8. Are there any areas where there is potential for misreporting? If so, please provide details	Overpayments due to errors within the AP/ Faster Payment process is an area for potential misreporting. Not all errors have been reported as a financial irregularity, for example an error resulted in a £20k payment being made instead of a £200 payment. An overpayment of £1m to a care provider was not reported to Internal Audit in a timely manner. Awareness of reporting fraud and error is raised with CMT and with services via relationship management meetings, as well as within general fraud awareness sessions.

Fraud risk assessment

Question	Management response
<p>9. How does Kent County Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>KCC communicates and encourages ethical behaviour and business processes of its staff and contractors in a number of ways. The KCC standards which include the Nolan principles and KCC's values which set out the expected behaviours, the staff code of conduct and the Anti-Fraud and Corruption Strategy and Anti Bribery Policy. There is e-learning provided to support the prevention and detection of fraud and a whistle blowing policy which encourages staff to report their concerns, the Counter Fraud Team is included in this policy as an alternative to raising concerns with management.</p> <p>Whistleblowing is included in Fraud Awareness presentations.</p> <p>Staff are expected to raise all financial irregularities with Internal Audit. Significant issues that have been raised have resulted in audits being conducted. This has included the Gypsy and Traveller Audit, Individual Contracts with Care Providers and Purchase cards,</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Currently Senior Officers (KR16 and above) have delegated authority to spend up to £1m, these posts are considered high risk due to no separation of duty being required, however in practice, Heads of Service will present business cases to support spending the council's money. And this is being reviewed.</p> <p>There is an enhanced vetting process in place when recruiting into a KR16 and above, this ensures that not only the information provided on the application form is correct, but also ensures there are no financial or reputational risks to the authority.</p> <p>Furthermore, through the development of the fraud, bribery and corruption risk assessment, further areas of high risk will be identified with relevant controls being identified to mitigate the risk, for example regular reminders on declarations of interest, budget monitoring, separation of duties, rotation of duties.</p>

Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>As part of the NFI exercise we are alerted to potential conflicts of interest, these are investigated and where needed a formal investigation is progressed, the matches have resulted in the need to update declarations of interests for members and officers who sit on charity boards as part of their position within KCC.</p> <p>Regular reminders of declarations are issued. As part of the supplier set up process requestors are required to confirm there is no conflict of interest when setting up a supplier, it also requires the budget holder to authorise the setting up of the supplier, as well as authorisation from the commissioning category manager. In addition, reminders on whistle blowing procedures are issued to all staff to prompt any concerns being raised with either management or Internal Audit.</p> <p>Internal Audit conducted an audit of Declarations of Interest – Members in 2021/22. The audit provided Adequate levels of assurance with 3 issues being raised for management to address, the management actions were to be implemented by the 31/07/22 & 30/11/22, there has been a revised implementation date to 31/03/2023 which has been extended to 01/04/2024 by management.</p> <p>In addition, the NFI produces a match to identify staff/ members involvement with companies which is reviewed and investigated. No related party relationships and transactions have been identified through the NFI to date or reported to IA&CF by management.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Governance and Audit Committee?</p> <p>How does the Governance and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>A comprehensive Counter Fraud Report is presented to the Governance and Audit Report at each meeting. This includes issues and risks identified during the reported period. The Committee makes use of the exempt part of the Committee meeting where needed to consider in more detail fraud issues and risks.</p> <p>Governance and Audit Committee has the ability to call in any manager to question their arrangements in addressing the risks of fraud.</p> <p>Governance and Audit Committee have considered the reports and relevant enquiries have been made by members of the committee on fraud figures and trends as well as individual cases.</p> <p>Relevant policies are updated yearly or two yearly, this include Anti Fraud and Corruption Strategy, Anti Bribery Policy, Anti Money Laundering Policies and Whistleblowing.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes, we have had a number of concerns raised through the whistle blowing hotline, depending on the nature of the concern these have either been addressed through management engagement or through an investigation by a member of the Counter Fraud Team.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No there have been no reports been made under the Bribery Act</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Governance and Audit Committee, is responsible for ensuring that Kent County Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Governance and Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Kent County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>In addition to audit activity, contractual provisions are in place with legal services providers to escalate issues of legal compliance to the Monitoring Officer. Provisions on compliance with laws and regulations are included in the Council's Operating Standards (currently under review) and the Constitution which are dip sampled through meeting attendance and decision review. Regular items and discussions on governance are held with CMT.</p> <p>Monitoring Officer is a Member of CMT and Corporate Board. Annual Governance Statement includes questions on compliance that are reviewed and tested throughout the year with a very transparent state of affairs.</p> <p>The Monitoring Officer now also meets weekly with the Leader and Head of Paid Service to discuss activity and early areas of legal risk and non compliance.</p> <p>Monitoring Officer seeks assurance on relevant items and has issued s5 reports in previous financial years where appropriate. Monitoring Officer is very active through a detailed and tested AGS process and the AGS 2021/22 contained a specific section relating to findings linked to these questions.</p> <p>There are no material changes to the council's regulatory environment likely to have a significant impact on the financial statement but there are material upgrades planned to the processes of the Council and the behaviours expected in line with the AGS assurances and plans.</p>

