



## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Tuesday, 4th December, 2007, at 10.30 am**  
**Medway Room, Sessions House, County**  
**Hall, Maidstone**

Ask for: **Andrew Tait**  
Telephone

**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. Minutes - 17 September 2007 (Pages 1 - 2)
3. Declarations of Interest in items on the agenda for this meeting
4. Audit Commission Progress Report (Pages 3 - 12)
5. Strategic Risk Update (Pages 13 - 14)
6. Internal Audit Plan (Pages 15 - 36)
7. Internal Audit Reporting (Pages 37 - 52)
8. Internal Audit Reporting - Irregularities (Pages 53 - 54)
9. Governance of Partnerships (Pages 55 - 56)
10. Annual Governance Statement (Pages 57 - 62)
11. Value for Money Review of Day Care for People with a Learning Disability (Pages 63 - 86)
12. Corporate Governance Performance Indicators (Pages 87 - 100)
13. Ombudsman Complaints (Pages 101 - 106)
14. Other items which the Chairman decides are urgent

#### **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)*

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

**Monday, 26 November 2007**

*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.*

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**GOVERNANCE AND AUDIT COMMITTEE**

MINUTES of a meeting of the Governance and Audit Committee held at County Hall, Maidstone on Wednesday, 19 September 2007.

PRESENT: Mr C G Findlay (Chairman), Mr R L H Long, TD (Vice-Chairman), Mr A R Chell, Ms A Harrison (substitute for Mrs M Newell), Mr C J Law, Mr W V Newman, Mr R J Parry, Mr D Smyth, Mr M V Snelling and Mr R Tolputt.

OFFICERS: The Director of Finance, Mrs L McMullan, the Head of Financial Management, Mr A Wood; the Head of Audit and Risk, Mrs J Dawson (with Mrs J Armstrong, Mr S Rooney and Mr L Streams); the Head of Finance and Asset Management, Mr D Shipton; the Chief Accountant, Mrs C Head; and the Democratic Services Officer, Mr A Tait.

ALSO IN ATTENDANCE: Mr D Wells of the Audit Commission.

**UNRESTRICTED ITEMS**

**27. Minutes**

RESOLVED that:-

- (a) the Minutes of the meeting held on 29 June 2007 are correctly recorded and that they be signed by the Chairman; and
- (b) draft Minutes of future meetings of the Committee be circulated upon clearance by the Chairman

**28. Dates of Future Meetings**

The Committee agreed the following meeting dates:-

Tuesday, 4 December 2007;  
Wednesday, 5 March 2008;  
Monday, 30 June 2008;  
Wednesday, 17 September 2008;  
Tuesday, 2 December 2008;  
Wednesday, 4 March 2009;  
Tuesday, 30 June 2009.

**29. Appointment of Head of Audit and Risk**  
*(Item 5 – Report by Head of Audit and Risk)*

RESOLVED that the report be noted.

**30. Future agenda planning – focusing of the big issues**

*(Item 6 – Report by Head of Audit and Risk)*

(1) Members of the Committee were invited to give their views on the issue to consider to either the Director of Finance or the Head of Audit and Risk by the end of October 2007.

(2) RESOLVED that:-

(a) the report be noted; and

(b) a risk analysis workshop for Members of the Committee be held annually.

**31. Value for Money in Libraries**

*(Item 7 – Report by Head of Audit and Risk)*

RESOLVED to note:-

(a) Key findings of Phase 1 of the Value for Money review of Libraries; and

(b) that a report on process of the first two Value for Money reviews will be made to the next meeting of the Committee.

**32. Statement of Accounts 2006/07**

*(Item 8 – Report by Director of Finance)*

RESOLVED that the final ISA 260 for the 2006-07 accounts be noted.

**33. Debt Recovery**

*(Item 9 – Report by Director of Finance)*

RESOLVED that the report be noted and that further reports on this matter be provided on a six-monthly basis.

**34. Arrangements for Audit and Risk from August 2007**

*(Item 10 – Report by Head of Audit and Risk)*

RESOLVED that the Director of Finance be given delegated powers (in consultation with the Chairman, Vice-Chairman and Opposition Group Spokesmen of the Committee) to approve the six month audit plan to March 2008.

**35. Internal Audit Reporting**

*(Item 11 – Report by Head of Audit and Risk)*

RESOLVED that the report be noted.

**36. Internal Audit Reporting - Irregularities**

*(Item 12 – Report by Head of Audit and Risk)*

RESOLVED that the report be noted.

# Progress Report

**Kent County Council**

**Audit 2007/08**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

### **Copies of this report**

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Summary report

### Introduction

- 1 Our audit and inspection plan for 2007/08 was presented to the Governance and Audit Committee on 7 March 2007. This report sets out for members' information, progress to date against the areas of work included within the audit plan. It does not include details of our audit of Kent County Council's superannuation fund in 2006/07. We will present an audit plan to the Superannuation Committee on 7 March 2008.

### Background

- 2 The audit and inspection plan for 2007/08 set out the following areas of work:
  - financial statements and whole of government accounts;
  - value for money conclusion;
  - use of resources;
  - data quality;
  - national fraud initiative; and
  - considering specific risks faced by the Council.
- 3 These areas are covered in the detailed report section below.

### Main conclusions

- 4 We have made progress on our work in line with expectations. We continue to build our knowledge of the Council's operations, liaising closely with your officers.
- 5 Our preliminary work on the financial statements 2007/08 has started. We are currently focusing on reviewing your material financial systems that support the production of the financial statements. The specific use of resources risks identified in our audit and inspection plan 2007/08 continues to be a key focus for us. A summary of progress is set out at Appendix 1.
- 6 Work on data quality in July 2007 and the use of resources assessment completed in September 2007 have been undertaken by PwC. Our annual assessment in these areas will be undertaken in July 2008.

## Detailed report

### Financial statements and whole of government accounts

- 7 Our opinion on the Council's financial statements 2007/08 is planned for late July 2008. Our work to achieve this is split into two main phases. The first is a review of your key financial and information systems that contribute to the production of statements to see if we can rely upon them to produce accurate data. The second stage involves detailed testing of a sample of entries within the statements.
- 8 We started the first phase in November 2007. We are ensuring that we have a clear understanding of how the material systems are intended to work and then we will test key controls to confirm their operation. We are liaising closely with Internal Audit and will rely on its work where possible to maximise the benefits of the total audit resource available to the Council.
- 9 We have met and will continue to meet with the key staff responsible for the production of the statements. This early contact is essential to ensuring that the second phase of our work will be achieved by the deadline set.
- 10 Our whole of government accounts work will not be undertaken until our audit opinion has been given. The deadline set by the Government for submission of the audited set of these accounts is expected in September 2008.

### Value for money conclusion

- 11 We are required to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources and is known as the value for money conclusion.
- 12 Our work is reported at the same time as we issue our opinion on the financial statements. We reach our conclusion based on consideration of a number of sources of information about the Council such as its use of resources scores and, for this year's audit we will have a particular focus on the findings on the Corporate Assessment in early 2008.

## Use of resources

- 13 An assessment of the Council's arrangements in place for financial reporting, financial management, financial standing, internal control and value for money for the period 1 April 2006 to 31 March 2007 has been undertaken by PwC. The outcome of this assessment will be reported in December 2007 as part of the Audit Commission's annual assessment of the Council.
- 14 We have agreed with officers that the annual assessment for the financial year 2007/08 will be started in July 2008. This assessment will focus on changes in the arrangements, evaluating any improvements, and confirming that the arrangements operated effectively during the year.
- 15 Our audit and inspection plan for 2007/08 identified eight areas of potential audit risk which were identified as part of our initial planning. We are continuing to consider these risks to determine the extent of any audit work. Progress to date is set out at Appendix 1. As stated in our plan, we will liaise with the Council if we consider that additional work above that provided for within the audit fee set is required. Based on the work done at this stage, there are no such areas to highlight for your attention.

## Data quality

- 16 Work has been undertaken recently on the Council's data quality arrangements by PwC, your previous external auditors. This will be reported by PwC separately.

## National Fraud Initiative

- 17 The Council participates in the Audit Commission's scheme that matches computerised data. We are liaising with your officers and will review the outcomes later in our audit.

## Appendix 1 – Use of resources update

Significant risks identified	Planned action in response to residual audit risk	Action to date
<p>The governance arrangements for the children's trust are unclear.</p>	<p>We will work with officers to gain an understanding of the governance framework for the children's trust.</p>	<p>We have undertaken a short review to obtain background knowledge of the developing arrangements. Our initial assessment is that the developing governance arrangements of this major partnership are being appropriately managed.</p> <p>We will revisit the need for further audit work following the Joint Area Review (JAR) that will be undertaken in early 2008 as part of the Corporate Assessment, itself part of the Comprehensive Performance Assessment process that includes the JAR inspection.</p>
<p>Ineffective approach to the set up and management arrangements for partnerships result in failure to achieve desired outcomes.</p>	<p>We will work with officers to gain an understanding of the effectiveness of a range of partnerships across the Council such as Kent Commitments.</p> <p>We will consider the impact of the Council's planned actions in response to the corporate risk it has identified.</p> <p>We will seek to contribute to the Council's existing arrangements based on our previous experience of working in this area at other authorities.</p> <p>As our knowledge of the Council increases we will consider whether any further work is needed.</p>	<p>We note that the Council has produced a guidance framework to assist its officers maximise the benefits from partnership working and to ensure that effective governance arrangements are in place to deliver the outcomes expected and to protect the Council.</p> <p>We will consider the impact of the Council's planned actions in early 2008.</p>

<b>Significant risks identified</b>	<b>Planned action in response to residual audit risk</b>	<b>Action to date</b>
<p>Social care services are put under increased pressure as a result of difficulties in the local health economy. Consequences include redirection of resources from prevention to acute services and increased delayed discharges.</p>	<p>We will review the Council's response by using one of our health care specialists who has undertaken work on similar risks previously.</p> <p>We will consider whether there are benefits to be gained from a whole systems review of the health economy and if so will discuss the coverage and fee for this work.</p>	<p>Our work in this area has been limited to date although we continue to build our knowledge of the Council's interactions with its NHS partners. We will use the data published in November 2007 as part of the CSCI annual assessment to determine if the business risk is being managed and in discussion with officers whether any audit review should be considered.</p>
<p>Private Finance Initiative (PFI) projects do not offer good value for money. Accounting for PFI contracts is inappropriate.</p>	<p>We need to gain an understanding of the schemes operating and those being planned to ensure that the risks associated with such schemes are being effectively managed such that they offer good value for money.</p> <p>We also need to establish that accounting entries are appropriately recorded.</p>	<p>We considered the Council's accounting treatment the Kent Better Homes Active Lives PFI and stated that on the basis of the information provided to date, we are not currently minded to challenge the Council's conclusion that an off balance sheet treatment is appropriate.</p> <p>We have also begun work on assessing the arrangements for the Building Schools for the Future scheme.</p> <p>Further work on the effectiveness of the management of the schemes that are in full operation is planned for 2008.</p>

<b>Significant risks identified</b>	<b>Planned action in response to residual audit risk</b>	<b>Action to date</b>
<p>Information technology (IT) and associated systems do not effectively support the protection of vulnerable citizens.</p>	<p>We need to gain assurance as to effectiveness of information systems that seek to safeguard vulnerable citizens.</p> <p>We will consider the need for an information governance audit and if required will discuss the coverage and fee for this work.</p>	<p>We have undertaken an initial overview and our preliminary findings are that Children’s and Families Services (CFS) have systems that seek to protect children and young people. In view of the forthcoming JAR we have not progressed this work further. We will await the results of the JAR before determining whether any additional work should be planned.</p> <p>We are aware that the IT systems for adults are being reviewed by the Council. We have not yet undertaken an initial overview of the arrangements relating to adults.</p>
<p>IT systems do not provide accurate data for the preparations of the financial statements on which an unqualified opinion can be given.</p>	<p>To comply with the International Standards on Auditing (ISA) and to give an opinion on the financial statements, we need to understand and appraise the Council's material financial and information systems.</p>	<p>Based on an initial risk assessment of the Council's general IT control environment and based on the work undertaken, we have concluded that the control environment is a low risk in terms of our opinion on the Council's financial statements. Our work covered controls over data processing including manipulation and loss of data, access controls to material systems and overall management arrangements within the IT environment.</p>

<b>Significant risks identified</b>	<b>Planned action in response to residual audit risk</b>	<b>Action to date</b>
<p>The Council does not obtain a good or better rating at the Corporate Assessment/JAR in 2008.</p>	<p>We will provide support to the Council in its preparations such as workshops for officers to support the Council's preparations.</p>	<p>We have met with officers and have made a presentation to assist the Council in its preparations for the Corporate Assessment/JAR.</p>
<p>Internal audit arrangements are not effective following the restructuring recently undertaken and reliance cannot be placed on its work in support of our statutory functions.</p>	<p>To comply with the ISA requirements and to support our work on the opinion on the financial statements we will undertake a review of Internal Audit against the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice for internal audit in local government. We will seek to gain high level assurance that Internal Audit's work can be relied upon.</p>	<p>We have agreed with the Head of Internal Audit that a detailed review of Internal Audit against the CIPFA Code will be undertaken early in 2008.</p> <p>In addition to this work we are having regular contact with Internal Audit staff and are developing joint work arrangements in order to maximise the value obtained from the combined audit resources available to the Council.</p>

By: The Head of Audit & Risk

To: Governance and Audit Committee – 4 December 2007

Subject: **STRATEGIC RISK UPDATE**

Classification: Unrestricted

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Summary: This report suggests a number of actions to streamline the current risk management and business planning cycles.

**FOR DECISION**

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**INTRODUCTION**

1. Internal Audit has completed the process of interviewing business unit managers and capturing their risks and controls. This has led the development of the final 6 month audit plan (October 2007 – March 2008), which is the subject of a separate paper presented to the G & A Committee (Item 6).
2. The directorate risk registers are currently being refreshed for consideration in January 2008. At that stage the strategic risk register will be reviewed to ensure that it aligns with the directorate risk registers and will be the subject of an internal audit review of the overall risk management arrangements within the authority.
3. In order to improve the alignment of the risk management cycle with the business planning process and to ensure that risks identified in both processes are incorporated and addressed in both business and audit, the following timetable is proposed:
  - (1) *December* – Refreshing the Directorate risk registers.
  - (2) *January* – Directorate Risk Registers to be discussed and agreed at Resource Director level.
  - (3) *February* – Facilitated risk workshop in late January / early February with the G& A committee members. Draft business unit plans completed to include update of risks identified, in line with the “Business Unit Planning Guidelines”. Internal audit of risk management arrangements to include consideration of adequacy of risk registers across the authority.

Possible dates for this workshop include (subject to venue availability);

- Monday 28th January 2008 9.30 – 1.00 or 1.00 – 4.30
- Monday 4<sup>th</sup> February 2008 9.30 – 1.00 or 1.00 – 4.30
- Tuesday 5<sup>th</sup> February 2008 9.30 – 1.00 or 1.00 – 4.30

- (4) *March* – Directorate risk registers and risk based Annual Internal Audit Plan presented to G&A committee.
- (5) *April* – Directorate risk registers presented to COG and POCs.
- (6) *June* – Strategic Risk Register presented to G&A committee.

This approach of ensuring that the risk, audit and business planning processes are integrated will enable us to review whether or not the top down view of risk at the Council is aligned with the bottom up view (operational) and that risk and business planning is appropriately aligned to the authority's core objectives.

### **RECOMMENDATION**

- 4. Members are asked to agree the approach set out in the report and provide availability for attendance at workshops on dates suggested in the report.

**Janet Dawson**  
**Head of Audit and Risk**  
**Extension 1320**  
**19 November 2007**

Item No. 6

By: The Head of Audit & Risk  
To: Governance and Audit Committee – 4 December 2007  
Subject: **INTERNAL AUDIT PLAN**  
Classification: Unrestricted

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Summary: This report summarises the process undertaken to develop the Internal Audit Plan.

