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Date: 5 July 2012

Dear Member

CABINET - MONDAY, 9 JULY 2012

I am now able to enclose, for consideration at Monday's meeting of the Cabinet, the following report that was unavailable when the agenda was printed.

Agenda No	Item
6	<u>Approval of the Annual Governance Statement (To follow) (Pages 1 - 22)</u>

Yours sincerely

Peter Sass
Head of Democratic Services

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By: Alex King, Deputy Leader of Kent County Council
Geoff Wild, Director of Governance and Law

To: Corporate Management Team – 12 June 2012
Cabinet – 9 July 2012
Governance & Audit Committee – 26 July 2012

Subject: Approval of the Annual Governance Statement

Classification: Unrestricted

Summary

The Annual Governance Statement (AGS) presented here for approval, explains how the Council has complied with its Code of Corporate Governance and identifies any gaps in control or significant weaknesses that have arisen in year. The completed statement is included within the Council's Annual Accounts that are subject to external audit.

The statement is required by regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The 2011/2012 Statement

1. (1) A draft statement is attached at Annex 1, which has been prepared in line with the requirements of CIPFA's Application Note to Delivering Good Governance in Local Government.

(2) The annual review of effectiveness has been co-ordinated by the Director of Governance and Law and supported by evidence from:

- (a) Reports to Cabinet, the County Council and Policy Overview and Scrutiny Committees (replaced by Cabinet Committees from 1 April 2012).
- (b) A review of the work of the main committees of the Council.
- (c) Signed statements on internal controls, governance and risk management processes and supporting evidence.
- (d) The output of Internal Audit.
- (e) The output of External Audit and other regulators.

- (f) Cumulative knowledge of the Council.

Outcome of the annual review of effectiveness

2. (1) The review identified areas for improvement in the Governance Framework during 2011/12 occurring in different directorates. These are detailed within the Annual Governance Statement in the appropriate sections.

(2) The statement also includes details of compliance against the CIPFA statements on the Role of the Chief Finance Officer and the Role of the Head of Internal Audit in local government. These evidence that the Council publishes its level of compliance and explains how its arrangements meet the intent of the Code of Corporate Governance where there is non-compliance.

The role of the Annual Governance Statement (AGS)

3. (1) The compilation of the AGS has for the first time been carried out by the Director of Governance and Law. In previous years the review of the effectiveness of the governance framework was largely performed and co-ordinated by the Head of Audit and Risk. This activity is precluded by the CIPFA statement on the Role of the Head of Internal Audit in Local Government, and it was agreed that the responsibility for the AGS be assigned to the Director of Governance and Law from 2011/12.

(2) As part of the Council's aim to strengthen governance, in future the AGS will be used as one of KCC's primary statements of integrity, reflecting how well the Council is managed and governed. The style will be transparent, covering all difficult issues in an open manner and clarifying any governance issues arising in year. The statement will also become a more dynamic document, revisited in year, audited and intended to be used by Members to drive improvements.

Consultation and Communication

4. After consideration by Cabinet, the final draft AGS will be submitted to the Governance and Audit Committee for approval as part of the Annual Accounts.

Risk and Business Continuity Management

5. Failure to produce an AGS would result in adverse comment or a qualified opinion from the External Auditors. Producing an AGS that is inaccurate or misleading would also attract adverse comment.

Conclusion

6. The AGS is made on behalf of the County Council, and developed and owned by the most senior levels of the organisation. The AGS is a key aspect of the Council's accountability to its stakeholders and is intended to fully disclose the proper extent of effective governance in the Council.

Recommendations

7. Cabinet is asked to:

- (1) Review and endorse the overall wording of the Annual Governance Statement, including the description of the Governance Framework and the significant weaknesses disclosed.
- (2) Recommend that the AGS be approved by the Governance & Audit Committee for signature by the Leader on behalf of the Council.

Background Documents

None

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Annual Governance Statement

2011/12

1. Scope of Responsibility

(1) Kent County Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

(2) In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

(3) The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The Code of Corporate Governance is contained within the Council's Constitution, a copy of which is available on our website, or can be obtained from the Director of Governance and Law.

(4) This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

(1) The governance framework comprises the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

(2) The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

(3) The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the annual report and Statement of Accounts.

3. The Governance Framework

(1) The key elements of the systems and processes that comprise the Council's governance arrangements are described below:

The Council's vision of its purpose.