Impact of laws and regulations

Question	Management response
2. How is the Governance and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>Through the provision of an annual standalone report on the Annual Governance Statement.</p> <p>Similarly, regular reporting on progress against the actions identified is brought before the Committee mid-year. In each calendar year therefore, there are a minimum of 3 reports relating to this in addition to activity on items like the Code of Corporate Governance etc.</p>
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	<p>For noting, the Council's Monitoring Officer holds open a Section 5 report within the relevant period relating to the Council's inability to meet statutory duties in relation to unaccompanied asylum seeking children but this does not have an ongoing impact on the 2022/23 statements save for as expressly referred.</p>
4. Are there any actual or potential litigation or claims that could affect the financial statements? If so, please provide details	<p>No material claims received at the time of completion. One piece of litigation discussed with Paul Dossett for oversight and transparency.</p>
5. What arrangements does Kent County Council have in place to identify, evaluate and account for litigation or claims?	<p>The Chief Accountant liaises with Legal Services team to capture all potential claims handled and managed by Governance, Law and Democracy. Legal estimate the potential 'loss' as best they can. This is then reported to G&A Committee through the Statement of Accounts.</p> <p>Insurance claims are handled through the insurance team in conjunction with the insurer and panel solicitors.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	<p>No</p>

Related Parties

Matters in relation to Related Parties

Kent County Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Kent County Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Kent County Council's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Kent County Council whether Kent County Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No
<p>2. What controls does Kent County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	Members and Senior Officers are required to complete declarations of interest which are reviewed during the year end closure. This is now done through Oracle employee self-service. Information is also collected via the early return process.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	Normal procurement and payment authorisation rules.
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	The Financial Regulations and the delegation matrix sets out the responsibilities that are to be followed. There are the 'how to buy' and other guidance on procurement process. All payments and procurement follow the same rules.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Kent County Council will no longer continue?</p>	<p>The main processes/controls that the Council currently operates include the following:</p> <ul style="list-style-type: none"> • Annual budget setting and medium-term plan setting out spending plans. Although the budget does not narrowly distinguish spending between statutory and discretionary services we have the ability to show this split if necessary to identify reductions in statutory spend • Regular Budget Monitoring • Performance Monitoring based on a RAG rating of 37 Key Performance Indicators where green identifies where performance is at or above target, amber where performance is below target but above a floor level and red where performance is below the floor level
<p>2. Are management aware of any factors which may mean for Kent County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Potentially inadequate funding and/or unaffordable changes in costs or demand. Again these would be identified through budget planning and budget/performance management and addressed accordingly.</p>
<p>3. With regard to the statutory services currently provided by Kent County Council, does Kent County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Kent County Council to cease to exist?</p>	<p>Yes, although the position will need to be kept under review as part of budget planning</p>

