

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 15th September, 2010

10.00 am

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



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

**Wednesday, 15th September, 2010, at
10.00 am
Council Chamber, 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

Membership (13)

Conservative (12) Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman),
Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd,
Mr D A Hirst, Mr P W A Lake, Mr J F London, Mr R J Parry,
Mr R Tolputt and Mr C T Wells

Liberal Democrat (1): Mr T Prater

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UNRESTRICTED ITEMS

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

1. Substitutes
2. Declarations of Interest for items on the agenda for this meeting
3. New Committee Terms of Reference (Pages 1 - 6)
4. Minutes - 30 June 2010 (Pages 7 - 12)
5. Committee meeting dates in 2011
Wednesday, 16 March 2011
Thursday, 30 June 2011
Wednesday, 14 September 2011
Tuesday, 29 November 2011
6. Committee Work Programme (Pages 13 - 16)

7. Business Continuity (Pages 17 - 20)
8. Capita Payroll services to Schools (Pages 21 - 24)
9. Audit Fee Update (Pages 25 - 28)
10. Treasury Management Update (Pages 29 - 36)
11. Final Accounts 2009/10 (Pages 37 - 56)
12. Report on Insurance Activity (Pages 57 - 62)
13. Update on the Audit Commission (Pages 63 - 68)
14. Internal Audit Progress Report (Pages 69 - 86)
15. Internal Audit Benchmarking results (Pages 87 - 92)
16. Ombudsman Complaints (Pages 93 - 112)
17. 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

Tuesday, 7 September 2010

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.

By: Chairman of Governance and Audit Committee
Head of Democratic Services and Local Leadership

To: Governance and Audit Committee – 15 September 2010

Subject: New Committee Terms of Reference

Classification Unrestricted

FOR INFORMATION

1. The County Council agreed on 22 July 2010 to amend the Committee's Terms of Reference as set out below:-

Governance and Audit Committee

13 Members

Conservative: 12; Liberal Democrat: 1.

The purpose of this Committee is to:

1. ensure the Council's financial affairs are properly and efficiently conducted, and
2. review assurance as to the adequacy of the risk management and governance framework and the associated control environment.

On behalf of the Council this Committee will ensure the following outcomes:

- (a) Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- (b) The Council's Corporate Governance framework meets recommended practice (currently set out in the CIPFA/SOLACE Good Governance Framework), is embedded across the whole Council and is operating throughout the year with no significant lapses.
- (c) The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- (d) The appointment and remuneration of External Auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- (e) The External Audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- (f) The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.

- (g) Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- (h) Accounting policies are appropriately applied across the Council.
- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.

2. The County Council also agreed that the detailed description of the Committee's methodology should come into operation as set out below. These set out the Committee's overarching purpose, desired outcomes, responsibilities in relation to these outcomes and administrative arrangements.:-

Responsibilities

Risk Management and Internal Control

The Committee should:-

- review annually the Council's Risk Management Strategy and Policy to ensure it remains up to date and relevant.
- review the Council's Strategic Risk Register to assess the effectiveness of the systems established by senior officers to identify, assess, control and monitor financial and non-financial risks.
- review regular and ad-hoc assurance reports from officers in order to assess the effectiveness of the control activity in relation to risks identified.
- commission investigations into any matter of concern within the Terms of Reference of the Committee, consider the findings thereof and make appropriate recommendations to the Council.
- ensure appropriate action is taken in response to recommendations arising from any external audit, internal audit, operational compliance or business risk report and to monitor such action, making appropriate recommendations to the Council.
- ensure that any partnership that the Council enters into has appropriate Governance and Risk Management arrangements, and that any risk to the Council from the Partnership is minimised.
- consider the Annual Risk Management Report and assess the impact of the findings on the Annual Governance Statement.
- review regular monitoring reports on treasury management activity. Corporate Governance

The Committee should:-

- ensure that the Annual Governance Statement (including the list of significant issues for action in the ensuing year) is prepared in accordance with the

statutory requirements and guidance, properly reflects the risk environment, and monitor progress on the significant issues and actions identified in the Statement.

- review the Council's key financial governance procedures, i.e. Financial Regulations, Schemes of Delegation, the Procurement Policy and the Treasury Management Policies, and recommend any necessary amendments.
- review the Council's Code of Corporate Governance and make recommendations to Council to ensure that it remains relevant to the Council's work and remains in compliance with best practice and legislation.
- consider issues referred by the Group Managing Director, Director of Finance, Monitoring Officer, any Council body or appropriate external party within the remit of these terms of reference.
- monitor the Council's compliance with its own published standards and controls.
- make recommendations to the Council on amendments to the Constitution to ensure compliance with standards of financial probity and stewardship.
- review arrangements made by the Superannuation Fund Committee for effective governance of the Kent Pension Fund.