(2) Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users. Fundamental to the success of the Council is engagement with citizens and service users in the development of the Council's vision, priorities and intended outcomes. A new Sustainable Communities Strategy (the Vision for Kent 2011-2021) was developed throughout 2010/11 and approved by County Council in December 2011. The Vision for Kent also acts as the Kent Forum's partnership strategy for the Kent Community. It is developed in partnership between the public, private and voluntary sectors across Kent and sets out the shared priorities of partners to make Kent a better place to live and work. The first version of the Vision for Kent was published in 2002 and refreshed in 2006.

(3) This refresh has resulted in a very different document to previous versions. Instead of being focussed around service specific themes, the Vision for Kent is centred on three countywide ambitions shared with the County Council's medium-term plan (see below) supporting a focus on the strategic, long-term goals for improving the county. This approach encourages greater partnership working and a more innovative approach to service delivery. The Vision for Kent 2011-2021 underwent a 10 week consultation exercise between June and August 2011. Nearly 800 responses were received, of which 75% were from individual members of the public. The consultation exercise showed that there was strong identification and support for the three County Ambitions and the more strategic, long-term approach adopted by the revised Vision for Kent.

(4) The Kent Forum, the high-level strategic group bringing together the family of local government in Kent, owns the Vision for Kent. It was formed in 2010, following the development of the Kent Recommitment between Kent's 13 District and County Councils. It comprises the democratic leaders of Kent's local authorities and has overall responsibility for co-ordinating and agreeing shared priorities and progress, encouraging community leadership and supporting new initiatives. These responsibilities include owning the Vision for Kent 2011-2021, which it approved in February 2012 and supporting the development of Locality Boards across the county. The Kent Forum is chaired by the Leader of the County Council. Three Ambition Boards have been created underneath the Kent Forum that support the three shared priorities between the Vision for Kent and Bold Steps for Kent (see below). The creation of Locality Boards emphasises a new way for County and District Councils to work together. Locality Boards aim to support greater democratic accountability through locality partnerships and stimulate more effective joint working between local partners to deliver locality and county priorities. 11 Locality Boards have been established across Kent to date.

(5) Following public and partner consultation in October – November 2010, the Council's medium term plan, Bold Steps for Kent, was approved by County Council on 16 December 2010 and sets out its ambitions over the next four years,. These are:

- To help the Kent economy to grow.
- To put the citizen in control.
- To tackle disadvantage.

(6) Bold Steps for Kent not only sets out the Council's ambitions and priorities until 2014/15, but also its determination to transform how the Council works and engages with the communities it serves and its partners in the public, private and voluntary sectors, in order to continue to deliver services within a challenging financial climate. At the heart of Bold Steps for Kent is an ambition to see a greater variety of providers from the public, private and the social and voluntary sectors play an increasing role in service delivery for the County Council through the transformation agenda that focuses on demand management, service integration and localism. In July 2011, County Council approved Delivering Bold Steps, the overarching delivery framework for Bold Steps for Kent. This identified 16 priorities central to delivering Bold Steps for Kent. These are:

Priority 1: Improve how we procure and commission services

Priority 2: Support the transformation of health and social care in Kent

Priority 3: Ensure all pupils meet their full potential

Priority 4: Shape education and skills provision around the needs of the Kent economy

Priority 5: Deliver the Kent Environment Strategy

Priority 6: Promote Kent and enhance its cultural and sporting offer for residents

Priority 7: Build a strong relationship with key business sectors across Kent

Priority 8: Respond to key regeneration challenges working with our partners

Priority 9: Support new housing growth that is affordable, sustainable and with the appropriate infrastructure

Priority 10: Deliver 'Growth without Gridlock'

Priority 11: Improve access to public services and move towards a single initial assessment process

Priority 12: Empower social service users through increased use of personal budgets

Priority 13: Establish a Big Society Fund to support new social enterprise in Kent

Priority 14: Ensure the most robust and effective public protection arrangements

Priority 15: Improve services for the most vulnerable people in Kent

Priority 16: Support families with complex needs and increase the use of community budgets

(7) Delivery of these 16 priorities is through the Council's core business planning and performance management arrangements.

