

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 19th March, 2024

2.00 pm

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





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 19th March, 2024, 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 T Bond, Mr D L Brazier, Mr N J D Chard, Mr P C Cooper, Mr M Dendor, Mr D Ross and Mr S Webb
Labour (1)	Mr A Brady
Liberal Democrat (1):	Mr C Passmore
Green and Independent (1)	Mr M A J Hood
Independent Member (1)	Dr D A Horne

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Apologies and Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes of the meeting held on 1 February 2024 (Pages 1 - 8)
5. Election of Vice-Chair
6. Review of the Risk Management Strategy, Policy and Programme (Pages 9 - 32)
7. Policy Review (Pages 33 - 72)
Anti-Money Laundering Policy
Anti-Bribery Policy

Anti-Fraud and Corruption Strategy

8. Review of Whistle Blowing Policy

To follow.

9. External Audit Progress Report and Sector Update (Pages 73 - 90)

10. External Audit Plan 2023/24 (Pages 91 - 124)

11. Other items which the Chairman decides are urgent

12. Future Meeting Dates

To note that meetings of the Governance and Audit Committee will take place on the following dates:

16 May 2024 at 10.00 am

11 July 2024 at 2.00 pm

5 September 2024 at 10.00 am

24 October 2024 at 10.00 am

12 December 2024 at 10.00 am

23 January 2025 at 10.00 am

20 March 2025 at 10.00 am

12 June 2025 at 10.00 am

3 July 2025 at 10.00 am

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. External Audit Findings Relating to Cyber Security (Pages 125 - 126)

14. 'Covid-19 risk - Asset Control of Laptops and Other Equipment' Audit update (Pages 127 - 156)

Benjamin Watts
General Counsel
03000 416814

Monday, 11 March 2024

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

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 1 February 2024.

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

ALSO PRESENT: Mr P J Oakford and Mr N Baker

IN ATTENDANCE: Mrs C Head (Head of Finance Operations), Mr B Watts (General Counsel), Mr J Idle (Head of Internal Audit), Miss E Feakins (Chief Accountant), Mr Paul Dossett, Mr J Flannery (Counter Fraud Manager), Miss K Reynolds (Democratic Services Officer), Mr D Adams (Assistant Director Education (South Kent)), Mr R Benjamin (Internal Audit Manager), Mr J Betts (Acting Corporate Director Finance), Mrs S Hammond (Corporate Director Children, Young People and Education), Mr M Hyland (Project Coordinator - East Kent Opportunities LLP), Mr S Jones (Corporate Director of Growth, Environment and Transport), Ms C McInnes (Director of Education), Ms F Smith (Audit Manager), Mr R Smith (Audit Manager), Ruth Davis (Intelligence Assistant) and Kevin Holyoake (Counter Fraud Specialist)

UNRESTRICTED ITEMS

172. Apologies and Substitutes (Item 2)

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

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

There were no declarations of interest.

174. Minutes of the meeting held on 23 November 2023 (Item 4)

RESOLVED that the minutes of the meeting held on 23 November 2023 be approved as a correct record.

175. Membership (Item 5)

The Committee noted that Mr Mike Dendor had replaced Mr David Robey on the Governance and Audit Committee.

176. Terms of Reference: Membership Update

(Item 6)

1. The General Counsel introduced the report which proposed that the Terms of Reference be amended to include additional formal requirements around the membership of the Committee. This included the recommendation that former Executive Members may not serve on the Committee until two years had elapsed, and the recommendation that the restriction on serving on this Committee be extended to include Deputy Cabinet Members and the Chairs of other formal Committees.
2. In response to questions and comments from Members it was said that:
 - a) The draft changes to the Terms of Reference would be updated to exclude the current Chair of the Governance and Audit Committee from the formal restrictions.
 - b) It was agreed that former Executive Members had valuable experience and insight into the Council's governance. However, there was concern raised regarding their ability to objectively consider issues that related to their time in post. Based on the proposed amendments, former Executive Members would still be able to attend the Governance and Audit Committee as guests.
 - c) The Cabinet Member for Communications and Democratic Services confirmed that the thirty Members who would be affected by the proposed amendments had been contacted prior to the meeting. It was confirmed that there were no objections raised by Executive Members, Deputy Cabinet Members, or the relevant Chairs. However, concerns had been raised by former Executive Members.
3. RESOLVED to agree that the proposed changes to the Committee's terms of reference be presented to the Selection and Member Services Committee for discussion prior to presentation to County Council.

177. Annual Governance Statement

(Item 7)

1. The General Counsel introduced the final draft of the Annual Governance Statement (AGS) for 2022/23. It was said that the format of the Statement, including the scheme of oversight, would be reviewed ahead of the publication of the AGS for 2023/24. With reference to the previous Internal Audit Findings report, a statement regarding compliance with the CIPFA Financial Management Code would be included in the final AGS for 2022/23 for the Section 151 Officer. It was said that the conclusions of the AGS for 2022/23 regarding required governance improvements were consistent with the prior year's statement. However, the General Counsel highlighted that he had been supported by a team in addressing the actions identified and these actions were being progressed quicker than in previous years. It was emphasised that the written governance was sound, however, there remained the need for a stronger culture of good governance within KCC.
2. In response to questions and comments from Members it was said that:

- a) The General Counsel was confident that governance at KCC would be improved by carrying out the actions included in the AGS for 2022/23. A progress tracker would be available to Members as a real-time standing item in the Governance and Audit Committee Teams site. Members were told that the compliance of systems and processes could be measured, and the impacts of the actions on these areas would be reflected in reports to the Committee. The impact on cultures and behaviours was, however, difficult to measure.
- b) A number of Members raised concerns regarding the effectiveness of Cabinet Committees in their current form, with particular reference to the perceived lack of meaningful engagement during meetings and the length of agendas. The Cabinet Member for Communications and Democratic Services assured the Committee that the Governance Working Party Membership included Conservative backbenchers and Opposition Group representatives. In addition, the Governance Working Party would be consulting with all Members to discuss the relevant recommendations from the Grant Thornton Governance Review.

3. RESOLVED to:

- a) Approve the Annual Governance Statement; and
- b) To delegate authority to the General Counsel to make any final, minor changes required prior to signature. Any major changes would be made in consultation with the Chair of the Governance and Audit Committee.

178. External Audit Annual Report
(Item 8)

1. Ms Jo Taylor and Mr Paul Dossett introduced the report which analysed findings under financial sustainability, governance, and improving economy, efficiency, and effectiveness for 2022/23. There were significant weaknesses identified in all three areas including: an overspend and a history of under delivery against saving plans; a Limited Assurance Internal Audit finding for Financial Control in the Council; and an increase in Red rated corporate Key Performance Indicators (KPIs) for 2022/23 compared to 2021/22. Members were told that the auditors had considerable concerns about the Council's financial position and arrangements for financial sustainability. It was said that the auditors would consider the robustness of proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether statutory audit action was required.
2. In response to questions and comments from Members it was said that:
 - a) The time lag of audit means that the report relates to the 2022/23 year. Mr Dossett told Members that while the financial position of the Council had not seen significant improvement, the pace of the Council's reaction and response to external audit findings was moving in a positive direction. It was expected that there would be improvements in the governance findings and the economy, efficiency, and effectiveness findings in the 2023/24 Annual Report.
 - b) A tracker detailing the progress towards implementing the External Audit recommendations was in development and would be discussed further as part of the agenda setting process.
 - c) The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services confirmed that while the Revised Draft Revenue Budget 2024-25

was balanced, the one-off measures used to balance the proposed budget would need to be replaced by an equivalent level of savings in 2025-26 and 2026-27. The Council would consider all options, including the discontinuation of discretionary services, to secure the Council's financial resilience and sustainability.

- d) Mr Dossett confirmed that there were innate pressures on Adult Social Care that were not unique to KCC. It was said that demand-led services were difficult to manage financially, however, the findings suggested that further work was required to reduce demand and manage the associated costs. The service had recently undergone a restructure and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services had been assured that the new structure would address some of the challenges that they faced in the past.

3. RESOLVED to note the report for assurance.

179. External Audit Findings Report

(Item 9)

1. Mr Paul Dossett introduced the report which provided the Committee with an update on progress since the 23 November 2023 meeting. The external auditors aimed to complete the audit by the end of February 2024. It was said that the Council's accounts were complicated, and that there were a number of technical accounting issues which were being resolved with officers. These did not have an impact on general fund balances.
2. In response to questions and comments from Members it was said that:
 - a) A tracking mechanism to demonstrate the implementation of the recommendations was in development. This would be circulated to the Committee for assurance.
 - b) The Head of Financial Management confirmed that her team was in contact with the implementers of the replacement finance system to determine whether this was a viable option for journal authorisation.
3. RESOLVED to note the report for assurance.

At the conclusion of the meeting, Members requested that the Cyber Security appendix to the External Audit Finding report be considered in Part 2 of the March Governance and Audit Committee.

180. Internal Audit Progress Report

(Item 10)

1. The Head of Internal Audit and the Audit Managers introduced the report which detailed summaries of completed Audit reports for the period September to December 2023. It was said that the overall implementation of agreed management actions had decreased from 50% in the previous reporting period to 40%. This had been discussed with the Corporate Management Team and Internal Audit had requested a single point of contact in each directorate to liaise with on a regular basis to work towards improving the implementation rate.
2. In response to questions and comments from Members it was said that:

- a) The Internal Audit Team would provide Members with further information regarding 'RB24-2024 – Property Infrastructure – Processes and Functions Transferred to KCC from Gen2 Follow-up'.
 - b) The General Counsel said that there was an element of optimism bias in the original timeframes allocated to some of the management actions. However, the Chief Executive had emphasised to Corporate Management Team the importance of addressing the agreed actions currently in progress. The longer standing actions were being investigated in greater detail.
 - c) The Corporate Director Growth, Environment and Transport confirmed that the management actions relating to his portfolio area were complex, however, these were being implemented. The Corporate Director was hopeful that these would be fully implemented by the date of the next Committee meeting.
3. RESOLVED to note the Internal Audit Progress Report for the period September to December 2023.

181. Counter Fraud Update

(Item 11)

- 1. The Head of Internal Audit told the Committee that the Counter Fraud Manager had received a special recognition award by the Fighting Fraud and Corruption Locally body for his influence in counter fraud in the local authority arena. Members congratulated the Counter Fraud Manager for this achievement.
- 2. The Counter Fraud Manager introduced the report which detailed Counter Fraud activity undertaken for the period of September 2023 to December 2023, including reported fraud and irregularities. It also provided an update on the Counter Fraud Action Plan for 2023/24 covering reactive and pro-active activity. It was said that there had been an increase in irregularity referrals compared to the same period in 2022/23. The increase was mainly driven by a rise in the number of people claiming support from KCC and associated due diligence checks, and by greater Blue Badge enforcement action by District/ Borough Council Parking Enforcement Teams. Members were told that there had been a benchmarking exercise carried out with five other local authorities and this had put Kent County Council in a positive position in relation to the way in which the enforcement strategy is carried out.
- 3. In response to questions and comments from Members it was said that:
 - a) Regarding Counter Fraud resources, the Counter Fraud Manager said that the team were operating at capacity and having to close Blue Badge cases due to insufficient resources. Members were told that the Counter Fraud team were adjusting their strategy in order to prioritise the more costly cases and to ensure the approach was as robust as possible.
 - b) The financial losses outlined in the reports were actual, recoverable losses. There were other metrics used by the Counter Fraud team regarding potential and prevented losses, however, these figures were not included in the report.
 - c) The financial loss of £3,393 due to a fraudulent request to change bank details within payroll at a maintained school had been caused by a spear-phishing attack. It was said that Artificial Intelligence was being used to strengthen these attacks. The review of KCC's Artificial Intelligence policy had been completed and this was an area that was being monitored closely. Continued advice and training was being provided to schools.
 - d) The Head of Internal Audit highlighted his concerns regarding the Counter Fraud resources and the wellbeing of the team given their extensive, rising

workload. It was said that this had been raised with the Corporate Statutory Officers.

- e) Fraud Awareness training sessions were being considered for all Members.
4. RESOLVED to note the Counter Fraud Update report for 2023/24 and note the progress of the Counter Fraud Action Plan for 2023/24.

182. East Kent Opportunities LLP

(Item 12)

1. The Executive Project Co-ordinator - East Kent Opportunities LLP introduced the paper which provided an annual report on East Kent Opportunities LLP, including an update on recent activity. It was highlighted that the performance of the company relied on the disposal of properties for development purposes. The company had been impacted by economic downturn following its inception in 2008, however, it was now achieving the desired outcomes. Members were told that construction of commercial space on two of the three properties sold within the period had been completed.
2. RESOLVED to note the report for assurance.

183. Updated Financial Regulations and Scheme of Delegation

(Item 13)

1. The Acting Corporate Director Finance introduced the report which summarised the updated Scheme of Delegation and Financial Regulations, prior to approval by County Council. The intention of the review was to create a more concise, easy to follow document whilst retaining the required content. This aimed to address the issue of staff understanding and would be reinforced by a communication strategy and a training offer.
2. RESOLVED to approve the revised Financial and Scheme of Delegation and recommend that they are presented to County Council for adoption.

184. Schools Audit Annual Report 2022-2023

(Item 14)

1. The Assistant Director Education (South Kent) introduced the report which confirmed that there was a system of audit for schools, providing adequate assurance to the Chief Finance Officer over their standards of financial management and the regularity and propriety of their spending.
2. In response to questions and comments from Members it was said that:
 - a) Further information regarding the four schools in deficit would be provided to Members outside of the meeting. Members were assured that the Schools Financial Services worked closely with schools that were in a deficit position, and those identified through the monitoring process as being at risk of falling into deficit.
 - b) During the period April 2022 to March 2023, 99 maintained schools were visited. The compliance programme set out the criteria of a school visit once every four years and, therefore, only a proportion of all maintained schools were visited for this audit period.

- c) The comprehensive finance training programme for Headteachers, senior leaders, bursars and governors covered relevant issues and ensured that these individuals were aware of the procedures in place.
3. RESOLVED to note the contents of the report for assurance.