Internal Audit

The Committee should:-

- review annually the Internal Audit Strategy ensuring that its Annual Plan addresses the key risks of the Council, recommending changes and additions as necessary.
- review progress against, and changes to, the Internal Audit Annual Plan.
- review at each meeting of the Committee the findings of Internal Audit work and the adequacy of management response to their findings.
- review at each meeting of the Committee the implementation by officers of agreed Internal Audit recommendations, seeking explanations from those responsible where implementation has not been achieved.
- consider the results of the annual benchmarking and Key Performance Indicator results for Internal Audit.
- assess the implications of the Internal Audit Annual Report on the Council's risk management, control and governance processes.
- annually assess the co-operation between External and Internal Audit and other inspection agencies or relevant bodies.
- approve the Terms of Reference and Charter of Internal Audit.

External Audit

The Committee should:-

- approve on behalf of the Council the appointment of the External Auditor selected by the Audit Commission.

- approve the annual External Audit plan and fee, ensuring that non-mandated work is proportionate, relates to recognised risks of the Council and takes account of the work of Internal Audit or other assurance activities.
- review at each meeting of the Committee progress against, and changes to, the External Audit plan and fee.
- as “those charged with governance” receive the Annual Governance Report and the Annual Audit Letter and monitor the Council’s response to the External Auditor’s findings and the implementation of external audit recommendations.

Financial Reporting

The Committee should:-

- approve the Statement of Accounts on behalf of the Council, specifically considering the suitability of accounting policies and treatments and any changes to these; areas of major judgement; and any significant issues or amendments resulting from the audit.
- ensure that the Kent Pension Fund Accounts, and summary extracts in the Council’s Accounts, have been prepared in accordance with recommended practice, and statutory requirements.

Fraud

The Committee should:-

- regularly review the Council’s Anti-Fraud and Anti-Corruption strategies.
- regularly review the Council’s procedures for handling allegations from whistleblowers.
- receive details of the findings of investigations resulting from either detected fraud or allegations made under the whistleblowing arrangements.

Membership

The membership of the Committee shall be 13 non-executive Members (Conservative 12; Liberal Democrat 1).

Reporting

The Minutes of the Governance and Audit Committee will be reported to Council after each meeting.

The Committee will produce an Annual Report immediately after the financial year end, timed to support the Annual Governance Statement, summarising the conclusions drawn from the work it has done in the year.

Rights and Access

The Committee may procure specialist ad-hoc advice from officers or from suitably qualified external sources.

The Head of Audit and Risk and the representative of External Audit will have unrestricted and confidential access to the Chairman of the Committee.

Meetings

The Committee will meet at least four times a year. The Chairman may convene additional meetings if required.

The quorum for Committee meetings is one third of its total voting membership.

The Committee may still validly exercise its functions even if Members have not been appointed to all the places on it.

Attendees

The Committee will normally be attended by the Director of Finance, the Director of Law and Governance, the Head of Audit and Risk and a representative of External Audit.

The Committee may request that any other Member or Officer attend to assist it with its discussions on any particular issues.

Work of other Committees

In all of the above, the Committee will strive to develop effective liaison with the following:-

- the Standards Committee with regard to matters of ethical governance;
- the Policy Overview and Scrutiny Committees - to complement but not to duplicate the exercise of their role in checking compliance with Council processes and policies and in reviewing decisions and actions;
- Cabinet Members, in particular the Leader and the Cabinet Members for Finance Corporate Support Services & Performance Management, whose portfolios include executive functions related to the matters covered by these terms of reference
- the Council, especially when developing the Council's Code of Corporate Governance

Training and development

The work of the Members of the Committee will be supported by a training and development programme consistent with the responsibilities to be discharged.

RECOMMENDATIONS:

3. The Committee is recommended to note its revised Terms of Reference and the accompanying methodology.

Peter Sass: Head of Democratic Services and Local Leadership

Officer Contact: Andrew Tait
Democratic Services Officer
(01622) 694342

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KENT COUNTY COUNCIL**GOVERNANCE AND AUDIT COMMITTEE**

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 30 June 2010.

PRESENT: Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman), Mr A R Chell, Mr K A Ferrin, MBE, Mr C Hibberd, Mr D A Hirst, Mr P W A Lake, Mr T Prater, Mr R Tolputt and Mr C T Wells

ALSO PRESENT: Miss S J Carey, Mr R W Gough and Mr J D Simmonds.

OFFICERS: Ms L McMullan (Director of Finance), Mr D Tonks (Head of Audit & Risk), Mr N Vickers (Head of Financial Services), Mr A Wood (Head of Financial Management), Mrs C Head (Chief Accountant), Mr I Clark (Group Leader), Mrs A Beer (Director of Personnel & Development), Mr C Bainbridge (Director of Community Safety & Regulatory Services), Mr J T Tunncliff (Assistant Head of Procurement) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Mr J Jacobs from the Audit Commission.

UNRESTRICTED ITEMS**20. Minutes**
(Item 3)

RESOLVED that:-

- (a) the Minutes of the meeting held on 30 April 2010 are correctly recorded and that they be signed by the Chairman: and
- (b) the draft Minutes of the Trading Activities Sub-Group meeting held on 17 May 2010 be noted.

