



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 2nd December, 2008, at 10.30 am Ask for: **Andrew Tait**
Darent Room, Sessions House, County Hall, Telephone
Maidstone

01622 694342

Tea/Coffee will be available 15 minutes before the start of the meeting

UNRESTRICTED ITEMS

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

1. Substitutes
2. Declarations of Interest for items on the agenda for this meeting
3. Minutes - 17 September 2008 (Pages 1 - 2)
4. Progress report on the position with Icelandic Banks (Oral Update)
5. The effectiveness of the Governance and Audit Committee (Pages 3 - 6)
6. Corporate Governance Performance Indicators (Pages 7 - 20)
7. Ombudsman Complaints (Pages 21 - 24)
8. Further steps being undertaken to strengthen the County Council's overall Risk Management (Pages 25 - 30)
9. Internal Audit Reporting (Pages 31 - 52)
10. Internal Audit Reporting - Irregularities (Pages 53 - 54)
11. Other items which the Chairman decides are urgent
12. Motion to exclude the Press and Public

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.

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such

items which may arise the meeting is likely NOT to be open to the public)

13. Presentation on key financial and economic risks

Peter Sass
Head of Democratic Services and Local Leadership
(01622) 694002

Monday, 24 November 2008

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 Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 17 September 2008.

PRESENT: Mr C G Findlay (Chairman), Mr R L H Long, TD (Vice-Chairman), Mr D L Brazier, Mr A R Chell, Mr W A Hayton, Mr S J G Koowaree (Substitute for Mrs T Dean), Mrs M Newell, Mr W V Newman, DL, Mr D Smyth and Mr M V Snelling.

OFFICERS: Ms L McMullan (Director of Finance), Mr I Clark (Group Leader), Mr N Vickers (Head of Financial Services), Ms J Dawson (Head of Audit and Risk), Mr S Davis (Audit & Risk), Mr S Rooney (Audit & Risk) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr G Brown of the Audit Commission.

UNRESTRICTED ITEMS

23. Membership
(Item. 1)

The Committee noted the appointment of Mr W A Hayton to the Committee.

24. Minutes - 30 June 2008
(Item. 4)

RESOLVED that the Minutes of the meetings held on 30 June 2009 are correctly recorded and that they be signed by the Chairman.

25. Dates of Meetings in 2009:
(Item. 5)

The Committee noted the following dates for its meeting in 2009:-

Wednesday, 4 March 2009
Tuesday, 30 June 2009
Wednesday, 16 September 2009
Tuesday, 1 December 2009

26. Statement of Accounts 2007/08
(Item. 6)

RESOLVED that the report be noted.

27. Treasury Management Annual Review
(Item. 7)

RESOLVED that the report be noted.

28. Debt Recovery
(Item. 8)

RESOLVED that the report be noted.

29. Trading Activities Sub-Group Terms of Reference
(Item. 9)

(1) The Committee agreed to the inclusion of the overarching objective set out in (2) below.

(2) RESOLVED that the terms of reference set out in Appendix 1 of the report be agreed subject to the following overarching objective:-

“to ensure that the trading activities of the County Council are run properly, transparently and fairly”.

30. Internal Audit Progress Report
(Item. 10)

RESOLVED that the report be noted.

31. Internal Audit Reporting - Irregularities
(Item. 11)

RESOLVED that the report be noted.

32. Mr Sean Rooney
(Item. 12)

The Committee expressed its thanks to Mr Sean Rooney for his work on its behalf and wished him well in the future.

By: The Head of Audit & Risk
To: Governance and Audit Committee – 02 December 2008
Subject: THE EFFECTIVENESS OF THE GOVERNANCE AND
AUDIT COMMITTEE
Classification: Unrestricted

Summary: This report summarises the outcomes of the self assessment questionnaire completed by Members at the last meeting of the Governance and Audit Committee.

FOR INFORMATION AND DECISION

INTRODUCTION

1. At the Governance and Audit Committee meeting on 17 September 2008, Members were each presented with a self assessment questionnaire. The questionnaire had been designed by Internal Audit, who coordinated this exercise. Members were asked to complete the questionnaire from their own perspective, based upon their personal experience and understanding of the way in which the Governance and Audit Committee functions. The questionnaires were completed anonymously.
2. The behaviours that Members were requested to score covered the broad range of the Governance and Audit Committee's responsibilities.
3. Each of the behaviours was ranked as follows:
 - 1 = Hardly ever/Poor
 - 2 = Occasionally/Below average
 - 3 = Some of the time/Average
 - 4 = Most of the time/Above average
 - 5 = All of the time/Fully satisfactory

Summary of Findings

4. Some returns were completed immediately on 17 September. A reminder was sent out by officers in early October and in all, five completed questionnaires were returned to Internal Audit.
5. Overall, there was broad consensus in the way in which the Governance & Audit Committee was scored and the sample of five completed returns is considered to be sufficient to draw inferences from the completed questionnaires and to identify potential areas for development.

Strengths

6. The following aspects of the Governance and Audit Committee's performance were ranked the highest:
- The frank open working relationship with Directors
 - Independence
 - Clear terms of reference
 - Clear as to risk management responsibilities
 - Sufficient number of meetings and access to resources.
7. The weighted average rank for each of these exceeded 4.0, demonstrating that those who completed the questionnaire assessed these attributes as being well above average.

Development areas

8. The following aspects of the Governance and Audit Committee's performance set out in the table below were ranked the lowest. Possible actions to address these aspects of the Committee's business are suggested in the table.

Aspect scored in the self assessment	Recommended action
Sufficient time and commitment to undertake responsibilities	To note – discussion at Cabinet level
Ongoing personal development to remain up to date	Addressed through management development training
Understanding of key financial issues	Addressed through management development training
Understanding of how assurance is gained	Risk management workshops and training
Role in relation to whistle-blowing	Suggest a paper on this subject brought to the March 2009 meeting?

9. The first two development areas on this list are capacity issues, in that some Members may be experiencing difficulty allocating sufficient time within their portfolios to Governance and Audit Committee business? Of the two areas, ongoing personal development and the need to remain up to date was scored the lower and there will be some benefit in discussing this with Members in order to understand their needs and to decide upon an appropriate level of support.
10. A paper on personnel policies, including whistle-blowing and the anti fraud and corruption policy was last brought to the Governance and Audit Committee in July 2005. There may be an opportunity for a further presentation on roles and responsibilities in relation to the Council's whistle-blowing strategy at a future meeting of the Governance and Audit Committee.
11. There is to be a presentation on the officers' response to the risk of a downturn in the economic environment at the meeting on 2 December. This will provide an appropriate opportunity for Members to question officers on their strategy and to assess their overall understanding of the financial risks faced by the Council. Members should also be aware of the Financial Management Development Programme which in 2008 has included the following core training modules:

- Managing the Capital Programme
- Local Governance Finance
- Internal Audit & Financial Control
- Pensions & Investments
- Procurement – *next course 3 December 2008*
- Budget Management – *next course 11 December 2008*

12. Members' understanding of how assurance is gained should be assisted by the presentations on risk at the 2 December meeting. It should be noted that the level of interaction by the Governance and Audit Committee with internal and external auditors were both ranked relatively highly, demonstrating that Members should be relatively comfortable approaching either set of auditors to enhance their overall understanding of assurance.

Recommendation

13. Members are asked to note this report and to consider undertaking annual self assessments of this nature in future.

Janet Dawson
Head of Audit & Risk
Ext: 4614
23 November 2008

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By: Director Of Law & Governance
To: Governance & Audit Committee - 2 December 2008
Subject: Corporate Governance Performance Indicators

Classification: Unrestricted

Summary: To report Corporate Governance Performance Indicator trends

FOR INFORMATION

1. INTRODUCTION

1.1 A review of corporate governance was undertaken in 2005 which took a forward look at the public sector environment over the next five years and at our internal arrangements to see if they were 'fit for purpose' for the future. It was agreed that a 'basket' of indicators would be monitored to highlight any unusual trends in corporate governance performance.

1.2 Performance Indicators will not fully replace qualitative research into governance but they have been shown to be good forecasters of potential problems and are relatively easy to monitor. Deterioration in any one of them may have a reasonable explanation but a combination would indicate an underlying cause for concern and they act as a cost effective way of routinely monitoring the position.

1.3 KCC's corporate governance arrangements are consistently assessed as strong by external and internal audit. Evidence from a range of sources indicates that KCC is a well-run authority, with key features of effective governance in place. With effect from 2007/08 KCC is required to prepare an Annual Governance Statement (AGS). The requirement was introduced in the Good Governance framework, CIPFA SOLACE 2007 which sets out six principles of corporate governance underpinned by a number of supporting principles and specific requirements. The AGS was reported to Governance and Audit Committee in June 2008.

1.4 The first report on corporate governance PI's was presented to Governance and Audit Committee in September 2006. It was agreed that progress on the Indicators would be reported to the Governance and Audit Committee every year.

2. KEY PERFORMANCE INDICATORS

2.1 A number of performance indicators were proposed by the 2005 review, which were subsequently amended in 2006 and 2007 after discussion with the Governance and Audit Committee.