The Equality Act 2010

(8) The Public Sector Equality Duty (Section 149 of the Equality Act 2010) came into force in April 2011. It requires public bodies to have due regard to:

- Eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act;
- Advancing equality of opportunity between people who share a protected characteristic and those who do not; and
- Fostering good relations between people who share a protected characteristic and those who do not

(9) Further specific duties require public bodies to publish equality objectives, with subsequent objectives published at least every four years and to produce an annual report on those objectives

(10) One of the key challenges for KCC and other public sector organisations has been the approach that the courts have taken to the interpretation of “due regard” of the Public Sector Equality Duty. A number of judicial reviews have held local authorities to account in relation to key decisions that have been taken without the due regard to equality considerations.

(11) In response to legislative changes and judicial rulings, KCC has reviewed internal controls and continues to consider internal governance processes in order to ensure that not only is it able to expedite the duties, but also that this agenda supports and enables good and efficient commissioning, delivery, people management and decision making

(12) KCC has published its Annual Report which demonstrates progress on the previous equality strategy for the authority and it is consulting on new equality priorities with final agreement due in September 2012.

Engaging with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

(13) Good governance means engaging stakeholders and making accountability real.

All service plans declare what consultation, communication and marketing activity is to be done in order that this activity can be better planned, costed and corporately co-ordinated as a major campaign, if appropriate.

(14) In 2011/12, the Council provided a number of different opportunities for residents, service users and other interested groups to influence decision making and service delivery. The main ones used and examples of activities during the year are:

- (a) Surveys and questionnaires (e.g. the Highways Tracker Survey, and the Country Parks Visitor survey)
- (b) User groups and forums (e.g. East Kent Adult Social Care Focus Group)
- (c) Special interest networks, groups and forums (e.g. the Kent Reference Panel and the Kent Countryside Access Forum)
- (d) Workshops and focus groups (e.g. Annual Budget & Council Tax Consultation, the Coastal Action Network workshop)
- (e) Feedback cards (e.g. comment cards in country parks and libraries)
- (f) Complaints, compliments and comments (all units)
- (g) Formal consultation documents (e.g. Learning Disabilities Day Opportunities Consultation)
- (h) Stakeholder events (e.g. ‘Growth without Gridlock’)

- (i) Collaborative working and partnerships (e.g. Kent Children's Trust)
- (j) Participation (e.g. youth service interview panel)
- (k) Civic engagement (e.g. Neighbourhood Forums and Kent Youth County Council)
- (l) Delegated decision making (e.g. Youth Opportunities, Capital Funds)
- (m) The use of online social media (e.g. Explore Kent's use of Twitter and Facebook)
- (n) Market research (e.g. Libraries).

(15) The Have Your Say area of the Council website has continued to develop as a key way of improving the awareness of the wide range of consultations and engagement activity carried out by the Council and making it easier to take part in them. The site now includes:

- (a) The Consultation Directory - A new online register showing the Council's current, past and future consultations is available. Relevant officers have undertaken training in how to use the register, and all services are required to update their entries in the database regularly to ensure that the public are accessing the most up to date and complete record of information on our consultations. Local people and community groups can sign up to be automatically notified by email when a new consultation is added to the register.
- (b) Petitions - The Council welcomes petitions and recognises that petitions are one way in which people can let us know their concerns. A scheme for e-petitions was agreed by the County Council in July 2010 which now allows the community to petition the Council on-line on issues of concern.
- (c) Get involved – this scheme encourages local people to join local community meetings at which the Council's team of Community Engagement Officers provides a key link between local people, local organisations and decision makers in Kent. One of the roles of the team is working with elected Members to arrange public meetings in each of the districts in Kent. The meetings are an opportunity for the Council to engage with the local community and understand their views. The form of these meetings varies from district to district, and can be varied to suit the issues being raised. These meetings are an opportunity for local leaders to listen to the views of their communities and for local people to have their say.
- (d) Community and Seldom Heard Groups can sign up to be involved in KCC's engagement activities, and the Community Engagement Team is developing new ways to engage with them more effectively (i.e. online fora, linking with Gypsy and Traveller sites).
- (e) The Kent Youth Service working with the Public Health team and other partners has continued to develop the successful and innovative 'House' model which went live in

December 2008. 'House' is a space aimed at young people aged 13 to 19 years old, giving them somewhere to 'chill out', where they can get informal lifestyle information to suit them in a relaxed and unthreatening environment. The results have been phenomenal, the project has made contact with more than 11,000 young people, including many young people who are currently unknown to and do not access existing services. 'House' is now continuing and engagement with young people produced the design brief for a mobile facility that is able to reach into local communities themselves, rather than town centres. 'House' activities can therefore be taken directly into the estates and communities that can most benefit.