21. Committee Terms of Reference
(Item 4)

- (1) Revised Terms of Reference had been considered at the previous meeting of the Committee. This report incorporated the minor amendments that had been put forward at that meeting.
- (2) RESOLVED that the draft revised Terms of Reference be recommended to the County Council together with any consequential changes to the Constitution.

22. Work Programme
(Item 5)

(1) A forward work programme was presented, which aimed to ensure that the responsibilities of the Committee were met, with sufficient time being allocated for Members of the Committee to cover areas they collectively wished to examine in more detail.

(2) During discussion of this item, Members raised the question of whether it was always essential to provide hard copies of all annual reports, external reports and plans. It was suggested that on occasions an executive summary would suffice and that the detailed document could be electronically published with a hard copy placed in the Members' Lounge. The Director of Finance suggested that this would be a matter that the Training Group could discuss and make recommendations upon.

(3) RESOLVED that the forward work programme for 2010 be agreed.

23. Treasury Management Update
(Item 6)

(1) This report presented a quarterly treasury management update, including a summary of developments and a statement of deposits as at 11 June 2010.

(2) The Committee noted that the Treasury Advisory Group consisted of Mr J D Simmonds (Chairman), Mrs S J Carey, Mr L Christie, Mr E E C Hotson, Mr A J King, Mr T Prater and Mr J E Scholes.

(3) RESOLVED that the report be noted.

24. Treasury Management Annual Review 2009/10
(Item 7)

(1) This report presented the Treasury Management Annual Review for recommendation to the County Council.

(2) RESOLVED that the report be agreed and submitted to County Council for approval.

25. Superannuation Fund External Audit
(Item 8)

(1) This report provided a statement of assurance on the management of the Superannuation Fund so that the Committee could agree the Fund accounts.

(2) During discussion of this item, Members suggested that there might be a case for building scrutiny into the Superannuation Fund process. It was also suggested that the Superannuation Fund Committee Minutes could be reported to County Council. The Director of Finance agreed to inform the next meeting of the Committee of the outcome of deliberations on these two questions that were currently taking place.

(3) RESOLVED that the report be noted.

26. Internal Audit Annual Report
(Item 9)

- (1) This report contained the Head of Audit and Risk's Annual Report and gave an opinion of substantial assurance.
- (2) The Committee asked for an update report at its next meeting on the work of Emergency Planning, particularly in respect of Kent County Council's properties.
- (3) RESOLVED that the Internal Audit Annual Report 2009/10 be noted.

27. Audit Commission Annual Governance Report
(Item 10)

- (1) The Audit Commission's Annual Governance Report had previously been circulated to all Members of the Committee.
- (2) Mr D Wells from the Audit Commission introduced the report. He concluded that the accounts presented for audit were of a good quality. One recommendation was made in the report relating to the process to fully capture declarations of related party transactions.
- (3) RESOLVED that :-
 - (a) the financial contained in pages 7 to 13 of the report be approved;
 - (b) the letter of representation on behalf of the County Council be approved (as set out in Appendix 3 to the report) prior to the Audit Commission issuing its opinion and conclusion; and
 - (c) the recommendation to be discussed with Officers set out in Appendix 5 of the report be noted.

28. Draft Statement of Accounts 2009/10 and Annual Governance Statement
(Item 11)

- (1) This report asked the Committee to consider and approve the draft Statement of Accounts and Annual Governance Statement for 2009/10.
- (2) The Committee noted with thanks that the County Council was the only County Authority in the UK to have produced an audited draft statement of accounts by 30 June 2010.
- (3) RESOLVED that:-
 - (a) approval be given to the Statement of Accounts for 2009/10 subject to the Chairman and Liberal Democrat group Spokesman being informed of any changes which may be made to the Accounts following completion of the external audit; and
 - (b) the recommendations made in the Annual Governance Report be noted.

29. Debt Recovery

(Item 12)

(1) The purpose of this report was to provide the Committee with a summary of the Council's debt recovery position. It concentrated mainly on debt that was over 6 months old.

(2) RESOLVED that the report be noted.

30. Kent County Council Audit Fee 2010/11

(Item 13)

(1) This report set out the audit work that the Audit Commission proposed to undertake in 2010/11, including the amount of fee to be charged.

(2) The Committee unanimously agreed not to agree the sum of £98,900 for the "Use of Resources/VFM Conclusion including data quality" audit area.

(3) The Committee agreed by 5 votes to 2 with 1 abstention not to accept the proposed audit fee and asked the Director of Finance to seek to negotiate a greater reduction.

(4) RESOLVED that the proposed audit fee be not accepted and that the Director of Finance seek to negotiate a greater fee reduction with the Audit Commission.

31. Kent Superannuation Fund Audit Plan and Fee 2010/11

(Item 14)

(1) This report set out the audit work that the Audit Commission proposed to undertake in 2010/11 on the Superannuation Fund including the amount of fee to be charged.

(2) RESOLVED that approval be given to the fee proposed.

32. Criminal Records Bureau checks

(Item 15)

(1) This report provided information on the current requirements for undertaking Criminal Records Bureau checks on employees and volunteers working for Kent County Council and its maintained schools.