The current set is as follows:

1. Performance against KCC's Towards 2010 targets

2. Budget control
3. Annual Audit & Inspection Letter action
4. Levels of assurance from internal audit reports
5. Levels of complaints to the Standards Committee
6. Levels of complaints to the Ombudsman
7. Complaints from the public
8. Level of public satisfaction
9. Monitoring Officer or Section 151 Officer intervention
10. Number of ultra vires judgements/decisions
11. Number of non-compliance reports to the Information Commissioner - Data Protection, Freedom of Information and Environmental Information Regulations
12. Number of breaches in key legislation - Human Rights, Health & Safety, Sex Discrimination, Disability Discrimination and Race Relations Acts
13. Levels of sickness
14. Levels of grievance and disciplinary cases
15. Levels of retention or recruitment.

2.2 Performance against KCC's Towards 2010 targets

In September 2006, KCC launched its priorities for the next four years (2006-2010). Delivery of many of the 63 *Towards 2010* targets requires cross-directorate and partnership working.

Each of the *Towards 2010* targets is accompanied by an action plan (published on KCC's website) that sets out how the target will be met, and which is updated at least annually.

Annual reports on progress are discussed and approved by County Council each autumn. A draft of the Annual Report was presented to all five Policy Overview Committees (POCs) for comment during September 2008. This is felt to be a valuable process for both Members and officers and the comments helped to shape the final draft of the Annual Report for County Council on 16 October 2008.

At this stage we are half way through the term of *Towards 2010*. Much progress has been made since the last annual report in 2007 and the current status of the 63 targets is as follows:

- 2 (3%) 'Done and ongoing'
- 54 (86%) 'On course'
- 7 (11%) 'More progress is needed'.

Those targets deemed 'More progress is needed' are subject to more frequent in-year progress meetings to get them back on track.

A shake-up of the performance indicator process has been undertaken since the *Next Four Years* process was completed in 2006. The *Towards 2010* Annual Report

contains around 70 indicators, a significant reduction on the number we reported for the *Next Four Years*. The report now includes a large number of outcome-based indicators (Members should note that the indicators are underpinned by data quality procedures). Those targets that are not subject to outcome-based indicators are measured by qualitative data which describes the progress made since the previous annual report.

2.3 Budget control

Full quarterly monitoring reports are made to Cabinet in September, December and March. Revenue and capital budget exception reports are made to Cabinet in July, October, January, February and April. Variances in forecast outturn are monitored (see **Appendix 1**).

This year, finance activity data reports are standard agenda items on POCs. Quarterly reports include finance and activity data and outturn business plan monitoring is reported to POCs in June.

2.4 Annual Audit & Inspection Letter(AAIL) action

There was no action in either 2005/06 or 2006/07 that required further monitoring by our external auditors. The 2007/08 letter was reported to the Governance and Audit Committee on 30 June 2008. As Members may recall the only action needed by the Council was in reference to the Comprehensive Performance Assessment (CPA) Corporate Assessment (the results were unknown at the time of publication) regarding an improvement plan.

The CPA Corporate Assessment Improvement Plan is going to County Council in December for approval.

2.5 Levels of assurance from Internal Audit reports

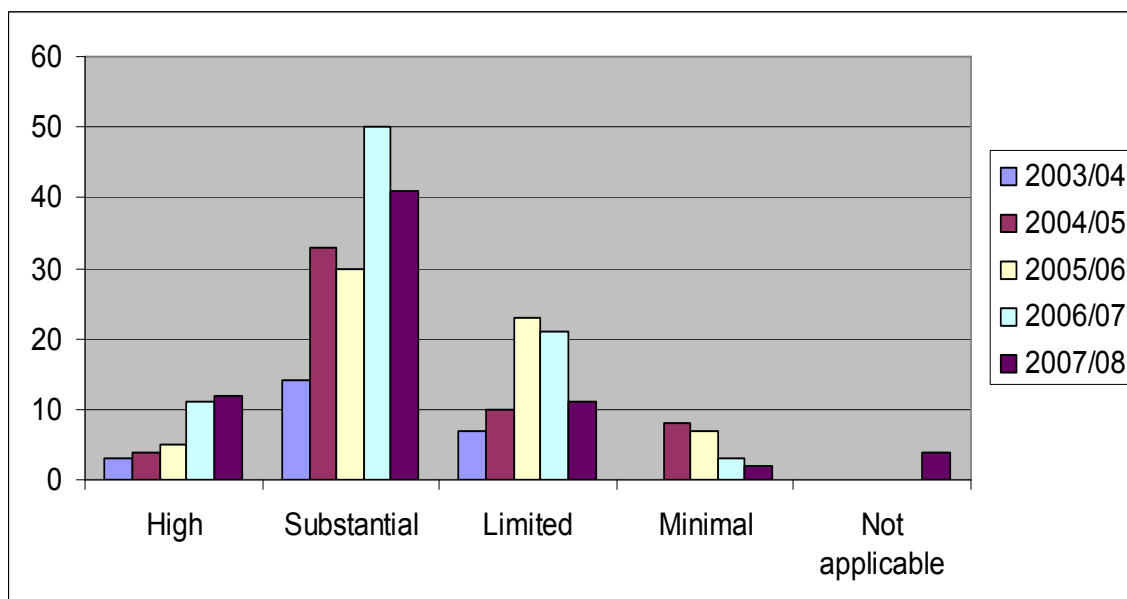
Internal Audit is an assurance function that provides an independent and objective opinion to KCC on the arrangements put in place by management for achieving service objectives and proper stewardship. The internal audit opinion covers the adequacy and effectiveness of the following:

- Control environment
- Risk management arrangements
- Governance framework and compliance with best practice

Assurances are provided in terms of an audit opinion, which provides one of four defined standards ranging from 'high' to 'minimal'.

High	= Strong controls in place
Substantial	= Controls in place but improvements beneficial
Limited	= Improvements in controls or application of controls needed
Minimal	= Urgent improvements in controls or the application of controls required.
Not Applicable	= Reviews carried out in an advisory capacity i.e. Swift system review

Audit assurance graph



During the course of the year Internal Audit undertook an Authority wide risk and control mapping exercise to streamline the audit planning process and ensure that the assurance activity was truly aligned to the business and corporate risks.

The risk and control mapping exercise enabled management to assign a score both to the inherent and the residual level of risk within each area of the business. By identifying areas of risk where management believes there to be a high level of control, Internal Audit were then able to focus internal audit resources to provide assurance that those controls were operating effectively during the year, or to highlight where improvements were required.

2.6 Levels of complaints to the Standards Committee

During 2007/08, there were 10 complaints to the Standards Board for England about the conduct of KCC Members. Of the 10, 6 were not investigated and 4 were referred to an Ethical Standards Officer for investigation. Of the 4 cases referred, none of those complaints was upheld.

Allegations and findings against KCC Members over the last four years have been as follows:

	2004/05	2005/06	2006/07	2007/08
Total allegations	2	6	10	10
Allegations dismissed without referral to Ethical Standards Officer	1	6	6	6
Allegations referred for investigation by an Ethical Standards Officer	1	0	4	4
Ethical Standards Officer findings following investigation:				

	2004/05	2005/06	2006/07	2007/08
No breach of Code	0	0	2	4
No further action required	1	0	2	0
Referred to Monitoring Officer	0	0	0	0
Referred to Adjudication Panel	0	0	0	0

2.7 Levels of complaints to the Ombudsman

Complaints to the Local Government Ombudsman are reported to the Governance and Audit Committee every six months. It is KCC's practice always to advise complainants of their right to pursue their complaint with the Ombudsman if the Council has been unable to resolve it to their satisfaction.

There has been a slight reduction in the number of complaints received by the Ombudsman this year and a full report on the 2007/08 Local Government Ombudsman's Annual Letter was discussed as an item at the June Governance and Audit Committee Meeting.

2.8 Levels of complaints by the public

Complaints are useful customer feedback, not to apportion blame where the service may not have been up to the standard expected but rather to develop a learning and customer responsive culture. A review of complaints highlighted the need for improved monitoring. When benchmarked with other authorities Kent appeared to receive fewer complaints. On investigation it was found that not all complaints were recorded and steps have been taken to improve this process in all directorates.

We were due to start benchmarking complaint information with other authorities this year but this has been deferred until after the areas highlighted for improvement in the Corporate Assessment Improvement Plan have been implemented.

	2005/06	2006/07	2007/08
Children Families & Education	289	275	485
Chief Executives	28	42	44
Communities	565	634	457
Environment & Regeneration	45	341*	660
Kent Adult Social Services	413	440	400
TOTAL	1,340	1,732	2,046

* New monitoring system introduced part way through year.

Explanation of variances:

Children, Families & Education

There has been an increase in recorded complaints due to changes in the way complaints are now logged within the Education part of the Directorate and the introduction of a new database part way through 2007/08.

Communities

The number of complaints received by the Adult Education service has reduced in 2007/08. In 2005/06 and 2006/07 there had been a number of course cuts which resulted in a high number of complaints. Improved customer care training and staff being better able to deal with complaints when first raised has also reduced the number of complaints received.

Environment & Regeneration

During 2007/08 Environment & Waste (E&W) improved their complaints reporting procedure and customer focus in order to achieve Charter Mark (customer service) accreditation in March 2008. E&W has been more proactive this year in ensuring its customers can offer feedback by a number of methods e.g. Country Park Comments Cards, Explore Kent website and customer surveys and this has increased the number of recorded complaints. The Charter Mark framework is being used as a tool for continual improvement in its customer focus and has improved the monitoring and reporting of complaints.

The CPA Corporate Assessment

The Corporate Assessment highlighted areas for improvement in the way the Council handles complaints:

"The Council's use of and response to complaints as a resource to drive improved services is being further developed, but currently - although statutory requirements are met - directorates have inconsistent approaches, and mechanisms for monitoring and using complaints are underdeveloped. This inconsistency is reinforced by the mixed quality and availability of service standards.