4. Roles and responsibilities of the executive, non-executive, scrutiny and officer functions

(1) Good governance means performing effectively in clearly defined functions and roles. In Kent this is primarily achieved through the mechanisms set out in the Constitution.

(2) The County Council consists of 84 Members, elected by eligible Kent residents every four years. The Constitution of the Council is determined in accordance with legislation and periodically reviewed and amended by the Council as necessary. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed. The Constitution is divided into 15 Articles, which form the basic rules governing the Council's business; more detailed procedures and codes of operating are included in the appendices. It seeks to provide effective decision making procedures, ensuring that the Cabinet is accountable to the body of the Council, while providing a role for non executive Members in quasi-judicial committees, in policy formation, cabinet advisory committees and overview and scrutiny.

(3) The council elects a Leader at the beginning of each four year term. The Leader, as the head of the Executive, appoints a Cabinet and allocates accountabilities, responsibilities and delegates powers.

(4) The Leader with the Cabinet has executive authority over all the council's functions and activities except those that are reserved to the Council and its committees by statute. The council has the power to dismiss the Leader through a vote of no confidence.

(5) The Council, advised by the Corporate Board (i.e. Cabinet and Corporate Directors), determines the overall officer structure to deliver the Council's responsibilities, under the management of the Corporate Directors and officers. The Council appoints the Head of Paid Service and designates appropriate senior officers as Monitoring Officer and Chief Finance Officer, who are responsible for resolving constitutional disputes and other matters laid down in the Constitution. It also agrees financial, employment and procurement procedures, together with terms and conditions of employment for staff.

(6) The Council has in place policies and procedures to ensure that, as far as possible, its elected Members and officers understand their respective responsibilities. New Members and employees receive induction and continued training on key policies and procedures as these are developed within the Council.

(7) All Directors and Heads of Service have responsibility for maintaining a sound system of internal controls and management processes within their area of responsibility.

5. Standards of conduct and behaviour

(1) Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour.

(2) The Council takes the lead in establishing and promoting values for the organisation and its staff. These values are over and above legal requirements (for example, anti-discrimination, equal opportunities and freedom of information legislation) and build on the Good Governance principles. They reflect public expectations about the conduct and behaviour of individuals and groups who control public services:

(3) The Members' Code of Conduct sets out the obligations of Members, how personal and prejudicial interests should be managed and ten general principles governing Members' conduct. All Members receive training on the code and ethical standards as part of their induction process. The attendance at this training is monitored by the Standards Committee.

(4) The Standards Committee is responsible for promoting high standards of ethical conduct among elected councillors, independent and co-opted members. Although the Localism Act 2011 allows for the removal of local standards committees, the Council may seek to retain this mechanism to help ensure that high standards of conduct and behaviour are maintained.

(5) The Code of Conduct for Employees is available on the Council's intranet site and is included in the Constitution. It explains that citizens and service users expect high standards of conduct of all Council employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the corporate induction process.

(6) The Council is committed to the highest possible standards of openness, probity and accountability and encourages its employees and others working for the Council to raise any concerns about any aspect of the Council's behaviour which is likely to breach legislation, including health and safety legislation, to come forward and voice those concerns. The Council has a Whistleblowing Policy and an Anti Fraud and Corruption Policy in place, the latter of which was revised and approved by the Governance and Audit Committee in March 2011.

(7) The Director of Governance and Law is the Monitoring Officer. This role has responsibility for maintaining the Constitution and supports a Standards Committee. The Council's Governance and Law Unit is responsible for ensuring that the Council correctly applies the law and regulations governing its business. Legal advice is provided to officers and Members by the in-house team on a range of subjects, and specialist legal advice is bought in when needed.

(8) The Constitution contains a statement on Resource Management Responsibilities, which includes the Council's Financial Regulations. These are prepared and maintained by the Corporate Director of Finance & Procurement and endorsed by the Leader and the Governance and Audit Committee.

(9) The Corporate Director of Finance & Procurement, as the Section 151 Officer, is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting records and of its systems of internal control

(10) The Council operates an effective complaints and customer feedback system, that demonstrates to the public that we:

- are "putting our customers first";
- listen to what residents have to say;
- are open, honest and transparent;
- are responsive and fair.