(2) RESOLVED that the report be noted.

33. CIPFA Statement on the role of the Head of Internal Audit in public service organisations

(Item 16)

(1) In May 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) began consultation on its "Statement on the Role of the Head of Internal Audit in Public Service Organisations." This report summarised the key points of the Statement, provided an initial view as to compliance, and set out the method for responding to the consultation.

(2) RESOLVED that:-

- (a) the draft CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" be noted; and
- (b) the approach to responding to consultation be agreed as set out in paragraphs 10 and 11 of the report.

34. Annual RIPA Report on "Surveillance" and other activities carried out by Kent County Council in 2009
(Item 17)

(1) This report outlined the work undertaken in 2009 by KCC officers on surveillance and other activities governed by the Regulation of Investigatory Powers Act 2000 (RIPA).

(2) RESOLVED that the report be noted.

35. Spending the Council's Money
(Item 18)

(1) This report proposed updates to "Spending the Council's Money", a document detailing the Council's procurement policies and procedures.

(2) RESOLVED that the proposed amendments to "Spending the Council's Money" be agreed as set out in Appendix 1 to the report.

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By: Chairman of Governance and Audit Committee
Head of Audit and Risk

To: Governance and Audit Committee – 15 September 2010

Subject: **Committee Work Programme**

Classification: Unrestricted

Summary: A forward work programme ensures that the responsibilities of the committee are met and means sufficient time is allocated for members of the Committee to cover areas they collectively wish to examine in more detail.

FOR DECISION

Introduction and background

1. This is a standing item on each agenda to allow members to review the plan for the year ahead, and provide members with the opportunity to identify any additional items that they would wish to include.

Current work programme

2. Annex 1 shows the latest programme of work for the Committee up to November 2011. It has been restructured in line with the overarching responsibilities of the Committee, as agreed at the June 2010 meeting. The content of the programme have been matched to the new terms of reference of the Committee and aim to provide the minimum coverage necessary to meet the responsibilities set out. The programme has been updated to reflect the requests from members for additional reports on specific items of interest, although in some cases the exact timing of this work has yet to be finalised.

Recommendations

3. Members of the committee are asked to:
 - Consider the forward work programme for 2010/11 and suggest any changes deemed necessary.
 - Identify any additional items that members would wish to include

David Tonks
Head of Audit and Risk
Ext: 4614

Category / Item	Owner	15-Sep-10	30-Nov-10	16-Mar-11	30-Jun-11	14-Sep-11	29-Nov-11
Secretariat							
Minutes of last meeting	AT	✓	✓	✓	✓	✓	✓
Work Programme	DT	✓	✓	✓	✓	✓	✓
Trading activities Sub Group	AT		✓				
Member Development Programme	DT		✓				
Risk Management and Internal Control							
Strategic Risk Register	DT		✓		✓		✓
Treasury Management quarterly report	NV	✓	✓	✓	✓	✓	✓
Ombudsman Complaints	JH	✓		✓			
Annual Management of Risk Report	DT	✓		✓			
Report on Insurance and Risk Activity	DT	✓					
Treasury Management Annual Report	NV				✓		
Review of the Risk Management Strategy, Policy and Programme	DT			✓			
Impact of KCCs Budget on the Risk Register	AW			✓			
Capita Payroll Services to Schools	AB	✓					
Annual report on 'surveillance' activities carried out by KCC	DC				✓		
The work of Emergency Planning	DC	✓					
Corporate Governance							
Revised ToR	DT	✓					
Annual review of ToR	DT					✓	
Corporate Governance Indicators	GW		✓				✓
G&A Annual Report	DT				✓		
Pension Fund Governance assurance statement	NV			✓			
Debt Recovery	NV	✓	✓	✓	✓	✓	✓
Companies protocol	LM / GW	✓					

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By: David Cloake, Head of Emergency Planning
To: Governance and Audit Committee – 15 September 2010
Subject: Business Continuity

Classification: Unrestricted

FOR INFORMATION

Summary: This report sets out the current position with the management of Business Continuity across KCC and details the way forward and timetable being undertaken.

1.0 Background

- 1.1 Since the introduction of the Civil Contingencies Act 2004, KCC has implemented a programme of work to ensure compliance with the associated regulations to improve our response to our community and to maintain business performance in a time of crisis.
- 1.2 A key element of this capability is Business Continuity Management, which is designed to ensure that we understand the organisation from a viewpoint of critical function delivery, and puts into place a range of strategies and arrangements to protect these functions when any form of interruption is experienced. Additionally, BCM looks at recovery requirements and associated contingencies for alternative working during a crisis.
- 1.3 Much good work has been accomplished across KCC which has benefited the organisation in developing continuity options in the event of an emergency or crisis. Key to this approach has been a harmonisation of process and application that will enable the organisation to respond to a common capability and understanding.
- 1.4 KCC is a complex organisation with many functions that require accurate mapping and understanding. Additionally, interdependency and critical supply chain adds complexity to the picture, introducing the need to carefully consider the need for effective data management, plan building and policy setting.