185. Management Follow Up of SEND Transport Lessons Learned Review (Item 15)

1. The General Counsel, Corporate Director of Children, Young People and Education, and Corporate Director for Growth, Environment and Transport introduced the report which provided an update on the significant work completed in response to the lessons learned report and the experience of families, both within the directorates and across the organisation. Members were told that a formal memorandum of understanding between KCC and Kent PACT had been implemented.
2. The Cabinet Member for Education and Skills assured Members that he was of the view that this service was returning to business as usual. It was said that there had been good progress between the relevant directorates to identify cross-directorate projects at the earliest interval. The Cabinet Member for Highways and Transport confirmed that there were good outcomes in terms of the provision of transport for September 2023.
3. Members welcomed the report which had taken into account the concerns raised by the Committee at the November meeting.
4. RESOLVED to:
 - a) Note the update provided.
 - b) Agree that the Committee will receive a report in 12 months' time for assurance, including data analysis and commentary on the risk assessment and management of SEND Home to School Transport, with a section contributed by PACT including parental/carers views.

186. Other items which the Chairman decides are urgent (Item 16)

There were no matters arising.

187. Internal Audit Progress Report (Item 17)

1. The Head of Internal Audit and the Audit Manager introduced the report containing three progress reports: 'ICT01-2024 – Single Data Platform Review', 'ICT02-2024 – Artificial Intelligence' and 'ICT04-2023 – Disaster Recovery'. These were exempt under section 15.15(g) of the Constitution. It was confirmed that the conclusions of the audits were based on discussions throughout the audit process and took into consideration the management response in each case.
2. RESOLVED to note the Internal Audit Progress Report for the period September to December 2023.

By: Roger Gough, Leader of the Council
Amanda Beer, Chief Executive Officer

To: Governance and Audit Committee – 19th March 2024

Subject: **Review of KCC’s Risk Management Policy, Strategy and Programme**

Classification: Unrestricted

Summary:

The Governance and Audit Committee reviews the Council’s Risk Management Policy & Strategy and Programme annually.

The Governance and Audit Committee is asked to **approve** the Risk Management Policy & Strategy and **note** the review of the risk management programme.

FOR DECISION

1. Introduction and background

- 1.1 As part of the Governance & Audit Committee’s terms of reference, KCC’s Risk Management Policy & Strategy is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 The document covers a rolling 3-year period to reflect the medium-term nature of the strategy. This has not affected the requirement for the Policy & Strategy to be reviewed and approved annually.
- 1.3 KCC’s Risk Management Policy & Strategy draws on best practice from several sources, in particular the UK implementation of the international standard for risk management, *ISO 31000:2018 Risk management - Guidelines*; the HM Treasury and Government Finance Function’s “*Orange Book: Management of risk – Principles and Concepts*”; and examples from other organisations. The document is attached in appendix 1.
- 1.4 The Council’s Risk and Delivery Assurance Team acts as corporate advisors of risk at a strategic level and has day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support and training and contributing to the ongoing reporting and analysis of risks. This also includes reinforcing KCC’s risk management framework throughout major change activity across the Council. The team looks to continually improve and update corporate risk management procedures based on current best practice and lessons learned and has aligned its work plan with the objectives set out in the Policy & Strategy.

2. Supporting Procedures, Communication and Review

- 2.1 The Risk Management Policy & Strategy is supported by a Risk Management Toolkit containing more detailed advice and guidance for managers, including a breakdown of risk management processes and other parts of the framework.

3. Review of Risk Management Work Programme 2023

- 3.1 The annual review of the KCC Risk Management Programme, set against the objectives and priorities laid out in the Risk Management Policy & Strategy, is outlined below:

Objective / Action from Strategy	Current Position and Latest Developments
<p>Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.</p>	<p>The Risk and Delivery Assurance Team engages regularly with senior and middle managers, at an individual level and with management teams at corporate, directorate, divisional and increasingly at service level. This involves facilitation, including challenge, regarding suitability and effectiveness of controls, upcoming actions and risk ratings. More service level registers are being added to our risk management database to help provide improved visibility of more service based, operational risks.</p> <p>Risk Management messages are aligned with business planning processes and timelines. The Risk and Delivery Assurance function has been involved with preparations for the 2024/25 business planning approach for the Council.</p> <p>Behavioural factors important for effective risk management are embedded in KCC values and cultural attributes – for example, effective risk management features as part of the list of corporate responsibilities outlined for all managers at grade KR 12 and above.</p> <p>The Council's Quarterly Performance Report, reported to Cabinet quarterly and County Council annually, contains a section on the Corporate Risk Register, including progress against mitigating actions. Further work is planned, in conjunction with the Council's Chief Analyst, to align performance and risk perspectives and reporting.</p> <p>The Risk and Delivery Assurance Team provides project management briefing sessions to support</p>

	<p>those looking to attain Association of Project Management (APM) qualifications, helping to build capacity across the organisation to manage significant projects. This has included colleagues in the Strategic Reset Programme Team.</p>
<p>Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.</p>	<p>The Council's Risk Management database is used to capture business risks across the Council, improving visibility and enabling better corporate oversight. As of the end of February 2023, there were 515 open risks on the system (up from 423 last year) and the number of users has increased, with 85 edit access users and over 250 users who can view the system (including Internal Auditors to aid their audit activity).</p> <p>In February 2024, the database was significantly upgraded, providing a more user-friendly interface, as well as improved reporting capabilities. A training and support package has been developed and run to aid effective use of the system.</p> <p>Thematic analysis takes place on cross-cutting risks, acting as a prompt for discussions around risk and control ownership and effectiveness of mitigations.</p> <p>MS Teams sites are established for key networks relating to Risk and Project Management, to offer a platform for people in those areas to share information, dilemmas and collaborate.</p>
<p>Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.</p>	<p>A universal eLearning package relating to risk management is available to staff across the organisation, which is complemented by several webinars relating to different aspects of how risk is managed at KCC that are available to view on the Delta learning hub:</p> <ul style="list-style-type: none"> • Managing Risk at KCC overview. • Project and Programme Risk. • Tools and Techniques for identifying risks. • Risk Assessment and Evaluation. • Risk Appetite, Tolerance and Escalation. • Risk Treatment. • Risk Monitoring, Review and Reporting. <p>Bespoke risk management briefings / training sessions are provided either on request, or where the Head of Risk & Delivery Assurance feels it would be beneficial e.g. a briefing was provided for the SEND Partnership Delivery Group, outlining the proposed risk management arrangements relating to delivery of</p>

	<p>the Accelerated Progress Plan, and the roles and responsibilities of that group and the supporting SEND Transformation Team.</p> <p>In February 2024, a briefing session was held for Governance & Audit Committee members on emerging risks, in collaboration with Internal Audit and opportunities for Member training and development more broadly will be explored in the coming year.</p>
<p>Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.</p>	<p>The Risk and Delivery Assurance Function works closely with the Strategic Reset Programme (SRP) Team to understand key risk themes, mitigate risks and improve delivery confidence to get programmes working in the right way to deliver successfully. Delivery confidence recommendations are provided on business cases whilst in development.</p> <p>The team also has an open invitation to attend the Corporate Management Team SRP Programme Board items where there could be significant risks discussed.</p> <p>The SRP, Risk and Delivery Assurance and Internal Audit teams also take an integrated assurance approach, working together on risk management, business case development and programme governance. One example is collaboration between the Risk and Audit functions on the Enterprise Business Capabilities Programme.</p> <p>There is regular cross-referencing between programme risks and mitigations with the Corporate Risk Register.</p>
<p>Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.</p>	<p>The Council's overarching risk appetite statement is outlined in the KCC Risk Management Policy & Strategy, and this has been updated to build in key risk considerations arising from the Council's Budget Recovery Strategy – <i>Securing Kent's Future</i>.</p> <p>This is supported by practical guidance for managers regarding risk appetite and tolerance within the Risk Management toolkit.</p> <p>It is important that conversations about risk appetite continue as our risk environment evolves, as integral aspects of strategy development, budgeting and decision-making on an ongoing basis.</p>

<p>Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience, and knowledge. This includes ensuring understanding of how each of the “three lines of assurance” contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.</p>	<p>The Risk and Assurance Function has a positive, collaborative working relationship with the Internal Audit and Counter-Fraud function, sharing intelligence on findings from risk reviews; on activities such as assurance mapping; as well as liaising to prevent duplication and complement each other’s work in instances where the Internal Audit function is offering consultancy-type services. The Head of Risk and Delivery Assurance is a recipient of finalised audit reports to enable reviewing of issues and consideration of the associated risks, including how they feature in the risk profile.</p> <p>As part of a KCC Risk Management network the lead officers for risk specialisms i.e., Health & Safety, Resilience and Emergency Planning, Information Resilience and Transparency, Insurance, as well as Internal Audit and Counter Fraud meet to share intelligence and align activities where possible.</p> <p>Work on Key Risk Indicators is progressing in conjunction with directorate Management Information leads and the corporate Analytics and Performance function, to align with business planning and performance management processes. Further work will be taking place in 2024/25 to more explicitly link these indicators to risks and controls.</p> <p>Representatives from the Risk and Delivery Assurance Team are assigned to working groups associated to key risk areas for oversight and to offer a corporate perspective. Examples include involvement in cross directorate groups relating to information governance, business continuity / resilience and the PREVENT agenda.</p>
<p>Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.</p>	<p>The Team has been liaising with the Council’s Commercial and Procurement function, as well as Commissioning teams in directorates, to ensure continued visibility of key risks since the Commissioning and Procurement redesign.</p> <p>Many of our corporate / strategic risks involve working with partners and providers to mitigate risks. For example, members of the Risk and Delivery Assurance Team have been liaising with KCC senior management and partners on risks relating to the SEND agenda, as well as those involving market pressures / forces e.g. in social care settings.</p>

<p>Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.</p>	<p>Key messages are communicated via regular engagement with management teams at corporate, directorate, divisional / service levels.</p> <p>Messages are sent out to promote new initiatives or training and Microsoft Teams sites are also being used to communicate targeted messages to Risk or Project Management networks.</p> <p>A refreshed Risk Management communications plan is being devised.</p>
<p>Subjecting KCC's risk management arrangements to regular review to determine their continued adequacy and effectiveness.</p>	<p>A comprehensive audit of Risk Management arrangements was conducted by Internal Audit during 2023 and presented to Governance & Audit Committee. A "Substantial" audit opinion was given, with "Good" prospects for improvement. Planning for the next audit is underway.</p> <p>The Head of Risk and Delivery Assurance chairs a regional Risk Management Network where good practice and ideas are shared, allowing for informal benchmarking against other local authorities. This is also a useful forum for horizon scanning.</p> <p>The Risk and Delivery Assurance Team has membership of the national Association of Local Authority Risk Managers (ALARM), with access to resources, best practice etc, which includes corporate membership to enable broader sharing of resources.</p>

3.2 Work against these medium-term objectives will continue to be built into the Risk and Delivery Assurance function's work plans for 2024-25, as it looks to target its resources on areas of greatest value.

4. Recommendations

4.1 Members of the Governance and Audit Committee are asked to:

- a) **APPROVE** the Risk Management Policy & Strategy 2024-2027; and
- b) **NOTE** the report on the Risk Management Programme for assurance

Report Author:

Mark Scrivener
Head of Risk and Delivery Assurance
mark.scrivener@kent.gov.uk

Relevant Director:

David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance
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Appendix 1 Risk Management Policy & Strategy 2024-27

***Draft for Presentation to Governance & Audit
Committee***

March 2024

POLICY OWNER:

David Whittle
Director Strategy, Policy, Relationships and Corporate Assurance
Sessions House, Maidstone
David.whittle@kent.gov.uk
03000 416833

POLICY AUTHOR:

Mark Scrivener
Head of Risk and Delivery Assurance
Sessions House, Maidstone
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03000 416660

Review Process:

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the Corporate Management Team and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

1. Statement of Commitment

- 1.1 The Cabinet and the Corporate Management Team are committed to effective risk management and see it as a key part of KCC's responsibility to deliver effective public services to the communities within Kent.
- 1.2 There is a shared commitment to embedding risk management throughout the organisation, promoting a positive risk culture and making it a part of everyday service delivery and decision-making, ensuring that sufficient resources are allocated. This includes fostering an environment that embraces openness, supports integrity, objectivity, accountability and transparency in the identification, assessment and management of risks, welcoming constructive challenge and promoting collaboration, consultation and cooperation. We must invite scrutiny and embrace expertise to support decision-making, invest in the necessary capabilities and seek to continually learn from experience.
- 1.3 By implementing sound management of our risks and the threats and opportunities that flow from them we will be in a stronger position to deliver our organisational objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit and Accounts Regulations. Risk management will therefore be at the heart of our good management practice and corporate governance arrangements.
- 1.4 Risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. To meet our objectives, improve service delivery and achieve value for money for the residents of Kent, risk management must be an essential and integral part of planning and decision-making.

2. Purpose and Scope of the Policy and Strategy

- 2.1 The aim of this Risk Management Policy and Strategy is to support the delivery of organisational aims and objectives through effective management of risks across the Council's functions and activities, applying appropriate risk management processes, analysis and organisational learning.
- 2.2 It explains our approach and outlines the principles of risk management, as well as clarifying risk management roles and responsibilities across the council. This document is aligned with the Council's key organisational strategies and plans and is part of our risk management framework.
- 2.3 This policy applies to all of KCC's core functions. Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. It is also expected that our significant contractors have risk management arrangements at a similar level, which should be established and monitored through commissioning processes and contract management arrangements.

- 2.4 This document draws on several sources. This includes the [Cabinet Office publication *Management of Risk: Guidance for Practitioners manual*](#); the most recent HM Treasury publication “*The Orange Book: Management of Risk – Principles and Concepts*”; and is informed by the UK implementation of the international standard for risk management BS *ISO 31000: 2018*.
- 2.5 There are different but aligned risk management processes that are applied at different levels within the organisation. Risk specialists are embedded across the organisation in areas such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security and Governance; Counter-Fraud etc. These specialist risk areas each have their own policies, procedures and processes that are built into the governance arrangements of the council so that work is coordinated within the council’s overall risk management framework.
- 2.6 The Policy and Strategy is supported by a Risk Management Toolkit that guides, supports and assists staff in achieving successful risk management.