(11) The Council has a centrally managed corporate complaints team, although individual directorates and business units remain responsible for compiling detailed responses, they will do so in accordance with the Council's Complaints, Comments and Compliments policy. An annual report is provided to Governance and Audit Committee that sets out the level and type of complaints received by the Council, and the improvements that have been made to policies, systems and processes as a result.

6. Decision making, scrutiny and risk management

(1) Good governance means taking informed, transparent decisions and managing risk. Within its Constitution, the Council has formally stated the types of decisions that are delegated to the Executive and those that are reserved for the full Council.

(2) The Leader with the Cabinet comprise the Executive and are responsible for all of the Council's functions that are not the responsibility of any other part of the Council, whether by law or under the Constitution. Operational matters requiring a decision are delegated to council officers as outlined in Appendix 2 Part 4 of the Constitution and the Council's Executive Scheme of Officer Delegations.

(3) Forthcoming key and other significant decisions to be taken by the Cabinet or one of its portfolio holders are published in the Council's Forward Plan insofar as they can be anticipated. The Forward Plan is published under the name of the Leader of the Council and covers a six month period; two months more than is required by statute.

(4) Under section 21 of the Local Government Act 2000, the Council has appointed a Scrutiny Committee and also has a Health Overview and Scrutiny Committee each with membership from among the non-executive Members. Their terms of reference cover all the main services of the Council and the Council's duty under the Health and Social Care Act 2001 to scrutinise the health services in Kent. The Council's Scrutiny Committee also discharges the functions of Section 19 of the Police and Justice Act 2006.

(5) On 29 March 2012 the County Council established, with effect from 1 April 2012, six Cabinet Committees, whose remit includes considering and endorsing or making recommendations on key or significant Cabinet or Cabinet Member Decisions.

(6) The Council maintains an Internal Audit Unit that operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. The Head of Internal Audit reports to the Corporate Director of Finance & Procurement and has direct access to both the Corporate Management Team and the Head of Paid Service, elected Members and the Chairman of the Governance and Audit Committee.

(7) The annual Internal Audit Plan is risk based and incorporates compliance with policies, procedures and legislation, efficiency and effectiveness, specialist audit work, including pro-active and reactive fraud work and IT audits. The plan includes a large proportion of audits that review and report on the Council's main financial systems and processes. These provide assurance that financial procedures are being complied with, internal controls are operating as expected and that the Council's money is being spent in accordance with financial regulations and procedures and relevant legislation.

(8) The Governance and Audit Committee comprises 13 Members and its Terms of Reference were extensively revised during 2010/11 and now exceed the requirements of the CIPFA guide for Audit Committees in local authorities. Its responsibilities are set out in the Constitution and its overarching purpose is described as:

- ensuring that the County Council's financial affairs are properly and efficiently conducted, and;
- reviewing assurance as to the adequacy of the risk management and governance framework and the associated control environment.

(9) The Council has an open data and transparency programme. Open data means making the non-personal information the Council holds freely available to everyone in a format that can be reused. Open data currently available on the Council's website includes:

- Corporate Directors salaries and expenses
- Corporate Directors register of gifts and hospitality
- Council spending
- Councillors' allowances and expenses
- Education Budget and Outturn Statements
- Invoices over £500
- Kent area profiles

(10) The Council's programme meets and in some cases exceeds the expectations of central government.

7. Developing capacity and capability of members and officers

(1) Good governance means developing the capacity and capability of the governing body to be effective.

(2) Member development is delivered under the Member Development Charter, which was achieved in 2010, and the Member Development Charter Plus, which was achieved in 2011. All Members receive training on the Code of Conduct through induction. Other tailored training has been provided to support the work on specific committees (e.g. Planning, Personnel). In addition to this, generic leadership and personal development programmes are part of the offering, which is revised on a yearly basis. The Member development programme is shaped by the Member Development Steering Group which has representation from all of the main political parties. All members have been asked which courses provided by the Council (both Member specific and those accessed by officers) would be of benefit to them. This takes place during their annual personal development planning meeting with a dedicated officer. In addition to the courses on offer, Members can access a range of personal development tools including an online 360 tool which maps skills against the national Political Skills Framework.