2.0 Implementation

- 2.1 It is against this background that the Head of Emergency Planning decided to conduct a “root and branch” review of the current BCM process in and documentation in late 2008. The review confirmed that significant changes were necessary to facilitate improvement and to harmonise the corporate approach.
- 2.2 Of critical importance was the need for a suitable policy that could be supported by the whole organisation (see below), the phased implementation of a simpler process of data capture and usage, a generic set of planning principles that could be adopted and used by all easily and simply, and the need for immediate action to implement a common level of understanding about business risk.
- 2.3 Since this review, much of the work mentioned above has been implemented, including the adoption of the policy below; however, development has been slower than expected due to competing business demands and a longer

commissioning period of a comprehensive software solution. That commissioning process is now complete and corporate rollout is being delivered in September 2010, starting with EHW.

- 2.4 Colleagues and Members should be assured that KCC is in a good interim position where the base level information and interim planning arrangements remain valid, thus providing high levels of capability in this area. This is further complimented with a partial commissioning of our new software process, bespoke planning around staff shortages and fuel supply chain contingencies, as well as an overall improvement in emergency response capability.

3 Continuing development and implementation

- 3.1 Work continues in this area as a priority for the Head of Emergency Planning, meeting the needs of the authority and the points raised in the recent audit report. Corporately, support is strong from the resource directors and an operational working group which will assist us in further progressing the agenda and the recommendations made in the audit report. As detailed in our formal response, an agreed action plan is in place and being progressed.
- 3.2 The EHW commissioning process will assist in developing the corporate approach. It should be noted that much of the key data and planning procedures are already loaded into the software for all directorates, therefore this initial work should be completed by the end of October 2010.
- 3.3 With this in mind, it is envisaged that full roll-out of this solution will be achieved by the end of the calendar year, with plans in place for specific building related responses as well as specialised plans for interruptions to fuel supply and other critical resources.

4 Recommendation

- 4.1 The Committee is recommended to note the report.

Contact:

David Cloake, Head of Emergency Planning, 01622 694809

KCC Business Continuity Management Policy

November 2008

Overview

Business Continuity Management (BCM) will provide Kent County Council with a framework for building resilience and the capability for an effective response to events that might threaten it, so safeguarding the interests of all those who live and work in Kent. BCM is being implemented to ensure that in the event of an incident that causes disruption to the Council's operations, it can continue to provide essential services and recover the remaining services in a controlled manner.

The Chief Executive and Chief Officers have responsibility for the Council's implementation of BCM, which will follow the Business Continuity Institute's Good Practice Guidelines and enable the Council to meet its obligations under the Civil Contingencies Act (2004), as well as aspiring to compliance with the British Standard for BCM, BS 25999.

The implementation of BCM will lead to business continuity being embedded in the Council's culture such that its officers consider business continuity in all decision making and when procuring products and services from external suppliers.

Responsibilities

The following responsibilities are agreed for Business Continuity purposes:

- COG will take ownership of, and Amanda Honey (the MD for CMY) will act as the lead COG champion for the BCM Programme
- The Head of Emergency Planning will manage the BCM Programme and act as the internal "gatekeeper", owning and developing the technical planning processes for all planning continuity and resilience activities.
- The Resource Directors will take responsibility for BCM in their directorate and/or their field of responsibility, for example corporate ICT resilience and will work with the Head of Emergency Planning on the development of robust BCM solutions.
- The deliverables from the BCM Programme will be signed off by the MD and Resource Director in each directorate.
- Heads of Service will be responsible for ensuring that their elements of the Business Continuity Plans are maintained.

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By: Director of Personnel & Development
Director of Resources and Planning - CFE

To: Governance and Audit Committee – 15 September 2010

Subject: Capita Payroll Services to Schools

Classification: Unrestricted

Summary: This report provides information on the payroll service provided by Capita to Kent County Council maintained schools and how information is provided for the Teachers' Pensions return.

FOR INFORMATION

1. Introduction

1.1 This report is on the agenda as a follow up to the Audit Commission report on the *Certification of claims and returns* that was brought to the Governance and Audit Committee on 30 April 2010 and addresses some specific issues that were raised about Capita's payroll service to schools and, in particular, the Teachers' Pensions contribution return.

2. Background

- 2.1 From June 2000, Capita provided payroll services on behalf of Kent County Council including to its schools.
- 2.2 In April 2001, legislation was introduced that required Local Authorities to devolve monies to maintained schools to enable them to purchase support services directly from the supplier. This included payroll services and most schools decided to continue purchasing from Capita.
- 2.3 The Authority continued to contract with Capita for its directly employed staff until this was brought back in house within the KCC Employee Services Centre in 2005.
- 2.4 A separate contract was established between Capita and the County Council to undertake the contribution return TR17, to Teachers' Pensions on behalf of the Authority and its maintained schools.