3. Risk Definitions

- 3.1 Risk is defined as, “The effect of uncertainty on objectives. It can be positive, negative or both and can address, create or result in opportunities and threats.”
- 3.2 Risk management is defined as: “Co-ordinated activities to direct and control an organisation with regard to risk.”
(*BS ISO 31000:2018 Risk Management Guidelines*)

4. Risk Management Strategy

- 4.1 The operating environment for local government has become increasingly challenging over the past decade, in terms of growing and complex service demand, [cost inflation, recruitment and retention difficulties](#), additional statutory requirements [\(often without sufficient levels of funding to support changes\)](#) and increasing resident expectations, all set against a backdrop of local government funding restraint. This continuing trend requires greater collaboration, system-wide planning and a strong understanding of risk across public services.
- [4.2 The pressures on local government finances have become particularly acute now, with several authorities over recent years issuing Section 114 \(S114\) notices under the 1988 Finance Act; essentially a statutory stop on all non-essential spending. In addition to these sector-wide concerns, there are some challenges unique to KCC that compound the pressures the Council is facing, for example, as a result of Kent’s strategic location as the Gateway to Europe and main entry point into the UK through the Short Straits channel crossings.](#)
- ~~4.2 In addition, economic disruption from the aftermath of the coronavirus pandemic and from the Ukraine war, high levels of inflation and severe labour~~

~~shortages have had a massive impact on the council's services and finances.~~ These factors allis affects the risk environment, which is likely to be -volatile, complex and ambiguous for a number of years. The risks arising in this environment will often have no simple, definitive solutions and will require whole-system-thinking, aligned incentives, positive relationships and collaboration, alongside relevant technical knowledge, to support multi-disciplinary approaches to their effective management.

4.3 Securing Kent's Future – KCC's Budget Recovery Strategy, highlights the scale of the change required to deliver its aims and the importance of the Council being cognisant of the wider risks that may materialise, including:

- Delivery Risk: Securing Kent's Future will require the organisation to undertake multiple savings and transformation programmes concurrently, whilst also delivering business as usual activity.
- Risk transfer to system and partners: The council's services do not exist in isolation, but in many cases are part of an interdependent 'system' across a wider network of public, voluntary, social, and private sector partners.
- Regulatory risk: Many of the council's services are subject to regulation and inspection by third party organisations established such as Ofsted and Care Quality Commission (CQC). The inspection frameworks used by such regulators are often focussed on professional practice, service quality, client relationships, and outcomes for clients/individuals. The financial position of the service, or indeed the council, is often assumed or ignored within these regulatory frameworks, and little to no account is taken about the financial resources or capacity of the council to meet demand to the standards expected.
- Risk of legal and other challenge: the potential risk that where the council makes decisions that secure Best Value, the possibility of legal or other challenge from interested third parties will increase.

4.4 Given the above, in delivering Securing Kent's Future the council is required to increase its risk appetite to successfully mitigate the significant financial risk it currently faces, while also continuing to ~~The operating environment will also require the Council to continually review its risk appetite, not only to ensure the right balance is struck between risk, innovation and opportunity, but to consider how much control can be exerted over risks, many of which cannot be directly mitigated by the Council alone.~~

4.5 In the context of continual and fast-paced change in a challenging financial context, our elected Members will need to make challenging policy and budgetary decisions, while maintaining a longer-term view, so officers will need to provide the right balance of evidence, insight, advice and understanding of risk and opportunity.

5. Risk Management Objectives

5.1 In support of the Council's governance and internal control arrangements and achievement of KCC's objectives, the Council is committed to:

- Managing risk in accordance with good practice and sound governance principles.
- Embedding effective risk management into the design, values and culture of the council.
- Integrating the identification and management of risk into policy and operational decisions.
- Proactively anticipating and responding to changing social, economic, political, environmental, legislative and technological requirements that may impact on delivery of our objectives.
- Eliminating or reducing negative impacts, disruption and loss from current and emerging events.
- Harnessing risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes.
- Managing risks in line with risk appetite.
- Promoting openness and transparency in risk management processes.
- Raising awareness of the need for risk management by all those connected with the Council's delivery of services.

5.2 KCC will achieve these aims by:

- Integrating risk management practices into the Council's decision making, business planning, performance and management activities, particularly focusing on robust analysis, scrutiny and evaluation of mitigating controls and further actions.
- Utilising available business technology to aid visibility and analysis of key risk information across the organisation, including connectivity between risks.
- Providing a varied risk management training and development offer for both officers and elected Members, as part of KCC's broader Leadership and Management Strategy.
- Embedding risk management arrangements within major change activities across the council and developing an integrated approach to their assurance.
- Reviewing the Council's risk appetite to ensure it remains aligned with strategic objectives, while promoting a wide understanding of how it translates into tolerance levels within service or programme settings.
- Intelligence sharing and collaboration between risk management and assurance disciplines across all Council activities, consolidating ongoing learning, experience and knowledge. This includes ensuring understanding of how each of the "three lines of assurance" contributes to the overall level of assurance required and how these can be best integrated and mutually supportive.
- Operating sound and transparent risk management arrangements with our partners and providers, underpinned by a culture that supports collaboration and the development of trust, ensuring clarity of risk and control ownership and striking a proportionate balance of oversight of partner / provider risks without being over-constrictive.

- Communicating relevant risk messages to the organisation in a timely manner, listening and responding to feedback received.
- Subjecting KCC's risk management arrangements to regular review to determine their continued adequacy and effectiveness.

6. Risk Management Principles and Framework

- 6.1 As an integral part of our management systems, and through the normal flow of information, our risk management framework harnesses the activities that identify and systematically anticipate and prepare successful responses.
- 6.2 The framework is designed to support a comprehensive view of the risk profile, aggregated where appropriate, in support of governance and decision-making requirements. It supports the consistent and robust identification and management of risks within desired levels across the organisation, supporting openness, challenge and innovation in the achievement of objectives.
- 6.3 There are five key principles of risk management that provide the basis on which KCC will manage risk:

A. Governance and Leadership – risk management shall be an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels.

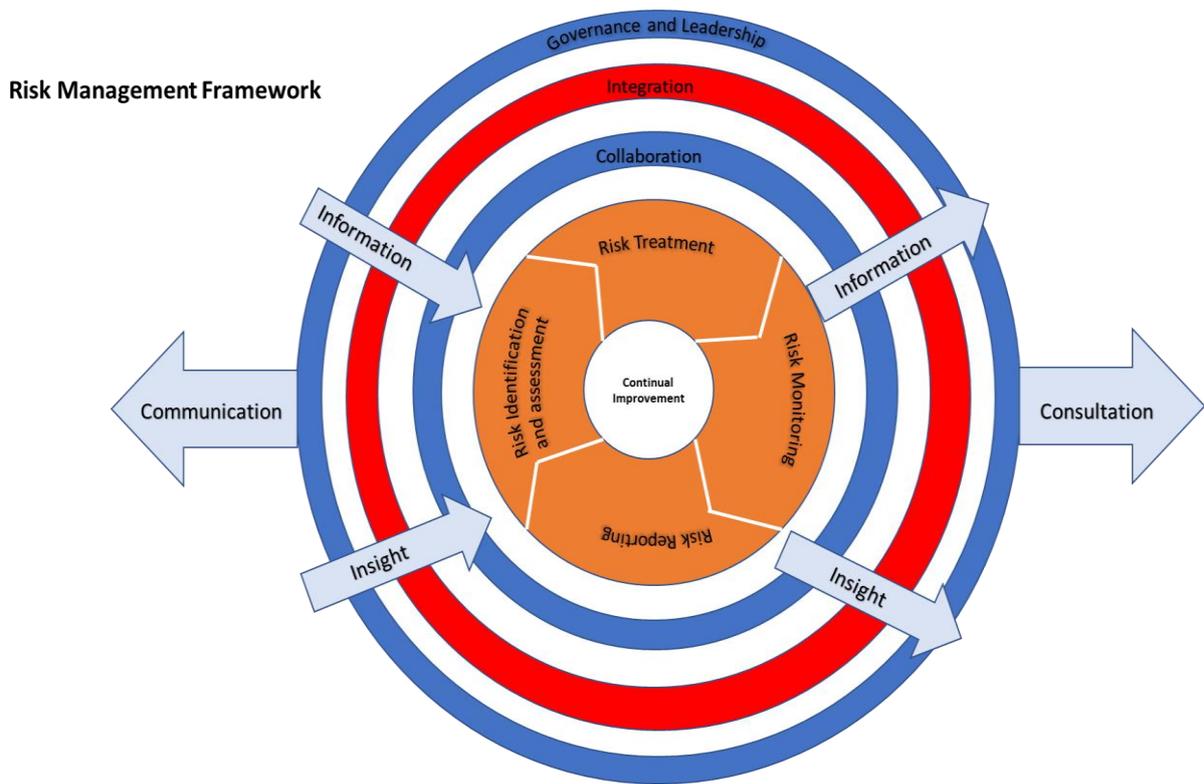
B. Integration – risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives.

C. Collaboration and Best Information – risk management shall be collaborative and informed by the best available information.

D. Structured Processes – risk management processes are recognised as iterative in practice, rather than sequential, and shall be structured to include:

- **Risk Identification and Assessment** – to determine and prioritise how the risks should be managed.
- **Risk Treatment** – the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level.
- **Risk Monitoring** – the design and operation of integrated, insightful and informative risk monitoring.
- **Risk Reporting** – timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

E. Continual Improvement – risk management shall be continually improved through learning and experience.



7. Risk Management Processes

Risk Identification and Assessment

7.1 The aim of risk identification is to recognise and articulate the risks that may help or prevent KCC to achieve its objectives. It is particularly relevant to consider new or emerging risks alongside business planning and strategy formulation processes.

7.2 There are several risk perspectives:

Corporate - Those risks, which if they occurred, would have a major impact on the organisation or delivery of its priorities. Corporate risks also include cross-cutting risks that impact across directorates.

Change related (Programme / Project) – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes or deliver predefined outputs that enable us to deliver outcomes and realise benefits.

Operational / Service / Contract – where we are exposed to risks that could affect our control and ability to successfully and continually deliver or commission services to our service users / residents.

- 7.3 The following factors, and the relationship between these factors, should be considered when identifying risks:
- Changes in the external and internal context
 - Causes and events
 - Consequences and their impact on objectives
 - Threats and opportunities
 - Vulnerabilities and capabilities
 - Uncertainties and assumptions within options, strategies, plans or initiatives
 - Indicators of emerging risks
 - Limitations of knowledge and reliability of information
 - Time-related factors
 - Any potential biases and beliefs of those involved.
- 7.4 Risks should be identified whether or not their sources are under KCC's direct control, as they have the potential to impact on achievement of objectives, causing great damage or creating significant opportunity.

Risk Analysis

- 7.5 The aim of risk analysis is to build understanding of the nature of risk and its characteristics, including, wherever possible, the level of risk. It involves consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. Analysis techniques can be qualitative, quantitative or a combination of these, depending on the circumstances and intended use.
- 7.6 Risk Analysis considers factors such as:
- the likelihood of events and consequences occurring
 - the type and scale of consequences
 - complexity, connectivity and volatility
 - time-related factors
 - the effectiveness of existing controls
 - sensitivity and confidence levels
- 7.7 KCC uses a common set of risk criteria to foster consistent interpretation and application in defining the level of risk, based on the assessment of the likelihood of the risk occurring and the consequences should the event happen. Below is KCC's 5x5 Risk Matrix used to determine risk ratings (outlined below), where the likelihood score is multiplied by the impact score to achieve an overall rating of between 1 and 25:

Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
		Impact					

- 7.8 Providing sufficient information is known, during assessment each risk is to be assigned a 'current' and 'target' risk rating. The 'current' risk rating refers to the current level of risk, taking into account any mitigating controls already in place and their effectiveness. The 'target' rating represents what is deemed to be a realistic, deliverable level of risk to be achieved once any additional actions have been put in place. Depending on our risk appetite and the level of direct control we have over the risk, the aim may be to contain the risk at the current level.
- 7.9 For risks that are judged to have reached their 'target' residual level, the Risk Owner and appropriate management team may wish to manage the risk at a lower level, unless management wishes to continue to monitor effectiveness of controls as part of the regular and structured risk management process. Alternatively, the risk can be withdrawn if it is no longer judged as relevant or significant.
- 7.10 Risk assessments and heat maps used for more conventional risks should be complemented by structured, creative discussions across services that bring different and collaborative risk perspectives on a topic. This will help us to better identify emerging risks and understand potential risk trajectories as well as 'knock-on' effects.

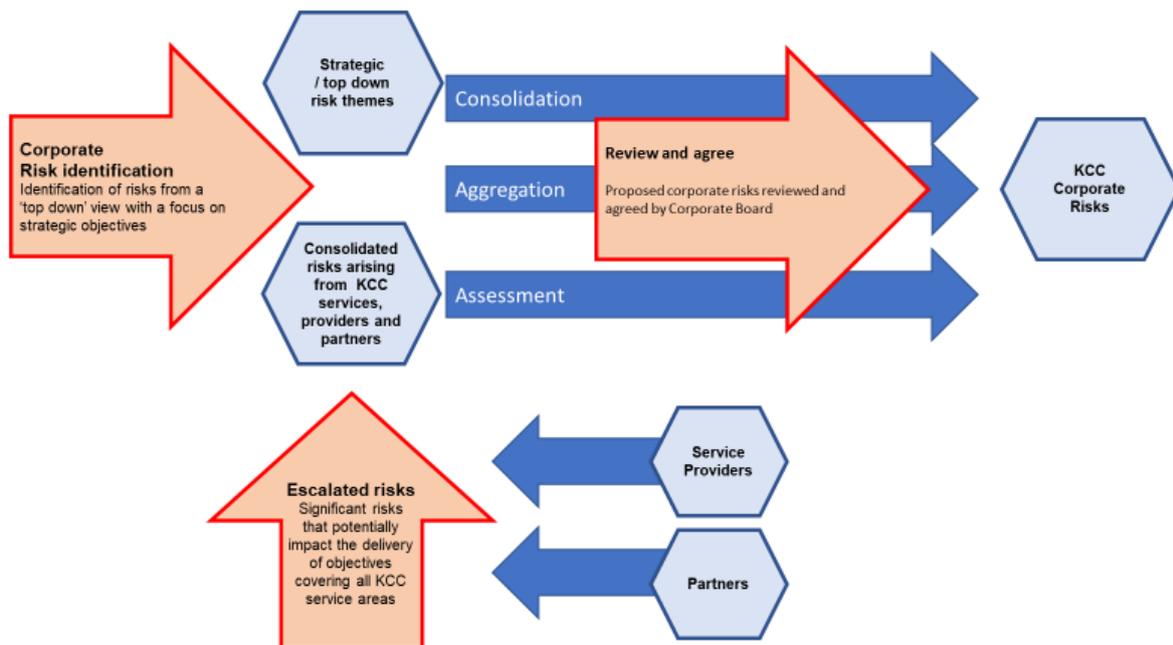
Risk Evaluation

- 7.11 Once analysed, risks will be evaluated to compare the results against the nature and extent of risks that the organisation is willing to take or accept to determine where and what additional action is required.