These areas are being addressed by the County Complaints Group. All Directorates now produce an annual complaints report covering the following areas:

- Number of complaints
- How we received them; phone, letter, e-mail
- % answered within our standards
- % way complaints are being received (e-mail, phone, letter, in person)
- What we have learnt and what we have changed and improved
- Equality and diversity information

We will ensure consistent practice across all Directorates in monitoring and responding to complaints from the public and regarding use of complaints to drive service improvements

The corporate complaint leaflet and the website are also being updated to improve information to the public.

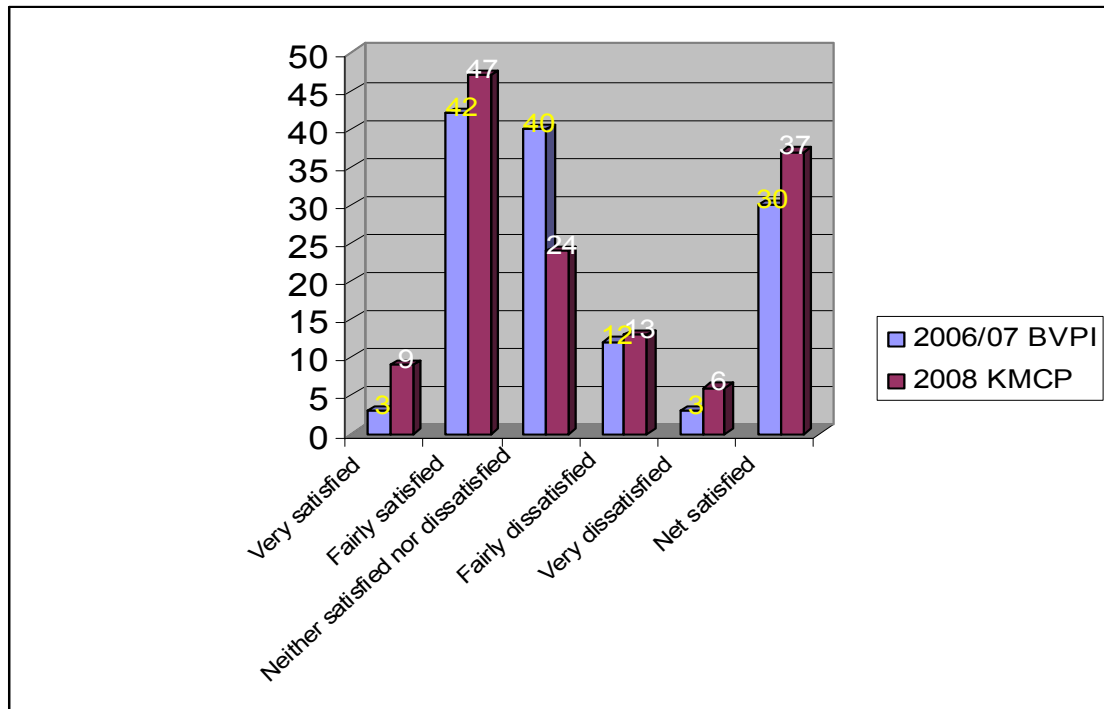
A KCC wide complaints report will be reported to POCs in January 2009. This report will look at what we have learnt from complaints and improvements made. It will also report on progress made on areas for improvement.

2.9 Levels of public satisfaction

The public satisfaction survey carried out between September and November 2006 was the third and last in the triennial series of statutory BVPI general surveys. Since then KCC has commissioned Ipsos MORI to carry out a quota sample survey representative of Kent residents using the Kent & Medway Citizens Panel (KMCP) and

this included a question to measure public satisfaction with KCC. This was undertaken in Feb/March 2008.

Compared with the result from the 2006/07 survey public satisfaction with KCC has increased, as indicated in the chart below.



The percentage of respondents satisfied with KCC increased by 10% from 45% to 56%. The net satisfaction of respondents increased 7% from 30% to 37%.

The new statutory survey replacing the BVPI survey is the Place Survey. Despite the fact that BVPIs have been discontinued, the Place Survey requires authorities to collect data on certain former BVPIs and so time series comparisons will continue for public satisfaction with services such as recycling sites, public transport, libraries and country parks. The first Place Survey is being carried out currently (September to November) and results will be known in January 2009.

2.10 Monitoring Officer or Section 151 Officer intervention

There have been no Monitoring Officer or Section 151 interventions in the last four years.

2.11 Number of ultra vires judgements/ decisions

There have been no ultra vires judgements/decisions in the last four years.

2.12 Number of non-compliance reports to Information Commissioner (IC) - Data Protection (DPA), Freedom of Information (FOI) and Environmental Information Regulations (EIR)

Number of complaints against KCC received by the Information Commissioner over the last three years is shown in the table below.

YEAR	TYPE	Total no. of requests received	No. of referrals to IC	% of requests referred	Status/Outcome of complaints to IC
2004	DPA	70	1	1.43%	1 not upheld
	FOI/EIR	N/A	N/A		
2005	DPA	106	0	0.00%	
	FOI/EIR	504	5	0.99%	3 withdrawn 1 abandoned - insufficient evidence for IC to pursue 1 upheld but no enforcement action necessary
2006	DPA	126	1	0.79%	1 upheld but no enforcement action necessary
	FOI/EIR	576	5	0.87%	2 withdrawn 1 IC state not in public interest to pursue 1 s50 decision notice issued ordering release of information 1 under investigation
2007	DPA	130	2	1.54%	1 not upheld 1 upheld but no enforcement action necessary
	FOI/EIR	702	7	1.00%	1 withdrawn 1 not progressed - insufficient evidence for IC to pursue 2 under investigation 3 awaiting allocation to IC case officer
2008 to 23/9/08	DPA	130	0	0.00%	
	FOI/EIR	698	2	0.29%	1 under investigation 1 awaiting allocation to IC case officer
		3042	23	0.76%	

Of the 16 complaints that the Information Commissioner has investigated and completed, 4 have been upheld in favour of the complainant but only 1 has required any remedial action on KCC's part. In this case (which also involved 34 other Councils who administer pension funds), the IC ordered release of the information that was originally withheld (information provided to superannuation trustees by external investment managers). The IC's decision can be viewed at http://www.ico.gov.uk/upload/documents/decisionnotices/2008/fs_50155397.pdf

Therefore, the total number of Information Commissioner non-compliance reports to date is 4 which is only 0.13% of the 3,042 requests for information handled since January 2004.

2.13 Number of breaches in key legislation - Human Rights, Health & Safety, Sex Discrimination, Disability Discrimination and Race Relations Acts

Information on sex, disability, race and human rights was collated with employment tribunal cases (see 2.13) but collected separately from April 2006.

Type of Case	2006/07	2007/08
Sex		1
Disability		1
Race		
Age		1
Human Rights		
Health & Safety prosecutions		
Total	0	3

None of the above cases was found by against KCC.

2.14 Levels of sickness

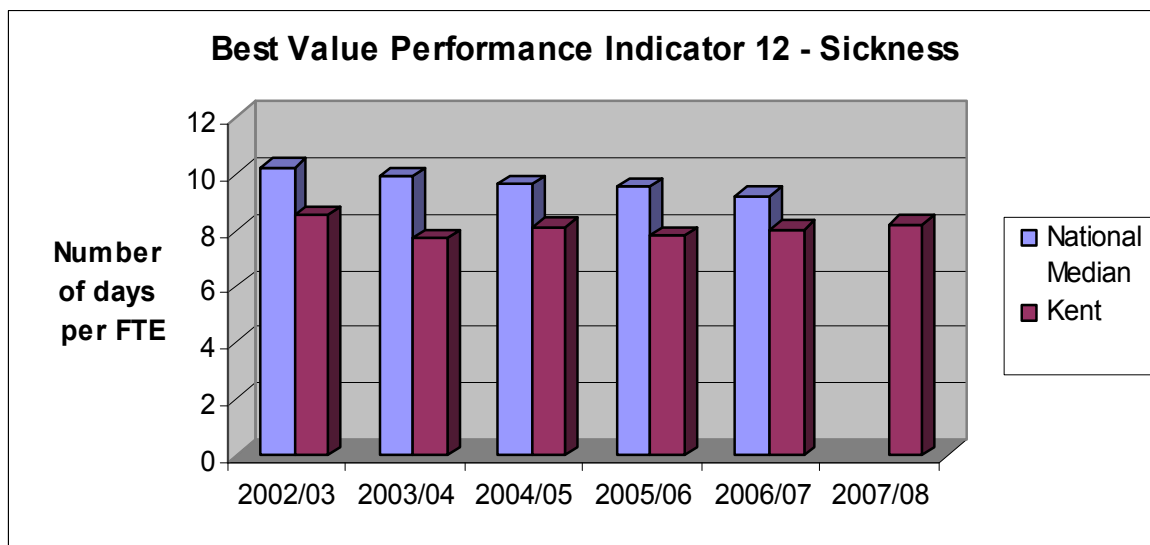
KCC's primary aim is to maximise employee attendance through positive management, both to enable the organisation to deliver and also to ensure the health and well-being of its employees.

Staff Care Services provide proactive and preventative occupational health services that include health promotion and assessments.

Support Line Services provide a confidential (self-referral) staff counselling service, coaching and workplace mediation.

Work & Wellbeing activity offers staff facilities and information that promote the general health & wellbeing of staff.