**FOR DECISION**

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**INTRODUCTION**

1. Last year, the Head of Audit and Risk saw the need to streamline the internal audit planning process and ensure that it was truly aligned to the business and corporate risks. The objective of this process is to provide assurance to management and members that the controls in place to mitigate significant risks to the achievement of Council objectives, as detailed in the risk registers are effective and operating as expected.

**AUDIT AREAS**

2. The risk and control mapping exercise enabled Internal Audit to assign a score both the inherent and residual level of risk. This identified areas where management believe there to be a high level of control in place (ie where the risk score between inherent and residual has been reduced the most) and is where we have focused our internal audit resource for the current plan. This enables internal audit to provide assurance to management and the committee that the controls the Council has implemented to address key risks are not only effective but are also operating in practice. This assurance activity then forms a fundamental component of the annual Governance Statement.

The scoring criteria used are included as an appendix to the plan.

3. This process also highlighted the following;
  - Risks with high scores but not as significant as those included in the plan. These remain on the internal audit agenda for inclusion in future period plans
  - Risks that are inherently high and after an assessment of the level of controls in place, remained high. (i.e. there are potentially inadequate or no controls in place). These will be discussed with the Directorates as areas that management may benefit from some advice or sharing of best practice from internal audit to promote improvement in business processes or control design.
4. Internal Audit has completed the process of interviewing business unit managers and capturing their risks and controls. This has led the development of the final 6 month audit plan (October 2007 - March 2008).

#### **CONSULTATION UNDERTAKEN**

5. The audit plan has been presented to the Finance Strategy Board and Resource Directors Group during November for discussion and agreement. Meetings are also scheduled to take place individually with the Directorates as part of the 2008/2009 planning process to discuss those areas not included in the current plan but that will form part of the future audit activity, and all risks where management has deemed there to be inadequate or no controls in place exposing the Council to a high residual risk..

#### **RECOMMENDATION**

6. Members are asked to approve the Internal Audit Plan for the 6 months to 31 March 2008.

**Janet Dawson  
Head of Audit and Risk  
Extension 1320  
19 November 2007**

November 2007

# Kent County Council

Internal Audit Service  
Strategic Audit Plan October 2007 – March 2008



# I. Cross Cutting/Corporate Projects

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CR01	<b>Governance of Partnerships</b>	Requirement under Governance Statement	25	A review to ensure that partnerships are well governed, in line with the new "Risk Management of Key Partnerships" guidance.	<b>Resource Directors</b>	Quarter 3
CR02	<b>Corporate Governance 'Health Check'</b>	Requirement under Governance Statement	30	<p>A review to ensure that the corporate governance arrangements outlined in the Code of Corporate Governance are in place. Our objectives in undertaking this review of corporate governance arrangements are to:</p> <ul style="list-style-type: none"> <li>To provide some reasonable assurance on the adequacy of governance arrangements in KCC for the purpose of the annual internal audit assurance on governance, risk and internal control (governance statement); and</li> <li>Assess whether KCC is complying with key governance requirements</li> </ul>	<b>Resource Directors</b>	Quarter 4
CR03	<b>Risk Management Framework</b>	Requirement under Governance Statement	30	<p>Consideration of the adequacy of existing risk management arrangements. Scope to include</p> <ul style="list-style-type: none"> <li>Adequacy of risk registers</li> <li>Adequacy of Risk Management training</li> <li>Identifying the extent to which departments are managing risks</li> </ul>	<b>Resource Directors</b>	Quarter 4
CR04	<b>Consultants – FU Review</b>	Carried forward	25	Follow up to previous audit report (in 1st six months plan)	<b>Resource Directors</b>	Quarter 3

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CR05	*ICT Governance Framework	ICT risk assessment to be performed in next 6 months	22	Top-Down review of the framework for ICT governance covering structure, risk management, processes and ICT controls.	Resource Directors	Quarter 3
CR06	*Software Legitimacy	ICT risk assessment to be performed in next 6 months	12	Software asset management, including license controls	Resource Directors	Quarter 3
	<b>Total – Cross Cutting Projects</b>		<b>144</b>	<b>*34 days relate to audits that cover IT areas,</b>		

## II. Chief Executive's Department

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CED01	CRB Follow Up	Follow up to Minimal Assurance	20	Follow Up audit of CRB procedures within Employee Services.	<b>Jackie Turner</b> - Employee Services Manager	Quarter 4
CED02	Property Contract Monitoring	From 1st 6 months	25	Assurance that the Estate Management services are delivered to expected standards	<b>Mike Austerberry</b> – Director of Property	Quarter 4
CED03	Expenditure Direct Purchases	Inherent 25 Residual 9 Score 16	15	Assurance that the purchasing of direct materials at business units are properly managed, controlled and accounted for in the correct financial year.	<b>TBC</b>	Quarter 4
CED04	*Kent Public Service Network Project	ICT risk assessment to be performed in next 6 months	23	Review of the processes and controls in place for the selection of the Kent Public Service Network (KPSN) solution.	Policy & Commissioning (Chief Executive's Department – ISG)	Quarter 3/4
CED05	*Oracle Application Security	ICT risk assessment to be performed in next 6 months	40	Oracle application security controls, including segregations of duties within selected modules.	Oracle Systems Manager – KSSIP (Chief Executives Department - ISG)	TBC

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CED06	<b>*Network Security</b>	ICT risk assessment to be performed in next 6 months	22	Network operating system security, user administration procedures, and network perimeter security controls, including existing remote access processes and controls.	Head of ISG Operations (Chief Executive's Department – ISG)	TBC
CED07	<b>*Wireless Network Security</b>	ICT risk assessment to be performed in next 6 months	22	Policies and procedures for the wireless network security and the wireless network security controls in place for a sample of locations where wireless networks are in place.	Head of ISG Operations (Chief Executive's Department – ISG)	TBC
CED08	<b>*Data Protection</b>	ICT risk assessment to be performed in next 6 months	10	Policies and procedures for compliance with the Data Protection Act within Commercial Services.	Head of IT, Commercial Services	TBC
CED09	<b>*KSSIP Unix Environment</b>	ICT risk assessment to be performed in next 6 months	21	Operating system security, administration, support and maintenance procedures.	Oracle Systems Manager – KSSIP (Chief Executive's Department - ISG)	Quarter 3

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CED10	*E-Document Security	ICT risk assessment to be performed in next 6 months	8	Policies, access controls, user management.	Director Of Law & Governance (Chief Executives Department – Legal Services)	Quarter 3
CED11	*HR Payroll Car Expenses System.	ICT risk assessment to be performed in next 6 months	10	Mileage claims are processed accurately.	<b>Jackie Turner</b> - Employee Services Manager	Quarter 3
	<b>Total – Chief Executives Department</b>		<b>216</b>	<b>*156 days relate to audits that cover IT areas.</b>		

# III. Children Families and Education

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CFE01	CRB/Recruitment in schools	From 1st 6 months	20	Follow up audit of CRB and recruitment checks at a selection of schools.	<b>Keith Abbott</b> – Director, Finance and Corporate Affairs	Quarter 3
CFE02	Compliance and Financial Management in schools	From 1st 6 months plan	25	To provide assurance that finances in schools are managed correctly. Scope to focus on the statutory returns completed by schools and submitted to the CFE Finance Department.	<b>Keith Abbott</b> – Director, Finance and Corporate Affairs	Quarter 3/4
CFE03	PLASC returns	M'ment request	Up to 60	Provide support to CFE in the assurance activity around the schools' PLASC returns. Details of scope and coverage to be agreed with CFE Finance.	<b>Keith Abbott</b> – Director, Finance and Corporate Affairs	Quarter 4 (February)
CFE04	Contribution to the implementation of Kent strategies	Inherent 20 Residual 5 Score 15	Up to 50	A review Standards and Achievement's contribution to the implementation of Kent strategies, including the development of Local Children's Trusts, the Early Years and childcare strategy, Primary and Secondary Strategies, the 14-19 Learner Strategy, Building schools for the Future, the development of Extended services and Children's Centres and the development of Academies.	<b>Carol Parsons</b> – Director, Standards and Achievement	Quarter 4
CFE05	*Integrated Children's System	ICT risk assessment to be performed in next 6 months	10	Project management processes and procedures in place for the delivery of the new Integrated Children's System	<b>TBC</b>	Quarter 4

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
	Total – Children Families and Education		165	*10 days relate to audits that cover IT areas.		

# IV. Adult Social Services

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
KASS01	<b>Benefit maximisation</b>		30	Review of the objective of seeking benefit maximisation.	<b>Chris Grosskopf,</b> County Benefits Manager	Quarter 3/4
KASS02	<b>CRB checks</b>		15	Examination of processes within KASS only (other audits undertaken elsewhere for CRB) for obtaining CRB checks.	<b>Caroline Highwood,</b> Resources Director	Quarter 3/4
KASS03	<b>Transitional planning for disabled young people</b>	Inherent 25 Residual 6 Score 19	25	Examination of process for planning for transitional disabled young people – may need links to CFE.	<b>Anne Tidmarsh &amp; Chris Belton</b> – Heads of Adult Services	Quarter 4
KASS04	<b>Contracts arrangements for residential and nursing care</b>	Inherent 25 Residual 9 Score 16	25	Focus on controls within the contracting function to establish whether placements in residential and nursing care receive a high quality service.	<b>Cathi Sacco,</b> Head of Contracting and Quality Assurance	Quarter 4
KASS05	<b>Adult Protection Procedures</b>	Inherent 25 Residual 12 Score 13	25	Examination of application of procedures for adult protection, comparing practices between East and West Kent.	<b>Anne Tidmarsh &amp; Chris Belton</b> – Heads of Adult Services	Quarter 4
KASS06	<b>Kent Card/Use of Direct payments</b>	Inherent 20 Residual 12 Score 8	30	Use of the Kent Card, including irregularities concerning Direct Payments.	<b>TBC</b>	Quarter 4
KASS07	<b>Development of preventative services</b>	Inherent 25 Residual 16 Score 9	25	Evaluation of directives to establish whether this key objective is being managed.	<b>TBC</b>	Quarter TBC

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
KASS08	<b>*Swift Application</b>	ICT risk assessment to be performed in next 6 months	20	Operational, support and maintenance procedures, system security and data integrity controls.	Director - Resources (Adult Services)	Quarter 3
	<b>Total – Kent Adult Social Services</b>		<b>195</b>	<b>*20 days relate to audits that cover IT areas.</b>		

# V. Communities

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
CMY01	<b>Delivery of programme of modernisation</b>	Inherent 20 Residual 9 Score 11	30	A review to ensure the continued programme of modernising library environments and services is being effectively controlled and progress monitored robustly.	<b>Cath Anley</b> – Head of Libraries	Quarter 4
CMY02	<b>Funding for Sports Development</b>		28	A review of the strategy to ensure continual funding for Sports Development and the assurance that funding is controlled and monitored.	<b>Chris Hespe</b> – Head of Leisure Services	Quarter 4
	<b>Total – Communities</b>		<b>58</b>			

# VI. Environment and Regeneration

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
ER01	Waste	Inherent 25 Residual 10 Score 15	30	Landfill Allowance Trading Scheme – evaluation of system to trade within this scheme	Sue Barton/ Caroline Arnold	Quarter 4
ER02	Contract procurement	Inherent 16 Residual 10 Score 6	25	Examination of contracts placed with external organisations.	TBC	Quarter 4
ER03	Financial control within KHS procurement and ordering system (WAMS)	Miment Request	30	Requested by Geoff Harrison-Mee (Director KHS)	Geoff Harrison-Mee, Director KHS	Quarter 3/4
ER04	Midas replacement	From 1st 6 months plan	15	Advice and information on replacement system for Midas (delayed from 1st six months due to Directorate not being ready for the review).	Barry Gould, Finance Manager	Quarter 4
ER05	KHS restructure	Miment Request	15	Advice and information on KHS restructure.	Geoff Harrison-Mee, Director KHS	Quarter 3/4
ER06	Securing adequate funding to deliver business objectives	Inherent 25 Residual 12 Score 13	25	Examine process for securing external funding	TBC	TBC
ER07	Local transport plan	Inherent 20 Residual 9 Score 11	20	Examine system and process for prioritising KCC transport schemes.	Mick Sutch	TBC

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
	Total – Environment and Regeneration		160			

# VII. Section 151

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
S01	<b>Overtime Payments</b>	Key Financial Systems annual audit	15	To provide assurance that overtime payments are appropriately authorised and paid accurately and promptly.	<b>Jackie Turner</b> - Employee Services Manager	TBC
S02	<b>*Schools' Payroll</b>	Key Financial Systems annual audit	60	To provide assurance over the adequacy of control for schools payroll processes.	<b>Keith Abbott</b> – Director, Finance and Corporate Affairs	Quarter 3/4
S03	<b>Revenue Budget Monitoring – E&amp;R</b>	Key Financial Systems annual audit	25	Cycle of directorate revenue budget monitoring audits to be undertaken annually beginning in E&R. To provide assurance that revenue budgets are well controlled.	<b>Barry Gould</b> - Directorate Finance Manager	Quarter 4
S04	<b>Purchase Cards</b>	Key Financial Systems annual audit	20	Review of expenditure incurred on purchase cards assigned to officers and monitoring procedures.	<b>Nick Vickers</b> – Head of Financial Services	Quarter 3
S05	<b>Contract Audit</b>	Key Financial Systems annual audit	30	Review of tendering procedures of a sample of contracts secured and ongoing monitoring of those contracts. To be conducted in liaison with benchmarking and strategy work being undertaken within procurement.	<b>Nick Vickers</b> – Head of Financial Services	TBC

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
S06	<b>Pensions</b>	Key Financial Systems annual audit	10	<p>Work to be carried out externally by PwC specialists. Internal Audit to provide 10 days support to external review.</p> <p>Review will provide assurance that pensions are properly administered. We will review the administration and governance arrangements in place for the pension fund (including investments) and pension payments. CAATS will be used as appropriate.</p> <p>Scope to include:</p> <ul style="list-style-type: none"> <li>Contributions: - Look at the process during the year to reconcile contributions receivable with that received</li> <li>Benefits: - benchmark the checks / controls they have in place against other high performing organisations</li> <li>Investments / investment income - arrangement in place with the investment managers and the processes for ensure that the transactions are recorded completely and accurately, also benchmark governance arrangements</li> <li>Membership data processing – relevant to the efficiency agenda (i.e. how long does it take from the moment a piece of mail or phone call is received by KCC until it is processes. How do they monitor this?)</li> </ul>	<b>Nick Vickers</b> – Head of Financial Services	Quarter 4
S07	<b>Schemes of Delegation</b>	Key Financial Systems annual audit	30	<p>A review to ensure that the Schemes of Delegation are being complied with.</p>	<b>Directorate Heads of Finance</b>	Quarter 3/4
S08	<b>Fixed Assets</b>	Key Financial Systems annual audit	37	<p>A review to ensure that the fixed assets register is complete and accurate. Scope also to include;</p> <ul style="list-style-type: none"> <li>Acquisitions and Disposals</li> <li>Depreciation and Valuations</li> <li>Accounting Treatment</li> </ul>	<b>TBC</b>	Quarter 4

Ref.	Audit	Risk Category	Days	Audit Details		
				Comments	Audit Owner	Timing
S09	<b>Treasury Management</b>	Key Financial Systems annual audit	10	Annual review of treasury management to provide assurance on the adequacy, efficiency and effectiveness of controls operating to mitigate the risks within the operation of the treasury management system.	<b>Jane Gibbons – Principal Accountant (Investments)</b>	TBC
S10	<b>Accounts Receivable</b>	Key Financial Systems annual audit	20	A review to provide assurance that invoices for income due to the Authority are raised accurately and promptly, that income due is received, banked and recorded against appropriate accounts.	<b>Exchequer Services Manager</b>	Quarter 4
	<b>Total – Section 151</b>		<b>257</b>	<b>* 25 days to be provided from the CFE allocation of audit days</b>		

# IX. Summary

Audit	Comments			
	April - Sept	Oct - March	Total	Reconcile to Original Plan
<b>Team 1</b>				
Information Technology	80	220	300	300
<b>Team 2</b>				
S151 reviews		232		
Cross Cutting reviews		110		
<b>TOTAL</b>	<b>163</b>	<b>342</b>	<b>505</b>	<b>505</b>
<b>Team 3</b>				
Children, Families and Education		180		
Chief Executives Department		60		
Communities		58		
<b>TOTAL</b>	<b>152</b>	<b>298</b>	<b>450</b>	<b>450</b>
<b>Team 4</b>				
Kent Adult Social Services		175		
Environment and Regeneration		160		
<b>TOTAL</b>	<b>115</b>	<b>335</b>	<b>450</b>	<b>450</b>

\* Information technology audits have been included in the relevant directorate plans

# Appendix - Risk and Likelihood Matrices

Risk Ranking Matrix

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

Likelihood Assessment Matrix

Factor	Score	Indicators
<b>Very likely</b>	5	Regular occurrence Circumstances frequently encountered i.e. daily/weekly/monthly The risk is current & is almost certain to happen in the immediate future or within the next 12 months
<b>Likely</b>	4	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (once/twice a year)
<b>Possible</b>	3	Has happened in past Reasonable possibility it will happen within next 3 years
<b>Unlikely</b>	2	May have happened in the past Likely to happen in 3+ years
<b>Very Unlikely</b>	1	Has happened rarely/never before

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Item No: 7

By: The Head of Audit & Risk

To: Governance and Audit Committee  
4 December 2007

Subject: **INTERNAL AUDIT REPORTING**

Accountable Officer: The Head of Audit & Risk

Classification: Unrestricted

**Summary:** This report summarises the outcomes of Internal Audit activity, providing assurance as to the operation of control within the Council.