Risk Appetite, Tolerance and Escalation

- 7.12 Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.
- 7.13 This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. While risks defined as 'high' are to be managed down to a tolerable level wherever possible, it is important that risks across the Authority are not over-controlled.
- 7.14 It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite is expected to be considered and reflected in the development of policies, regulations and strategies of the Council that will need to be reviewed at appropriate intervals. risk appetite should be set with reference to the strategy for service delivery in each particular area. However, examples of risks that would be seen as intolerable are those that are likely to:
- Adversely impact the financial security or resilience of the Council.
 - Negatively affect the safety of our service users, residents or employees.
 - Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).
 - Lead to breaches of laws and regulations.
 - Severely damage the Authority's reputation.
- 7.15 In addition, to aid managers in understanding what risks are acceptable, our appetite for risk is implicitly defined within our standard for determining risk levels (see section 7.7 above). Risks rated as "High" will be deemed to have exceeded tolerance levels and will be subject to escalation by the Risk Owner to the next management level for review and action. The target rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

Risk Escalation, Consolidation and Aggregation



- 7.16 Depending on the nature of the risk and availability of objective risk measures, tolerances will be agreed for Key Risk Indicators. Breaching those tolerances will mean increasing or decreasing the risk rating accordingly.

Risk Treatment

- 7.17 Potential benefits derived in relation to the achievement of objectives are to be balanced against the costs, efforts or disadvantages of implementation.
- 7.18 Justification for the design of risk treatments and the operation of internal control is broader than solely financial considerations and should consider all of the organisation's obligations, commitments and stakeholder views.

Risk Monitoring

- 7.19 The frequency of risk assessment, analysis and review should be a function of how fast risks are emerging and the level of their materiality rather than determined by traditional institutional administrative cycles.
- 7.20 However, as a minimum, risks should be reviewed every 3 months, with risks rated as 'High' subject to more detailed and frequent monitoring. It is expected that in addition to the timely reviewing of individual risks by risk owners, key risks are subject to structured collective discussion by management teams, focusing on changes to the existing risk profile, trends and any emerging risks.

- 7.21 The [Head of Risk & Delivery Assurance Corporate Risk Manager](#) may initiate a review of a corporate risk if it is felt that either external or internal changes are likely to impact on the level of risk exposure for the council.
- 7.22 Ongoing monitoring should support understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended to provide reasonable assurance over the management of risks to an acceptable level in the achievement of organisational objectives.

Risk Reporting

- 7.23 Senior Officers and elected Members must receive unbiased information about the organisation's principal risks and how management is responding to those risks.
- 7.24 Reporting will take into account differing stakeholders and their specific information needs and requirements; cost, frequency and timeliness of reporting; method of reporting; and relevance of information to organisational objectives and decision-making.
- 7.25 As a public service body, it is imperative that we demonstrate transparency and accountability for managing the risks that impact on our staff, service users and residents. Therefore, our corporate risks shall be reported regularly in public forums.
- 7.26 The Corporate Risk Register is to be presented to Cabinet annually after its more formal annual refresh, in addition to any occasion where there has been a significant change to the Council's overall risk profile.
- 7.27 The Corporate Risk Register is also to be reported to the Governance & Audit Committee six-monthly for assurance purposes, alongside a summary of directorate risks.
- 7.28 Corporate Risks are subject to "deep dive" reviews by Corporate Board and the Governance & Audit Committee, with those responsible for the management of risks present, at an appropriate frequency, depending on the nature of the risk.
- 7.29 Progress against objectives set out in this Policy and Strategy will be reported to the Governance & Audit Committee annually.

8. Cultural Factors

- 8.1 Human behaviour and culture significantly influence all aspects of risk management at each level and stage. Several vital elements of an effective culture for risk are embedded within our organisational values and cultural attributes that we strive for as an organisation. In particular:
- KCC Values
 - We are brave. We do the right thing, we accept and offer challenge
 - We are curious to innovate and improve

- We are strong together by sharing knowledge
- KCC Cultural Attributes
 - Flexible/agile – willing to take (calculated) risks
 - Empowering – our people take accountability for their decisions and actions
 - Curious – constantly learning and evolving

9. Review of this Policy

- 9.1 It is the responsibility of the Governance and Audit Committee to: *‘On behalf of the Council ensure that risk management and internal control systems are in place that are adequate for purpose and are effectively and efficiently operated.’* Internal Audit will support their role in assuring its effectiveness and adequacy.
- 9.2 Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

10. Roles and Responsibilities

Group or Individual	Responsibilities
Elected Members of the County Council	Seek to explore, understand and scrutinise risks in the process of formulating policy and decision making.
Governance & Audit Committee	On behalf of the County Council, ensure that risk management and internal control systems are in place that are adequate for purpose and are effectively and efficiently operated. Includes approval of KCC’s Risk Management Policy & Strategy on behalf of County Council .
Cabinet	Responsibility for the operation of the risk management framework, including the establishment of the Council’s risk appetite.
Cabinet Members	Responsibility for the effective management of risk within respective portfolio areas and ensuring that risks are considered in all decisions they make.
Cabinet Portfolio Holder for Corporate Risk	Ensure effective risk management arrangements are put in place.
Cabinet Committees	To provide pre-decision scrutiny to ensure that due consideration is given to associated risks.

Chief Executive Officer	<p>Ensure that overall management attention, effort and controls are commensurate to risk and opportunity across the Council's functions and activities.</p> <p>Ensure governance arrangements provide appropriate oversight and effective risk management of core programmes and activities to enable the best approach to resource stewardship for the Council.</p>
Corporate Director Finance (Section 151 Officer)	Active involvement in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	<p>Adopt the Risk Management Policy and Strategy, ensuring the Council manages risks effectively.</p> <p>Actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk decision-making.</p> <p>Promote the integration of risk management principles into the culture of the Council and its partners.</p>
Directorate Management Teams (DMTs)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMTs)	Responsibility for the effective management of risk within the division, including risk escalation and reporting to the Directorate Management Team as appropriate.
Corporate Risk Manager Head of Risk and Delivery Assurance	<p>Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an effective infrastructure for managing and reporting risk.</p> <p>Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Governance & Audit Committee, Cabinet Members and the Corporate Management Team.</p> <p>Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.</p>
Corporate Risk Team Risk and Delivery Assurance function	<p>Act as corporate advisors of risk at a strategic level.</p> <p>Day-to-day responsibility for developing and co-ordinating risk management across the Council, providing advice, support and training and contributing to the ongoing reporting and analysis of risks.</p>

	<p>Develop oversight, transparency and coordination of major change activity across the Council, including reinforcing KCC's risk management framework throughout major change activity.</p> <p>Continually improve and update corporate risk management procedures based on current best practice and lessons learned.</p>
Internal Audit	Assess the effectiveness of the risk management framework and the control environment in mitigating risk.
Directors and Managers	<p>Ensure that effective risk management arrangements are in place in their areas of responsibility to ensure the Council's exposure is at an acceptable level.</p> <p>Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability.</p> <p>Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.</p>
All elected Members and Staff Members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.
In relation to individual risks:	
Risk Owner	Named individual or role who is accountable for the management and control of all aspects of the risks assigned to them, including determining, authorising, implementing and monitoring the selected controls and actions to address the threats and maximise the opportunities.
Control Owner	The individual or group accountable for ensuring or providing assurance that the specified management control is effective and fit for purpose.
Action Owner	A nominated owner of an action to address a risk. Required to manage action on the risk owner's behalf and to keep them apprised of the situation.

By: James Flannery – Counter Fraud Manager

To: Governance and Audit Committee – 19th March 2024

Subject: **Policy Review:
Anti-Money Laundering Policy
Anti-Bribery Policy
Anti-Fraud and Corruption Strategy**

Classification: Unrestricted

Summary:

This report details:

- Updates to key policies following a review against changes in legislation and guidance.
- Draft Action Plan to ensure relevant procedures are in place to prevent fraud being committed by KCC

Recommendation: To agree amendments to the Policies

Introduction

- 1.1 As part of Internal Audit & Counter Fraud corporate service, the biennial review of key Policies has been conducted..
- 1.2 The following provides a summary of changes to each of the policies, with the actual amended Policies attached as Appendixes:

Policy	Key updates
Anti-Money Laundering Policy Appendix 1	<p>No changes in legislation or guidance have been identified as part of this policy review.</p> <p>The assessed risk is still low due to the low amount of cash Kent County Council receives that are from known cash income sources and low volumes and low amounts of refunds being made.</p> <p>There have been some minor amendments to only have the position within the Council of the Money Laundering Officer and Deputy Money Laundering Officer rather than name, email address and telephone number. It is recommended this Policy is reviewed every two years or when there is a relevant change in legislation/ guidance whichever is sooner.</p>
Anti-Bribery Policy Appendix 2	<p>No changes in legislation or guidance have been identified as part of this policy review.</p> <p>Updates to the Top Level Commitment to outline the Corporate Directors responsibility on ensuring compliance with the policy and the need to assess and mitigate bribery risks in their area.</p>

No changes are required, it is recommended this Policy is reviewed every two years or when there is a relevant change in legislation/ guidance whichever is sooner.

Anti-Fraud &
Corruption Strategy
Appendix 3

Updated to reflect the failure to prevent offence as a risk to KCC.

Updated terminology to reflect the change of Head of Paid Service to Chief Executive Officer

Add requirement for management to capture relevant fraud and error risks within their Directorate/ service risk registers.

Draft - Failure to
Prevent Action
Plan
Appendix 4

A draft Action Plan to start identifying the relevant actions needed to ensure relevant procedures are in place to help prevent fraud being committed by KCC.

Recommendations

1.3 To agree and approve the updates to the Policies.

1.4 To note the Draft Failure to Prevent Action Plan.

James Flannery, Counter Fraud Manager

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February 2024

Anti-Money Laundering Policy

Document Owner	Zena Cooke Corporate Director of Finance
Version	Version 7

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

1. Introduction

- 1.1. Kent County Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.
- 1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on Kent County Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.
- 1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.
- 1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

2. Policy Statement

- 2.1. Kent County Council is committed to:
 - Preventing the Council's services and employees from becoming a victim of, or unintentional accomplice to, money laundering activities.
 - Identifying the potential areas where money laundering may occur and strengthening procedures to minimise the risks.
 - Complying with all legal and regulatory requirements, with particular regard to the reporting of actual or suspected cases of money laundering.
- 2.2. It is important that every member of staff is aware of their responsibilities and remains vigilant.

3. Scope of Policy

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

4. Definition of Money Laundering

- 4.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.
- 4.2. The following constitute money laundering offences:
- a) Concealing, disguising, converting, transferring criminal property or removing it from the UK (s327 of the POCA 2002).
 - b) Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (s328 of the POCA 2002).
 - c) Acquiring, using or possessing criminal property (s329 of the POCA 2002).
 - d) Doing something that might prejudice an investigation e.g. falsifying a document (s333 of the POCA).
 - e) Failure to disclose one of the offences listed in a) to c) above, where there are reasonable grounds for knowledge or suspicion (s330-332 of the POCA 2002).
 - f) Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation (s330 of the POCA 2002).
- 4.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.
- 4.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.
- 4.5. **The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 7.1). Failure to do so could lead to prosecution.**

5. Identifying Money Laundering

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

5.2. Examples of money laundering activity include:

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

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

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

5.5. Care should be exercised and questions asked where:

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

6. The Council's Obligations

6.1. The Council is obligated to:

- Appoint a money laundering reporting officer;
- Maintain client identification procedures in certain circumstances;
- Implement a procedure to enable the reporting of suspicions of money laundering;

- Report any cash transactions over €10,000 (or the Sterling equivalent);
- Provide training to officers at risk of being exposed to money laundering;
- Maintain sufficient records.

7. The Money Laundering Reporting Officer (MLRO)

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

MLRO: Corporate Director of Finance

Deputy MLRO: Head of Internal Audit & Counter Fraud

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

8. Further information

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

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

9. Conclusion and Risk Assessment

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

Anti Money Laundering Procedures

1. Reporting concerns

- 1.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 2.
- 1.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.
- 1.3. The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.
- 1.4. The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.
- 1.5. The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).
- 1.6. The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently referred to as a suspicious activity report (SAR)). This can be found on the NCA website: www.nationalcrimeagency.gov.uk

2. Identification of Clients

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

- 2.2. However, where the Council is carrying out a **‘relevant business’**,¹ and as part of this:
- forms an ongoing business relationship with a client; or
 - undertakes a one-off transaction involving payment by or to the client of €10,000 (or the equivalent in sterling) or more; or
 - cash payments totalling €10,000 or more which appear to have been broken down into smaller amounts so that they come below the high value limit; or
 - it is known or suspected that a one-off transaction (or a series of them) involves money laundering.
- 2.3. Then the client identification procedures (listed below) must be followed before any business is undertaken for that client.
- 2.4. Where the ‘relevant business’ is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.
- 2.5. If the ‘relevant business’ is being provided externally then the following additional checks must be completed:
- Check the organisation’s website and other publicly available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details;
 - Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation. This can be obtained through electronic ID verification if it is free from fraud and provide sufficient assurance of the identity of the individual;
 - Enhanced due diligence will be required for any transaction where the organisation is established in a high-risk third country, or where the transaction is complex or unusually large.
- 2.6. Remember, these additional client identification procedures are **only** required when conducting a ‘relevant business.’