There is an initiative underway to address health, well-being and attendance issues across the organisation, which is aimed at those with high or unsustainable levels of sickness absence. There is anticipated to be an increase in the numbers of people exiting the organisation as a result of this, either through dismissal, ill health retirement or resignation.



2.15 Levels of grievance and disciplinary cases

Type of Case	Number of Cases					
	2002	2003	2004*	2005/6**	2006/07	2007/08***
Disciplinary	70	129	215	165	219	71
Capability	47	107	232	74	157	37
Grievance/Harassment	36	56	103	96	130	51
Ill-Health	184	314	568	137	300	135
Redundancy (at risk/ review)	57	54	162	115	208	38
Employment Tribunal	22	32	44	6	12	10
Total	416	692	1,324	593	1,026	342

* Data quality issue (double counting)

** 15 month period

*** figures exclude schools for 2007/08. Due to a new system this information is not available till early December 2008 and will be tabled at Governance & Audit Committee if available.

2.16 Levels of retention or recruitment

Recruitment	2005/06		2006/07		2007/08	
		%		%		%
Total number of applicants*	24,961		25,491		38,221	
Number appointed	1,275	5.1	957	3.75	1,875	4.91
Black & minority ethnic applicants (BME)	2,231		2,375		3,951	
Number appointed	51	2.3	62	2.61	100	2.53
Disabled (DDA) applicants	1,127		1,031		1,275	
Number appointed	31	2.8	53	5.14	69	5.41

* Does not include Schools, Commercial Services and 'non- APTC' staff in Home Care and Older People Direct Service Unit

Leavers 2007/08

	2005/06		2006/07		2007/08	
	Leavers (excl. CRSS)*	Leavers (as % of total)	Leavers (excl. CRSS)*	Leavers (as % of total)	Leavers (excl. CRSS)*	Leavers (as % of total)
<i>*CRSS = Casual Relief, Sessional and Supply staff</i>						
Number of leavers - male	1,577	24.44%	1,358	22.80%	1,489	26.15%
Number of leavers - female	4,875	75.56%	4,597	77.20%	4,206	73.85%
Number of leavers - DDA	48	0.7%	52	0.87%	63	1.11%
Number of leavers - BME	63	1.0%	72	1.21%	75	1.78%
Total number of leavers	6,452		5,955		5,695	

Description	2004/05	2005/06	2006/07	Out-turn 2007/08
BV11a -Of the top 5% of earners, the % that are women (excluding staff in schools)	42.9%	43.9%	46.5%	50.3%
BV11b - Of the top 5% of earners, the % that are from black and minority ethnic communities (excluding staff in schools)	1.5%	1.9%	2.2%	2.5%
BV11c - Of the top 5% of earners, the % that are disabled (excluding staff in schools)	3.1%	2.4%	1.8%	2.6%
BV16 - % of staff declaring they are disabled under DDA 1995 definition (as a % of staff responding to a survey)	1.9%	2.0%	1.8%	1.8%
BV17 - % of staff who are from ethnic minority communities	2.2%	2.4%	2.5%	2.7%

Actions are in train to improve the levels of disabled and BME applicants for KCC jobs and Equalities Lead Officer Group has recently considered and agreed draft targets in these and other areas of representation in our workforce.

BVPIs ended on 31 March 2008 and have been replaced by a set of new national indicators. There are no longer statutory indicators covering the above staffing indicators but the information will still be collected for internal monitoring.

3 CONCLUSION

3.1 All KCC members, managers and staff have a role in ensuring effective governance by their behaviours and by their actions and these are governed by the Constitution and other protocols. All the information contained within the performance indicators is already monitored within Directorates as a matter of good practice.

3.2 Where trends have indicated an area for review, as in the increase of complaints within Children, Families & Education and the decrease in complaints here is a justifiable explanation for this deviation in trend. Areas of best practice are also highlighted, e.g. the reduction of complaints within the Adult Education Service. **The overall conclusion from this review of the performance indicators is that KCC is a well run authority with key features of effective governance in place.**

4 RECOMMENDATIONS

4.1 Members are asked to NOTE the contents of this report and AGREE that the corporate governance performance indicators continue to be monitored annually by this committee and reviewed in 2009.

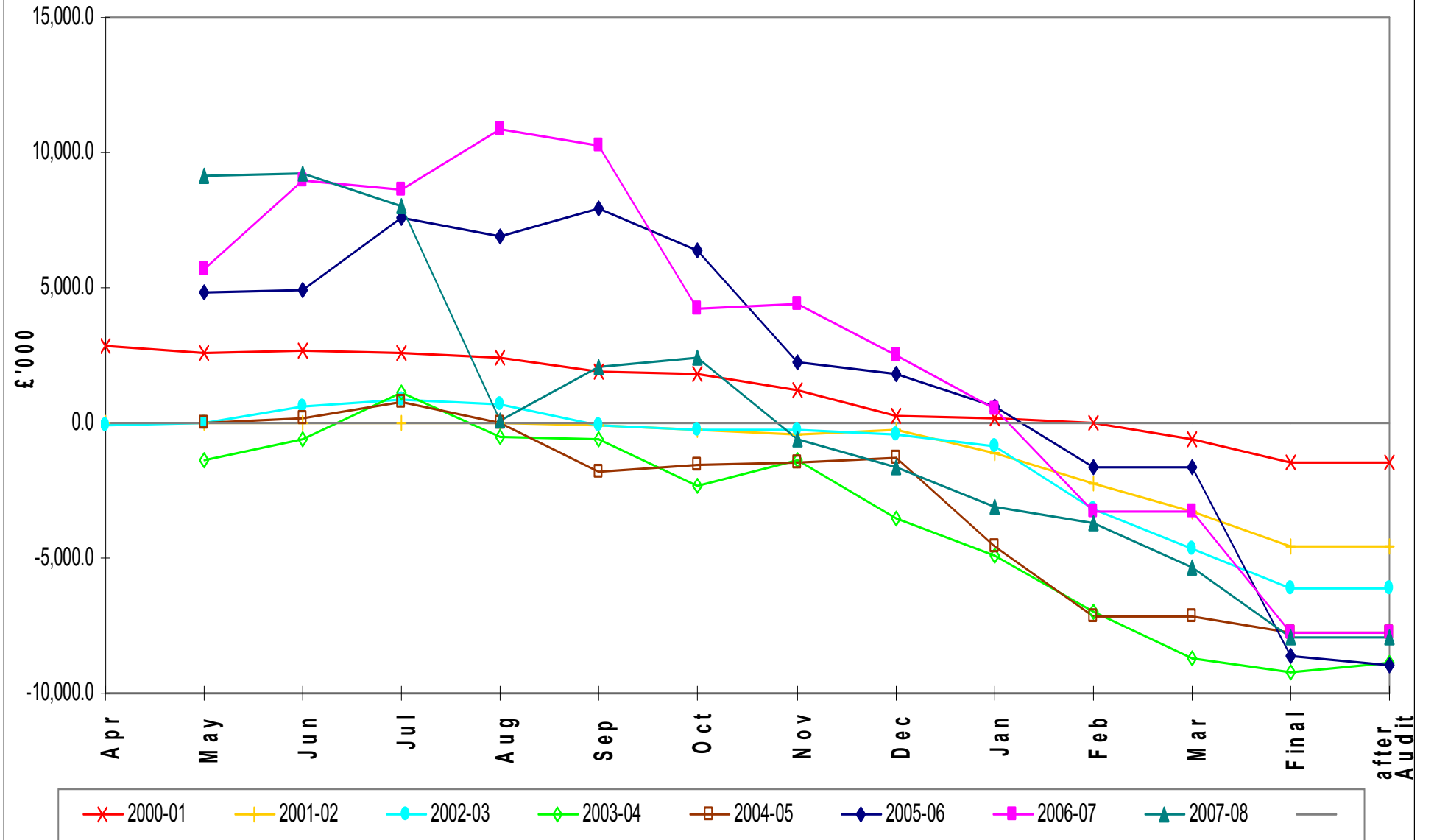
Janice Hill
Performance Manager
Performance Management Group
Ex 1981

Geoff Wild
Director of Law & Governance
Ex 4302

Background Documents: None

Revenue Budget Monitoring Analysis 2000-01 - 2007-08 (£'000)

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By: Chief Executive

To: Governance and Audit Committee – 2nd December 2008

Subject: OMBUDSMAN COMPLAINTS

Accountable Officer: Corporate Access to Information Coordinator

Classification: Unrestricted

Summary and Recommendations: To report:-
the latest position on complaints to the Local Government Ombudsman against the County Council;

FOR INFORMATION

1. New Local Government Ombudsman Complaints since 1st April 2008

(1) In the six months from 1st April 2008 to 30th September 2008, 83 new complaints about the County Council were made to the Local Government Ombudsman. This excludes the 14 additional complaints which were classified by the Ombudsman as “premature” (i.e. the Ombudsman considered that the Council had not yet had sufficient opportunity to consider them first) and which will not therefore be included in the annual statistics on complaints published by the Ombudsman. The latest position in the Ombudsman’s consideration of these 83 new complaints and brief details of them on a Directorate by Directorate basis are set out in Tables A and B respectively:-

Table A

Total new complaints 1/4/08 – 30/9/08	83
<i>of which:-</i>	
KCC investigating/collating information	1
Ombudsman’s decision awaited	13
Complaint closed - local settlement	14
Complaint closed - Ombudsman’s discretion	19
Complaint closed - outside Ombudsman’s jurisdiction	7
Complaint closed - no evidence of maladministration	29