## FOR INFORMATION

### Introduction

1. This report contains the outcome of Internal Audit's work completed during August, September and October 2007. Assurances are provided in accordance with the definitions of Internal Audit assurance levels shown in Annex A.
2. The format of this report, which was agreed at a previous meeting, is as follows:

**Annex B** Audits completed to date. Audits appearing for the first time are shown in bold. 11 audits were completed in this period, which are listed in the table below:

Directorate	Audit Title	Assurance
AW	Imprest Accounts	Limited
AW	Corporate Governance – Public Consultations	Substantial
CED	Payroll	Minimal
CED	Accounts Payable	Substantial
CED	Schools' Personnel Service – CRB and recruitment checks in schools	High
CED	ClassCare	N/A
CED Comm Services	Laser Income	High
CF&E	Eligibility of Payments to Unaccompanied Asylum Seeking Children	Substantial
CF&E	Payments to Private Providers	High
KASS	Supporting People Administration Grant	Substantial
E&R	Kingshill Development Fund	High

**Annex C** Summary information, with the directorates' response for all audits where control has been assessed as 'minimal'

**Annex D** Brief details of audit work completed in the period.

**Annex E** Summary of directorates' progress with the implementation of internal audit recommendations.

Members can see from Annex E that of the 32 recommendations due to be in place, 28 have been actioned and 4 remain outstanding.

3. Members should note that the audit assurance expressed is at the time of issue of the audit report but before full implementation of the agreed management action plan. Directorates' progress with the implementation of recommendations is followed up and reported at Annex E, after the date by which it has been agreed that action will be undertaken. Where a 'minimal' assurance has been given, there will be further re-evaluation in a six-monthly review.
4. Furthermore, each audit does not carry equal weight when forming the overall assurance on the operation of control within the Authority. Whilst the key systems will have a major impact, other systems, for example establishment audits, become more significant when the outcomes of a number of similar audits have been obtained. In this instance, the key indicator is the trend in audit assurances within a directorate and across the Authority.

### **Irregularities**

5. Since the end of July seven cases of suspected irregularity have been reported, each involving either KCC finances or business processes. Details of completed irregularity investigations are given in my separate report at agenda item 8.

## Performance of Internal Audit

6. At the Audit Committee meeting on 3 March 2004, Members agreed to receive regular reports on Internal Audit's performance against a range of indicators. For those measures where information is available, performance is shown below:

Performance Indicator	Target	Actual (Apr – Oct)
<b><u>Productivity and Efficiency</u></b>		
<ul style="list-style-type: none"> <li>• % of available time spent on direct audit work</li> </ul>	80%	79%
<ul style="list-style-type: none"> <li>• % of draft reports completed within 10 days of finishing fieldwork</li> </ul>	89%	92%
<ul style="list-style-type: none"> <li>• Preparation of annual plan</li> <li>• Periodic reports on progress</li> </ul>	By March G&A Cttee meetings	Reported 7.3.07 Reported: 30.06.06 20 09.06 05.12.06
<ul style="list-style-type: none"> <li>• Preparation of annual report</li> </ul>	Prior to annual assurance statement	Reported 29.06.07
<b><u>Quality of Service</u></b>		
<ul style="list-style-type: none"> <li>• Average Client satisfaction score</li> </ul>	70%	93%
<b><u>Staff Management</u></b>		
<ul style="list-style-type: none"> <li>• Staff with professional qualifications (including trainees)</li> </ul>	60%	74%

## Recommendation

7. Members are asked to **note** the outcome of Internal Audit's work.

**Janet Dawson**  
**Head of Audit & Risk**  
 Ext: 4614  
 21 November 2007

## Definitions of Internal Audit Assurance Levels

Assurance Level	Summary description	Detailed definition
<b>High</b>	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.
<b>Substantial</b>	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.
<b>Limited</b>	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, <b>or</b> there is significant evidence that they are not applied consistently and effectively.</p>
<b>Minimal</b>	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, <b>or</b> there is evidence that there is significant non-compliance with key controls.</p>

## Audit Programme and Coverage by Directorate between August and October 2007

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngmt	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngmt	General Financial Control	Procurement	Governance	Business Process	Info System
	<b>Authority-wide</b>														
	<i>Brought forward from 2006/7 Plan</i>														
June 07	Trading Companies	✓	L												
June 07	BS57799	✓	H												
June 07	Telephone PBX	✓	S												
June 07	<i>Follow up ICT Disaster Recovery</i>	✓	L											L	
Page 41 Sep 07	Follow up to the Procurement of Consumables	✓	L									L			
Sep 07	Medium Term Planning	✓	H							H					
Sep 07	Risk Management	✓	H										H		
Sep 07	2007/08 Plan														
Sep 07	Virus Protection	✓	S												S
Sep 07	Corporate Governance	✓	S										S		
Dec 07	<b>Imprest Accounts</b>	✓	L						L						
Dec 07	<b>Corporate Governance</b>	✓	S										S		
	<b>Chief Executive's Department</b>														

## Audit Programme and Coverage by Directorate between August and October 2007

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngmt	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngmt	General Financial Control	Procurement	Governance	Business Process	Info System
	<i>Brought forward from 2006/07 Plan</i>														
June 07	VAT provision of asylum seekers services	✓	S				S								
June 07	Physical Security & Environmental Controls	✓	S												
June 07	VAT payments to providers of Care (Adult Social Services)	✓	S				S								
June 07	Technical Administration of the Oracle Financial, HR & Payroll System	✓	S												S
June 07	Commercial Services CODA	✓	S												S
June 07	Commercial Services Insurance Funds	✓	L						L						
Sep 07	2007/08 Plan Year end Accounting Processes	✓	S						S						
Dec 07	Payroll	✓	S/M		S									M	
Dec 07	Accounts Payable	✓	S			S									
Dec 07	Commercial Services Laser Income	✓	H				H								
Dec 07	CRB/recruitment checks in schools	✓	H											H	
	<b>Children, Families &amp; Education</b>														

## Audit Programme and Coverage by Directorate between August and October 2007

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngmt	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	<i>Brought forward from 2006/07 Plan</i>														
June 07	<i>Foster &amp; Adoption Payments</i>	✓	S			S									
June 07	<i>Schools Advisory Service</i>	✓	H												
June 07	<i>Student Awards</i>	✓	H												
June 07	<i>Attendance &amp; Behaviour Safer Schools</i>	✓	S											S	
June 07	<i>Schools Managed Capital Projects</i>	✓	S							S					
Sep 07	<i>Sharing of Information on Children</i>	✓	S												S
Sep 07	<i>2007/08 Plan Reimbursement of Schools' Maternity pay</i>	✓	S			S									
Dec 07	<i>Eligibility of Payments to unaccompanied asylum seeking children</i>	✓	S			S									
Dec 07	<i>Payments to Private Providers</i>	✓	H			H									
	<b><u>Kent Adult Social Services</u></b>														
	<i>Brought forward from 2006/07 Plan</i>														

## Audit Programme and Coverage by Directorate between August and October 2007

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngmt	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngmt	General Financial Control	Procurement	Governance	Business Process	Info System
June 07	Swift pre Implementation Review	✓	S												S
June 07	Domiciliary Care TDM	✓	L			L									
June 07	Former Self Funders	✓	L												
June 07	Residential Care Mental Health Payments	✓	S			S									
June 07	Voluntary Organisations	✓	S			S									
Dec 07	Supporting People Administration Grant		S								S				
	<b>Environment &amp; Regeneration</b>														
June 07	<i>Brought forward from 2006/07 Plan</i> Transport Network Management	✓	S	S											
June 07	KHS Coastal Protection	✓	L						L						
Dec 07	Kingshill Development Fund	✓	H								H				
	<b>Communities Directorate</b>														
June 07	<i>Brought forward from 2006/07 Plan</i> Youth & Community	✓	H					H							

Audit Programme and Coverage by Directorate between August and October 2007

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
June 07	Libraries	✓	S											S	
Sep 07	Community Safety Revenue Budget Management	✓	S	S											

**Summary Information with the directorates response for all audits where control has been assessed as 'minimal'**

**Chief Executive's Department**

**Payroll - Appointment to payment of new staff**

**Assurance – Recruitment – Minimal  
Payroll and Accounting - Substantial**

We followed through a sample of 30 new starters who had joined KCC between April 2006 and July 2007, to test that the processes from appointment to payment of new staff were working effectively. The lack of adequate controls or the application of existing controls on a range of recruitment checks, including Authorisation for Employment forms, references, identity and Criminal Record Bureau (CRB) checks was a major area of concern identified during the audit.

The failure of the administrative system to ensure that CRB checks were properly carried out is of particular concern and is a serious omission. Six out of 30 (20%) of new starters in our sample who required a CRB check had not had one carried out. Although the main responsibility for this lies with Employee Services, other areas in Kent County Council must share this responsibility. Departmental line managers have not monitored the process for obtaining confirmation of satisfactory CRB checks. Cases are evident where employees have failed repeatedly to provide information or react to reminders from Employee Services. In these cases managers have been copied into any reminders. Two cases were identified in Commercial Services who undertake their CRB checks through their own CRB service.

There are two areas where the CRB application process has failed:-

- No record exists of the need for an application with the CRB Team in Employee Services.
- The CRB section has a record of the need for a check but the application information has not been returned by the employee for more than 3 months since the original request. The check therefore remains outstanding.

As a result of the findings of our audit, Employee Services have done some further analysis and estimate that there are currently 241 cases that fall into the first category and 56 cases in the second.

The audit findings on CRB checks were discussed at an early stage with the Employee Services Manager. The reasons for the failure were immediately investigated and identified. Changes are being made or are planned in the working arrangements to ensure that all new appointments subject to a CRB check are recorded and actioned. Improvements to the administrative and IT systems are being given the highest priority within the department.

Another major concern identified by the audit was the fact that, from a sample of 30, 2 Authorisation for Employment forms were not authorised, 2 were inappropriately authorised and 2, for Commercial Services staff, were not on file.

Other areas examined as part of the audit appear well managed and transactions were accurate. The appointment of a Systems Development Officer is helping to identify a number of control and exception reports. These are expected to improve internal control within the payroll system. The audit confirmed that there is excellent co-operation between the Control Section in Employee Services and Corporate

**Summary Information with the directorates response for all audits where control has been assessed as 'minimal'**

Finance. The various reconciliations required both within the payroll system and with the general ledger are accurate and up-to-date. A small number of older transactions which are part of the reconciliations are being identified and cleared. This provides a high level of assurance that these important controls are operating effectively.

**Directorate Response**

*We acknowledge the findings of the Audit report, believe that it provided valuable information and understand the requirements set out within it. We have taken very seriously the issues raised and responded immediately, as soon as they became apparent.*

- *New employee's details are not entered onto Oracle without ESC having appropriate ID.*
- *CRB forms must be issued where the position is subject to a check, or starter details will not be entered onto Oracle.*
- *Additional audits of the above areas by Team Leaders, Team Managers and the Control Team have been implemented. This will ensure starters have ID, CRB forms issued and that the starter exists.*
- *Oracle is being used as the sole database for recording and tracking CRB forms. The relevant additional fields specified in the report have been created and are in use.*
- *Additional chase procedures for late CRB forms are in place and there is a clear escalation process.*
- *A full audit of current employees and their CRB status has been undertaken and will be completed by end December 2007.*
- *A full audit of all personnel files is taking place and should be completed by end December 2007 on all hardcopy files.*
- *The subject of employment references will be picked-up at the next P&D Policy Group meeting to raise awareness of the issues in the report.*
- *Advice regarding signed contract return has been sort from Employment Strategy Manager.*
- *Additional checks and reports for the Control Team have been requested from Oracle Business Support Team to enhance the Control audit procedures as specified in the Audit Report*

*We are fully committed in continuing these new processes and reviewing them continually for any additional improvements and implementing best practice. In addition new technology will support improvements by reducing duplicate data entry and allowing files to be electronically stored.*

**Amanda Beer**  
**Director of Personnel & Development**

**Audit Work Completed in the Period  
August 2007 – October 2007**

**Completed audits**

<b>Directorate</b>	<b>Audit</b>	<b>Description</b>	<b>Audit Assurance</b>
AW	Imprest Accounts	An authority wide audit to assess the effectiveness of controls over the use of imprest accounts.	Limited
	Corporate Governance	A review of KCC's processes and procedures regarding public consultation.	Substantial
CED	Payroll	A 'cradle to grave' audit to test that processes from the appointment of new staff, including the checking of references and CRB checks (where appropriate) through to payment are working effectively.	Substantial/ Minimal
	Accounts Payable	An audit to provide assurance that controls and processes are in place to ensure that payments are only made to valid suppliers for goods and services provided for the benefit of KCC and that payments are accurate.	Substantial
	Schools' Personnel Service – CRB and recruitment checks in schools	An audit to examine how the Schools' Personnel Service manages and checks the CRB process and keeps the schools informed of current regulations and guidelines.	High
	Classcare Accounts	The audit of four years' of accounts to enable refunds to be paid to the schools who form part of the Classcare scheme.	N/A
	Commercial Services - Laser Income	An audit to provide assurance that all contracted income is identified, invoiced and accounted for accurately and promptly.	High
CF&E	Eligibility of Payments to Unaccompanied Asylum Seeking Children	An audit to provide assurance that payments are only made to eligible unaccompanied minors, that payments are accurate and that adequate records are maintained to support grant reclaim.	Substantial
	Payments to Private Providers	A review of the processes to ensure that payments are accurate and are only made to bona fide providers.	High
KASS	Supporting People– Administration Grant	A review of arrangements in place to ensure that expenditure against the administration grant for the Supporting People programme is in accordance with the grant conditions and accounted for correctly.	Substantial
E&R	Kingshill Development Fund	An audit to review how funds are redistributed for the sale of land at Kingshill.	High

**Audit Work Completed in the Period  
August 2007 – October 2007**

**Advisory and other work**

<b>Directorate</b>	<b>Audit work</b>	<b>Description</b>
AW	Risk/control mapping	Advising and assisting directorates on mapping the risks and controls of individual business units.
AW	Investigations training	Contributing to Investigations Training courses delivered by Personnel colleagues.
AW	Fraud Awareness Training	Providing fraud awareness training

**Directorates Progress with Implementation of Audit Recommendations  
(covers August to September 2007)**

Directorate	Total actions due to be in place by end of September 2007	Actions in place	Outstanding actions	Progress with outstanding actions	
				Audit	Comments
Authority Wide  Page 50	6	2	2	<b>Corporate Governance - Ethical Standards</b>	Work is currently being undertaken to produce a questionnaire for the survey of staff to test their awareness and perception of ethical policies to be conducted towards the end of November, and COG have undertaken to run a full survey in the spring.
					Arrangements have been put in place for the register to be kept by Employee Services and Chief Officers were informed in July 2007 that any conflicts of interest should be registered there. The existing entries on the register will be confirmed to individual Chief Officers on a six monthly basis starting in January 2008.
			2	<b>Virus Protection</b>	The pursuit of ISO 9001 accreditation has been delayed. EIS will continue to use existing KCC/ISG policies until revised procedures are implemented for reviewing, updating and implementing antivirus policy as part of the move to a central EPO console.
					The implementation of a central EPO console as part of the overall upgrade of the EIS infrastructure by August 2007 has been delayed and is currently scheduled to be completed by December 2007. In the meantime we will continue to use our standard install and run regular manual sweeps to ensure virus protection is enabled and latest signature file present.
Chief Executive's	12	12			

**Directorates Progress with Implementation of Audit Recommendations  
(covers August to September 2007)**

Children & Families	9	6	3	<b>Sharing of Information on Children</b>	No progress has been made with the Inland Revenue to find a more secure method for the despatch of Children's data.
					A response to the implementation of enforced password changes has been received from ANITE and proposed changes have been scripted. Script has been applied to our test environment and is awaiting testing before progression through stages to the live SWIFT environment.
					An unsatisfactory response received from ANITE to ensure that the Audit Trail is enabled. This will be pursued until resolved
Adult Services	6	6			
Communities	3	2	1	<b>Use of IT Equipment in Educational Establishments</b>	ISG and EIS no longer support Net Nanny as an effective solution. They have recommended that we move youth centres on to the Kent Community Network which would then enable a much more effective solution to mitigating the risk of inappropriate sites being accessed. The cost for the original set up is £150K and this is not in our budget and so has been flagged up a pressure within the Communities finance team. Until funding is identified this will remain a risk.
Environment & Regeneration					
TOTAL	36	28	8		

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Item No :8

By: The Head of Audit & Risk

To: Governance & Audit Committee  
4 December 2007

Subject: **INTERNAL AUDIT REPORTING – IRREGULARITIES**

Accountable Officer: The Head of Audit & Risk

Classification: Unrestricted

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**Summary:** This report provides brief details of all irregularity cases completed during the period August to October 2007.