3. The types of activities that may be affected

- 3.1. The following table sets out the types of activities that might be suspicious, and how the Council may come across those activities. It is not intended to be

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

exhaustive, and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected
New customers with high value transactions	<ul style="list-style-type: none"> • Selling property to individuals or businesses • Renting out property to individuals or businesses • Entering into other lease agreements • Undertaking services for other organisations
Secretive clients	<ul style="list-style-type: none"> • People buying or renting property from the Council who may not want to say what it is for • People receiving grant funding who refuse to demonstrate what funding was used for
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> • People paying for Council services who do not provide details about themselves • People making odd or unusual requests for payment arrangements
Illogical transactions	<ul style="list-style-type: none"> • People paying in cash then requesting refunds • Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council • Requests for the Council to pay in foreign currencies for no apparent reasons
Payments of substantial sums by cash	<ul style="list-style-type: none"> • Large debt arrears paid in cash • Refunding overpayments • Deposits / payments for property
Movement of funds overseas	<ul style="list-style-type: none"> • Requests to pay monies overseas, potentially for "tax purposes"
Cancellation of earlier transactions	<ul style="list-style-type: none"> • Third party "refunds" grant payment as no longer needed / used • No payment demanded even though good / service has been provided • Sudden and unexpected termination of lease agreements
Requests for client account details outside normal course of business	<ul style="list-style-type: none"> • Queries from other companies regarding legitimacy of customers • Council receiving correspondence / information on behalf of other companies
Extensive and overcomplicated client business structures /	<ul style="list-style-type: none"> • Requests to pay third parties in respect of goods / services • Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties

arrangements	
Poor accounting records and internal financial control	<ul style="list-style-type: none"> • Requests for grant funding / business support indicates third party not supported by financial information • Companies tendering for contracts unable to provide proper financial information / information provided raises concerns • Tender for a contract which is suspiciously low
Unusual property investments or transactions	<ul style="list-style-type: none"> • Requests to purchase Council assets / land with no apparent purpose • Requests to rent Council property with no apparent business motive
Overcomplicated legal arrangements / multiple solicitors	<ul style="list-style-type: none"> • Property transactions where the Council is dealing with several different parties

4. Training

- 4.1. Officers considered to be most at risk of being exposed to suspicious situations will be made aware by their senior officer and provided with appropriate training.
- 4.2. Additionally, all officers and Members will be familiarised with the legislation and regulations relation to money laundering and how they affect the employees (themselves) and the Council.
- 4.3. It is not necessary for all staff to be aware of the specific criminal offences, staff that are likely to encounter money laundering should be aware of the procedures that are in place. This policy and procedures provides sufficient information to raise awareness for most staff.
- 4.4. It is recommended that staff in areas that are highly vulnerable to money laundering, should be provided with targeted training that is specific to the Council activity at hand. This could be achieved by in-house resources, or through training courses and seminars run by external provider.

Anti Money Laundering Reporting Form

Your Contact Details

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

Name :	
Role:	
Email:	
Contact Telephone:	

Main Subject

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

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

Transaction(s)

Please enter the details of the transactions you think are suspicious

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

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

Account(s)

Please enter details of the account(s) used.

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

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

Associated Subjects:

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

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

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

Linked addresses:

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:

Please enter details of your suspicions. Please provide as much information as possible.

KENT COUNTY COUNCIL

ANTI-BRIBERY POLICY

Document Owner	Benjamin Watts General Counsel
Version	Version 7

Version	Reviewed	Reviewer	Approver	Date approved
Original				
4	1 May 2017	Internal Audit	Governance and Audit Committee	1 Nov 2017
5	28 Feb 2020	Internal Audit	Governance and Audit Committee	21 Jul 2020
6	14 Dec 2021	Internal Audit	Governance and Audit Committee	25 Jan 2022
7	07 Feb 2024	Internal Audit	Governance and Audit Committee	TBC

1. Introduction

- 1.1. This policy is introduced to ensure compliance with the Bribery Act 2010. It explains the process through which the Council intends to maintain high standards and to protect the organisation, employees, Members and business partners against allegations of bribery and corruption.
- 1.2. It is the Council's policy to conduct business in an honest and open way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Council attaches the utmost importance to this policy and will apply a "zero tolerance" approach to acts of bribery and corruption by any of its Members, employees, or persons and partners acting on our behalf. Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action and possibly criminal prosecution.

2. Policy Statement

- 2.1. Bribery is a criminal offence. The Council will not pay bribes, or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The Council will not engage indirectly in or otherwise encourage bribery.
- 2.2. The Council is committed to ensuring compliance with the highest legal and ethical standards. The Council will commit to policies and procedures to prevent, deter, and detect acts of bribery. The Council will ensure that anti-bribery compliance is an essential aspect of its governance process and at the core of its business principles. It is an on-going process and not a one-off exercise.

3. Objective

- 3.1. This policy presents a clear and precise framework to understand and implement the arrangements required to comply with the Bribery Act 2010. It provides the context for the detailed rules, procedures and controls in place. It should provide no room for misinterpretation and will ensure that Members, employees, volunteers and business partners know what is expected of them in preventing bribery.
- 3.2. This policy should be read in conjunction with, and reinforce, other related policies and documents (see section 7). The provisions in these policies and documents should be reflected in every aspect of the way the Council operates. The requirement to act honestly and with integrity at all times is made clear and is fundamental and non-negotiable.
- 3.3. This policy explains the procedures established to prevent acts of bribery and allow any breach to be identified and reported.

4. Scope

- 4.1. This policy applies to all of the Council's activities. The Council requires that all Members (including independent and co-opted Members), employees at all levels and grades, temporary and agency staff, volunteers, contractors, agents, consultants and partners acting on the Council's behalf, comply with the provisions of this policy. The Council will also seek to promote the adoption of reciprocal anti-bribery and corruption measures that are consistent with the Council's policy by joint venture partners and major suppliers.
- 4.2. The responsibility to mitigate the risk of bribery resides at all levels of the Council and includes all directorates. It does not rely solely on the Council's assurance functions.

5. Policy Commitment

5.1. The Council commits to:

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

6. The Bribery Act 2010

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

6.2 The Act includes four offences:

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

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

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

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

KENT COUNTY COUNCIL
BRIBERY ACT PROCEDURE

1. Council Procedures on the Bribery Act

- 1.1. The Council will follow the guidance issued by the Ministry of Justice. The actions are intended to be proportionate to the risks faced by the Council and to the nature, scale and complexity of the Council's activities. The actions are expected to provide a defence of "adequate procedures" against any corporate offence. The following steps will be taken:
- 1.2. **Top Level Commitment** – The Corporate Management Team is committed to preventing bribery by persons associated with the Council. Corporate Directors are responsible for ensuring compliance with this policy including assessing and mitigating the risk of bribery within their area. Biennial review of this policy will be taken to the Governance and Audit Committee for approval.
- 1.3. **Risk Assessment** – The nature and extent of the Council's exposure to external and internal risks of bribery will be assessed as part of the Council's risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review.
- 1.4. **Due Diligence** – A proportionate and risk-based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the Council's policy and be expected to operate at all times in accordance with such policy.
- 1.5. **Communication** – The Council will ensure that this policy and other related policies and procedures are embedded in the Council's working arrangements through appropriate communication, including training, which is proportionate to the risks the Council faces. The Council's induction programme will include reference to the Bribery Act 2010 and this policy.
- 1.6. **Monitoring and Review** – This policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis. All incidents of bribery or suspected bribery will be reported to the Governance and Audit Committee. An assurance of compliance will be included in the Annual Governance Statement.
- 1.7. In the context of this policy, it is unacceptable for persons acting for or on behalf of the Council to:
- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
 - give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure;

- accept payment from a third party that is known to be, or suspected to have been, offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return;
- retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy; and
- engage in any activity in breach of this policy.

2. Gifts and Hospitality

- 2.1. This policy is not intended to change the requirements of the Council's Gifts and Hospitality policies and procedures. This is contained in the Kent Code and in the Members Code of Conduct in the Council's Constitution. The guidelines clearly set out the restrictions on accepting gifts and hospitality, the need to inform the manager and the need to register any approved gifts that are retained.
- 2.2. If there is any doubt about whether an invitation or gift should be accepted then the offer should be refused. Each Corporate Director is required to review their respective Gifts and Hospitality registers at least annually. The Corporate Director of Finance will ensure that reminders on this subject and the need for officers to complete a Register of Interests form are sent out every year.
- 2.3. The procedures for Members' registers of interest are set out in the Members' Code of Conduct.

3. Public Contracts

- 3.1. Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK) a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. It is understood that there are no plans to amend the 2006 regulations for these to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council will use its discretion as to whether to exclude organisations convicted of this offence and any instances where this is the case will be reported to the Corporate Management Team for a decision.

4. Member, Staff and partner Responsibilities

- 4.1. The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or acting for or on its behalf. All Members, staff, volunteers and partners are required to avoid activity that breaches this policy. Adherence to the policy is mandatory.
- 4.2. Members, staff, volunteers and partners must:
 - Ensure that they have read, understood and comply with the Bribery Act Policy.

- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

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

5. Raising a concern

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

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

6. Review of the Bribery Act Policy

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

7. Other relevant policies

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

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

Anti-Fraud and Corruption Strategy

Document Owner	Jonathan Idle, Head of Internal Audit and Counter Fraud
Version	Version 10

Document Review History

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	30 June 2013	Internal Audit	Governance & Audit Committee	24 July 2013
3	25 June 2014	Internal Audit	Governance & Audit Committee	24 July 2014
4	11 Sept 2015	Internal Audit	Governance & Audit Committee	2 Oct 2015
5	July 2016	Internal Audit	Governance & Audit Committee	6 Oct 2016
6	5 Sep 2018	Internal Audit	Governance & Audit Committee	24 October 2018
7	29 March 2019	Internal Audit	Governance & Audit Committee	24 April 2019
8	15 June 2020	Internal Audit	Governance & Audit Committee	21 Jul 2020
9	14 Dec 2021	Internal Audit	Governance & Audit Committee	25 Jan 2022
10	07 Feb 2024	Internal Audit	Governance & Audit Committee	TBC

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A. Policy Statement

1. Kent County Council takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.
2. The Council will not tolerate fraud or corruption by its Members, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue appropriate sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.
3. To fulfil the Council's Strategy, we must be able to maximise the financial resources available to us. In order to do this, we aim to mitigate the risk of fraud and corruption to zero.
4. This policy statement is underpinned by the Anti-Fraud and Corruption Strategy, which sets out the key responsibilities regarding fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

5. Every £1 that Kent County Council loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions may be far reaching. To reduce losses Kent County Council is committed to:
- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
 - The prevention of fraud and the promotion of an anti-fraud culture.
 - A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
 - The investigation of a risk-based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
 - The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:
 - **Govern** the anti-fraud, bribery and corruption measures to ensure they are robust and holistic;
 - **Acknowledge** the threat of fraud and the opportunities for savings that exist;
 - **Prevent** and detect all forms of fraud;
 - **Pursue** appropriate sanctions and recover any losses;
 - **Protect** itself and the community against serious and organised crime, protecting the organisation from becoming a victim of fraud.

Definition of Fraud

6. The Council defines fraud as 'any activity where deception is used for personal gain or to cause loss to another.' Fraud can be committed in one of three ways:
- **Fraud by false representation** – Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.
 - **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with or failing to disclose a personal relationship with someone who is applying for a job at the Council.

- **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.
 - **Failure to prevent fraud** – Examples of this include selecting suppliers and business partners that might act as an agent to commit fraud, hiring people who have committed fraud or allowing conflicts of interest that encourage fraud.
7. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is not true.

Definition of Corruption

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

Current Threats and their Impact

9. KCC faces a range of fraud and corruption threats and the impact can be significant causing financial loss, reputational damage and harm to service users and the residents of Kent. In the last 12 months, the most frequent types of fraud and similar crimes that have impacted on KCC are as follows:
- **Misuse of Direct Payments.** This type of fraud causes financial loss to the Council and undermines the public's confidence in the services provided. The individual values vary significantly depending on need but it is estimated that misuse could result in potential losses of £100,000 per year.
 - **Cyber Crime.** This type of offence can manifest in a number of forms, through ransomware and denial of service attacks, change of bank details on mandates, payroll and requests for urgent payments. It is estimated that the potential losses could result into £100,000s per year. With the emergence of Artificial Intelligence, this is a growing threat.
 - **Procurement Fraud.** This type of fraud occurs throughout a procurement process, from bribery & cartel risks at tendering stage, through to

duplicate/ false invoicing, defective/ non-existent goods and false performance reporting.

- **False Applications for Financial Support.** The applications are from people falsely presenting to the Council as destitute and having no recourse to public funds. This type of risk has been increasing in Kent. It has a direct financial impact on the Council. Estimating the losses is difficult, but based on previous allegations, it is believed that this type of fraud could result in losses of £250,000 per year.
- **Blue Badge Fraud.** This type of fraud causes a financial loss to the wider Kent economy, undermines the public's confidence in the Blue Badge scheme and prevents genuine Blue Badge users from accessing safe, convenient parking. Using the National Fraud Authority's methodology for calculating losses we estimate the Kent economy could be losing as much as £1.3m per year.

Setting the Culture

B. Standards

10. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following standards from all Members, employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC:
 - **Selflessness** - Act solely in terms of the public interest.
 - **Integrity** - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
 - **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
 - **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

- **Honesty** - Be truthful.
- **Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Further reading

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

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

C. Roles and Responsibilities

The Role of Elected Members

12. As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.
13. This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

The Role of Employees

14. Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.
15. Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.
16. Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of

them. Where employees are also members of professional bodies, they should also follow the standards of conduct laid down by them.

17. Employees are under a duty to properly account for and safeguard the money and assets under their control/charge.
18. Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.
19. Failure to disclose an interest or the acceptance or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.
20. Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their Directorates and the communication and implementation of this Strategy.
21. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

The role of the Chief Executive Officer

22. Ensuring that the authority is measuring itself against the checklist for Fighting Fraud and Corruption Locally and there are sufficient resources to manage the risk of fraud.
23. Ensuring the Governance & Audit Committee receives regular reports on the work of those leading on fraud and the external auditor is aware of the reporting.