Table B

Adult Social Services	2
Chief Executives	4
<i>of which:-</i>	
Commercial Services	1
Finance	1
Legal	1
Personnel	1

Children, Families and Education	69
<i>of which:-</i>	
Secondary School admission appeals	34
Infant/Primary School admission appeals	15
School Transport	2
Special Educational Needs	2
Internal School Matters	1
Children's Social Services	6
Other	9
Communities	1
<i>of which:-</i>	
Trading Standards	1
Environment and Regeneration	7
<i>of which:-</i>	
Kent Highway Services	6
Planning Applications	1

2. Current position on existing cases received last year (up to 31st March 2008) and still under investigation by the Ombudsman

We are still awaiting Ombudsman decisions on 11 complaints from the previous financial year (2007-2008). The latest position on these cases is as follows:-

Complaint 07/A/03721 – Special Educational Needs

A summary of this complaint as the Ombudsman understands it is that the Council

- (i) Delayed unreasonably in assessing complainant's stepson and issuing a Statement of Special Educational Needs
- (ii) Unreasonably asked complainants to visit several schools within the county which were not suitable for their step-son's needs.
- (iii) Unreasonably refused to consider a residential placement until just before the SENDist hearing was about to take place and
- (iv) Failed to provide suitable education while stepson was excluded from his mainstream school

The Ombudsman's proposals for settlement, which the Council is contesting, is that the Council pay £39,395 compensation to the stepson for the education he missed for half a term and £5,300 compensation to the complainant to cover some of his legal fees. The Council has agreed to pay £6,868 for the loss of day provision, £750 for legal fees and £1000 to complainant for time and trouble in pursuing complaint. The complainant has now escalated his complaint (now about both the Ombudsman and the Council) to his MP.

Complaints 07/A/15602, 16249, 16250, 16251 & 16435 – Failure to keep adequate records re the highway status of Longfield Place

A summary of these complaints from residents as the Ombudsman understands it is that there is an administrative fault in the Council's failure to keep adequate records of the highway status of Longfield Place, Maidstone and in its inconsistent or inaccurate advice to Maidstone Borough Council and others about that matter. This has resulted in development of land opposite the complainants residences which a ransom strip that they purchased was supposed to prevent. The Ombudsman has not made any comment since he visited on 19th & 23rd June to inspect records and conduct interviews with key officers in Legal and Kent Highway Services.

Complaint 07/A/12559 – Refusal to address traffic issues

A summary of this complaint as the Ombudsman understands it is that the Council has failed to consider properly alternative measures to address the problem of speeding traffic on Church Road, Eastchurch. The Council has provided the information requested by the Ombudsman to the Ombudsman and is awaiting the outcome of the Ombudsman's investigations.

Complaint 07/A/14391 – Refusal to address traffic issues

A summary of this complaint as the Ombudsman understands it is that the Council has failed to take adequate steps to address the issue of speeding cars on Charing Hill. The Council has provided the information requested by the Ombudsman to the Ombudsman and is awaiting the outcome of the Ombudsman's investigations.

Complaints 07/A/16114 & 16081 – Removal of specialist services without notice/consultation.

A summary of this joint complaint as the Ombudsman understands it is that the Council is at fault in that

(a) it removed specialist services provided by organisation KIDS to the complainants' children in January 2007 without reasonable notice or consultation and

(b) it has failed to make adequate or appropriate alternative provision since January 2007.

The Ombudsman's proposals for settlement, which the Council has accepted, is that the Council pay £250 compensation to each parent for the lack of consultation and notice, and £250 to one of the complainants in recognition of the potential breach of confidentiality as a result in delays in updating Council records of complainant's new address. (The Council had already formally apologised for this). The Council is waiting for confirmation from the Ombudsman that payment can be made.

Complaint 07/A/07845 – Unfair action re trees & hedges

A summary of this complaint as the Ombudsman understands it is that the Council has taken unnecessary and unfair action against complainant in respect of trees and a hedge on her property. The Council has provided the information requested by the Ombudsman to the Ombudsman and is awaiting the outcome of the Ombudsman's investigations.

3. Further Information

Further information about any of the complaints or other matters mentioned in this report can be obtained from the Corporate Access to Information Coordinator

Caroline Dodge
Corporate Access to Information Coordinator
Ext 1652

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By: The Head of Audit & Risk

To: Governance and Audit Committee – 02 December 2008

Subject: ADVISING MEMBERS ABOUT FURTHER STEPS
BEING UNDERTAKEN TO STRENGTHEN THE
COUNCIL'S OVERALL RISK MANAGEMENT

Classification: Unrestricted

Summary: This report presents the concept of risk appetite and sets this in the context of the Council's overall risk management framework.

FOR INFORMATION AND DECISION

INTRODUCTION

1. The issue of risk appetite was raised by internal audit in the 2008/09 Risk Management report (Recommendation 5 on aggregate risk). There was a need for the Council to understand the aggregate risk for different activities and business units, comparing the results with the Council's overall risk appetite.
2. The concept of risk appetite is explained below. It is widely used in the private sector (oil and gas exploration) and in the public sector by Government departments such as DfID to evaluate the returns on capital associated with long term contracts. The Council would benefit from understanding its aggregate risk exposure. By assessing risks individually, the Council may inadvertently be either more risk averse or risk exposed than intended. If too risk averse innovation will be stifled, if too risk exposed there is a threat to key objectives.
3. An understanding of aggregate risk assessment would enable the Council to balance high risk high return initiatives and activities with lower risk lower return activities. Adopting this approach should improve the return on capital and operating budgets.
4. Reports on the Council's aggregate risk would in time be provided to the Council's Chief Officer Group, Cabinet and Governance and Audit Committee.

Definition of risk appetite

5. *Risk appetite is the amount and type of risk an organisation is prepared to seek, accept or tolerate.* (Source – British Standard 31100:2008)
6. Risk appetite reflects an organisations approach to both opportunities and threats within appropriate levels of authority. The organisation's risk appetite should be established and/or approved by the Board (or equivalent) and effectively communicated throughout the organisation. Risk appetite should be formerly

reviewed by the Board (or equivalent) as part of the organisation's strategy and planning process.

7. *Risk appetite will best be expressed as a series of boundaries, appropriately authorised by management, which give each level of the organisation clear guidance on the limits of risk which they can take, whether their consideration is of a threat and the cost of control, or of an opportunity and the costs of trying to exploit it. This means that risk appetite will be expressed in the same terms as those used in assessing risk. An organisation's risk appetite is not necessarily static; in particular the Board will have freedom to vary the amount of risk which it is prepared to take depending on the circumstances at the time. (Source – HM Treasury, The Orange Book 2004)*

Considerations

8. The challenge to setting risk appetite across all of an organisation's activities, particularly in the local authority context, is the need to balance a number of qualitative and quantitative boundaries at all levels and across unrelated disciplines.
 - The qualitative boundaries set out what should not be done. For example, in the areas of health and safety standards risk of deviation from compliance standards will not be accepted, in areas of regulated activity adherence to professional standards is required and behaviour of staff must be within the organisation's code of conduct.
 - The quantitative boundaries set the threshold for risk within a certain area or level of management responsibility before higher authorisation is required. For example, this may be financial spend delegations or variances within delivery targets. The range of non-financial drivers in the public sector make setting quantitative boundaries more difficult.
9. The benefit of establishing a risk appetite is to help lock in risk management to the organisation's decision making and planning processes, empowering staff and raising morale. Having a clearly defined and well communicated risk appetite will:
 - help reinforce an understanding and engagement with the opportunities provided by delegations in the Standing Orders/Standing Financial Instructions, and
 - encourage innovation and the taking of responsibility by teams in the planning process where they can provide more options, balanced within their overall resource constraints.
10. The risk appetite will support management in articulating where and by whom they expect decisions to be taken, supporting delegation and empowering staff within reasonable boundaries. Only those actions, be they for an opportunity or threat, which are risk assessed above a certain level will require escalation for a decision. At the same time this application of the risk appetite to decision making will strengthen management's engagement with the risk management process as they will need to challenge their team's risk assessments to be sure nothing is being 'hidden' and the right matters are escalated for decision.