## **FOR INFORMATION**

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### **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 August to October 2007.
2. During the period, seven 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 investigations that have been completed within the period.

### **Recommendation**

4. Members are asked to note this report.

**Janet Dawson**  
**Head of Audit & Risk**  
Ext: 4614  
4 December 2007

### Summary of Irregularity Cases Concluded in the Period August to October 2007

Ref	Directorate	Nature of Irregularity	Value	Outcome
729	CF&E	Inappropriate Use of computer	N/A	<ul style="list-style-type: none"> <li>A teacher whilst searching the Internet for material to include in a lesson left the PC unattended. Pupils then used the PC to view material obtained and in doing so viewed inappropriate material which was noticed by another teacher who reported it to the Deputy Head Teacher. The teacher has been reminded of the school's internet use policy.</li> </ul>
731	CF&E	Inappropriate use of electronic communications	N/A	<ul style="list-style-type: none"> <li>A member of staff placed an inappropriate item on ClusterWeb. The member of staff was suspended and a disciplinary hearing was held in which he was found guilty of Misconduct.</li> </ul>

By: The Head of Audit & Risk

To: Governance & Audit Committee – 4 December 2007

Subject: Governance of Partnerships

Classification: Unrestricted

**Summary:** This report provides an update on the work being undertaken on governance of partnerships.

## FOR INFORMATION

### INTRODUCTION

1. At the March and June 2007 meetings of this Committee, Members received updates on the work of governance of partnerships. Work has been undertaken in line with the following timetable.

Action	Date
Formal adoption of the Partnership Guidance Document	April 2007
List of major and significant partnerships reported to this Committee	June 2007
Formal 'risk assessment' of the major and significant partnerships carried out in accordance with the Partnership Guidance Document	By August 2007
Audit of governance of partnerships	October 2007
Report outcome of the audit to this Committee	December 2007

### CURRENT STATUS

2. The audit of governance of partnerships has been undertaken as planned and the report is at a draft stage.
3. Registers of major and significant partnerships, per Directorate, were presented to this Committee in June 2007. The audit has confirmed that within the Directorates these registers have been, or are going through, processes to ensure that all relevant partnerships are included. This puts the Authority in a stronger position than previously as all key partnerships are now captured. At the time of the audit the

register for Environment & Regeneration contained some out of date and incomplete information which is now being addressed.

4. We found that Directorates have tended to err on the side of caution and as a result have included partnerships on their registers which do not fit the definition of major or significant as set out in the guidance document. This highlights a lack of understanding of the guidance in some areas and some practical issues with its implementation. Work will be undertaken to ensure this is rectified and this will aid continuous improvement.
5. Despite this the audit found that in general, the governance arrangements in place are considered to be appropriate for the nature of the partnerships, although there are still gaps around the identification and management of risks associated with the partnerships which will need to be addressed.
6. We are currently awaiting formal responses to the draft report and the final report will be reported to the March 2008 meeting of this Committee. We will report the implementation of recommendations in the normal way, such that exceptions will be reported through the follow up process.
7. We feel that we can add value in the future by reviewing in more detail the governance of specific major or significant partnerships in more detail and this will inform our future audit approach of partnership governance.

## **RECOMMENDATION**

8. Members are asked to note the progress made on the work around governance of partnerships, in line with the agreed timetable.

Julie Samson  
Audit Manager  
01622 694569

Item No. 10

By: The Head of Audit & Risk  
To: Governance and Audit Committee – 4 December 2007  
Subject: **ANNUAL GOVERNANCE STATEMENT**  
Classification: Unrestricted

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Summary: This report provides an overview of the requirements of the Annual Governance Statement and its impact on the Council's internal audit plan and Governance and Audit Committee.

**FOR INFORMATION**

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**INTRODUCTION**

1. Kent County Council is required to prepare an Annual Governance Statement (AGS) instead of a Statement on Internal Control with effect from 2007/08. The requirement was introduced in the Good Governance Framework introduced by CIPFA SOLACE in 2007 and is a statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.
2. The Good Governance Framework also sets out six principles of corporate governance which are underpinned by supporting principles and requirements. Authorities are expected to comply with the requirements of the Framework and thus meet the principles of good corporate governance.

**WHAT IS AN AGS?**

3. The AGS should be an open and honest self assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern.
4. It should include the following:
  - An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)

- A description of the key elements of the systems and processes that comprise the governance arrangements (see appendix A)
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements (see appendix B)
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

### **HOW THE AGS IS DIFFERENT FROM THE STATEMENT ON INTERNAL CONTROL (SIC)**

5. The purpose of the SIC was to report on the robustness of the internal control environment based on:
  - Identification of key risks
  - Identification and assessment of controls to mitigate key risks
  - Evaluation and identification of gaps in control and assurance
  - Plans to close control gaps and improve assurance.
6. The purpose of the AGS is to report on the authority's governance arrangements, thus it is more holistic. The six principles of corporate governance are included in Appendix C.

### **WHAT DOES THIS MEAN FOR INTERNAL AUDIT?**

7. Internal audit needs to have assurance on how the requirements underpinning each principle of governance is met by the Council and have agreed action plans with responsible officers where required.
8. By the end of the audit year the Council should have adequate assurance, from a range of relevant sources, to understand whether the Council meets each principle of corporate governance.
9. The internal audit plan includes three reviews which are particularly relevant:
  - Governance of partnerships
  - Corporate governance 'health check'
  - Risk management framework review.

The findings of these audits are fundamental to the AGS.

## **WHAT DOES THE INTRODUCTION OF THE AGS MEAN FOR THE GOVERNANCE AND AUDIT COMMITTEE?**

10. One of the requirements of Principle 4 of the Good Governance Framework (2007) is that authorities have an effective audit committee which is independent of the executive and scrutiny functions. The Framework also requires authorities to review their governance arrangements at least annually and to report compliance with the framework to the audit committee.

Thus the Governance and Audit Committee must:

- Ensure its own effectiveness, through, for example, annual performance review. This will be included on the agenda for the March meeting with a proposed approach.
- Receive regular reports, from relevant sources, on the effectiveness of the authority's governance arrangements and action plans to improve governance arrangements.

## **WHO IS RESPONSIBLE FOR THE AGS AND ENSURING GOOD GOVERNANCE?**

11. The AGS should address all significant corporate systems, processes and controls, across the spectrum of the Council's activities. As such, approval and ownership of the AGS should be by the most senior office and the most senior member, both signing the statement on the Council's behalf.
12. The Governance and Audit Committee should review and approve the AGS to ensure it is robust, using the sources of assurance such as the Head of Audit and Risk Annual opinion, VFM reports and Officer reports. This will be timetabled for the June 2008 meeting.

## **RECOMMENDATION**

13. Members are asked to note this report.

**Janet Dawson**  
**Head of Audit and Risk**  
**Extension 4614**  
**19 November 2007**

## APPENDIX A

The AGS should describe the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the authority's vision and its implications for the authority's governance arrangements
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements
- and protocols for effective communication
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistle-blowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

CIPFA SOLACE (2007): Delivering Good Governance in Local Government Framework, page 34.

## **APPENDIX B**

The AGS should describe the process that has been applied in maintaining and reviewing the effectiveness of the governance framework, including some comment on the role of:

- The authority
- The executive
- The audit committee/overview and scrutiny committees/risk management committee
- The standards committee
- Internal audit
- Other explicit review/assurance mechanisms.

CIPFA SOLACE (2007): Delivering Good Governance in Local Government Framework, page 36.

## APPENDIX C

The six principles of corporate governance are as follows:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

CIPFA SOLACE (2007): Delivering Good Governance in Local Government Framework.

Item No. 11

By: Acting Director of Finance

To: Governance and Audit Committee – 4 December 2007

Subject: **VALUE FOR MONEY REVIEW OF DAY SERVICES FOR ADULTS WITH LEARNING DISABILITY.**

Accountable Officer: Head of Financial Management

Classification: Unrestricted

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Summary: To report the findings of the VFM Review.

**FOR INFORMATION**

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**INTRODUCTION**

1. The overall objective of this review was to consider whether value for money is being provided in Day Services for Adults with Learning Disabilities, and to make recommendations (if appropriate) where value for money can be improved. The review was conducted in 3 Stages:

Stage 1, involved designing the data collection templates to gather information about the service users

Stage 2, involved benchmarking and comparisons to the family group of comparator authorities

Stage 3, involved analysing information from stages 1 and 2, and making recommendations where value for money could be improved within the service

2. This review has taken place at a time when KASS are reviewing all service delivery, and is therefore a key element in informing that change.

**REPORT FINDINGS**

3. PriceWaterhouseCoopers (PWC) report states "The lack of reliable and readily available information makes an assessment of the value for money of the service very difficult. However, analysis of the information shows that in terms of cost Kent compares favourably to its IPF family group average."
4. Although information was not readily available KASS did provide good quality information for services across Kent. Good quality management

information is essential to the smooth running of any service, and improvements are being made in this area.

5. PWC's report indicates that the modernisation of learning disability day services follows good practice, some examples of these are: -
  - more services being provided by the private and voluntary sector, as we shift the balance from in-house to external provision, and
  - the transition from block to call-off contracting with external providers.

The in-house provision is changing in line with the new service models.

6. Kent has a higher than average number of clients supported by the Council and the cost on a per client basis was below average for both 2004-5 and 2005-6.

PWC say, "We have not found significant evidence that value for money is not currently being secured. However, there are a number of areas where we believe there may be potential to reduce net expenditure: These are summarised below and are explained in greater detail in the Executive Summary that is attached in Appendix 2.

- Income from clients is below average and could be increased.
- The variation in costs between the in-house units should be explored to determine whether the variation is valid.
- Kent could stop providing day care services to people with learning disabilities who have a 'moderate' level of need.
- Improvement could be made in the utilisation of in-house day care places.

Whilst these are valid points to raise, the first and third bullet points are policy decision and there are no proposals to change the existing policy. The second and fourth bullet point included some anomalies in data; this coupled with progress in outsourcing services lessens the potential impact.

## **POTENTIAL RISKS/ISSUES FOR CONSIDERATION**

7. The review has identified several risks/issues that will need to be considered as Kent modernises its day services:
  - Is there enough supply capacity within the external market to meet the increasing demands and can they deliver value for money services; and
  - Future consultations should give parents and carers the feeling that KASS is "working with" rather than 'doing to' them and particular attention

needs be paid to the forms of communications used to do this to make the process more inclusive.

### **MANAGEMENT ACTION PLAN AND KASS REPOSSES**

8. In response to the VfM review KASS produced a report to update their SMT, which is attached for information in Appendix 1. Your attention is particularly draw to “Potentially Sensitive Issues” and Linkages to “Modernisation Agenda” Sections of the report.
9. Seventeen management actions were identified as part of this review these together with responses from KASS can be found in Appendix 3

### **RECOMMENDATION**

10. Members are asked to note the key findings of the VfM review of Day Care Centres for Learning Disability.

**Andrew Wood**  
**Head of Financial Management**  
**Ext 4622**

## Appendix 1

Cabinet Member for Finance	Director of Finance
By	Margaret Howard, Director Provision and commissioning (West Kent) KASS
To	Strategic Management Team
Subject	Day services for people with learning disabilities Value for Money Report
Date	17 <sup>th</sup> August 2007
Classification	Confidential

### Summary

**The paper presents the findings of the Value for Money report undertaken on day services for adults with learning disabilities in Kent. It gives**

- 1. a brief overview of findings,**
- 2. notes potentially sensitive issues,**
- 3. current trends,**
- 4. looks at the direct links to the modernisation of these services and**
- 5. details the proposed action plan.**

### 1 *Introduction*

The Value for Money review has been conducted with the help of Price Waterhouse Cooper (who wrote the final report) on behalf of Kent County Council. The review process was overseen by a project board chaired by Margaret Howard (Direct West Kent Provision and Commissioning) on behalf of KASS, there was representation on the board from both East and West Commissioning, Value for Money Team (Resources Directorate), Contracting, Provision, Finance, Policy, Project Management and Joint Director for learning disabilities.

The objective of the review was to consider whether value for money is being provided throughout all day services for people with learning disabilities provided and commissioned by Kent Adult Social Services. The review also makes a number of possible recommendations where value for money could be improved. The executive summary, recommendations and the accompanying action and management response to the report are attached. (Append. 1,2 & 3)

It should be noted that although the process was at times difficult the completion of the review is seen by PWC as one of the more smooth VFM reviews undertaken with KCC. Thanks need to be extended to all in commissioning and provision involved in the provision of information and details to make the review possible.

### 2 *Context*

This Value for Money review forms part of the value for money review programme for Kent County

Council. Once approved by SMT and our cabinet member has been briefed (Aug 21<sup>st</sup>) the executive summary of the report and action plan is then presented at Cabinet Briefing by the Cabinet Member for Finance (Nick Chard) for approval.

This review has fallen at a positive time for these services and much of the data will inform elements of the Modernisation of Day Services currently in progress in KASS. A number of the recommendations made in the final PWC report are based on traditional day centre models that allow congregate services to be delivered with concomitant economies of scale. As the modernisation of KASS and day services for people with learning disabilities centres on individualisation of budgets and packages of support a number of PWCs recommendations run contra to the direction services are currently taking and are therefore addressed in that context.

### 3 *Brief Overview*

The review came to the overall conclusion that KASS provides good value for money in day services for adult with learning disabilities and that the modernisation of these services demonstrates good practice with services moving from block contracts towards more individualised packages of day care. Practice in contracting with external providers was also commended.

The review highlighted a number of recommendations to improve the value for money the services provide including

- improving data systems and access to information that can verify value for money
- questioning income levels including consideration of current charging for day services
- analysing the current use of day services by individuals in residential care to ensure elimination of possible double funding
- investigating changes to transport provision to provide possible means to improve service delivery
- creating a better understanding of overheads within in house services
- having a clear and defined understanding of cost differentials between a variety of service models (including staffing arrangements).

The review demonstrated that whilst Kent is significantly above average for gross cost both in-house and external this is due to the higher than average number of clients supported by the council.