3. Current Position

- 3.1 Although schools can choose to purchase their payroll services from any provider, or indeed provide an in-house payroll themselves, over 85% of schools still contract with Capita HR Solutions for their payroll service.
- 3.2 Each school contracts individually with their chosen payroll provider and Kent County Council is not a party to these contracts. Any issues that a school might have with the service must therefore be raised direct with Capita. However, KCC's Schools' Personnel Service (SPS, which provides our HR administration service to 93% of schools) has regular meetings with management at Capita to ensure that processes are as joined up as possible.
- 3.3 Many schools have signed a 3 year contract with Capita as this guarantees that the price will be fixed for the 3 year period. Whilst a school can give notice within the contract period this will not take effect until the end of the 3 years.
- 3.4 Monitoring of the Authority's contract with Capita for the Teachers' Pension contribution return is undertaken by the Children, Families and Education Directorate.

4. Teachers' Pension returns

- 4.1 For those teachers that are members of the Teachers' Pension Scheme, contributions are collected from the employee and employer by the payroll provider and remitted to the Teachers' Pensions Agency. In addition the Authority completes the Teachers Annual Return of Service for the Department for Education, for each financial year, showing all Teachers in service during that year and detailing their salaries, hours and allowances.
- 4.2 For the contributions return (TR17), if an error is made in a salary payment that is later corrected, a retrospective adjustment will be made by the payroll provider to the amount of contributions collected and remitted to the Teachers' Pension Agency.

- 4.3 With the Teachers Annual Return of Service, the Authority collates the information from its Oracle HR system, for those schools utilising Schools' Personnel Service, together with information from Capita HR Solutions and from schools' utilising other payroll providers. Once the return is collated, subsequent retrospective amendments to salary details are reflected in the return for the following year. Exceptions to this will be where a member of staff is retiring and manual adjustments are then made by the Authority and the Teachers' Pensions Agency to ensure the correct pension is paid.
- 4.4 The Authority undertakes a comparison of the total contributions made against the Annual Return of Service to ensure these match within the tolerances set by the Department for Education.

5. Future developments

- 5.1 SPS has been developing a payroll service, in conjunction with KCC Employee Services, to offer schools an integrated HR and payroll service. This service, known as SPS IntePay, is now being marketed to schools and has generated significant interest although many schools are tied into their Capita contracts until March 2012.
- 5.2 The IntePay service will commence in January 2011 with a few schools initially but with a view to extending this to a large number of schools when the 3 year Capita contracts expire.
- 5.3 The benefits to schools of the IntePay service include:
- Schools are generally very satisfied with the HR service provided by SPS and trust them to deliver a high quality payroll service
 - The service is being developed and delivered with the ESC team who are already delivering a successful payroll service for KCC staff.
 - There is only one contact point for all queries on pay and contracts
 - The schools have longer deadlines in which to submit their pay instructions
 - There will be a saving to the school from the current Capita prices
 - The Authority will have greater assurance over the accuracy of information provided on the Teacher's Pension returns for schools using SPS Intepay

Further enhancements to IntePay will include the development of links into the Kent Learning Zone so that data can be securely transmitted electronically between the school and SPS.

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By: John Simmonds, Cabinet Member for Finance
Lynda McMullan, Director of Finance

To: Governance and Audit Committee – 15 September 2010

Subject: **Audit Fees Update**

Classification: Unrestricted

Summary: This paper sets out the current position in relation to the Audit Commission fee for the 2010/11 financial year.

FOR INFORMATION

Introduction and background

1. At the June 2010 meeting of the Committee Members chose not to approve the Audit Commission proposed fee for 2010/2011. The detail of the decision is set out in the minutes , but in summary the committee chose:
 - not to agree the sum of £98,900 for the “Use of Resources/VFM Conclusion including data quality” audit area, and;
 - not to accept the proposed audit fee and asked the Director of Finance to seek to negotiate a greater reduction.
2. In line with the requirements of the Committee, Mrs McMullan has met with Mr Wells, the District Auditor, and discussed the level of the proposed fee. On the 9th August the Audit Commission also wrote to the Council setting out its proposals for fees as a result of the cessation of the Comprehensive Area Assessment (CAA) and Use of Resources (UoR) work. A copy of the letter is at appendix 1 for information and highlights the expected impact on fees of the demise of CAA and UoR. It anticipates a fee reduction on 2011/2012, but because of “uncertainties” around 2010/11 costs, the Audit Commission corporately “...cannot commit to a rebate of 2010/2011 audit fees at this time.”
3. The letter from the Audit Commission is largely silent on the subject of the work to deliver the opinion on the annual accounts, other than to highlight the rebate provided in respect on to mitigate the increases in audit fees arising from the transition to International Financial Reporting Standards (IFRS).
4. Subsequent to the discussions with Mrs McMullan the District Auditor has indicated that he is not in a position to reduce the proposed audit fee until Audit Commission central policy is clarified. The Audit Commission proposed fee therefore remains unchanged at £385,000. A further review of the Audit Commissions corporate position on fees has been scheduled for the September meeting of its Commission Board, and it is hoped that an update may be available in time for the Committee. However, a fuller update will be made at the November meeting of the Committee.

5. To date the Council has paid two monthly instalments (£35,000 each) to the Audit Commission based on the proposed fee. Mrs McMullan has stopped any further payments pending resolution of the fee level.