11. Common to both the challenge and benefit of setting a risk appetite for the organisation is the importance of its communication across the organisation, both in the first instance and over time to reinforce how it is applied

Supporting detail

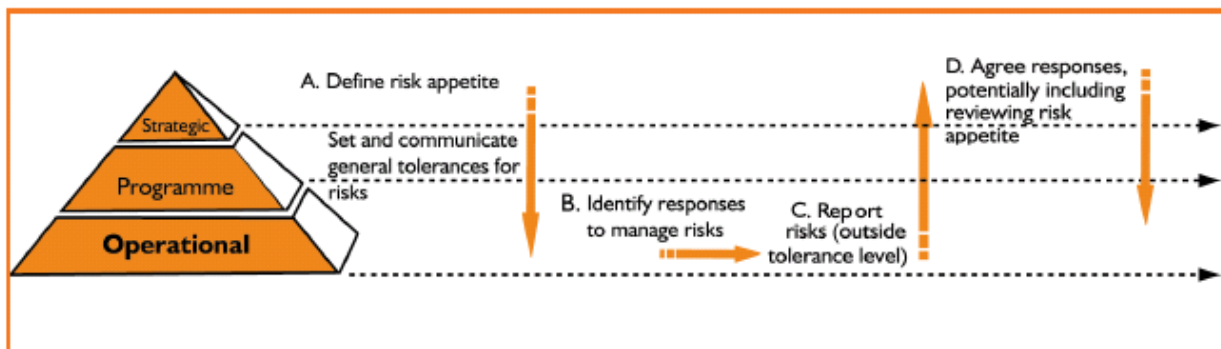
Content of a risk appetite statement

12. The organisation should prepare a risk appetite statement, which may:

- Provide direction and boundaries on the risk that can be accepted at various levels of the organisation, how the risk and any associated reward is to be balanced, and the likely response
- Consider the context and the organisation’s understanding of value, cost-effectiveness of management, rigour of controls and assurance process
- Recognise that the organisation might be prepared to accept higher than usual proportion of risk in one area if the overall balance of risk is acceptable
- Define the control, permissions and sanctions environment, including the delegation of authority in relation to approving the organisation’s risk acceptance, highlighting of escalation points, and identifying the escalation process for risk outside acceptance criteria, capability or capacity
- Be reflected in the organisation’s risk management policy and reported upon as part of the organisation’s internal risk reporting system
- Include qualitative statements outlining specific risks the organisation is or is not prepared to accept
- Include quantitative statements, described as limits, thresholds or key risk indicators, which set out how certain risks and their rewards are to be judged and/or how the aggregate consequences of risks are to be assessed and monitored.

(Source – British Standard 31100:2008)

An overview model of risk appetite



(Source – HM Treasury, The Orange Book 2004)

Recommendation

13. Members are asked to note this report

14. The concept of risk appetite is being raised at directorate level as part of the current round of business planning, incorporating risk management and consideration of the 2009/10 Internal Audit Plan.

15. The objective is to ensure that directorates understand the concept of risk appetite and start to reflect elements in their service planning. Updated risk registers are to be brought to a future meeting of the Governance and Audit Committee in 2009 (most likely, March) and this will present further opportunity for discussion and comment.

Janet Dawson
Head of Audit & Risk
Ext: 4614
23 November 2008

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By: The Head of Audit & Risk
To: Governance and Audit Committee – 02 December 2008
Subject: INTERNAL AUDIT PROGRESS REPORT
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity.

FOR INFORMATION AND DECISION

INTRODUCTION

1. This report contains the outcome of Internal Audit's work completed during September and October 2008. Assurances are provided in accordance with the definitions of Internal Audit assurance levels shown in Annexe H.

Six audits were completed in this period, which are listed in the table below together with a brief description of the audit.

IRREGULARITIES

2. Since the end of August 9 cases of suspected irregularity have been reported, each involving either KCC finances or business processes. Two irregularity investigations have been concluded during this period and details are shown at agenda item 9.

PROGRESS REPORT

5. The format is as follows:
 - The Internal Audit Plan showing the planned start, actual start, progress for each audit and audit assurance. This will enable Members to review Internal Audit's progress against the plan. Annex A
 - Other work carried out, for example pro active fraud work, National Fraud Initiative, fraud awareness training provided, advisory work. Annex B
 - Internal Audit consultancy work to drive continuous improvement – None to report
 - Summaries of reports for all completed audits. Annex C
 - Summaries of audits where control has been assessed as minimal, None to report.

- The directorates' progress against the implementation of recommendations made and agreed - Annex D
- Internal Audit's performance against its Performance Indicators - Annex E
- Information about how and where Internal Audit's time has been spent - Annex F
- Definitions of Internal Audit's Assurance Levels – Annex G

Other Matters – None to report

Recommendation

6. Members are asked to note this report.

Janet Dawson
Head of Audit & Risk
Ext: 4614
24 November 2008

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
07/08	Overtime Payments	To provide assurance that overtime payments are appropriately authorised and paid accurately and promptly	Q1	24 April 2008	23 May 2008			Brought forward from 07/08 plan. Outstanding final recommendations was agreed 21 November 2008
07/08	WAMS financial management	An audit of financial controls within the KHS procurement and ordering system (WAMS)	Q1	1 April 2008	15 May 2008			Brought forward from 07/08 plan. Final draft report awaiting comments.
AW05	Access to Information	A review of controls in place to ensure council wide compliance with access to information legislation, including freedom of information and environmental regulation requests.	Q1	6 May 2008	19 Aug 2008	19 Sep 2008	Substantial	
AW03	Governance of individual partnerships	Work to build on audit undertaken in 2007/08. Focus to include, follow up on progress made against previously agreed management actions. Assess level of compliance with policies and procedures in a sample of major/significant partnerships.	Q2	7 July 2008	13 Nov 2008			

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW04	Contract monitoring and tendering process	Review of tendering procedures and contract monitoring. Scope to include, processes for tender evaluation and selection of suppliers, review of processes to manage key contracts, quality assurance of suppliers processes. The individual contracts that are reviewed will include Building Schools for the Future (BSF) and Highways contracts.	Q2/3	Sep 2008				KHS work being delivered in conjunction with investigatory work being undertaken by PWC. BSF component to be taken forward separately.
AW09	<i>Business Continuity Planning</i>	<i>A review of Business Continuity Planning and Disaster Recovery arrangements.</i>	Q2/3	7 Oct 2008				<i>Fieldwork nearing completion.</i>
AW10	ICT Risk Assessment	To map risks and controls in the ICT environment	Q2/3	24 Sept 2008				Workshops now complete initial ICT risk registers have been circulated to Directorates for comment.
AW02	Risk Management	Work to build on the high level review undertaken in 2007/2008 to focus on the adequacy of corporate risk management arrangements and the linkages between; Business planning, Performance appraisal, Budgeting processes.	Q3					Postponed until Q4 to enable recommendations to be implemented.

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW07	Data Management Arrangements	Review and assurance over implementation of data quality policy council wide, with a focus on management arrangements of critical/sensitive data, including testing to validate controls in place and review of existing guidance available to staff on acceptable practice for data handling.	Q3	15 Oct 2008				
AW08	Third party ICT Provision	Review the contractual arrangements for the provision of ICT services by third parties to business-critical computer systems. Sample to be agreed with management prior to audit.	Q3					Scoping meeting held
AW11	PSA Certification	Certification of grant claim and verification of performance data	Q3	2 Oct 2008				
S01	Year End Accounting	Assurance that income and payments are accounted for in the correct financial year.	Q1	7 April 2008	9 May 2008	22 July 08	Substantial	
S03	Local Area Agreement Certification	Annual review to validate the completeness and accuracy of LAA spend.	Q1	21 May 2008		June 08	n/a	Review to validate the completeness and accuracy of LAA spend

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S09	Insurance Fund	A review to provide assurance on the adequacy, efficiency and effectiveness of controls operating to mitigate the risks within the operation of the Insurance Fund.	Q1	16 June 2008	20 Aug 08	22 Sept 2008	High	
S05	Accounts Payable	A review to provide assurance that accurate timely payments are made which are only to bona fide creditors for goods and services received by the Council.	Q2	28 July 08	24 Oct 2008			
S10	Revenue Budget Monitoring	Directorate revenue budget monitoring in KASS. To provide assurance that revenue budgets are well controlled.	Q2	28 August 08	7 Nov 2008			<i>This audit to start in Q2 rather than Q3 as originally planned</i>
S02	Bank Reconciliations	Assurance that income and payments are accounted for in the correct financial year	Q3					Due to start in December
S06	Accounts Receivable	Systems based approach considering key risk exposures. Include mapping of key control areas and liaison with external audit requirements	Q3					ToR issued audit due to start in December.
S08 (a)	Payroll Allowances	Substantive "Cradle to Grave" approach, following through samples of payments for example, allowances paid to staff.	Q3	3 Nov 2008				

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S09 (b)	Payroll Amendments	Substantive "Cradle to Grave" approach, following through samples of payments for example, permanent and temporary changes to pay.	Q3					ToR issued audit due to start in December.
S12	Follow up to Overtime Payments	Follow up to audit carried out in 2007/08.	Q3					Audit delayed until Q4
S07	Treasury Management	<i>Systems based approach considering key risk exposures including mapping of key control areas and liaison with external audit requirements.</i>	Q4	Oct 2008				<i>Audit started in Q3</i>
CED04	Kent Public Service Network (KPSN) Project Part 2	A review to assess the project management processes and procedures in place to manage system development activities to ensure the successful delivery of the new KPSN.	Q2	30 July 08	4 Nov 2008			
CED08	Members Code of Conduct – Locally Managed Framework	A review against the Standards Board checklist for the implementation of the locally managed framework of compliance with the Members Code of Conduct. Timing of this audit will depend on receipt of government regulations and SBE guidance.	Q1					<i>Audit delayed as timing depends on receipt and implementation of government regulations and SBE guidance. Likely to take place in Q4</i>

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CE09	Rebate Income	A review of the process to ensure that all rebate income due has been correctly identified, collected and accounted for.	Q1	23 June 2008	11 Aug 08	4 Sept 2008	High	
CE02/CE03	Operating System Security (Windows XP)	Review of operating system security, administration, support and maintenance procedures (as extension of network security review 2007/08). This will be done as one audit	Q3					ToR issued
CE05	Oracle Application Security	Oracle application security controls covering Oracle system embedded controls configured in the system design within selected modules as identified from the previous 0708 Oracle Application Security audit.	Q3					ToR agreed
CFE01	Allocation of Cluster Funding	An audit of the processes in a sample of Clusters to provide assurance that the funding allocated to the Clusters is spent by them following an appropriate bidding and evaluation process linked to objectives and that records are maintained to enable management to monitor the expenditure and evaluate the results.	Q1	1 May 2008	9 July 08			Second draft report issued in response to comments received. Now awaiting directorate's comments before issuing final report.