The unit cost of day services commissioned and provided by KASS compare favourably with its IPF family group.

The VFM review gives a positive picture and recognises that change is taking place in Kent. The collection of data for this review has given KASS a much clearer map of all the day services that are currently active in Kent and has shown that the modernisation is in fact more advanced than previous work had detailed.

### 4 **Potentially sensitive issues**

**Residential care** – In the VFM report a great deal of attention is given to possible double payment for people in residential care homes where there is a 24-hour contract and they use in house day services (32%). This issue was clearly addressed as part of the residential re-let 2002. Contracting departments ensured that where residential care providers were receiving day care from in house services that this was taken into account within the costing of the new contracts. The effect of withdrawal of the day service or levying a charge would be an increase in costs which, residential care providers, would pass back to KASS.

There may be a few examples of individuals with spot contracts that require further investigation or providers with call off contracts where their use of in-house has increased which need investigation

but this will not be an area where we can achieve either major savings or revenue for new investment.

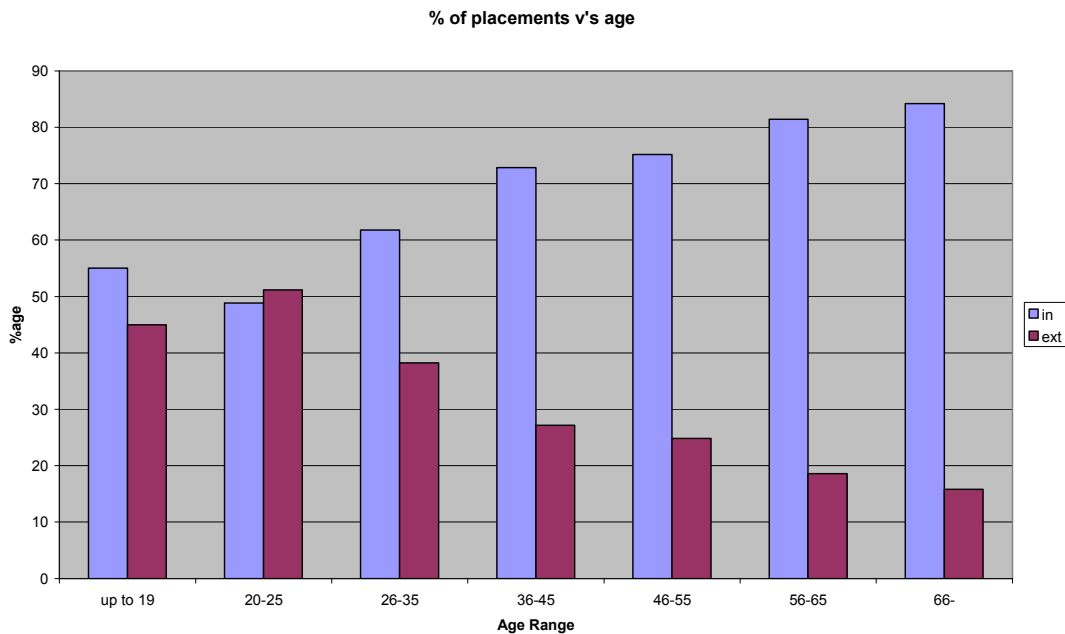
**Charging** – Kent is below average for income both from client contributions and income received through other routes i.e. joint funding arrangements. Charging for day services and transport is suggested as an area for investigation. This could generate significant revenue, if KASS introduced a charge of £13.00 per day (the review stated that 9 of the 10 LAs in the IPF group charged and the average charge was £13.38 pd) if 75% of people living with parents and carers were assumed as likely to be charged this would yield just over £1m per annum. Of the 5 L.A.’s where they retrieved data all were charging for transport at an average of £1.17 per journey with current usage a £1.00 per journey charge would realise in the region of £220K.

However as recently as 2005 Members voted that charging for day services and transport to day services would not take place. The imposition of charging may also have a significant impact on the modernisation of day services and that would also need to be taken into consideration.

**Below target utilisation rate** – the report makes reference to a high “no show” rate at many traditional services, which in turn identifies “Kent as currently spending money on services that are not being used”. If the data is taken at face value this is the case, however the report fails to take into account the nature of services, changes to service level agreement to reflect dependency or current modernisation in their analysis. It does however demonstrate that traditional day centres have a clear lack of flexibility in adapting provision to needs and demands. If we were to offer places beyond our capacity on the assumption of a 10% no show these could only be made available to people who could make their own travel arrangements and would need to be considered within the context of reducing occupancy with a view to re-provision.

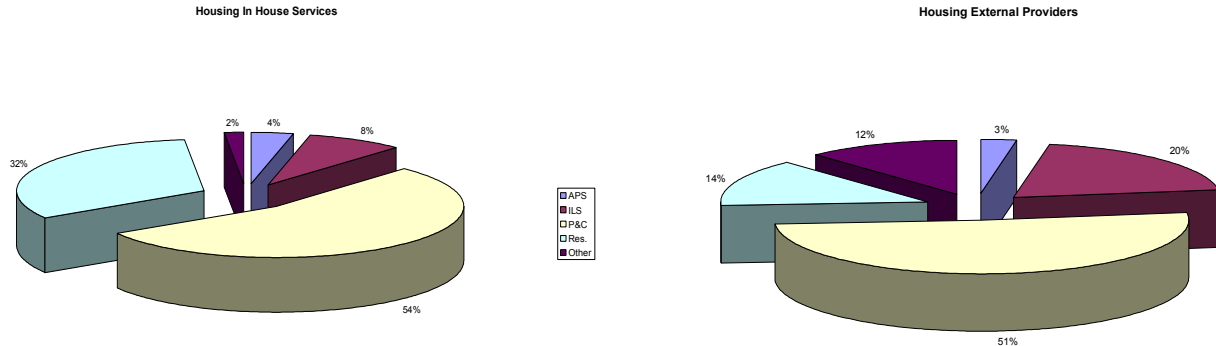
**Property** – The property portfolio of KASS in house services feature in the report and is seen as an area for possible improvement of value for money. However our modernisation plans are predicated on a move away from direct ownership, provision of buildings and dependence of bricks and mortar. Our capital is to be utilised to re-provide community based services and where possible to release revenue to modernise services. .

5 Trends



**The form of services people with learning disabilities are accessing dependant on age**

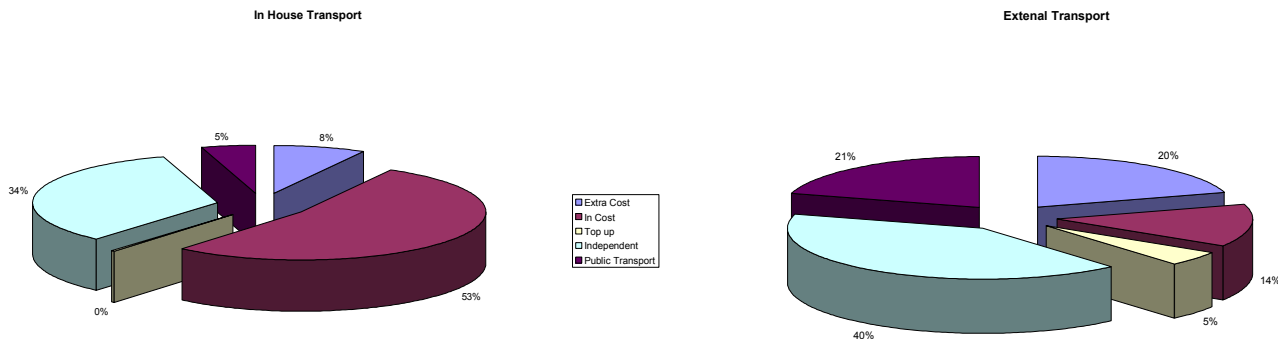
The above chart is based on percentages of individuals placed in “in house” or external services versus age ranges. There is a clear trend in new referrals away from in house services towards external providers. Those up to age 25 opting for 50% in house and external provision in stark contrast to those over 66 with a percentage split of 84% in house and 16% external provision.



**Where people who use services live**

The above illustrates housing trends for in house and external provision.

- Just over 50% of people who use both sets of providers live at home with parents/carers.
- 32% of people who use in house provision are living in residential care compared to 14% of people using external providers.
- 35% of people who use external services live more independently compared to 14% using in house services.



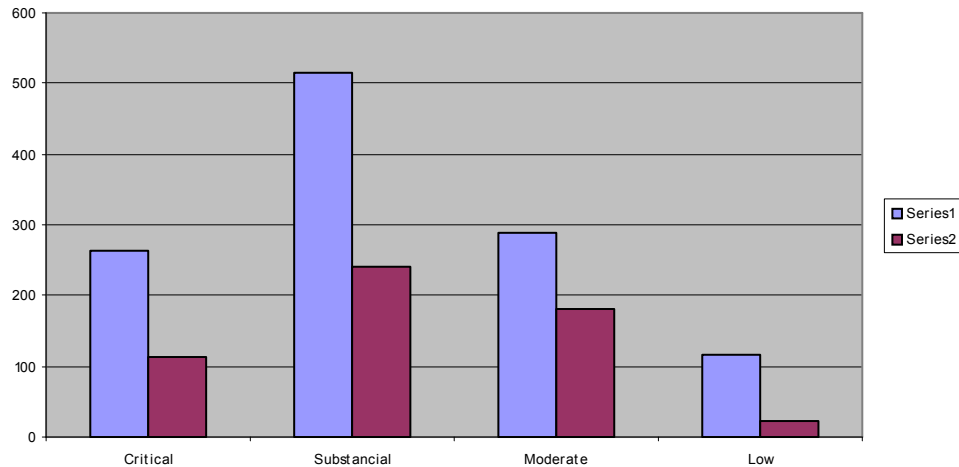
**Transport to and from services**

The transport analysis produced some very interesting information, with much higher numbers than expected travelling to and from day services independently (34% in house and 40% external). This does cover a broad range of travel but is much higher than was expected, it should also be noted that externally 20% of people were using public transport.

Data still indicates high area of spend on travel with extra costs being incurred by 8% of people who use in house services and 25% of those using external providers. A more in-depth piece of work with in house services also identified that over 350 journeys a week lasted over 1 hour 15 minutes with 96 lasting longer than 2 hours.

This highlights transport as a significant area for improvement with current provision both in house and externally.

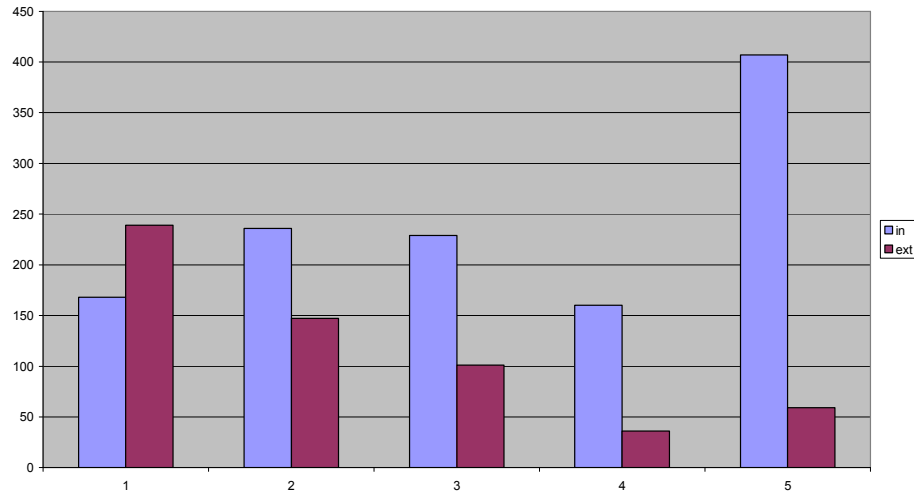
### Eligibility Criteria



#### Range of eligibility criteria

Both sets of providers had very similar break down of individuals in a full range of eligibility criteria with a breakdown of 22% critical, 43% substantial, 27% moderate and 8% low. On exploring reason behind high levels of both moderate and low criteria this is reported as occurring as a means of prevention of crisis as well as capturing a number of individuals who have a dual diagnosis (both a learning disability and a mental health support need). However it should be noted that this does represent 35% of current provision that is a high proportion in comparison to other authorities.

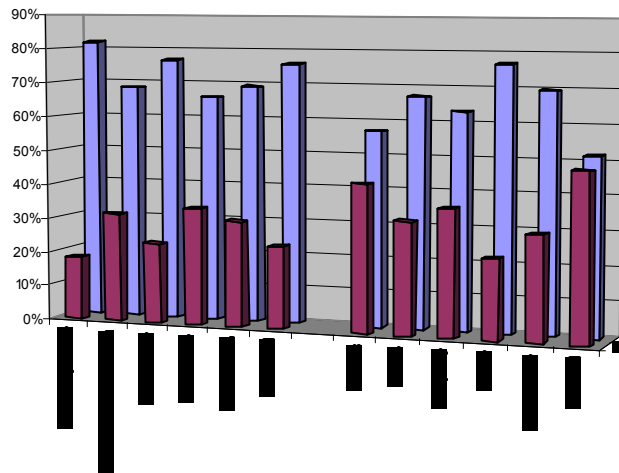
### Days per week



#### Number of days a week individuals use services

There is a clear illustration that individuals using external providers are likely to receive a mixture of day services and not as likely to receive a 5-day a week package. The above chart clearly demonstrates a complete opposite approach with 34% of people using in house services receiving a 5 day a week service and only 14% a 1 day a week service. Compared to 10% of people using external providers receiving 5 days a week and 41% a 1 day a week service. Further work is needed to understand the full implications of this data.

Usage of In House v's External provision



### Split between external and in house provision

The data produced new figures for the split in between provision, this has previously been measured as 80% in house and 20% external. The new data show that this has shifted to 67% in house and 33% external (based on individual placements) however there is a wide range of in this split across districts. (Tunbridge Wells - 82% in house and 18% external, Ashford 52% in house and 48% external)

### 5 Linkage to modernisation agenda

As noted throughout the VFM report and this report for SMT the review links and underpins proposals for the modernisation of services.

The analysis of trends is by no means all the conclusions that can be drawn from the data set but does indicate clearly the move towards greater diversity in the provision of services. It demonstrates

- Younger people (Up to 25) are more likely to be accessing external services than their older peers and therefore are likely to be accessing more personalised services,
- 33% of people are already accessing some services from external provision,
- Financial analysis demonstrates there has been a significant reduction in in-house budgets over recent years and increased expenditure on external,
- A person's level of need does not influence their route of referral to external or in house this is more likely to be influenced by where they live.
- There are currently over 75 external providers listed as providing day services. A number of these providers offer a range of day and residential services, the vast majority are dealing with less than 5 people and/or providing very specific services to reflect the diversity of the client group.
- External services, on the whole, seem to encourage greater independence with the data showing higher percentages of individuals using independent means of transport specifically public transport and more people living in independent settings.
- The number of days a week individuals use services for also indicates that people using external provision are more likely to use more than 1 provider and have days that are spent in other ways than a day service via KCC.

All the above are clear indications that individuals are choosing in greater numbers to move away

from traditional day services provided by the local authority. The modernisation of day services needs to work with this growing demand. However we need to ensure that this is not undertaken to the detriment of many people who have used traditional service for most of their lives. (67% of individuals still receive service from in house services.)

A number of the recommendations from the review are presented within the context of VFM without reference to the changing nature of the services. These are largely present due to traditional day centre models being able to provide for large numbers of people within one setting and being able to do that at low cost.

The mapping data is of great use at both a county and local level and a number of the recommendations raised are issues currently being addressed.

The implementation of the action plan from the VFM review will continue to be implemented and monitored via the modernisation of services and looks to report regularly to SMT/ LD work-stream through short action plan updates. Margaret Howard will oversee this as a part of the lead role for people with learning disabilities for KASS.

6

### **Action plan**

Please see attached document.

7

### *Conclusion*

The Value for Money review has been a difficult process at times but has yielded a great deal of information and added to the momentum in KASS to improve day service provision for people with learning disabilities. The final report although critical does show KASS and the services it provides and commissions as positive, the report also identifies that modernisation is having a clear impact in Kent but there is a need to ensure that this is true across the whole county.