The role of the Corporate Director of Finance

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

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

The Monitoring Officer

26. The Monitoring Officer is responsible for ensuring that Members, Governance & Audit Committee and Portfolio leads are aware of Counter Fraud Activity and provide training on Counter Fraud risks and approaches.
27. The Monitoring Officer is responsible for ensuring The Counter Fraud Team are independent of processes and reports to Governance & Audit Committee to ensure there is Member scrutiny.

The role of the Governance and Audit Committee

28. The Governance and Audit Committee is responsible for ensuring that the Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit; and, that the Council monitors the implementation of the Bribery Act policy to ensure that it is followed at all times.
29. Ensuring that the Portfolio lead is up to date and understands the activity being undertaking to Counter Fraud.
30. Provide support and challenge to the Counter Fraud activity being undertaken across the Council.

Kent County Council's Commitment

31. Fraud and corruption are serious offences and employees and Members may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected, consideration will be given to pursuing criminal sanctions, in line with the KCC Sanction and Prosecution Policy, which may involve referring the matter to the police.
32. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss including the costs of the investigation whenever appropriate.
33. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will

be publicised where it is deemed appropriate. This will include use of the Council's Intranet and releasing press statements immediately after criminal convictions are secured. In addition, the Council will promote an anti-fraud culture through fraud awareness campaigns, presentations, training and e-learning.

D. Prevention – Capability, Competence & Capacity

Responsibilities of management

34. The primary responsibility for the prevention and detection of fraud is with management. Management must ensure that they promote an anti-fraud culture and assess the risk of fraud, bribery and corruption. They must ensure appropriate controls are in place to minimise the risk of fraud, for example, this could include establishing procedures, fraud awareness training, authorisation limits and segregating duties.
35. Management must ensure the controls are operating as expected and are being complied with. They must ensure that adequate levels of checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.
36. Management must ensure that where there is a risk of fraud and error that the relevant risks are captured within their directorate / service risk register with mitigating controls/ actions to ensure the opportunity of fraud and error is sufficiently mitigated.
37. Management must ensure the development of new policies, strategies and initiatives are fraud-proofed by engaging with Counter Fraud Specialists to support the assessment of the fraud risks.

Internal Audit and Counter Fraud

38. The Head of Internal Audit and Counter Fraud is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.
39. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

40. The Head of Internal Audit will establish performance measurements for counter fraud activity and will report progress against the performance measurements to the Governance and Audit Committee.
41. The Counter Fraud Team will provide management with specialist support to assess the risk of fraud, bribery and corruption that it faces through the completion of risk assessments, in particular on the introduction of new policies, strategies and initiatives.
42. Through the completion of proactive and reactive work, make recommendations to management on how to strengthen the counter fraud culture and control framework to help prevent and detect fraud.

Working with others and sharing information - Collaboration

43. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. This will include:
 - Coordinating our activity with the other enforcement teams across the Council, such as Waste and Trading Standards, to maximise our impact.
 - Working in partnership with District, Borough and City Councils to share intelligence and target our collective resources at the areas at most susceptible to fraud.
 - Working with and supporting the Police and other enforcement agencies.
 - Working with the Cabinet Office in the development and introduction of the Government Counter Fraud Profession.
44. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the Cabinet Office National Fraud Initiative, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

45. Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (to the Cabinet Office) for example payroll, pension, and accounts payable (but not limited to these)

which is then matched to data held by public and private sector bodies. Enquires are made into any positive matches (e.g. an employee on the payroll in receipt of housing benefit).

Training and awareness – Communication

46. The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.
47. Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.
48. Internal Audit and Counter Fraud will provide fraud awareness training to risk areas and on request and will publish its successes to raise awareness.

E. Detection and Investigation – Capability, Competence & Capacity

49. The Council is committed to the risk-based investigation of all instances of actual, attempted and suspected fraud committed against the Council and the recovery of funds and assets lost through fraud.
50. Any suspected fraud, corruption or other irregularity must be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.
51. Action could include:
 - Investigation carried out by Internal Audit & Counter Fraud staff;
 - Joint investigation with Internal Audit and relevant Directorate management;
 - Directorate staff carry out investigation and Internal Audit provide advice and guidance;
 - Referral to the Police.
52. The responsibility for investigating potential fraud, corruption and other financial irregularities within KCC lies mainly (although not exclusively) with Internal Audit. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

F. Raising Concerns and the Whistleblowing Policy

Suspicious of fraud or financial irregularity

53. All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Head of Paid Service or the Monitoring Officer.
54. If a member of the public suspects fraud or corruption they should contact the Head of Internal Audit or Counter Fraud Manager in the first instance. They may also contact the Council's External Auditor, all of whom may be contacted in confidence.
55. The Council's Internal Audit Section can be contacted by telephone on 03000 414500 or by mail to internal.audit@kent.gov.uk.

Whistleblowing Policy

56. Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.
57. The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within KCC, without fear of reprisal or victimisation, rather than over-looking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.
58. Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on KNet.
59. Members of the public and those working on behalf of KCC can obtain a copy of the external 'Speaking out against wrong doing Policy' on Kent.gov.uk.

G. Conclusion

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

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Appendix D – Draft Action Plan – Failure to Prevent Fraud

Risk	Impacted Areas	Existing procedures	Action	Lead Area	Time Scale
Sales: Risks of false claims, mis-selling, fraudulent advertising, unfair sales practices, phishing, market manipulation	Grants	Grant applications requires applicants to provide details of what the grant will be used for.	Grants – to update grant application forms where there are services being delivered to the public/ businesses to include a requirement for grant applicants to provide details of what procedures they have in place to prevent the mis-selling of services to the public/ businesses.	Grant Leads	31/10/2024
Sales: Risks of false claims, mis-selling, fraudulent advertising, unfair sales practices, phishing, market manipulation	Property	Property disposal policy and procedures in place	n/a		
Sales: Risks of false claims, mis-selling, fraudulent advertising, unfair sales practices, phishing, market manipulation	Authority wide: Selling of services & goods Outdoor establishments e.g. country parks, out door education centres	The Budget Book – Fees and Charges Income Policy Financial Regulations	Directorate to review services that receive external income for the selling of services to ensure that fees and charges are reviewed annually and approved by cabinet member as per Fees and Charges Income Policy and Financial Regulations.	Corporate Directors	

	Professional services e.g. Kent Scientific Services				
Procurement – Not selecting suppliers and business partners that might act as an agent to commit fraud; using illegal or corrupt means to purchase goods and services that would not be normally obtainable or at a price that is undue; not paying suppliers for goods and services properly received.	Procurement / Directorate commissioning teams	Spending the Councils Money Tendering and evaluation of bids. Supplier set up process / Due diligence of suppliers/ Know Your Customer checks	Tendering documents to be updated to include details and the scoring of what relevant procedures bidders have in place to prevent fraud occurring within the supply chain. KCC Standard contact terms and conditions to be updated to include reference to the failure prevent procedures within the section of Fraud, Bribery and Corruption.	Commercial and Procurement Commercial and Procurement	
Recruitment – Hiring people who have committed fraud, allowing conflicts of interest that encourage fraud, using politically connected people to obtain	Authority Wide	DBS checks on certain roles. Declaration of interest process including procurement	Review of position within Directorates that could facilitate fraud/ theft to determine if a DBS check is needed. Apply to join the CIFAS Fraud data base to match staff joining KCC to identify anyone that	Corporate Directorates Office/ HR & OD. Internal Audit/	

Appendix D – Draft Action Plan – Failure to Prevent Fraud

<p>government deals that are undue.</p>		<p>Separation of duties in the supplier set up process and authorisation of payments</p>	<p>has been dismissed for fraud prior to offer of employment being sent.</p>	<p>Counter Fraud in conjunction with HR & OD.</p>	
<p>Finance – ensuring proper books and records, correct reporting, documented and clear controls.</p>	<p>Finance & Authority Wide</p>	<p>Public Sector Accounting regulations, incl financial regulations and procedures</p> <p>External Audit</p> <p>IR35 Assessments</p> <p>P11D Tax Assessments</p>	<p>n/a</p>		

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Kent County Council

Audit progress report and sector updates

19 March 2024



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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.

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Introduction

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This paper provides the Audit and Standards 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
- a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

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

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

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

Progress at March 2024

Financial Statements Audit

2022/23 Kent County Council Audit

We have encountered a number of issues in the completion of our 2022/23 financial statements audit, which have been reported to previous Governance and Audit Committees. The 2022/23 financial statements audit will be completed and the audit opinion signed by 31 March 2024.

National Issues - Dealing with the backstop

Nationally, as we have previously reported to this Committee, there are a significant number of local authorities that have not had an audit completed for a number of years. Page 10 of this progress report sets out the details of DLUHC's proposals to address the local audit backlog.

23/24 and beyond

Under the DLUHC proposals, the 2023/24 accounts must be published and audited by 31 May 2025 or a further backstop will be implemented. It will be vital for taxpayer accountability that the Council is able to prepare accounts that can be audited in full by this deadline. We will work constructively with management to make sure this is achieved in an efficient manner.

Value for Money

Our Value for Money work is complete and was reported to the Governance and Audit Committee in February 2024. Significant weaknesses were identified in the Council's Value for Money arrangements across all three criteria:

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

We have made a number of key recommendations in our Annual Audit Report and will follow up the Council's progress in implementing them during our 2023/24 Value for Money work.

Grants

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

In respect of Teachers Pensions the following returns are outstanding 2019/20, 2020/21, 2021/22 and 2022/23, for all of which queries are with officers for response. Officers have confirmed that our queries are being reviewed and responded to.

Progress at March 2024 (cont.)

Other areas

Meetings

We continue to meet with senior officers at the Council on a regular basis on what is always a constructive dialogue. We recognise the significant issues that need to be addressed at the Council.

Events

We provide a range of workshops and network events, including Chief Accountants workshops for the 2023/24 accounts which were held in February 2024. Delegates from Kent County Council were in attendance.

Audit Fees

PSAA have published their scale fees for 23/24 [2023/24 auditor appointments and audit fee scale – PSAA](#).

For Kent County Council these fees are £433,444 for the Council audit and £112,629 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue an audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2022/23 financial statements.</p>	July 2024	Delivered
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Governance and Audit Committee.</p>	November 2023	Delivered
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>		Will be delivered March 2024
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	February 2024	Delivered

Audit Deliverables

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

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work in advance of 31/05/2025, the backstop date set by DHLUC for 2023/24 audits

** The NAO consultation on the Code of Audit Practice requires auditors to deliver an annual VFM report by 30 November of each year. This may be a complete report, a progress report or a risk assessment depending on local circumstances

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing 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 show the current estimated financial trajectory of the sector and 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

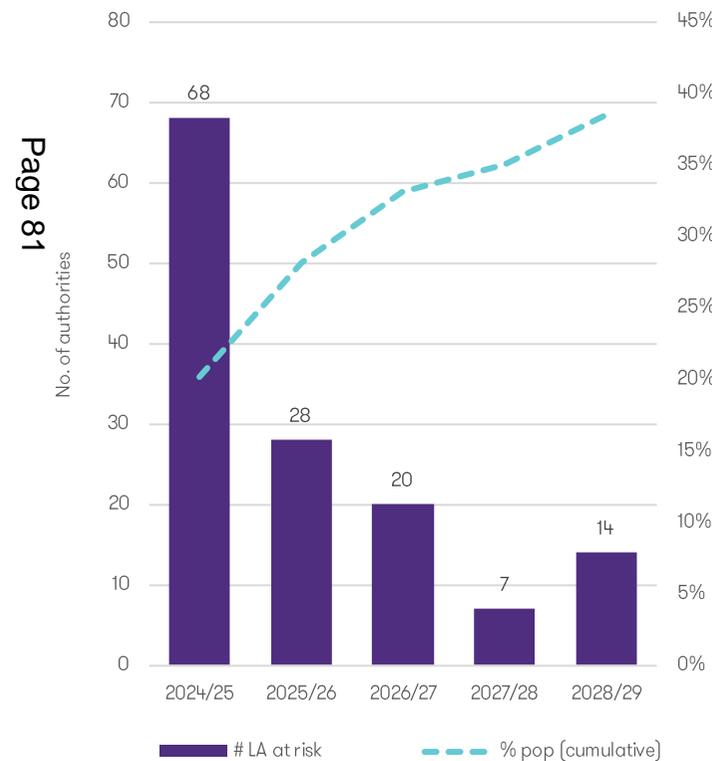
Local
government

The financial trajectory of the sector

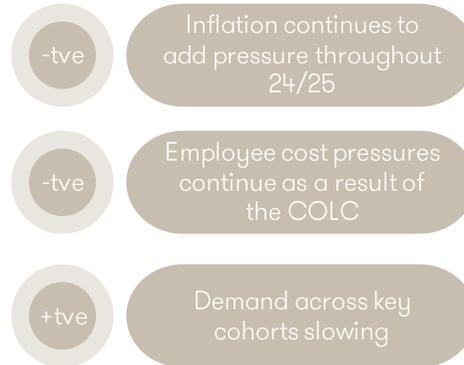
This is taken from the Grant Thornton/CIPFA Financial Foresight model, which provides long-term forecasts (revenue income and expenditure) for all councils in England. These forecasts are based on multiple assumptions relating to financial, demographic and economic factors. Councils at risk are defined by the level of usable reserves being less than 5% of net revenue expenditure.

The year at risk graph on the left represents the most recent update of the assumptions including the impact of the Autumn Statement and draft 2024/25 finance settlement. The graph on the right provides the position before this most recent update. This highlights that the year at risk for many councils has moved forward to 2024/25. The graph at the bottom of the page highlights the forecast depletion of reserves nationally, as councils manage ongoing financial pressures.