(3) All officers of the Council, including Corporate Directors, are subject to a consistent Total Contribution appraisal and personal development process, which provides a tailored action and development plan that meets the needs of the individual officer and delivery of objectives in support of their service unit. The personal plans are supported by a comprehensive range of development programmes.

(4) The 'Change to Keep Succeeding' transformation programme has over the year reinforced the clear expectation that all staff will have an appreciation of our shared values and of the behaviours expected to continue to provide excellent customer service. The new Organisation and People Plan includes a Training Strategy which covers professional and generic skills development across the Authority. A management standard for KCC, the Kent Manager Standard was introduced in September 2011 with accreditation from Edexcel. Managers taking part need to develop and demonstrate evidence of their knowledge, skills, attitude and behaviour against a specified set of criteria

8. Compliance with the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010)

The Corporate Director of Finance and Procurement (as Chief Financial Officer) has reviewed the Council's compliance against the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). The Council's financial management arrangements comply in all significant respects with the principles set out in the CIPFA statement. Any minor gaps that do exist will be considered and addressed over the next financial year if appropriate.

9. Compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2011)

The Interim Head of Audit (as the Council's senior audit professional) has reviewed the Council's compliance against the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2010). As reported to the Governance and Audit Committee, the Council's arrangements comply in all significant respects with the principles set out in the CIPFA statement.

10. Organisational design principles

The Decision Making Accountability (DMA) model has been applied to all restructures since December 2011. In order to meet the commitment within 'Bold Steps for Kent' to develop a structure that is as flat as possible and to create effective spans of control, the intention is to monitor changes in the organisation as restructuring takes place. The aim is to move from an organisation which in December 2011 was 11 layers deep with an average span of control of 5.2 FTE to an organisation with 6 layers from Corporate Director to the front line and an average span of 7 FTEs. Any new structures that fall outside this framework are reported as exceptions to the Corporate Management Team.

11. Review of effectiveness

(1) The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers and Committees within the Council who have responsibility for the development and maintenance of the governance environment, the Interim Head of Audit's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.

(2) The review that has been undertaken for the purposes of this statement has relied upon the outcomes of the Governance Framework previously described, and supplemented by specific sources of evidence described below.

12. Planning

(1) The Council's planning process is fundamentally driven by the strategic direction set out in *Bold Steps for Kent*, its Medium-Term Plan until 2014/15 and *Delivering Bold Steps*, the overarching delivery framework for Bold Steps for Kent

(2) The financial framework within which the Council's plans are delivered is articulated in the Medium Term Financial Plan and the Budget Book, both of which were approved by the County Council in February 2012, despite the difficult financial pressures facing the Council.

(3) Each business unit has its own annual Business Plan, which sets out how it will contribute towards the Council's medium term plans, and identifies the key planned activities, performance measures and priorities at a service level within this overarching framework. Business Plans for 2011/12 were considered and approved by Cabinet in April 2011.

(4) Following the restructure of KCC on 4 April 2011, business planning arrangements for 2012/13 were reviewed with the aim to better align the business planning process with the new organisational structure set out through *Change to Keep Succeeding* report approved by County Council in December 2011, and provide consistency with the new corporate “one-council” approach. Changes were made to the business planning template to make it more action and accountability focussed, but due to the number of ongoing restructures throughout the business planning period, Cabinet agreed that the granularity of business plans should be at ‘divisional’ level for 2012/13, as this represented the most stable tier of the organisation

(5) Business planning arrangements are kept under review, and further consideration will be given by Cabinet to the arrangements for 2013/14 to further improve the process and consider the impact of new governance arrangements, such as the development of Cabinet Committees.

13. Performance Management

(1) Performance within the Council is monitored through the Core Monitoring Report, which contains a range of data on actual performance against target indicator levels. This report is considered by the Corporate Management Team, Cabinet and the Policy, Overview and Scrutiny Committees.

(2) Progress against the Council’s budget, major projects, risks, staffing matters and health and safety performance data are all reviewed by various committees of the Council, although Cabinet, in delivering its executive role, receives all relevant performance data.

(3) There is also a performance management process operating within all Directorates of the organisation, and this is underpinned by the management of personal performance through the Total Contribution Pay process.