SMT are informed of the report and recommendations of Price, Waterhouse, Cooper.

SMT are informed of a number of clear trends in service delivery and of significant increase in the proportion of people supported by external providers.

SMT are asked to agree the management response and action plan.

### Appendix

Value for Money report on Day Services for people with learning disabilities

1

Executive summary

2

Recommendations

3

Management Response and Action Plan

Author Dee Watson / Margaret Howard

# Appendix 2 - Executive summary

## Introduction

The objective of this review is to consider whether value for money is being provided through the delivery of day care services for Adults with learning disabilities provided by Kent Adult Social Services and to make recommendations (if appropriate) where value for money can be improved.

## Approach

The approach used for this review was structured into three stages. Stage 1 involved supporting Kent to design two data collection templates to gather information about the people with learning disabilities attending learning disability day centres; stage 2 involved benchmarking Kent against its Institute of Public Finance (IPF) family group of comparator authorities; and stage 3 involved analysing the information from stages 1 and 2 to identify areas where value for money could be improved and writing a report.

## Summary of findings

The value for money review identified a number of findings, which are summarised below:

- Data robustness and availability is inconsistent within the service which has made the carrying out of the review more difficult. Ready access to management information is essential for any service if it is to be able assess value for money and the impacts of any changes made to policy and/or practice. Incorrect data may also mean that Kent's performance, in particular compared to others, may be under or over stated.
  - For example, the number of sessions reported on the PSSEX1 return was actually the number of days being provided and not the number of sessions. In order to carry out our analysis on a per session basis we have had to use estimated figures for the number of sessions.
- Relative to the population the number of people with learning disabilities is equal to the IPF family group average.
- Whilst Kent is significantly above average for gross cost both for in-house and external provision this is due to the higher than average number of clients supported by the Council. On a cost per client basis Kent was below the family group average in both 2004-5 and 2005-6.
- Kent is below average for income both from client contributions and income received through other routes. Given that the number of people in receipt of learning disability day care services is above average, it would have been expected that this would have been higher. This may partly be explained by the charging policy; day centre attendance and transport are free<sup>1</sup> and the charges for meals vary between centres.

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<sup>1</sup> Free transport provision was a member decision

- There are significant variations in costs for many different aspects of services provided by the Council at its in-house day centres, including:
  - Staff cost per planned attendance ranging from £5,657 to £13,878 with an average of £7,509;
  - Asset value, rent and revenue costs per planned attendance. In addition only three of the 15 properties are considered fit for purpose; two properties inhibit service delivery to a major degree; and one property inhibits service delivery to a minor degree. The remaining nine are able to deliver services but are not fully fit for purpose. Furthermore, the Service feels that it has limited control over many of the components of premises revenue spend although items such as utilities are through a Kent contract;
  - Transport costs per user, there is significant variation between the units on the cost of transport per user with transport provision in their SLA ranging from £444 to £3,925 with an average of £2,493. Overall there was a 9% reduction in transport costs between 2004-5 and 2006-7 but there was variation in where this reduction was seen; and
  - Overhead costs account for only 2% of the total costs (£183k in the units where information is available. However there have been significant fluctuations in overhead costs year on year with different growth patterns in different units. Overall there was an 83% increase from 2004-5 to 2005-6 and a 12% decrease from 2005-6 to 2006-7. The Service feels that it has limited control over many of the components of overhead spend. For example, items such as photocopying are through a Kent-wide contract.
- Almost a quarter of people with learning disabilities (383 people) attending a day centre live in a residential home. This could therefore, present a risk that Kent is paying twice. Whilst a review of a sample of these people did not identify any double payments we were only able to sample a small proportion of these people due to the lack of readily available data. As this was an issue highlighted during the study officers have carried out a more detailed investigation to assess whether there is any evidence of double payment.
- Analysis of Adult Services Provider Unit (ASPU) information on utilisation of day care centres revealed a high 'no show' rate (the difference between planned and actual attendance). However, the target utilisation rates do not appear to reflect any 'no shows' which means that current usage of the in-house day centres is below the target utilisation and capacity of the service.
- Contract templates for use with external providers are in place but are not being used consistently and documentation is not always up-to-date. However, contracting with external providers is moving away from block contracts to call-off contracts where the take-up of direct payments is high, as block contracts do not then provide value for money. This is good practice and where these contractual changes have been agreed with the provider the documentation is being re-drafted.
- Districts have clear strategies and modernisation plans in place, which support the implementation of the modernisation strategy. As these plans are being implemented it will be important to ensure that the decommissioning of services happens at the same rate as the commissioning of more services from external providers.

## Conclusion

The lack of reliable and readily available information makes an assessment of the value for money of the service very difficult. However, analysis of the information shows that in terms of cost Kent compares favourably to its IPF family group average.

Also, the modernisation of learning disability day services - moving from in-house to external

provision – follows good practice as does the transition from block to call-off contracting with external providers. However, as the balance shifts from in-house to external provision it will be important to decommission/re-provide the in-house service so that committed expenditure is in line with the new service model.

We have not found significant evidence that value for money is not currently being secured. However, there are a number of areas where we believe there may be potential to reduce net expenditure:

- Income from clients is below average and could be increased to reduce the overall net expenditure, particularly through increasing (and in some case introducing) charges for services to clients;
- The variation in costs between the in-house units should be explored to determine whether the variation is valid, e.g. whether it is due to the dependency level of the people with learning disabilities, or to differences in management practices;
- Kent could stop providing day care services to people with learning disabilities who have a 'moderate' level of need. Whilst this will not result in an immediate reduction in cost it would slow the growth in the number of new clients into the service; and
- Improvement in the utilisation of in-house day care places.

### **Potential risks/issues for consideration**

Based on the observations from this review there are several risks/issues that will need to be considered as Kent modernises its day services:

- Whilst the aim is to reduce the level of in-house provision and increase the level of services provided by the external market it will be important to ensure that there is the supply (capacity) within the external market to meet the increasing demands and that they deliver value for money services; and
- Some of the parents and carers who attended the away day either felt they didn't have a detailed enough understanding of the modernisation plans or were unhappy about them and felt 'done to' as opposed to 'working with'. While it is clear that Kent has consulted on every service change before it happens and has used a variety of communication mediums there would appear to be a missing link. Having the parents and carers at the away day was very beneficial and it may be worth engaging with the same parents and carers to ask them what forms of communication they would find most helpful for future consultations.

# Appendix 3 - Action plan

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
1	1.3	<p><b>Accurate and timely performance information</b></p> <p>Having accurate, up-to-date information about people with learning disabilities is fundamental to both the operational and strategic management of services. Priority should be given to fully implementing SWIFT within the learning disability service so that accurate, up-to-date information can be obtained.</p>	<p>ASPU (Adult service provider unit) was not in scope of the implementation of SWIFT. The implementation of SWIFT in KASS has had some difficulties that are being and have been addressed.</p> <p>Although the information for this report was at times difficult to access, in the form requested, a large amount of detailed information has been gained both at a service and individual level. The information from in house services was of much greater quality, detail and more readily available than that from external providers. The data gathered forms a clear mapping of services currently in Kent.</p> <p>It should be noted that as services diversify and become more person centred, information and the sources of information will also diversify. KASS needs to ensure that</p>	<p>Ensure the data gathered is utilised effectively within the modernisation of services.</p> <p>Analyse current methods of gathering and monitoring information regarding day services both in house and external. Ensure that the quality of information is universal.</p>	<p>Dee W Margaret H</p> <p>HQ Contracting Rita W.</p>	<p>As per Modernisation Programme</p> <p>April 08</p>

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
			information is collected and monitored at similar levels for both in house and external providers.			
2	2.4	<p><b>Analysis of people with learning disabilities who live in residential care</b></p> <p>Although there were no double payments in the sample we reviewed, in light of the limited transparency of data on this topic Kent may still wish to undertake a full review of the 24.8% of existing people with learning disabilities in receipt of both day and residential care to understand the costs currently being incurred. This would be a difficult exercise and therefore we would suggest:</p> <ul style="list-style-type: none"> <li>Initially focussing on the post 2002 contracts (~140 people) as the evidence suggests that there may be cases here where day care centres could be charging residential homes and are not;</li> <li>Reviewing a sample of the pre 2002 contracts to identify whether there is any duplication of payments and the cost/benefit of a full review of this group; and then</li> <li>Dependent on the outcome of the cost/benefit above completing a full review of this group.</li> </ul>	<p>As part of the residential re-let in 2002 contracting departments ensured that where residential care providers were receiving day care from in house services that this was taken into account of and deducted from the value of the re-let contracts. The effect of either the withdrawal of the day service or the levying of a charge would be an increase in costs, which the residential care provider, would pass back to KASS.</p> <p>There may be a few examples of individuals with spot contracts that require further investigation.</p> <p>The provision of day service for people in residential care will also be re-visited as part of modernisation of services.</p>	Further analysis is required to identify those on spot contracts or where there has been significant change in the use of in-house day services by residential providers who have had call off contracts since 2002.	Contracts Team Rita W	April 08
3	3.1.2	<p><b>Charging</b></p> <p>In light of the available benchmarks KCC</p>	This is an area that has previously been considered by KASS with a number of	Produce a full impact appraisal on	Dee W Finance –	Nov 07

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
		could consider introducing charges for day centre attendance and transport and bringing meal charges into line with average charges.	proposals being raised at Member level in KCC. KCC implemented a period of charging for transport to and from day services which was subsequently withdrawn. Members have sought to maintain a no charging policy for day services for adults with learning disabilities.	charging for both day service and transport, in terms of budget implications and modernisation.	Trevor C	
4	3.4	<p><b>Effective management of waiting lists</b></p> <p>Care managers should work with their clients to see if other day services with capacity could meet the individual's requirement.</p>	<p>The data used for this analysis included a number of historical service level agreements that were not changed to reflect the current dependency/needs of individuals using the services. As traditional day services are going through modernisation this increases overall vacancy levels giving a somewhat false impression of service delivery. While it is imperative that services that are seen as good and "modernised" are used to capacity it would be inappropriate to place new clients in traditional services that are scheduled for imminent re-provision. These clients should be placed direct in the new community based services.</p> <p>KASS needs to ensure that clear vacancy information is available for all services. This must reflect the true level of service agreed, dependency levels and any transitional plans for services as part of service modernisation.</p>	Implement a clear system to reflect actual vacancy levels in current services (as per ODPSU system).	Kim M Jane B	April 08
5	3.4	<p><b>Decommissioning in-house services</b></p> <p>Given one of the objectives is to shift provision from in-house to the external market KCC should consider beginning a decommissioning programme so that the</p>	The process of decommissioning in-house services and commissioning replacement externally provided services continues in line with local modernisation plans and KCC policy and procedure. All revenue resources are required to enable the provision of more	Plan and describe the programme of formal decommissioning of current services and the commissioning	Dee W Jane B Kim M	Mar 08

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
		change in activity is mirrored by a change in expenditure.	personalised services community based opportunities.	of alternative services in line with modernisation programme.		
6	3.5.2	<p><b>In-house staff costs</b></p> <p>Kent should consider using the above analysis to ensure value for money with respect to staff costs is maximised by:</p> <ul style="list-style-type: none"> <li>Working with ASPU to understand the variations between units in particular in cost and FTEs per planned attendance; and then</li> <li>Sharing best practice between centres.</li> </ul>	There is a need to understand and have clarity of staffing levels in relation to current services and modernised services. The variation in units appears to be based on differing levels of individual client dependency.	Explore the implementation of a dependency model across all services.	Dee W Jane B Kim M	April 08
7	3.5.2	<p><b>Staff costs compared to comparator authorities</b></p> <p>Kent should consider undertaking further analysis to understand the SSDS001 returns starting with identifying the individual at Kent responsible for their return. This analysis should identify what is included in the return and therefore understand the reasons for high growth, high numbers of FTE per session, high headcount per FTE and distribution of staff types. Once these reasons are understood, if applicable, Kent can consider suitable actions to increase the value for money offered by the staff establishment.</p>				

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
8	3.5.3	<p><b>Property options</b></p> <p>In the short term KCC should consider using options appraisal analysis to ensure value for money with respect to property revenue costs is maximised by:</p> <ul style="list-style-type: none"> <li>Gathering a full set of baseline data including the size of properties and calculating cost per square metre and square metre per planned attendance;</li> <li>Working with the Adult Services Provider Unit to understand the variations between units with respect to the metrics calculated above and then sharing best practice between centres; and</li> <li>Breaking down the costs into components to identify the more significant areas of spend and giving further consideration to any more significant components.</li> </ul>	<p>The report rightly details most KCC owned building as becoming unfit for purpose. A property portfolio currently exists for all in house services.</p> <p>Current services are very reliant on buildings and the possible disposal forms a major part of the modernisation of day service for adults with learning disabilities. It is important that decisions regarding these assets reflect the needs not only for current users but have regard for the provision of services for future generations.</p>	<p>Ensure the current portfolio is up to date and accurate.</p> <p>Ensure that the disposal of any buildings is in line with value for money and contributes to the development of the range of alternative services needed.</p>	<p>Jane B Kim M  Planning Dept PAG</p>	<p>March 08</p>
9	3.5.3	<p><b>Property portfolio review</b></p> <p>In the longer term Kent may wish to complete a full portfolio review including an options review as described above.</p>				

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
10	3.5.4	<p><b>Transport provision</b></p> <p>Kent should consider using the above analysis to ensure value for money with respect to transport costs is maximised by:</p> <ul style="list-style-type: none"> <li>Working with ASPU to understand the variations between units in particular in cost per user and then sharing best practice between centres; and</li> <li>Identifying reasons for the recent decrease in transport costs and, if possible, ensure that this trend continues.</li> </ul>	<p>Transport has been identified as a major element of service modernisation. As services become more localised to the individual the need for traditional transport solutions reduces. A range of transport options are currently being explored including travel training, travel buddy schemes and a review of traditional transport to/from day services. New contracts for the provision of busses are being negotiated to reflect the changing nature of services.</p>	<p>Ensure that good practice, vfm and new initiatives are reflected across Kent.</p>	<p>Jane B Kim M Dee W</p>	<p>Dec 08</p>
11	3.5.4	<p><b>Transport provision</b></p> <p>Kent should consider whether a more centralised approach to transport would increase value for money. At one end of the spectrum this would include a central contract. A lighter touch approach would be to: issue central guidelines regarding the types of vehicles and add-ons required in different cases; and monitor unit transport provision to assess that guidelines are adhered to and appropriate actions are being taken to minimise spare capacity. This would include creating a central set of management information regarding the number of vehicles, which vehicles and at what cost were being used by each unit to correspond to the existing data on number of users.</p>				

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
12	3.5.5	<p><b>Overhead costs</b></p> <p>Although this area is not a priority as it represents such a small spend it may be worthwhile for Kent to consider using the above analysis to ensure value for money with respect to overhead costs is maximised by:</p> <ul style="list-style-type: none"> <li>Working with ASPU to understand the variations between units in particular in cost per planned attendance and then sharing best practice between centres;</li> <li>Identifying reasons for the previous growth and more recent decrease in costs and, if possible, ensure that this trend of decreasing spend continues; and</li> <li>Break down the costs into components to identify the more significant areas of spend. As this is a low budget area overall it is likely that there will be no need for further investigation but such a breakdown would highlight any key areas and would help monitor changes. In addition it may be useful to identify income and cost separately.</li> </ul>	<p>As stated the overheads represented in the body of the report "is not a priority as it represents such a small spend". However it is important there is a piece of work to identify full overhead costs for in house services and identify means of ensuring value for money.</p>	<p>Ensure that overheads incurred by in house services represent value for money.</p>	<p>Jane B Kim M</p>	<p>March 08</p>
13	4.1	<p><b>Contractual documentation</b></p> <p>It is recommended that as the use of external provider's increases the contractual</p>	<p>It is essential that contractual documentation and information be maintained in a timely and consistent fashion across KASS.</p>	<p>A sample of current practice across East and West Kent of current contracts to</p>	<p>Cathi S</p>	<p>Jan 08</p>