Recommendations

6. Members are asked to note the report.

David Tonks

Head of Audit and Risk

Ext: 4614

From: Audit Commission [mailto:a-commission@audit-commission.gov.uk]
Sent: 09 August 2010 16:41
To: McMullan, Lynda - CED FIN
Subject: Change in approach to auditors' local value for money work



Dear Mrs McMullan

I wrote to you on 28 May to let you know that work on Comprehensive Area Assessment (CAA), including the use of resources assessment, was stopping immediately following a decision by the new government. I am writing now to update you on the new arrangements for auditors' work on value for money (VFM) relating to the 2010/11 accounts and future years.

New approach to local value for money audit work

The Commission will not be replacing the use of resources assessment. We are reducing auditors' VFM work and removing any requirement for a scored assessment. Auditors still have a continuing statutory responsibility, as set out in the Code of Audit Practice 2010, to give a conclusion on whether audited bodies have proper arrangements for securing VFM. Our aim is to focus this work on the auditor's core responsibilities and on local audit issues. We will also recognise the scale of the financial pressures for public bodies in the current economic climate.

We will introduce these changes for the 2010/11 accounts at single tier, county and district councils, and fire and rescue authorities. Auditors will give their statutory VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Commission, related to an audited body's arrangements for:

- securing financial resilience – focusing on whether the audited body is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how it secures economy, efficiency and effectiveness – focusing on whether the audited body is prioritising its resources within tighter budgets and improving productivity and efficiency.

Auditors will plan a local programme of VFM audit work based on their local audit risk assessment. They will report their VFM conclusion and the key messages from their work, including suggested areas for improvement, to the body's audit committee and in a clear and accessible annual audit letter. Auditors may qualify their VFM conclusion if they are not satisfied that the audited body has adequate arrangements in place.

For 2010/11, auditors of smaller bodies (such as larger town councils and national parks authorities) will continue to apply the current lighter touch approach to their VFM conclusion work.

Impact on audit fees

The new approach will mean a reduction in audit fees from 2011/12.

Appendix 1

For 2010/11, the Commission has already given a 6 per cent rebate this year to mitigate the increases in audit fees arising from the transition to IFRS. In May local authorities, and fire and rescue authorities received a cheque or credit note from the Commission. The rebates varied but the average was £7,000 for district councils, £16,500 for county councils and £25,000 for London borough councils. Fire and rescue authorities received £4,600. The total returned for local government bodies including fire and rescue authorities was almost £5 million.

We have a duty to ensure that the Commission has sufficient income in 2010/11 to meet its costs. There are uncertainties around some aspects of our 2010/11 costs, including the significant in-year transitional costs arising from the cessation of CAA. We therefore cannot commit to a rebate of 2010/11 audit fees at this time. The Commission Board will consider a rebate in September when considering audit fees for 2011/12.

Next steps

We will write to you again in September in the context of consulting on the 2011/12 work programme and scales of fees.

Yours sincerely,

Gareth Davies
Managing Director, Local Government, Housing and Community Safety

By: Chairman Superannuation Fund Committee
Director of Finance

To: Governance & Audit Committee – 15 September 2010

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

Summary: To present a quarterly treasury management update.

FOR DECISION

INTRODUCTION

1. This is the quarterly update on treasury management issues.

TREASURY ADVISORY GROUP

2. There has been no TAG meeting since the last report to this Committee due to difficulties arranging the treasury adviser selection meeting. Cabinet will have received Treasury reports in June and September period.

SUMMARY OF DEVELOPMENTS

3. £40m of short term borrowing matured in August. After discussion with our treasury advisers we had decided in the short term not to re-finance immediately. At the end of August borrowing rates once again dropped as concern over a double dip recession came to the fore. PWLB rates fell and on 1 September with the agreement of the Director of Finance and Cabinet Member for Finance we borrowed £20m at 3.95% for 49/50 years and £20m at 1.94% for 10 years.
4. Cashflow is closely monitored and cash balances are reported weekly to TAG and quarterly to this Committee.
5. After an EU compliant tender process the banking contract has been awarded to National Westminster Bank. This decision was taken under the Director of Finance's delegated powers after consultation with TAG.
6. Santander UK remains suspended as a counterparty. Arlingclose in light of improvements in Banco Santander's credit worthiness on 24 August recommended that the maturity limit for Santander UK be increased from

1 month to 6 months. In light of this a recommendation will be made to cabinet to resume use of Santander UK.

7. In July officers were able to negotiate an agreement with HSBC to start taking deposits.
8. In line with the June Cabinet decision to allow longer duration deposits we have started implementing this in early September with Nationwide.
9. In July a further quarterly dividend was received from Heritable of 6p in the £ or £1.15m. Total recoveries from the £18m deposited are now £7.5m. The Head of Financial Services continues to be actively involved as a member of the Creditors Committee in key decisions over the future administration of the bank. KCC is a test case in Iceland on both Landsbanki and Glitnir. These will be submitted to the District Court in Reykjavik in September and timescales after that remain unclear due to Icelandic legal processes.