14. Cabinet

During the year, Cabinet has received and reviewed regular reports relating to the performance of the Council’s system of internal control, including the Strategic Risk Register, Revenue & Capital Budget Monitoring, Treasury Management and Core Monitoring (Performance and business plans). Cabinet has also considered the outcomes of the work of external regulators and also considered the draft Budget and Medium Term Plan prior to their submission for approval to the County Council in February of this year. Cabinet also approves the Directorate Business plans.

15. Policy Overview and Scrutiny Committees

(1) During 2011/12 the Cabinet Scrutiny Committee met monthly to scrutinise the decisions taken by Cabinet or individual Cabinet Members. The Committee Chair and Spokesmen decided which decisions required scrutiny and decisions that were not in accordance with the approved policy or budget were automatically referred for scrutiny.

(2) Committee Members scrutinised decisions by questioning the relevant Cabinet Member and Corporate Director. Local taxpayers and stakeholders were able to participate in this process by attending meetings as they were held in public, suggesting decisions for scrutiny and submitting written comments on decisions already called in for scrutiny.

(3) There were eight Policy Overview and Scrutiny Committees operating during the year 2011/12 reviewing the key issues and risks managed by the Council's directorates.

16. The Standards Committee

During the year, the Standards Committee was responsible for promoting and maintaining high standards of conduct by Members of the Council. It endeavoured to address any concerns regarding Members' conduct and dealt with any reports from the Standards Board of England. Dealing with alleged breaches of the Code of Conduct by elected and co-opted Members of the Council continued to be the core work of the Committee, and the number of complaints has remained low, none of which were upheld.

17. The Governance and Audit Committee

The Governance and Audit Committee has an ongoing role in the review of the effectiveness of the Council's governance framework. Throughout the year it received and considered reports regarding the work of Internal Audit and External Audit and on Risk Management, Complaints, Treasury Management and Value for Money. Members of the Committee can also commission reports on any risk area that they feel they need greater assurance on.

18. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, section 151 Officer, and Corporate Director of Families and Social Care were effectively fulfilled during 2011/12.

19. Management

Corporate Directors and Directors of Services have provided assurance, through their signing of a Statement on Internal Controls, Governance and Risk Management Processes, that:

- They fully understand their roles and responsibilities.
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities.
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.
- They have confirmed which improvements have already been made to controls in certain areas during the year.

- They have identified certain areas where key internal controls still need to be enhanced.

In relation to the last point, areas where internal control still needs to be developed that are considered significant are listed under the section **significant governance issues** below.

20. Internal Audit

(1) The Council receives assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities.

(2) It is a professional requirement for the Head of Internal Audit to provide an opinion in the Annual Audit Report on the overall adequacy and effectiveness of the Council's:

- Risk management.
- Internal Control.
- Governance processes.

(3) This is collectively referred to as "the system of internal control". This opinion is used to inform the Annual Governance Statement

(4) Based on the work that internal audit has performed, and taking into account the individual strengths and weaknesses identified, substantial assurance can be provided on the adequacy of overall governance processes and internal controls across the Council. However, there are some specific concerns that will need to be addressed over the next year if the level of assurance is to be maintained. During 2011/12 only limited assurance was able to be given in relation to formal risk management processes due to the evolving organisational structure and resulting changes to the Council's Risk Management framework. In the latter part of the year, many improvements were made, e.g. a refresh of the Corporate Risk Register. Further work is proposed in 2012/13 to make risk management processes more consistent across the Council (see paragraph 23).

(5) During 2011/12, seventeen Internal Audit reports were issued with "Limited" assurance. Common themes within these reports relate to certain information systems not being set up and utilised appropriately and certain central policies not being applied consistently across directorates. This is to be expected in a large organisation that has been undertaking significant structural changes. Steps are being taken to address the issues highlighted and Internal Audit will follow up these recommendations to ensure implementation.

(6) In common with most large organisations the Council is subject to fraud. During 2011/12, 28 irregularities were reported to Internal Audit. The Council adopts a zero tolerance approach to irregularities. Accordingly, all reported irregularities were investigated. Two of these were reported to the police, six resulted in disciplinary action and, of these, three staff were dismissed for gross misconduct. In August 2011, the Council appointed a Counter Fraud Manager and a Counter Fraud Officer shortly after. This increased Internal Audit's capacity to proactively address fraud. This proactive work included raising the level of fraud awareness within the Council, assessing fraud risks and promoting the Council's anti-fraud strategy. This approach has led to an increase in the level of reported suspicions of irregularity to Internal Audit compared with previous years.