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
		arrangements in place with providers are documented in a timely fashion and practices are consistent across East and West.		be analysed to ensure consistency		
14	4.1	<p><b>Market management of external providers</b></p> <p>Contracting with external providers has been an evolutionary process. As this increases it may be necessary to be more proactive in seeking out providers that can assist Kent in delivering its strategic objectives. It is recommended that Kent reviews the capacity of the two Contracts Teams to ensure there is sufficient to commission value for money services that meet the needs of people with learning disabilities from external providers.</p>	<p>KASS currently develops proactive relations with existing and possible new providers in line with strategies for both residential and day services. Recent developments have secured an addition 4 project managers from within current staffing capacity to specifically address the modernisation of day services.</p> <p>Both East and West Kent planning and contracting teams have been reviewed regarding issues of capacity.</p>	Continue to ensure capacity in contracting and planning departments is at appropriate levels	Margaret H Janet H	Dec 07
15	4.2	<p><b>Stakeholder feedback</b></p> <p>Having brought everybody together for the away day it is important that these views feed into the modernisation programme for learning disability day services.</p>	<p>Individuals who were involved in stakeholder days will be contacted on publication of the report and will be sent a letter of thanks for their input and a summary of findings. A simple summary will be produced to make the information as accessible as possible.</p> <p>With the recent reinvigoration of the modernisation of day services agenda a range of stakeholder events and communications are planned for the coming months. Findings from the VFM report will feature within all of these.</p>	<p>Letter of thanks to all attendees at stakeholder event.</p> <p>Simplified summary to be drafted and made available.</p> <p>Ensure that VFM report findings feature in modernisation of day service consultation events.</p>	Margaret H Dee W Dee W Dee W Margaret H	Sept 07 Sept 07 Aug 07

Number	Section Reference	Recommendation	Response	Action	Responsibility	Date
16	5.4	<p><b>Self-directed care and Kent's modernisation programme</b></p> <p>In Control and direct payments need to be included as a significant part of the modernisation programme for day care services.</p>	<p>In line with KASS modernisation through Active Lives for Adults (ALFA) the modernisation of day services for adults with learning disabilities has person centred approaches as the main theme. A number of successful opportunities have been created to drive forward direct payments and individualised budgets.</p> <p>Self-Directed Support and people being allocated resources to fund their individualised packages of care are the building blocks that support and enable the proposed modernisation to take place. KASS has committed to applying In Control principles across all service user groups (Total transformation)</p>	Ensure that direct payments and individualised budgets feature with modernisation plans.	Margaret H Janet H Dee W	Ongoing
17	5.7	<p><b>Stakeholder Engagement</b></p> <p>It is important that the views of all stakeholders are obtained and the wider population feel engaged. It is recommended that a range of different methods are used to engage with stakeholders and that the views of people with learning disabilities take priority.</p>	See Recommendation No 15 for response.			



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Item No 12

By: Director Of Law & Governance  
To: Governance & Audit Committee – 4 December 2007  
Subject: Corporate Governance Performance Indicators

Classification: Unrestricted

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**Summary:** To report progress on Corporate Governance Performance Indicators

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**FOR DECISION**

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**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** These Performance Indicators do not fully replace qualitative research into governance but they should be regarded as good 'forecasters' of potential problems, are relatively easy to track and they act as a cost effective way of routinely monitoring the position. Fluctuations in any one of them may have a reasonable explanation but a combination could indicate an underlying cause for concern.

**1.3** There is a growing interest in corporate governance arrangements in the public sector as a whole, particularly where there are increasingly varied service delivery and partnership arrangements. KCC's corporate governance arrangements are consistently assessed as being strong by external and internal auditors. Evidence from a range of sources indicates that KCC is a well-run authority, with key features of effective governance in place.

**1.4** The first report on Corporate Governance Performance Indicators was presented to Governance and Audit Committee in September 2006 and it was agreed that progress would be reported to the Committee every year and reviewed in full after three years.

**2. The Key Performance Indicators**

The following performance indicators were proposed by the 2005 review:

1. Performance against Towards 2010 targets
2. Budget control
3. Levels of assurance from internal audit reports

4. Levels of complaints to the Standards Committee
5. Levels of complaints- to the Ombudsman
6. Levels of complaints- to the County Council
7. Level of public satisfaction
8. Monitoring Officer or Section 151 Officer intervention
9. Number of ultra vires judgements/decisions
10. Number of non-compliance reports to the Information Commissioner - Data Protection, Freedom of Information and Environmental Information Regulations
11. Number of breaches in key legislation - Human Rights, Health & Safety, Sex Discrimination, Disability Discrimination and Race Relations
12. Levels of sickness, grievance and disciplinary cases
13. Levels of retention or recruitment

## **2.1 Performance against Towards 2010 strategic statement**

In September 2006, KCC set itself 63 targets in the *Towards 2010* plans for Kent. *Towards 2010* superceded KCC's *Next Four Years* document in providing a strategic framework for the council's programme and priorities for the period 2006-2010, along with strategies to be employed by directorates to realise those objectives.

Monitoring of these targets takes place twice a year with progress reported annually to the County Council.

An earlier draft of the Annual Report was presented to all five Policy Overview Committees (POCs) for comment in September 2007. This was felt to be an extremely valuable process for both Members and officers and the comments helped shaped the final draft of the Annual Report for County Council on 18 October 2007.

The Annual Report provides qualitative feedback on progress against each of the 63 targets. Outcome-based PIs are used to illustrate progress, where relevant. Members should note that data quality procedures underpin the PIs used in the Annual Report.

As with the former *Next Four Year's* annual reporting process, the *Towards 2010* reports will include a status designation to show the degree of progress made against each target from year two onwards. Overall performance will therefore be reported in next year's Corporate Governance Performance Indicators.

## 2.2 Budget control

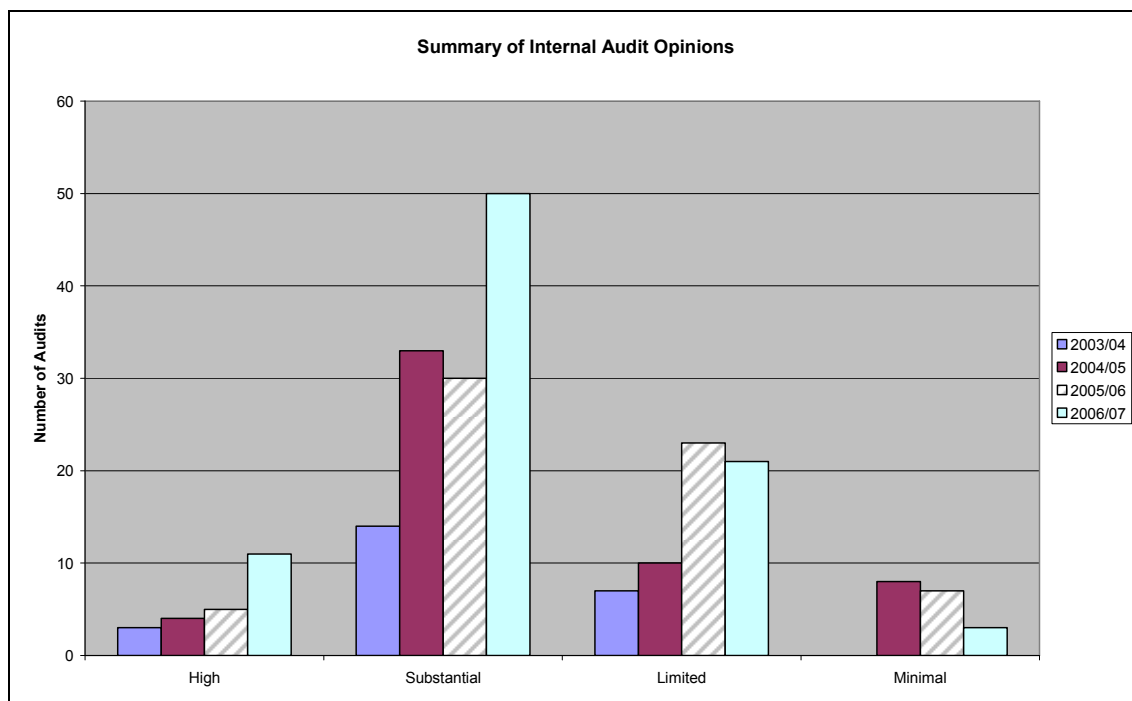
Full quarterly budget monitoring reports are reported to Cabinet in September, December and March each year. Revenue and capital budget exception reports are reported to Cabinet in July, October, January, February and April. Variance in forecast outturn is monitored (see **Appendix 1**) to improve monitoring reports. As from November 2007, POCs will receive regular finance budget monitoring reports.

## 2.3 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.

In 2006, an analysis of the assurance levels given to audits over the previous 3 years showed that there was a higher combined percentage of minimal and limited assurances being given then compared to previous years. In 2003/04, the percentage was 29%. In 2005/06, the figure rose to 46%.

On investigation it was found that controls had not weakened. The audit plan for these years contained areas of audit where it was already known that controls were weak.

A new approach to audit planning and risk management was introduced in 2006/07 and reported to Governance and Audit Committee on 7 March 2007.

The approach involves service managers’:

- identifying their business objectives
- identifying the risks that could prevent the service objectives from being achieved and
- identifying the controls in place to mitigate the risks.

A significant part of the Internal Audit plan will be to test that these controls are working effectively, with the priority on controls common to several business units and/or those controls that significantly reduce the inherent risk.

#### **2.4 Levels of complaints to the Standards Committee**

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

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Total allegations	2	6	10
Allegations dismissed without referral to Ethical Standards Officer	1	6	6
Allegations referred for investigation by an Ethical Standards Officer	1	0	4
Ethical Standards Officer findings following investigation:-			
No breach of Code	0	0	2
No further action required	1	0	2
Referred to Monitoring Officer	0	0	0
Referred to Adjudication Panel	0	0	0

Although there has been an increase in the number of allegations against KCC Members, none of the complaints investigated has warranted further action.

## 2.5 Levels of complaints to the Ombudsman

Complaints to the Ombudsman are reported to 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.

One case of maladministration causing injustice was found against the County Council by the Local Government Ombudsman, which was reported to Governance and Audit Committee in June 2007. This involved a Looked After Child placed in Kent by Essex County Council. The findings of the Ombudsman were accepted and Members of the Committee can be assured that the Authority has put in place arrangements to ensure no re-occurrence regarding cases of this nature.

**Appendix 2** shows that after a large and steady increase in the number of complaints against the County Council over the previous four years, the number fell back slightly in 2006/07. The restructuring of the County Council's Directorates from 1 April 2006 makes direct comparison difficult but, even so, it is clear that the fall in the overall number of complaints is largely due to a significant decline in the number of Education complaints. This may reflect that the effect of better signposting to the Ombudsman for unsuccessful school admission appellants has now worked its way through the system.

## 2.6 Levels of complaints to the County Council

	<b>2006/07</b>
Children Families & Education	275
Chief Executives	42
Communities	257
Environment & Regeneration	341
Kent Adult Social Services	430
<b>TOTAL</b>	<b>1,345</b>

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 in November 2005 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.

The number of complaints received by the County Council has therefore increased in 2006/07 (compared to 780 in 2005/06), This does not necessarily represent a decline in the standard of service, as the increase almost certainly reflects the effectiveness of the improved reporting procedure now in place. It also reflects the fact that people are better informed about our complaints procedure and more willing to exercise their right to complain if they are not happy with the service(s) they received. Full information on complaints is reported annually to the Policy Overview Committees.

From next year benchmarking performance with other County Councils will be included in this report.

## 2.7 Levels of public satisfaction

Since 2000/01, the Government has required local authorities to carry out a survey every three years into residents' overall satisfaction with the services it provides. The Government uses some of the results to assess the performance of KCC and KCC uses the results to understand residents' opinions and priorities and also to improve its services wherever possible.

The last survey carried out between September and November 2006 required KCC to adopt a new methodology.

Compared with the results from the 2003/04 survey, public satisfaction in 2006/07 increased for seven services:

- Museums – up from 28% to 37%
- Theatres – up from 23% to 42%
- Local bus services – up from 40% to 51%
- Sports – up from 41% to 55%
- Libraries – up from 55% to 70%
- Parks – up from 54% to 74%
- Local tip sites up from 70% to 88%.

Over the same time, however, public satisfaction decreased for five services:

- Personal social services - down from 28% to 21%
- Planning - down from 32% to 25%
- Complaint handling - down from 33% to 27%
- Local Education Authority services - down from 39% to 31%
- Public transport information - down from 66% to 46%
- Overall satisfaction - down from 75% to 46%.

The substantial decrease in overall satisfaction is closely associated with the change in methodology from face to face interviews in 2003 to postal self completion in 2006. Most of the authorities who had used face to face methodology in 2003 also recorded significant decreases in satisfaction. The national trend for County Councils was for a decrease, but only of 4% from 54% to 50% over the three years on average.

In KCC's case the large decrease in public satisfaction is at variance with a Mori survey that revealed that 70% of the public think that KCC's performance has remained the same over the last three years, with 13% thinking it had improved and 16% who assessed that it had got worse.

It is difficult to be definite about how much KCC's overall satisfaction dropped between 2003 and 2006, but it is undoubtedly true that it has to some extent – with the results of the 2006 survey suggesting issues of information provision, participation in local decision making and some of the services being associated with the decrease.

The 2006/07 survey was the last in the series and will be replaced. Further details of this new requirement are awaited, but it is understood that the survey will produce results indicating residents' views on the outcomes of a range of policies and programmes rather than judgements on satisfaction with the authorities and services in the area.

## **2.8 Monitoring Officer or Section 151 Officer Intervention**

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

## **2.9 Number of ultra vires judgements/decisions**

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

**2.10 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 four **calendar** years:

YEAR	TYPE	No. of requests received	No. of referrals to IC	Percentage of requests referred	Status/Outcome
2004	DPA	70	1	1.42%	1x Complaint/withdrawn
	FOI & EIR	N/A	N/A	N/A	N/A
2005	DPA	106	0	0%	
	FOI & EIR	504	3	0.59%	3x Complaints/withdrawn
2006	DPA	126	1	0.79%	1x Complaint/withdrawn
	FOI & EIR	576	6	1.04%	1x Complaint/upheld – no enforcement action 2x Complaints/withdrawn 2x IC investigating 1x awaiting allocation of IC case officer
2007 (up to 17 <sup>th</sup> Oct)	DPA	106	2	1.88%	1x IC investigating 1x awaiting allocation of IC case officer
	FOI & EIR	564	3	0.53%	3x awaiting allocation of IC case officer

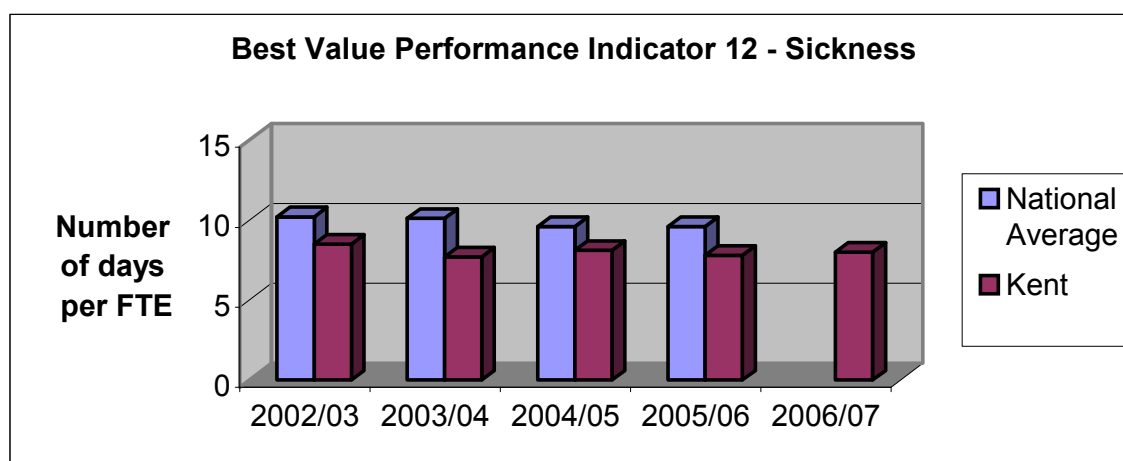
Of the eight complaints that the IC has investigated and completed, only one has been upheld in favour of the complainant. In this case, the IC was critical of KCC's failure to deal with the request for information in accordance with legislation but decided that enforcement action was not necessary following our review of the original request and taking into account the procedures we have in place for recognising formal requests for information (see **Appendix 3**).