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Going Concern

Question	Management response
4. Are management satisfied that the financial reporting framework permits Kent County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, we are satisfied that the arrangements allow the Council to prepare financial statements on a going concern basis

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are set out in the Statement of Accounts, please see Note 5, page 31 of the 2021/22 accounts.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Through discussions with valuers and actuaries.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Through use of external advisors</p> <p>PPE – Appointment of external valuer – discussion of valuation basis and useful lives. Any changes required discussed with Head of Finance Operations. Use of K2 asset management database for source data. Methodologies for estimation uncertainties in Note 5 of the accounts were agreed with external audit.</p> <p>For IAS 19 confirm with the actuaries with methods and assumptions prior to the preparation of the IAS 19 report and relevant disclosures.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>We have a rolling programme of revaluations so any changes required are identified as we revalue the asset base. Review of accounts by Head of Finance Operations including prior year comparators.</p> <p>Annual review accrual limits, expected credit losses and impairments to ensure they still remain appropriate for the following year</p>
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	<p>Expected Credit Losses – an estimation of future losses has been included for Trade Debtors. This is not expected to be a material change.</p> <p>No other changes to estimation processes.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Have highly skilled, qualified and experienced accounting team.</p> <p>Rigorous procurement process for our valuers.</p>
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>We use our professional judgement to determine what controls are required e.g. thorough review and challenge of asset valuations provided by external valuer.</p> <p>We review and challenge the outcomes of any reports received.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	<p>Control activities are subject to a review process. Any concerns identified are raised as necessary with the management team to address and resolve.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Head of Finance Operations and S151 Officer review of accounts.</p> <p>Training is provided to Governance and Audit Committee.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Management are satisfied with the arrangements due to the analysis and modelling that is undertaken.</p>
<p>12. How is the Governance and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Assurance is provided through the detail set out in the Statement of Accounts The Committee attend briefing sessions that set out the information and are an opportunity for the Committee to ask questions and raise any queries in addition to the formal committee meeting.</p>

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 179	Current Value – either Existing Use Value (EUV) or, if specialist asset where there is no market based evidence of current value– Depreciated Replacement Cost (DRC).	Annual review of PPE carrying amount undertaken to inform valuations required to ensure the balance sheet is materially correct. Rolling programme of annual valuations. Thorough review and challenge of asset valuations.	Yes	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion subject to thorough challenge and review of methodologies and resulting valuations.	No
Surplus asset valuations	Fair Value	As above	Yes	As above	As above

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property valuations	Fair Value	Annual revaluation as prescribed in the CIPFA Accounting Code of Practice.	Yes	As above	As above
Depreciation	Straight line basis over asset's useful economic life. Componentisation methodology.	Review of valuations including asset lives.	Yes	As above	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities Page 181	<p>Roll forward method is used to value the liabilities. For 2022/23 any events that are deemed “material” will be measured under “stop-start” method.</p> <p>Valuations involve projecting future cashflows to be paid from the Fund. Cashflows include pensions paid to current members and those to future members.</p>	<p>Valuations are performed tri-annually and the rolling forward previous valuations should not materially distort the results.</p> <p>For ‘stop-start’ method we will review these events to ensure where material this method should be used.</p>	Yes – Barnett Waddingham	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion subject to challenge and review.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates for Financial Assets Page 182	Methods and models supplied by our Treasury Advisors Arlingclose. FV calculations also include 12 month expected credit loss calculation for the investments held at amortised costs, the majority of which are secured bonds. For 2022/23 a multiplication factor of 112% of historic default rates was used to calculate the ECL which was £0 for our portfolio and therefore not material. We anticipate a similar factor to apply for 2023/24 though calculations will be provided by Link as the new Treasury Advisor to KCC from 01/06/23.	Valuations are provided annual	Yes	Apply market prices data from Bloomberg and other sources as appropriate dependent on fair value hierarchy.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	PFI operator models for source data. Accounting models based on disaggregation of unitary charge.	Review of actual unitary charge compared to operators model on an annual basis	No	Annual review of the models and comparing the outcome to previous iterations.	No



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

Agenda Item 13

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