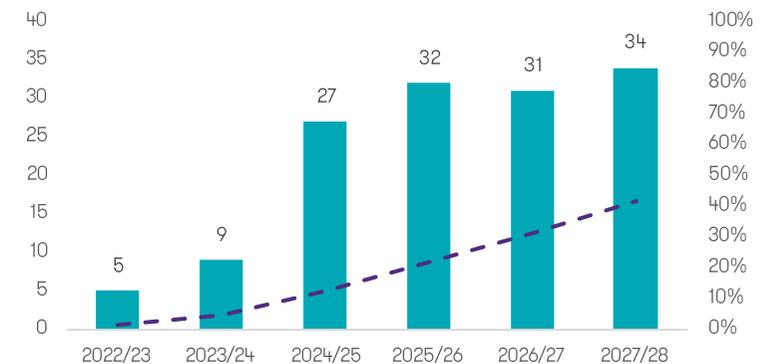
Year at risk (based on Jan 2024 forecast)



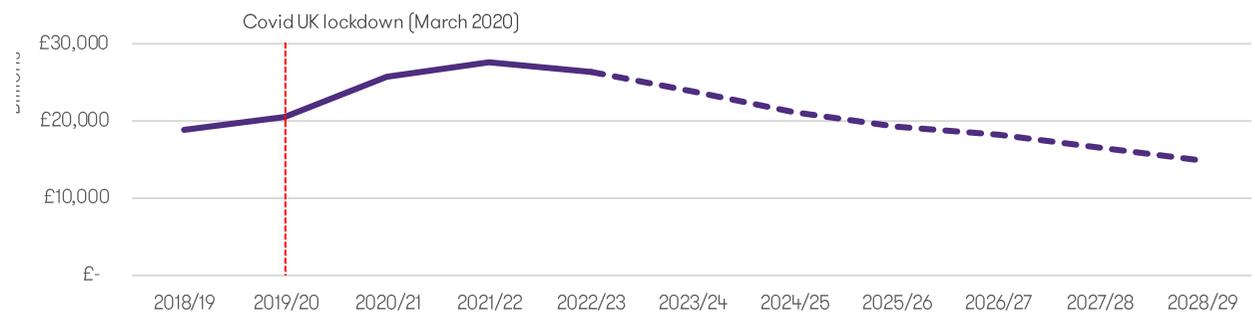
Assumptions



Year at risk (Historic Position)



Level of reserves



Source: Financial Foresight (Grant Thornton and CIPFA)

Addressing the delay in local audit

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see *About time?* (grantthornton.co.uk). Further details can be found in the 'Sector update' section of this report on Pages 16 to 19. Since 2019 Grant Thornton have increased our public sector audit team from 340 people to circa 470 which reflects both the additional work required by new accounting and auditing standards as well as the NAO Code of Practice requirements on value for money.

On 8th February 2024, DLUHC and the NAO both issued consultations on measures to address the delay in local audit. Consultations are open until 7th March 2024 and relate to:

- DLUHC - changes to the Accounts and Audit Regulations 2015 to introduce a backstop date of 30 September 2024 for the publication of audited accounts up to and including 2022/23, and a series of future backstop dates covering the remainder of the PSAA appointment period; and

- NAO - changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

The FRC, as shadow system leader, is facilitating the consultations. CIPFA/LASAAC are expected to go live on their proposals for time limited changes to the Financial Reporting Code for English bodies shortly.

To have your say, navigate to the consultations here:

The DLUHC landing page is here - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)

The NAO landing page is here - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)



Grant Thornton report: preventing failure in local government

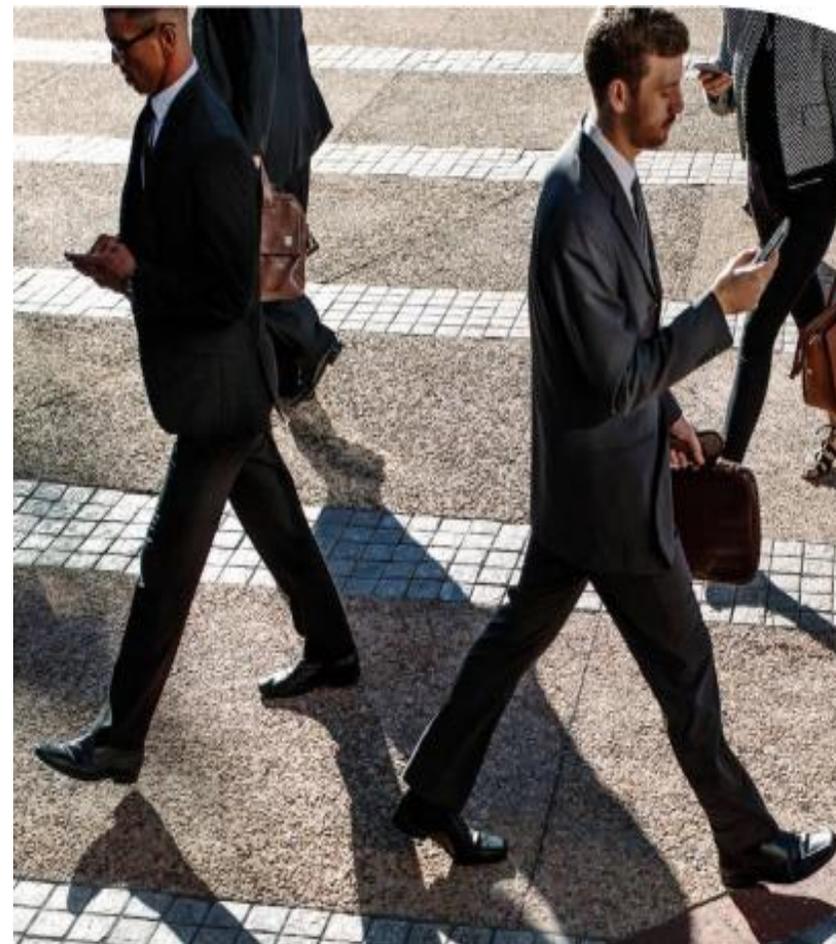
Grant Thornton's December 2023 report Preventing Failure in Local Government offers prescriptions for remedies to support better health across the local government sector. The report looks at the opportunities that councils and their key internal and external players have to prevent failure, noting that the chain (of good governance) is only as strong as its weakest link.

The Audit Committee is listed as one of the key internal bodies with a role to play in preventing failure, along with the Executive, the Overview and Scrutiny Committee and the golden triangle of Chief Executive Officer; Finance Director; and Monitoring Officer. **Opportunities for the Audit Committee to make a difference surround:**

- focusing on risk management alone (not having multiple roles);
- independence (having an independent chair and at least one independent member);
- specialist training and support for members of the committee;
- direction over internal audit (setting the standard for strategic risk focus and timeliness); and
- curiosity and asking the right questions.

Sharing the Auditor's Annual Report with full council is also listed as important. The challenge for Audit Committees will be not only to maximise their own opportunities to prevent failure, but knowing the right questions to ask about whether the Executive and other committees and the three key statutory officers are making the most of their opportunities as well.

For insight into effective questions to ask, read the full report from Grant Thornton here: [How can further local authority failures be prevented? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)



Mitigating financial distress in Local Authorities

On 29th January 2024, a report by the Levelling Up, Housing and Communities Committee highlighted that in the last six years, eight local authorities have issued a section 114 notice, whereas none had done so in the eighteen years before that.

Income related issues were highlighted in the report around the below-inflation cap on increasing council tax rates (referendum thresholds) and formulaic weaknesses with the business rates retention scheme. Council tax especially was singled-out as regressive, long overdue for reform, and contributing to a disproportionately negative impact on funding levels in the most deprived areas of the country.

Expenditure related issues were listed in the report as surrounding social care; special educational needs and disabilities; and homelessness. The report highlighted that for children's social care, even the Competition and Markets Authority has recognised that the level of competition in the market is "not working as well as it should be" at maintaining prices at reasonable levels for local authority purchasers.

The report shows that nearly one in five Leaders and Chief Executives of other local authorities who have not already issued a s114 notice do assess themselves as being at "tipping point" due to lack of funding.

Whilst most of the recommendations in the report are aimed at Government, there are some **key takeaways for local authorities while they wait for any change that may come:**

- have we set Council Tax at the highest level possible without a referendum? Future changes could see referendum thresholds increased or removed. Are Councils doing all they can now to maximise this source of income?
- are we collaborating as effectively as we can with other local authorities to influence market prices for the services we buy in?

For insight into effective questions that Audit Committees can ask, read the full report here [*Financial distress in local authorities \(parliament.uk\)](https://www.parliament.uk/resources/reports/financial-distress-in-local-authorities)



Learning from the Office for Local Government

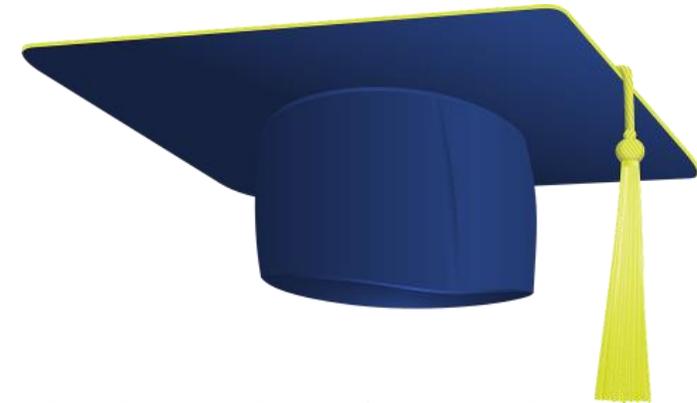
On 15th February 2024, the Secretary of State for Levelling up, Housing and Communities set out, in an open letter to the Chief Executive of Oflog, the strategic remit for Oflog for the financial years 2024 to 2027, and the Office's priorities for the financial year 2024/25. The priorities are to:

- inform;
- warn;
- support; and
- engage.

Using the new Local Authority data explorer tool (launched in July 2023), the Office can currently use metrics on waste management, planning, adult social care, roads, adult skills and corporate/ finance to compare any one authority with the English median, CIPFA nearest neighbours and trends over time. The Office is expected to develop a new early warning system to identify local authorities that are at risk of serious failure (but have not raised the alarm themselves) and to conduct 'early warning conversations' with local authorities at risk. It will be also be offering a programme of webinars to share best practice between local authorities, and to help improve performance, productivity and value for money.

Local Authorities and their members can familiarise themselves now with the data explorer metrics already publicly available. **Challenge questions for Audit Committees to ask include:**

- are the metrics consistent with our own benchmarking?
- are we showing early warning signs?
- what arrangements will we be making to make best use of the learning that will be on offer?



For a full copy of the remit letter and for access to data explorer metrics for your Local Authority see here:

[Remit letter from DLUHC Secretary of State to the Oflog Chief Executive - GOV.UK \(www.gov.uk\)](#)
[About - Local Authority Data Explorer](#)

New workbook to support councillors in their work on community leadership

On 8th February 2024, the Local Government Association published a new workbook for Councillors, covering community leadership.

Effective community leadership matters because communities that are engaged tend to have happier, healthier people and lower levels of crime and anti-social behaviour. Declining voting and increased social detachments from local areas are also a concern. Councillors are in the unique position of being able to interface between citizens and the council and demonstrate directly what they have achieved for the people they represent.

The workbook shows that for effective community leadership, councillors need to:

- listen to and involve their local communities;
- build vision and direction;
- work effectively with partners;
- make things happen;
- stand up for communities;
- empower communities;
- be accountable; and
- use resources effectively.

With challenge questions; case studies; guidance, hints and tips; and a dedicated section for the opposition, the workbook makes for interesting reading for any councillor – new or already established.

[A councillor's workbook on community leadership | Local Government Association](#)



Making the most of levelling-up funds to local government

In November 2023, the National Audit Office published its report on whether the Department for Levelling Up, Housing and Communities' levelling up funds are likely to deliver value for money. The three significant funds are the Towns Fund (Town Deals and Future High Streets Fund programmes); the Levelling Up Fund (local priorities with a visible impact); and the UK Shared Prosperity Fund (to increase life chances and build pride in place). Between them, these funds are worth up to £10.6 billion and aim to allocate £9.5 billion to local places to be spent by 31 March 2026. However, less than half of the monies given to local places across the three schemes by 31 March 2023 had been spent. Because under current arrangements the funds are time limited, there is a risk that some projects may never be started and others, in the haste to complete, may include sub-optimal decisions.

Many of the delay factors are beyond Local Authorities' control: Rising costs, skills shortages and supply issues in the construction industry. However, the report does highlight that there are things Local Authorities can do to help with unblocking.

Key questions that Audit Committees can ask are:

- do we know which of our projects are on track and which are at risk?
- have all projects got their main contractor in place?
- has full advantage been taken of the ability to move money between sub-projects within individual bids?
- is advantage being taken of the ability to make changes to the scope and scale of projects without seeking approval if the changes do not exceed a 30% threshold?
- are projects being prioritized? So that those that can complete to time, do complete to time?

For the full report and an insight into wider recommendations for the Department, see [*Levelling up funding to local government \(nao.org.uk\)](https://www.nao.org.uk/reports/levelling-up-funding-to-local-government/)

£10.6bn	total amount announced through the Towns Fund, Levelling up Fund and UK Shared Prosperity Fund, to support the government's levelling-up agenda across the United Kingdom between 2020-21 and 2025-26
£9.5bn	the amount the Department for Levelling Up, Housing & Communities (DLUHC) has allocated to local places to be spent by 31 March 2026
£2.0bn	the amount DLUHC has given to local places so far across the three funds at 31 March 2023
£0.9bn	the amount spent by local places at 31 March 2023

Helping to avoid the “doom loop” for adult social care

In October 2023, the annual Institute for Government / Chartered Institute of Public Finance and Accountancy (CIPFA) public services stocktake revealed that adult social care services are likely to be performing worse in 2027/28 than they were on the eve of the Covid-19 pandemic, and much worse than they were in 2009/10. The report describes the impact across nine different public services of successive governments’ short-term policy making; under-investment in capital; and workforce crisis. For adult social care, it highlights that under current funding arrangements, a return to pre-pandemic levels of performance seems unlikely. The report describes a “doom loop” for adult social care, resting on:

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- staffing problems and capacity being worse than they were before the pandemic: Vacancy rates in 2022/23 sat at 9.9%. They were 6.7% in 2019/20;
- growing demand: Since 2015/16, the number of requests for adult social care support from new clients has increased by 22.1% for 18-64-year-olds;
- erosion of cash settlements: Settlements announced in 2021 and 2022 have been eroded over time, due to higher than anticipated pay awards and national inflation; and
- sector-specific inflation: Unit costs of adult social care packages are now much higher than they were before the pandemic. According to a survey of directors of adult social services, this has been driven by increasing complexity of care needs, staffing costs and wider inflationary pressures.

There has been no immediate sign of relief from central government. The Autumn Statement in November 2023 made no new funding available for public services, and spending increases beyond April 2025 of less than 1% in real terms are expected.