Therefore, the total number of IC non-compliance reports to date is one, which represents 0.04% of the 2,052 requests for information handled since January 2004.

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

Type of Case	2004/05	2005/06	2006/07
Sex			
Disability			
Race			
Human Rights			
Health & Safety prosecutions	1	1	
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>

## 2.12 Levels of sickness, grievance and disciplinary cases



Awaiting national figures for 2006/07

Type of Case	Number of Cases				
	2002	2003	2004*	2005/06**	2006/07
Disciplinary	70	129	215	165	219
Capability	47	107	232	74	157
Grievance/Harassment	36	56	103	96	130
Ill-Health	184	314	568	137	300
Redundancy (at risk)/ Review	57	54	162	115	208
Employment Tribunal	22	32	44	6	12
<b>Total</b>	<b>416</b>	<b>692</b>	<b>1,324</b>	<b>593</b>	<b>1,026</b>

\* Data quality issue      \*\* 15 month period

There has been an overall increase in all figures for 2006/07 compared to 2005/06. This relates to improved reporting procedures introduced in 2006/07.

## 2.13 Levels of recruitment and retention

Recruitment	2005/06		2006/07	
		%		%
Total number of applicants*	24,961		25,491	
Number appointed	1,275	5.1	957	3.75
Black & minority ethnic applicants (BME)	2,231		2,375	
Number appointed	51	2.3	62	2.61
Disabled (DDA) applicants	1,127		1,031	
Number appointed	31	2.8	53	5.14

\* The data (provided by the Recruitment Team in Employee Services) excludes: Schools based staff, Commercial Services, Home carers in Home Care, Carers in older peoples district service units, Early years & childcare, Temps, Gap year and work experience students

### Leavers

Directorate	Total	Male	Female	DDA	%	BME	%
2005/06	6,452	1,577	4,875	48	0.7	63	1.0
2006/07	5,955	1,358	4,597	52	0.87	72	1.21

There has been a slight increase in the number of disabled and black and minority staff appointed and leaving the organisation.

		2004/05	2005/06	2006/07	2005/06 Quartile
BVPI 11a	The percentage of top 5% of earners that are women. (excluding those maintained in schools) (improving)	42.9	43.9	46.5	Below Median
BV PI 11b	The percentage of top 5% of earners from black and minority ethnic communities. (excluding those maintained in schools) (improving)	1.5	1.9	2.2	Below Median
BV PI 11c	% of the top paid 5% of staff who have a disability. (excluding those maintained in schools) (Under Review)	3.1	2.4	1.8	Above Median

BVPI 16a	The percentage of local authority employees declaring that they meet the Disability Discrimination Act 1995 disability definition	1.9	2.0	1.8	Upper Quartile
BVPI 17a	The percentage of local authority employees from minority ethnic communities.	2.2	2.4	2.5	Below Median

Best Value Performance Indicators (BVPI) are monitored six monthly. These staffing indicators have been benchmarked with other county councils to compare our performance and help us improve. The trend for all indicators except BVPI 11c and 16a is improving.

### 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. The terms of reference for the Corporate Governance review specified that a list of Key Performance Indicators should be developed and this is the first time that such information has been reported in this format. All the information contained within the performance indicators is already monitored within directorates as a matter of good practice.

This is the second review of Corporate Governance indicators. Following the reorganisation of the directorates outcomes of complaints monitoring has been included.

Where trends in complaints have indicated an area for review, as in the level of Ombudsman complaints, there is a justifiable explanation for this deviation in trend. Where there are areas where we could improve, e.g. public satisfaction, the authority is already working to improve performance.

The overall conclusion from this second 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.

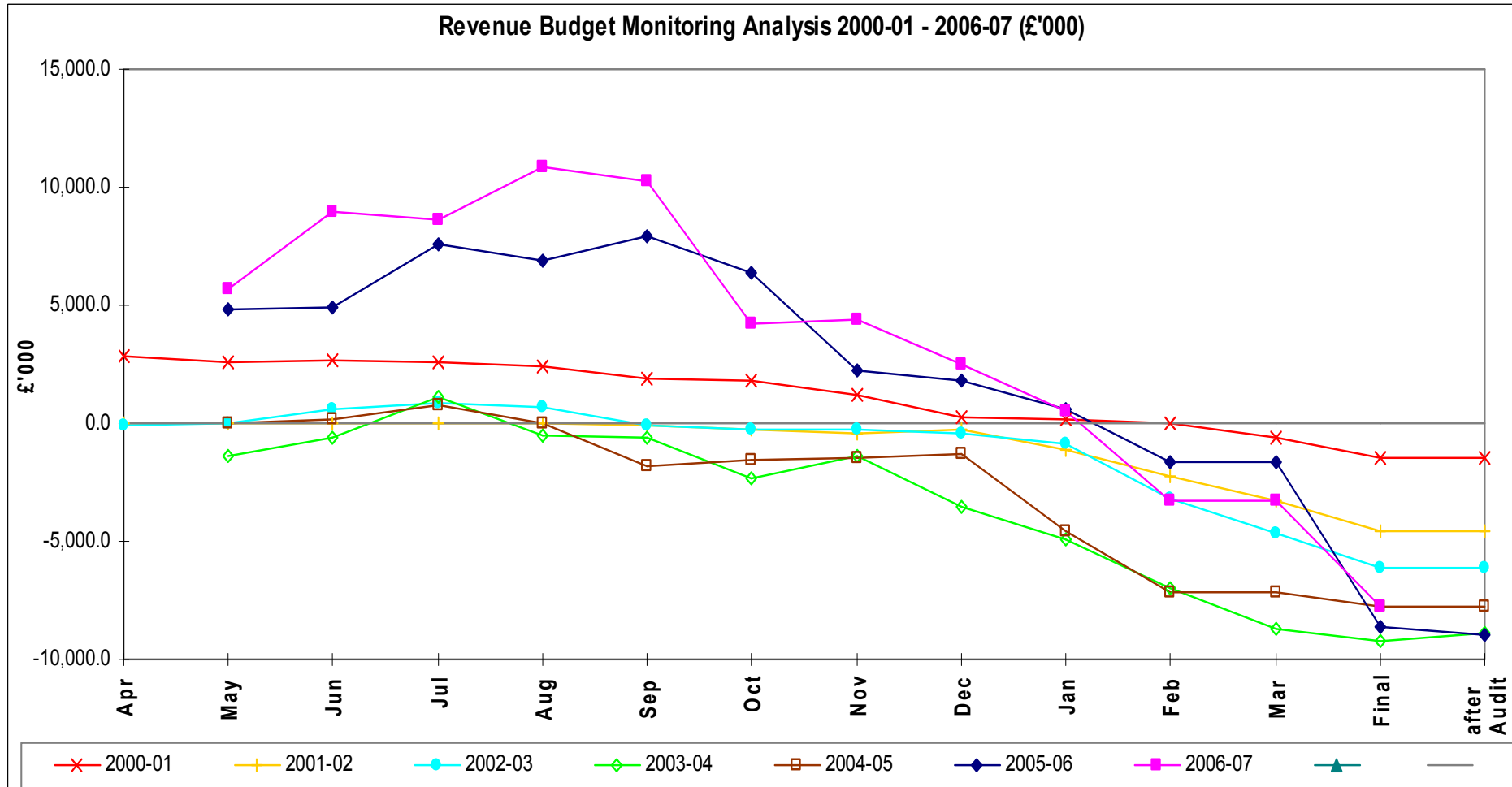
Janice Hill  
Performance Manager  
Performance Management Group  
Ex 1981

Geoff Wild  
Director of Law & Governance  
Ex 4302

*Background Documents: None*

APPENDIX 1

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APPENDIX 2

**COMPLAINTS RECEIVED BY LOCAL GOVERNMENT OMBUDSMAN OVER LAST 3 YEARS**  
**(EXCLUDES PREMATURE COMPLAINTS)**

COUNTY	POPULATION	2004/05			2005/06			2006/07		
		<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin.</i>	<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin.</i>	<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin.</i>
Kent CC	1.3m	100	7.7	0	121	9.3	0	116	8.9	1
East Sussex CC	0.5m	34	6.8	0	48	9.6	0	45	9.0	0
Essex CC	1.3m	60	4.6	0	84	6.5	2	83	6.4	3
Hampshire CC	1.2m	34	2.8	0	63	5.3	0	45	3.8	0
Surrey CC	1m	49	4.9	0	61	6.1	2	64	6.4	1
West Sussex CC	0.75m	41	5.5	0	44	5.9	0	30	4.0	0

## RECOGNISING FORMAL REQUESTS FOR INFORMATION



Environmental  
Information  
Regulations



Data Protection

Technically, any written request for information (this includes faxes and emails) falls under the definition of the Freedom of Information Act 2000. However, as it would be a logistical nightmare to try and deal with all communications received by KCC in this way, official guidance states that simple and/or day-to-day routine requests (e.g.: "What time does County Hall open?" or "Can I have a copy of your Statement of Accounts?") do not need to be logged as formal requests for information, but can be dealt with as we did prior to 1st January 2005.

Therefore, the three questions everyone in the KCC (and this includes councillors!) should ask themselves when they receive **any enquiry from an external source** are as follows:-

**Q1. Does the person requesting the information mention **Freedom of Information**, **Data Protection**, **Subject Access**, **Environmental Information Regulations**\* or ask for personal information about themselves or someone else?** \* note that EIR requests can be also be made verbally over the phone or face-to-face!!!!!!

**Q2. Would we consider withholding some/all of the information requested, perhaps because the subject matter is controversial?**

**Q3. Would we consider charging for the information, either because it would take us a long time to collate or there's lots of photocopying?**

If the answer is **no** to **all** of these questions, the request can be treated as "business as usual", **although we must still reply within 20-working days of receipt.**

If the answer is **yes** to **any** of the questions, the request should be logged and dealt with under FOIA, EIR or DPA legislation... **REFER THE COMMUNICATION IMMEDIATELY TO YOUR DIRECTORATE CO-ORDINATOR WHO WILL ADVISE YOU WHAT TO DO NEXT.**

**Chief Executive's Department**

**Adult Services**

**Children, Families & Education (FOI & EIR) Michelle Hunt**

**Children, Families & Education (DPA) Debbie Percival**

**Communities**

**Environment & Regeneration**

**Caroline Dodge**

**Sandra Town**

**Michelle Hunt**

**Debbie Percival**

**Andrew Swan**

**Pauline Banks**

**01622 221652**

**01622 221790**

**01622 696692**

**01622 696357**

**01622 221621**

**01622 696915**

By: Chief Executive

To: Governance and Audit Committee – 4 December 2007

Subject: OMBUDSMAN COMPLAINTS

Accountable Officer: Head of Democratic Services

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 1 April 2007**

(1) In the six months from 1 April to 30 September 2007, 88 more complaints about the County Council were made to the Local Government Ombudsman. This excludes the 10 additional complaints which were classified by the Ombudsman as “premature” (ie the Council had not yet had an opportunity to consider them) 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 88 new complaints and brief details of the services to which they related are set out in Tables A and B below respectively:-

#### Table A

Total new complaints 1/04/07 - 30/09/07	88
<i>of which:-</i>	
Under investigation	2
Not to be investigated (ie no evidence of maladministration)	54
Settled locally	13
Ombudsman’s decision awaited	19

## Table B

<b>Adult Social Services</b>	<b>6</b>
<b>Chief Executives</b> ( <i>Commercial Services</i> )	<b>1</b>
<b>Children, Families and Education</b>	<b>65</b>
<i>of which:-</i>	
Grammar school admission appeals	38
Primary school admission appeals	12
Primary school reorganisation	1
School transport	1
Special Educational Needs	4
Internal School Matters ( <i>outside Ombudsman's jurisdiction</i> )	1
Children's Social Services	6
Other	2
<b>Communities</b> ( <i>both Trading Standards</i> )	<b>2</b>
<b>Environment and Regeneration</b>	<b>14</b>
<i>of which:-</i>	
Planning Applications ( <i>NB All 5 complaints related to the same development</i> )	5
Kent Highway Services	7
Environment and Waste	2

## **2. Current Position on Cases Under Investigation**

(1) Three complaints have been under formal investigation by the Ombudsman since the time of my previous report last June. The latest position on the three complaints is as follows:-

(a) **Complaint 05/A/11943 - Special Educational Needs**  
(*first reported to Members in June 2006*)

This complaint alleged that the County Council had delayed in dealing with the complainant's request for a re-assessment of her daughter's Statement of Special Educational Needs.

The Ombudsman's Investigator inspected the files and interviewed relevant officers in July 2006. The Ombudsman has followed-up by letter on a number of issues and his decision on the complaint is still awaited.

(b) **Complaint 06/A/18563 – Support for Autistic Child**  
(*new complaint*)

This complaint is that the County Council failed to provide a full time placement for the complainants' autistic son and had delayed in considering their complaint about the Council's failure.

The Ombudsman's Investigator inspected the files and interviewed relevant officers in October. The Ombudsman's decision on whether to pursue the investigation is awaited.

(c) **Complaint 07/A/00971 – Claim under Land Compensation Act 1973**  
(*new complaint*)

This complaint alleged that the County Council misled the complainants to believe that they would be entitled to compensation under the terms of the Land Compensation Act, but that the Council delayed unreasonably in adopting the road concerned, thus avoiding having to make the compensation payment.

The Ombudsman's Investigator inspected the files and interviewed relevant officers in September. The Ombudsman's decision on whether to pursue the investigation is awaited.

3. **Annual Review and Annual Report of the Commission for Local Administration 2006/07**

(1) In addition to the Annual Letter issued to individual Councils (our Annual Letter for 2006/07 was reported to the Committee in June), the Commission for Local Administration (the Local Government Ombudsmen) also publishes an Annual Review and an Annual Report each year. Between them, the Annual Review and Annual Report for 2006/07 contain a large selection of useful statistics which, together with our own figures on complaints, has been used to compile the next section.

4. **Comparative Complaints Statistics**

(1) The Commission's Annual Review and Annual Report reveal that, during 2006/07, the Commission received 18,320 complaints, a very slight decrease on the previous year (18,626). The Ombudsmen determined 18,102 complaints during 2006/07 as against 18,321 in the previous year. This included 116 about the County Council (as against 121 in the previous year). The outcomes of the Ombudsmen's consideration of these complaints were as follows:-

	2006/07	2006/07	2005/06	2005/06
	England	Kent	England	Kent
Local settlement	22.6%	14.7%	25.9%	26.9%
No maladministration (with or without investigation)	56.2%	50.0%	48.6%	38.9%
Ombudsman's discretion not to pursue complaint	20.1%	34.5%	24.3%	34.3%
Maladministration	1.0%	1.0%	1.2%	0.0%

(*Premature complaints and those outside jurisdiction excluded*)

(2) The main subject of complaints nationally in 2006/07 continued to be housing (including Housing Benefit) (27%) and planning and building control (24%).

(3) Appendix 1 attached compares Kent's record on Ombudsman complaints with those of other south-eastern counties over the last three years.

5. **Further Information**

(1) Further information about any of the complaints or other matters mentioned in this report can be obtained from the Head of Democratic Services or the Corporate Access to Information Co-ordinator.

Stuart Ballard  
**Head of Democratic Services**  
Ext 4002

Caroline Dodge  
**Corporate Access to Information Co-ordinator**  
Ext 1652

*Background Documents: Correspondence on individual case files, which is all exempt under paragraph 2 of Part I of Schedule 12A of the Local Government Act 1972 because it contains details of the identity of individual complainants.*

**OMBUDSMAN COMPLAINTS**  
**(Excludes Premature Complaints)**

COUNTY	POPULATION	2004/05			2005/06			2006/07		
		<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin</i>	<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin</i>	<i>Complaints determined</i>	<i>Per 100,000 Population</i>	<i>Maladmin</i>
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