(7) The results of all Internal Audit reviews have been reported to the Governance and Audit Committee and distributed to a wide number of senior officers and Cabinet Members. This ensures that senior managers consider any issues arising from Internal Audit's work and agree how to progress and implement recommendations particularly for authority wide and cross cutting audits.

21. Review of Internal Audit

The Annual Audit Report includes a review of the effectiveness of the system of internal audit for 2011/12, conducted in accordance with the requirements of the Accounts and Audit Regulations. This confirms that the systems of internal audit operated effectively in accordance with CIPFA's code of practice

22. External Audit and other regulators

(1) During the year, the Audit Commission was the Council's appointed External Auditor. Each year the District Audit issues an opinion on the Councils' financial statements and arrangements for value for money. The opinion for 2010/11 was unqualified, and it is expected that a similar opinion will be issued for 2011/12.

(2) Ofsted's 2011 Annual Assessment of the council, published on 8 Nov 2011, was that Kent's Children's Services were performing poorly. Ofsted based this assessment on their reports which were then in the public domain, notably their Oct 2010 inspection of Safeguarding and Services to Looked After Children. The requirements from that inspection had led to the significant work of the Children's Service Improvement Programme, which reports to the Department for Education and to elected members.

Subsequently, on the 9 Nov 2011, Ofsted published the results of their Oct 2011 unannounced inspection of Contact, Referral and Assessment within Children's Services. This found that all the areas identified in the previous inspection as needing improvement had been tackled. In particular, Children in Need were receiving timely assessments and all Child Protection cases were appropriately allocated. The outcome of this inspection will inform Ofsted 2012 annual assessment of the council's Children Services.

Of the Ofsted inspections of individual services provided by the Council, the inspection of the Adoption Service should also be noted. The inspection was undertaken in November 2011 and reported in February 2012 that the service was unsatisfactory. The inspection looked at four areas. Of these, Protecting children from harm, Helping children to achieve well and Helping children to make a positive contribution were all found to be satisfactory. The fourth area, Organisation, was found to be unsatisfactory and a number of recommendations were made.

As noted by Ofsted in their report, earlier in 2011 the council had already identified a number of ways in which the Adoption Service needed improving. They noted that elected members, managers and staff were already working hard to deliver the improvements required although the recent changes had not yet had time to demonstrate improved outcomes at the time of the inspection. These improvements are now being evidenced.

An Adoption Service improvement action plan has been developed and the council is now working with Coram to provide additional expertise to the service. The action plan is being reported, as part of the Children Services Improvement Programme, to the Department for Education and to elected members at the Corporate Parenting Panel.

23. Risk Management

(1) The Council's Risk Management Framework and Policy was reviewed and updated during 2011/12, with the Policy approved by the Governance and Audit Committee on behalf of the County Council. The changes made within the attached policy are based on the Office of Government Commerce's model guidelines, which are consistent with ISO 31000, the international standard for risk management, and ensure alignment with council priorities. Risk Management guidance materials have been updated to aid staff in managing risks in accordance with the Risk Management Policy.

(2) The Corporate Risk Register was refreshed with information gathered from a series of Cabinet and Corporate Management Team workshops, and published in KCC's Medium Term Financial Plan, along with the Council's Risk Strategy.

(3) The Risk Management Framework will be further updated in 2012/13 to reflect the new governance arrangements for the County Council, which were approved on 29 March 2012.

(4) The responsibility for the Council’s Risk Management approach has now transferred from the Finance and Procurement function to Business Strategy, and a dedicated Risk Management team has been established to ensure that Risk Management is embedded across the Council and address known issues in the current arrangements.

24. Significant governance issues

(1) The following issues have been assessed as being significant for the purpose of this Annual Governance Statement:

Issue	Proposed action	Owner
Maintaining standards of governance and service delivery in the face of budget demands/ pressures	Proceed in accordance with existing action plans and keep under review	Corporate Management Team
Service transformation is incomplete in some areas	Continue with existing action plans and keep under review	Corporate Management Team
Concerns regarding delivery of children’s services and related data quality	Full implementation of the action plans already in place	Corporate Director Families & Social Care

(2) We will over the coming year take appropriate steps to address all of these matters and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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Paul Carter

Leader

On behalf of Kent County Council

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David Cockburn

Head of Paid Service