Audit Committees can help by asking the right questions. What steps do their entities take to make sure staff costs are managed effectively – with as high a ratio as possible being on substantive staff, for stronger consistency and continuity? What assumptions about future funding are their entities making in their budgets? What are the procurement and brokerage arrangements for purchasing care packages in what is, at present, a supplier’s market?

Service	Performance on the eve of pandemic v 2009/10	Performance now v on the eve of pandemic	Funding adequate to	
			Return to pre-pandemic performance levels by the end of 2024/25	Maintain performance levels between the end of 2024/25 and 2027/28
Adult social care	↓ Much worse	↘ Worse	No	Maybe

For the full report and a sense of how other public services are faring as well, see [Performance Tracker 2023 | Institute for Government](#)



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Kent County Council audit plan

Year ending 31 March 2024

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Key matters

Financial Sustainability - national context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing 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 have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Financial Sustainability – local context

The financial position for Kent County Council has deteriorated over the past couple of years. In 2022-23 a deficit of £47.1m was recorded, with the deficit being funded from useable revenue reserves which had fallen to £416m as at 31 March 2023. Budget papers presented to Council in February 2024 indicate that the Council is again forecasting an overspend for 2023-24 of £35.6m before management action. The 2024-25 budget proposed is balanced, but still requires the use of reserves to achieve this.

If the Council fails to deliver savings and take a grip of unplanned budget growth the Council will continue to record significant deficits. 2024-25 budget papers note the use of reserves at a level lower than they are being replenished, so overall there should not be a reduction in reserves. Without rigour being applied to ensure this is the case going forward, the Council's useable revenue reserves will run out. The Council therefore remains 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 in the foreseeable future. Our 2022-23 Auditor's Annual Report highlighted this issue as a significant weakness in arrangements and we reported a key recommendation as a result.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

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Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers. The Council is a large and complex authority which invests significant experienced resource to produce accounts. It is vitally important that this level of investment with appropriate succession planning is maintained.

Key matters - continued

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 in this Audit Plan has been agreed with the Acting Corporate Director, Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work with your officers in the most efficient way possible – whether that be working on-site, working remotely, or on a hybrid basis. We will establish a working protocol in advance of the audit fieldwork. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Acting Corporate Director, Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- 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.
- Our Value for Money work will consider progress made against recommendations made in prior years.
- 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 Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue- refer to page 10.

Introduction and headlines

Purpose

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

Respective responsibilities

The National Audit Office ('the NAO') has issued 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. The NAO is in the process of updating the Code. This audit plan sets out the implications of the 2020 code on this audit. Should the 2024 updates to the Code significantly change our work, we will bring this to your attention.

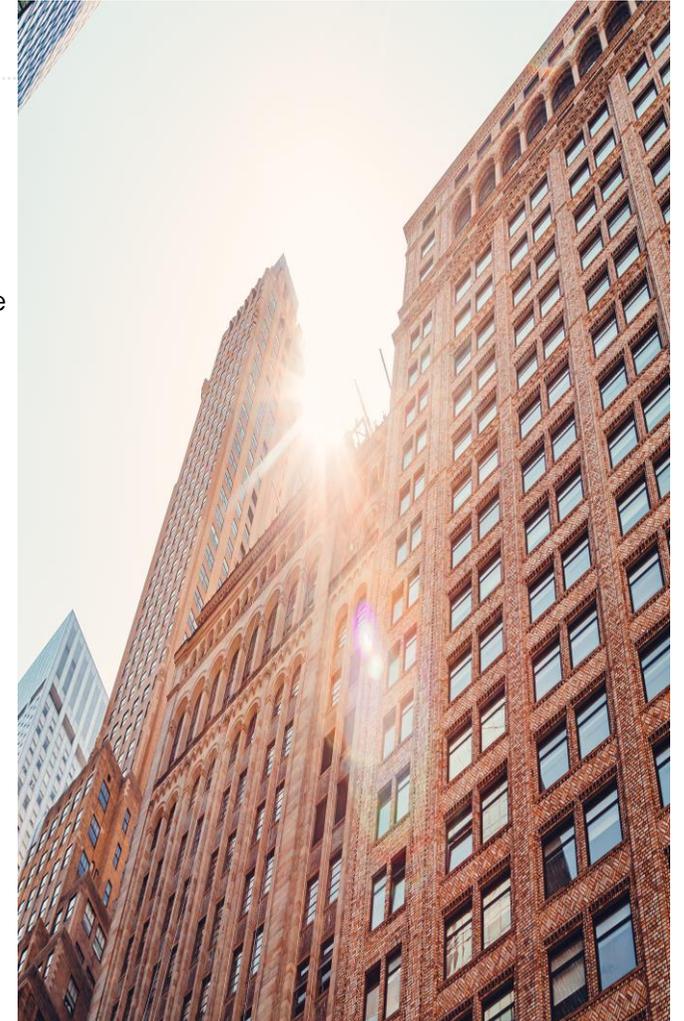
Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council 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 in order 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:

- Risk of management override (presumed);
- Valuation of property, plant and equipment and investment property; and
- Valuation of defined benefit pension asset / liability

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.

Group Audit

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

- Global Commercial Services Group Ltd
- Kent County Trading Ltd
- Commercial Services Kent Ltd
- Commercial Services Trading Kent Ltd
- Kent Top Temps Ltd
- Gen2 Property Ltd
- Invicta Law Ltd
- Cantium Business Solutions Ltd
- EDSECO Ltd
- CSG Global Education Ltd
- Bowerhouse Solar II Ltd
- Lifecycle Management Group Ltd
- Prospects Payroll Ltd

We will also consider the accounting for the Council's joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP

Materiality

We have determined planning materiality to be £43m (PY £43.5m) for the group and £42m (PY £43m) for the Council, which equates to 1.5% of your prior year] gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We have held our assessment of performance materiality at 65% of the financial statement materiality for both Council and group.

Clearly trivial has been set at £2.1m (PY £2.1m) for the Council and £2.15m (PY£2.1m) for the group.

Introduction and headlines

Value for Money arrangements

Our 2022/23 judgement on your arrangements to secure value for money identified there were significant weaknesses in all categories:

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

Our planning work for 2023/24 is not yet complete, but we expect the significant weaknesses identified in 2022/23 to still be present.

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

Audit logistics

Our planning and interim work has been undertaken remotely between November and February. Our final visit will begin in July 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers, however, we can continue to work remotely or in a hybrid manner if that is what the Council prefers.

Under the new contract with PSAA, the scale fee for the audit will be £433,444 (PY: £245,311 – scale fee with known additions, final fee to be agreed) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 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.

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
Risk of fraud and error in revenue transactions	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 areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

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

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (including investment property)	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 of material misstatement.</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 operational land and buildings as well as investment properties.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the defined benefit pension asset / 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 (£62m in the Council's balance sheet at 31 March 2023, having reduced from £546m at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions. Given the movement between 31 March 2022 and 31 March 2023, there is a chance that the Pension Fund will record a pension asset at 31 March 2024</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 asset or liability as a significant risk</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. If a pension asset is recorded, ensuring that the asset recorded in the financial statements meets the requirements of IFRIC 14. 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.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls (presumed risk)	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 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 made 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

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.

We are aware of changes in the Kent County Council Group for the 2023-24 financial year, but do not expect them to have a material impact on the group financial statements or the work we have planned to do to gain assurance on the components of the group.

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Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Kent County Council	Yes	■ Audit of the financial information of the component using component materiality	Details of the significant risks identified for the Kent County Council audit are set out on pages 10 – 13.	Full scope audit performed by Grant Thornton UK LLP
Commercial Services Kent Ltd	No	■ Audit of one or more classes of transactions, account balances or disclosure relating to significant risks of material misstatement of the group financial statements	None	Audit of expenditure, carried out by the component auditor, which will then be reviewed by the group audit team. 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.
Global Commercial Services Group Ltd	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP
Kent County Trading 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
Kent Top Temps Ltd	No		None	Analytical review performed by Grant Thornton UK LLP

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Table continued overleaf...

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one 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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
GEN 2 Property Ltd	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP
Invicta Law 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
EDSECO LTd	No		None	Analytical review performed by Grant Thornton UK LLP
CSG Global Education Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
Bowerhouse Solar II Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
Lifecycle Management Group Ltd	No		None	Analytical review performed by Grant Thornton UK LLP
Prospects Payroll Ltd	No		None	Analytical review performed by Grant Thornton UK LLP

We will also consider the accounting for the Council's joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

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

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

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the group and Council's financial statements, which resulted in 4 recommendations being reported in our 2022/23 Audit Findings Report. The 2022/23 Audit Findings Report was agreed with management and presented to those charged with governance in November 2023. As such, there has been limited progress on the findings, that we will continue to follow up on as part of our 2023/24 audit.

Assessment	Issue and risk previously communicated	Recommendation made and response	Update on actions taken to address the issue
Page 108	X <u>Cash reconciliation – school salaries account</u> Bank reconciliations were not performed as a matter of course on the school salaries account. When the Council performed a reconciliation, at our request, it was identified that the £2.8m reconciling item was not in fact a true reconciling item, but an HMRC payment from April 2022 that had been incorrectly recorded in the Council's accounting records	For management to ensure bank reconciliations are performed and reviewed on a monthly basis to ensure the financial statements are complete and accurate. Management response Agreed	Discussions are underway to determine whether this function needs to be undertaken alongside other bank reconciliations in the central finance team. In the meantime assurance will be sought that this is being undertaken correctly on a monthly basis. To be followed up during 2023/24 audit.
	X <u>Adult social care provision</u> As part of our review of your estimate, we have concluded that the assumptions used by management are optimistic leading to an understatement in the provision for doubtful debt. More information is set out on pages 27 and 28.	For management to obtain updated information regarding default rates in adult social care debtors to inform the percentages they apply to aged debt. Management response Agreed	Updated information on default rates for adult social care debtors will be obtained to inform the percentages applied to aged debt. To be followed up during 2023/24 audit.

Assessment

- ✓ Action completed
- X Not yet addressed

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Recommendation made and response	Update on actions taken to address the issue
X	<p><u>VAT uncertainty</u> Audit testing of the March 2023 VAT debtor identified a difference between the amount claimed and the amount paid. £4.28m of the difference relates to a 2019/20 transaction pertaining to Kings Hill.</p> <p>This was a complex transaction, involving two voluntary disclosures to HMRC in respect of under paid and overpaid VAT</p>	<ol style="list-style-type: none"> To obtain expert tax advice in respect of this transaction and based on their advice, make appropriate disclosures to HMRC to ensure the correct amount of VAT has been paid/reclaimed. Management should also provide evidence of the resolution of this issue to external audit ahead of the 2023/24 final accounts. To review the processes and controls in place around VAT to ensure issues like this are prevented, detected and rectified correctly. As part of this, management should review whether they have the requisite skills and knowledge around complex VAT transactions. Where it is found that there is a gap, management should either recruit or procure this as appropriate. <p>Management response Agreed</p>	<p>Advice will be sought from our tax specialists where there are complex VAT transactions.</p> <p>In the particular example with Kings Hill, advice will be sought to ensure the appropriate disclosure is submitted to HMRC for final resolution to this matter.</p> <p>To be followed up during 2023/24 audit.</p>
X	<p><u>Fully depreciated VPE</u> As part of our audit work, we identified a material amount of VPE which was fully depreciated. Management reviewed this balance and concluded that there was insufficient evidence to confirm whether those assets existed or not. As a result, these assets were derecognised through a prior period adjustment as the amount was material.</p>	<p>Going forward, management should ensure that there is a regular review of the asset register to derecognise assets where they no longer exist. In doing this review, management should seek to obtain relevant and proportional information from school's pertaining to assets they hold.</p> <p>Management response Agreed</p>	<p>To be followed up during 2023/24 audit.</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.

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 the Council for the financial year.</p> <p><u>Council</u></p> <p>Materiality at the planning stage of our audit is £42m, which equates to 1.5% of your prior period gross expenditure for the period.</p> <p><u>Group</u></p> <p>Materiality at the planning stage of our audit is £43m, which equates to 1.5% of the groups prior period gross expenditure for the period.</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>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 balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £100,000.

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
3	<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>
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 Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.1m (PY £2.1m). In the context of the Group, we propose that an individual difference could normally be considered to be clearly trivial if it less than £2.15m (PY £2.2m).</p> <p>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.</p>

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	£43,000,000	£42,000,000	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	£27,950,000	£27,300,000	Performance Materiality is based on a percentage of the overall materiality. The threshold has been remained at 65%.
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 financial statement materiality(rounded).

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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 slide 21.

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:

IT system	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journal entries	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

In addition, our IT audit team will perform an assessment of the Council's cyber security arrangements.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

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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Governance

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



Financial Sustainability

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



Improving economy, efficiency and effectiveness

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

Risks of significant VFM weaknesses

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

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.



Our 2022/23 judgement on your arrangements to secure value for money identified there were significant weaknesses in all categories:

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

Our planning work is not yet complete, but we anticipate risks of significant weakness in the same areas in 2023/24.

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.

Lucy Nutley, Senior Manager



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

Audited Entity 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 audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity 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 an entity 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 deadline you have agreed with us, including all notes, the Annual 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 cleansed, are made 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 samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 5)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Kent County Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £433,444.

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

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

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

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

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

Updated Auditing Standards

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

Audit fees

	Proposed fee 2023/24
Kent County Council Audit	£433,444
Total audit fees (excluding VAT)	£433,444

Previous year

In 2022/23 the scale fee set by PSAA was £141,125. The scale fee with known additions was £245,311. The final fee for the 2022/23 audit is still being agreed with management.

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Relevant professional standards

In preparing our fees, 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.

IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

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

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

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

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures we are assessing the Council's readiness to implement this new accounting standard. This will be reported to the Governance and Audit Committee at a later date.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

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.

In this context, we disclose that:

Paul Dossett, the Key Audit Partner is currently serving their 7th year on the engagement, following approval from PSAA to do so. We have mitigated the familiarity threat by introducing an additional partner reviewing their key judgements to ensure that these are not influenced by the familiarity the Key Audit Partner might have with the Council.

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

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 group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

[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 group and 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	•		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.
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	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the 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		•	



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Agenda Item 13

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Agenda Item 14

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