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CFE02	Family Group Conferencing	Assurance that controls achieve compliance with referral policy and that funding is adequate to provide accreditation training.	Q1	21 April 2008	17 July 08	7 Aug 08	Substantial	
CFE03	School Funding	A review of how funding for schools is determined and how it is distributed to meet the objective. Support the raising of educational achievement by ensuring that funding is allocated to support national and local initiatives allowing schools to focus on their responsibilities in the knowledge that all strategic support functions are similarly focused.	Q2	18 June 08	8 Oct 2008			Directorate responses received, report due to be issued as a final.
CFE04	School Meals	<i>Review of the support to schools to assist with the falling meal uptake rates which is presenting a risk to the meals subsidy.</i>	Q2					<i>Audit has been substituted for work carried out to assist directorate with various issues in relation to schools.</i>
CFE05	Student Awards	In preparation for the transfer of the student awards to the Student Loan Company a review of the adequacy of the transition plan.	Q2	3 Sep 2008				Debriefing now taken place, draft report due to be issued.

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CFE09	Children Resource Centre Network	Assess whether are adequate project management arrangements in place for the delivery of the new Children Resource Centre Network.	Q2	22 Aug 2008				Review delayed as there is a 'stalemate' over the supplier that should be appointed to put a new system in.
CFE06	CRB checks	Assess adequacy of, and compliance with, procedures for identifying staff that require CRB checks due to having access to the records of vulnerable people. (Non schools staff)	Q3	22 Sep 2008				Audit still in progress
CFE07	Effectiveness of Financial Management	Confirmation that the Directorate is obtaining assurance on financial management in schools and by non delegated budget holders.	Q3					Some pre audit work taking place in preparation for the audit.
CMY01	<i>Adult Education Budget Management</i>	To provide assurance that budgets are set effectively with a clear link with spending and income sources. Variations are managed effectively (in particular when courses are running at a surplus or deficit) timed to inform the directorate budget planning process.	Q1	<i>Not yet started</i>				<i>Audit Owner has requested that this audit is substituted by CMY06 Use of Coroners' imprest accounts. This audit will now take place in Q4 but will be undertaken by Internal Audit, not as a joint piece of work as originally planned.</i>

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CMY02	CRB checks for volunteers	A follow up on the findings of a 2007/08 audit, which gave minimal assurance that volunteers working with clients are appropriately checked.	Q2	22 Sep 2008				Audit still in progress
CMY05	Tribal EBS System	Review of operational, support and maintenance procedures system security and data integrity controls	Q2					<i>Directorate have requested delaying start to later in the year.</i>
CMY06	Use of Coroners' imprest accounts	To ensure payments made through the imprest account are properly authorised and appropriate.	Q2	17 Oct 2008	31 Oct 2008			This audit replaces (CMY01) Adult Education Budget Management
CMY03	Internet access in CMY establishments accessed by the public	To provide assurance that the Directorate is taking sufficient precautions to safeguard the users of the internet in their establishments accessed by the public	Q3	16 Oct 2008				Audit still in progress
KASS01	Capital Projects	To examine the planning of capital projects, contracts/estimates and how these are drawn up and the corresponding governance arrangements (i.e. is the authority clearly set out and understood by all parties).	Q1	Not yet started				<i>Revised ToR issued, audit to take place in Q3.</i>

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
KASS02	Public Involvement	Focus on the process to continually seek improvement in the methods used to engage the public and service users.	Q2	1 July 08	5 Sept 08			Responses from draft report received, final report to be issued.
KASS03	Financial Assessments	Evaluation for the system for undertaking financial assessments of clients and the role of the specialist finance teams.	Q2	15 Sep 2008				Audit still in progress
KASS05	Care Management Process	A follow up to the interim review that took place in 2007/08. A comprehensive audit to include eligibility assessment through to the delivery of care. Work to include progress against recommendations raised in interim report.	Q3	11 Aug 08	5 Nov 2008			<i>Audit commenced in Q2 at request of Directorate</i>
KASS10	Swift system Security	Follow up to audit carried out in 2007/08.	Q3					
ER01	Policies and Procedures for Health and Safety in Country Parks and Public Rights of Way	Review of the Councils mechanism for ensuring compliance with Health and Safety Legislation for Public Rights of Ways and Country Parks.	Q1	5 June 2008	12 Aug 08	29 Oct 2008	Substantial	

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
ER02	Kent Thameside	Review of how the engagement strategy is being applied in practice for the Kent Thameside project. Review also to assess the adequacy and effectiveness of the reporting and governance arrangements for the projects.	Q2	27 Aug 08				Directorate have requested that this audit is deferred until Q3
ER03	KHS – Review of costing process	To establish whether the work carried out and costed under the contract arrangements (KHS Alliance Contract) is a true reflection of the actual costs incurred.	Q2	18 Sep 2008				<i>Scope of the original audit has changed from review of the adequacy of governance arrangements in place following the restructure, as restructure is still ongoing.</i>
ER05	Household Waste Recycling Contracts	Evaluation of the control environment of the recently re-let contracts. Scope to include contract management and monitoring. Adequacy of the KPIs of quality of service. Ensuring that the Council is getting VFM from the service.	Q2	2 Oct 2008				Audit still in progress
ER10	Kent Downs AONB	Audit of financial controls	Q2/3	13 Nov 2008				

Progress Against 2008-09 Audit Plan quarters 1, 2 and 3

Annex A

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
ER06	Securing adequate funding to deliver business objectives	A high-level review of the process within Environment and Regeneration for managing inward investment. The review will look to identify best practice and identify mechanisms to ensure that the directorate is identifying and maximising sources of funding.	Q3					
ER07	Allington Incinerator	Assurance as to the effectiveness of the systems to support the operation of the waste to energy plant	Q3					

Audits highlighted in bold indicate completed audits

Audits in italics indicates changes to the original plan

National Fraud Initiative

- Collation and submission of data sets to the Audit Commission as part of the National Fraud Initiative.

Advisory Work

- Joint working with CFE with regards a school with a potential deficit budget. Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support.
- Assisting in a management investigation.
- Providing advice and guidance over the security of property
- Support to review of treasury management practices.

Irregularities

- Working on a number of investigations. (See also the Irregularity report on concluded investigations).

Pro Active Fraud Work

- As part of Internal Audit's programme of pro active fraud work, fraud awareness training delivered to KASS and Communities teams during this period.

AW – Access to Information

Scope

The objective of the audit was to provide assurance that information held by KCC is properly recorded, held and controlled to ensure compliance with the Data Protection Act (DPA), Freedom of Information Act (FOI), Environmental Information Regulations (EIR) and Public Sector Information Regulations.

Overall Assurance - Substantial

The audit confirmed that Access to Information is co-ordinated in KCC both centrally and in the directorates. Detailed information relating to FOI and Data protection is available via KCC's web page for members of the public, and for members of staff on Knet and the Kent Trust Web.

Some requests had not always been dealt with within the statutory timescales and the requestor had not always been kept informed of the delay, however, reasons for the delay were valid.

KASS obtain approval within their directorate before any responses are sent out, however, they do not always obtain the approval of the Director of Law and Governance.

Recommendations have been made which have been accepted by management.

AW – ICT Governance Framework

Scope

The objective of the audit was to provide assurance that KCC has a framework for Information Communication Technology (ICT) that covers the structure, risk management processes and ICT controls.

Overall Assurance - Substantial

The audit confirmed that there are strong governance arrangements in place. The Authority's executive has clear responsibilities for ICT investments; has produced and endorsed a KCC ICT Strategy that is aligned to the Authority's corporate strategy and has set out and endorsed an ICT governance structure, involving cross-directorate management and representatives that are required to co-ordinate the implementation of the Authority's ICT structure.

Key areas for improvement were identified including the need to ensure policies and guidelines are kept up to date and cover relevant high risk areas; the identification and documentation of ICT risks; and the need to ensure that strategic priorities are 'tracked' to monitor progress, implementation and that objectives are achieved.

Three recommendations have been made that management has accepted.

CED – Rebate Income

Scope

The objective of the audit was to ensure that there are processes in place to identify, record and invoice for rebate income.

Overall Assurance – High

Commercial Services earns rebate income from suppliers on procurement made by KCC and other customers. Community Equipment Services (CES) is in a Central Buying Consortium together with 17 other local authorities and have contracts set up with approximately 30 suppliers. Until September 2007 rebate due from sales was collected by Essex County Council who was the lead authority. From September 2007 individual authorities became responsible for collecting their own rebate directly from suppliers.

The audit found that there are good processes in place to ensure rebate income is identified and invoiced for on a timely basis.

No recommendations were made for this audit.

CED – Insurance Fund Review

Scope

The objective of the audit was to review processes to ensure that claims were genuine; properly authorised and settled; that contribution calculations are correct and that recovery including excess and other income are correctly identified and collected.

Overall Assurance – High

KCC insurance requirements are covered through self insurance and a number of policies with external insurance companies, the lead insurer is Zurich Municipal. Liability for claims is shared between KCC and the external insurers with the KCC fund liable for the first part of each claim. The Kent Insurance fund showed an opening balance for the 2008/09 financial year of £9.1 million with a reserve of £10.2 million.

The audit found that there were good controls and processes in place to achieve the objectives. There were no recommendations made.

CED – Oracle Review – Segregation of Duties

Scope

The review focussed upon the 'design of end user access rights' and the set up of 'system security' with an aim to evaluating the Oracle e-business environment against generally accepted good practices.

Overall Assurance – Substantial

Good controls were identified, however, the review identified that there is a need to strengthen controls around the system administration function and database administration teams' access to transaction processing options in Oracle. The ability of these teams to access sensitive systems functions and powerful transaction processing roles affects the strength of internal controls over the Purchasing and Accounts Payable, Accounts Receivable, Human Resources and payroll modules.

Ten recommendations have been made to improve controls which have been accepted by management.

E&R – Policies and Procedures for Health and Safety in Country parks and Public Rights of Way

Scope

A review to provide assurance that there is compliance with health and safety legislation for County Parks and Public Rights of Way (PROW) to ensure that employees, clients and members of the public who visit or use County Parks and PROW are protected by health and safety practises.

Overall Assurance – Substantial

The audit found good procedures in place to demonstrate that staff and management are aware of and committed to the health and safety policy and therefore health and safety in county Parks and PROWs.

Four recommendations have been made to improve controls which have been accepted by management.

**Directorates Progress with the Implementation of Audit Recommendations
(Covers August and September 2008)**

Annex D

Directorate	Actions due to be in place	Actions in place	Outstanding actions	Progress with outstanding actions	
				Audit	Comments
Authority wide	1	1	0	Governance of Partnerships	Workshops clarifying partnership guidance and the categorisation of partnerships are currently being delivered to Directorates, as per the agreed action plan.
	1	0	1	Schemes of Delegation	The review and updating of CFE's Schemes of Delegation is planned to be completed by 31 March 2009. This will coincide with the distribution of 2009/10 budgets to unit managers.
Chief Executive's Department	1	0	1	Network Security Review	Information Security Policies are currently being reviewed with respect to the Government's Code of Connection (COCO) guidance. The agreed action will therefore be implemented by March 09, to ensure that it is in compliance with the code.
Page 49	1	1	0	Wireless Networks Review	The review recommended introduction of a specific Wireless Access Policy. Management have stated that issues relating to the WLAN are currently encompassed in the existing policy for users of IT Systems and Equipment. It has been agreed the need for amended guidelines & standards will be reviewed on an ongoing basis, and in line with the work of the ICT Operations Board's Security & Risk Assessment Sub-Group
	1	0	1	Insurance Fund	The review recommended that the insurance team keeps formal up to date procedures as an ongoing recommendation. As the team are currently in the process of tendering for their external insurer, progress against this recommendation will be followed up after this process has been completed.
	2	2	0	Access to Information	All actions have been implemented. Directorate processes for administration of FOI and EIR requests have been agreed and formalised. If information is not available within 20 days, the requester is now informed of the reason for delay.
Kent Adult Social Services	3	-	3	SWIFT System Review	A number of actions are currently underway to address the key findings of this review. A follow-up of this interim audit report will start in November 08 to establish the progress that has been made and the level of assurance.
Environment & Regeneration	0	-	-		The Directorate had no actions due to be implemented in this time period.
Communities	0	-	-		The Directorate had no actions due to be implemented in this time period.
Children, Families & Education	1	1	0	CRB & Recruitment Checks	The recommendation following this audit has been implemented. The Directorate have reminded schools of the requirements of the DCSF guidance on 'Safeguarding Children and safer recruitment in Education' through the KentTrustWeb.
TOTAL	11	5	6		

Internal Audit performance

The following table is designed to provide Members with Internal Audit's performance against Key Performance Indicators.

Performance Indicator	Target	Actual (Apr – Oct)
<u>Effectiveness</u> <ul style="list-style-type: none"> • % of recommendations accepted • % of recommendations implemented • CPA/CAA Score for Internal Control 	98% 90% Level 4	100% 67% *n/a
<u>Efficiency</u> <ul style="list-style-type: none"> • % of plan delivered – • % of available time spent on direct audit work • % of draft reports completed within 10 days of finishing fieldwork • Preparation of annual audit plan • Periodic reports on progress • Preparation of annual report and Annual Governance Statement 	95% 80% 80% By March G&AC meetings By May	40%* 86% 97% March G&AC meetings May
<u>Quality of Service</u> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	70%	97%

* Percentage of plan delivered as at 31 October 2008

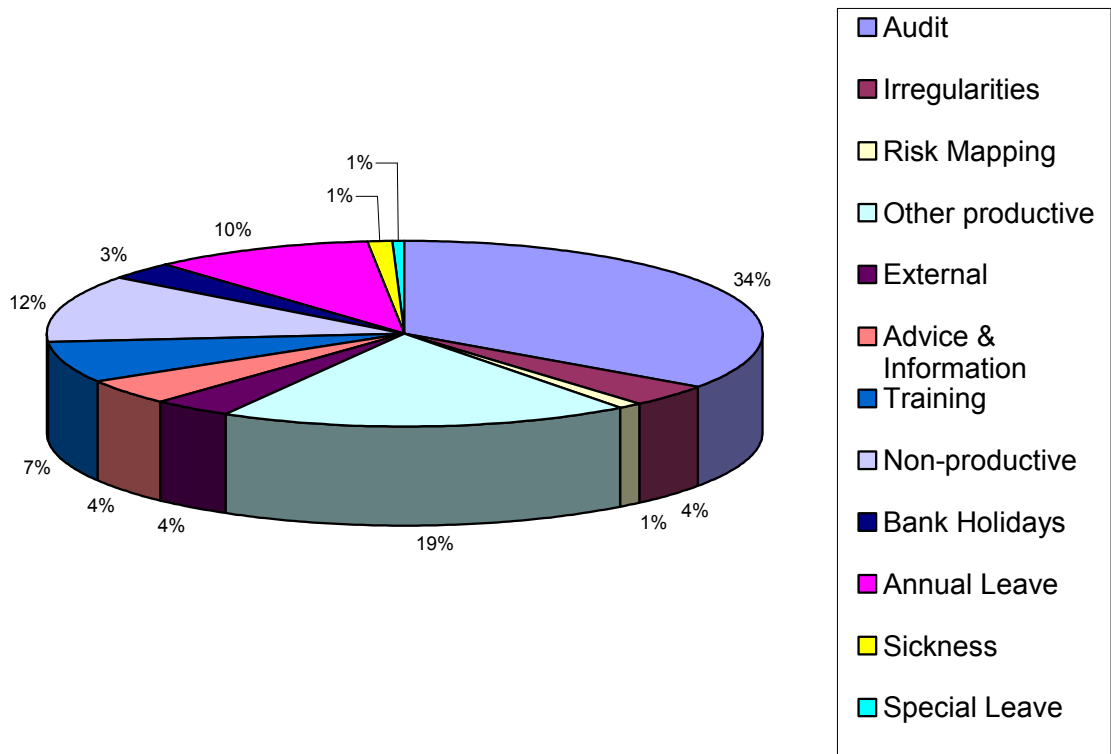
Team Structure

Number of staff 14 FTE

Qualified 8

Number of staff training 3

Breakdown of all time in Internal Audit
April 2008 to October 2008



Assurance Level	Summary description	Detailed definition
High	Strong controls in place and complied with.	The system/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.
Substantial	Controls in place but improvements beneficial.	There is some limited exposure to risk of error, loss, fraud, impropriety or damage to reputation, which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.
Limited	Improvements in controls or the application of controls required.	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review e.g., error, loss, fraud/impropriety or damage to reputation.</p> <p>This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p>
Minimal	Urgent improvements in controls or the application of controls required.	<p>The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation.</p> <p>This is because key controls do not exist with the absence of at least one critical control, or there is evidence that there is significant non-compliance with key controls.</p>

By: The Head of Audit & Risk
To: Governance & Audit Committee – 02 December 2008
Subject: INTERNAL AUDIT REPORTING – IRREGULARITIES
Classification: Unrestricted

Summary: This report provides brief details of all irregularity cases completed during the period September to October 2008.

FOR INFORMATION

Introduction

1. In line with best practice and as agreed by Members of the Audit Committee at their meeting on the 1 March 2005, this report summarises the outcome of irregularity investigations that have been concluded within the period from September to October 2008.
2. During the period, nine new cases of potential irregularity were reported, for which investigations are continuing. Where significant, details of these irregularities are reported separately to the Chairman of the Governance and Audit Committee during informal meetings, to ensure that he is made aware of possible problems as they arise.
3. Appendix 1 summarises the outcomes of completed investigations within the period.

Recommendation

4. Members are asked to note this report.

Janet Dawson
Head of Audit & Risk
Ext: 4614
Xx November 2008

Ref	Directorate	Nature of Irregularity	Value	Outcome
xx773	CF&E	Access to data	n/a	<ul style="list-style-type: none"> ▪ A small number of sensitive KCC records were accessed by a single user at another authority, following the use of the data by the IT application system vendor to develop a suite of management information report templates to be made available to customers. ▪ Inadvertently, the details relating to 15 records had been left visible to users accessing the template, which should have been cleared before release. ▪ An investigation was carried out by Internal Audit and the provider to determine how this occurred and to put controls in place to prevent any further recurrence.
xx774	CF&E	Procurement procedures not complied with	Unknown	<ul style="list-style-type: none"> ▪ A member of staff who also has their own counselling business was engaged by their manager to provide these services. ▪ However, the staff member had access to quotes provided by competitors and was therefore able to 'undercut' their prices. ▪ The manager has been informed of the correct procedures and the staff member no longer provides the counselling service.