QUARTERLY PERFORMANCE REPORT

10. The June quarterly performance report is attached in Appendix 1.

STATEMENT OF DEPOSITS

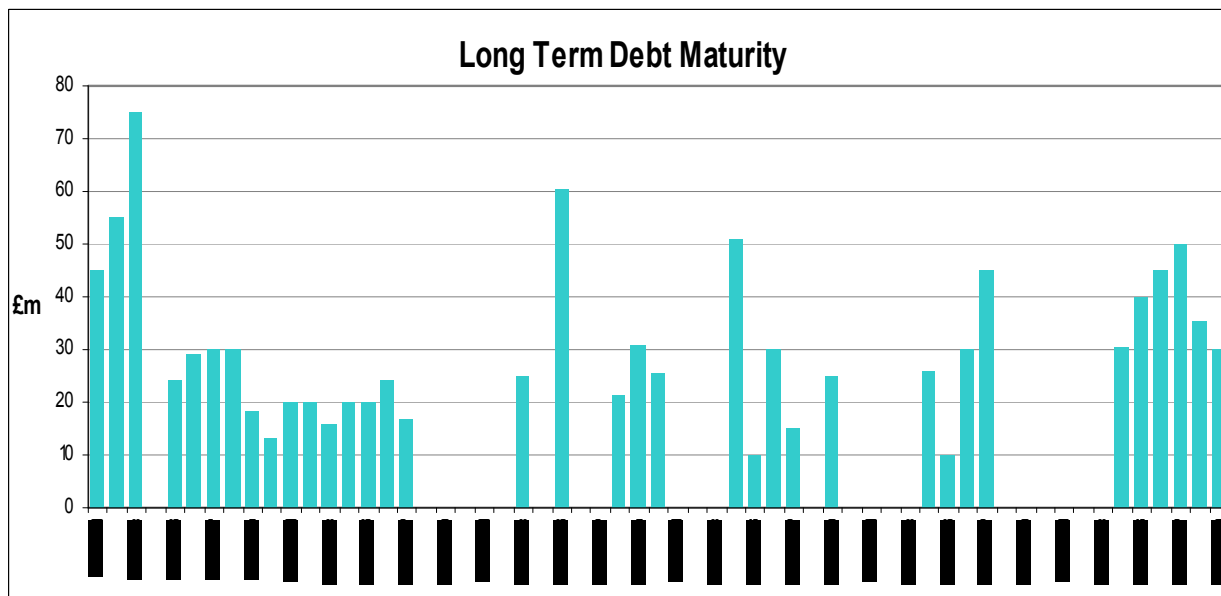
11. A statement as at 20 August is attached in the Appendix 2.

Nick Vickers
Head of Financial Services
Ext 4603

Treasury Management Report for the month of June 2010

1. Long Term Borrowing

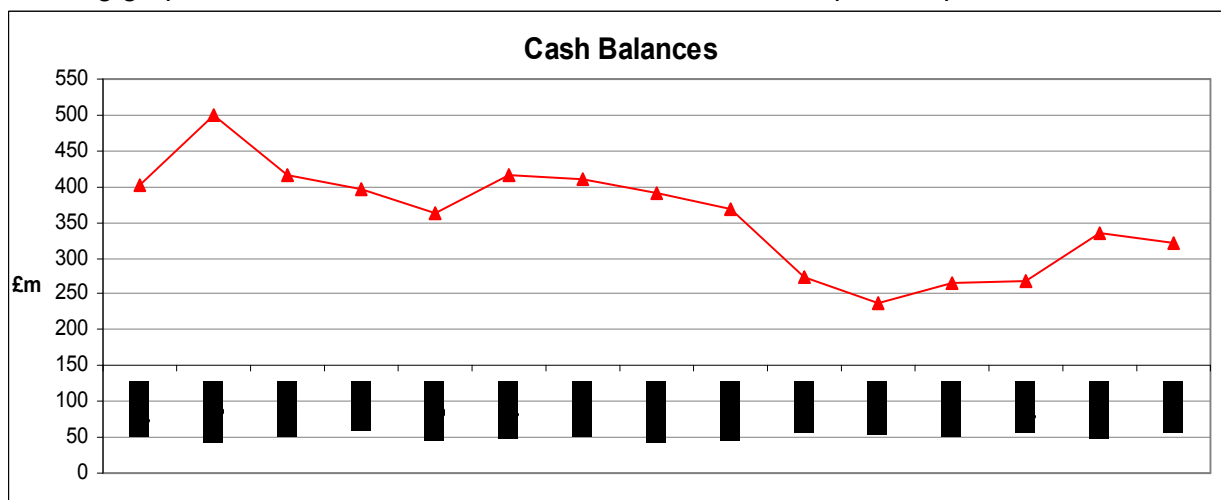
The council's strategy continues to be to fund its capital expenditure from internal resources as well as consider borrowing at advantageous points in interest rate cycles. During June no new borrowing was arranged so the total amount of debt outstanding at the end of the month is unchanged from May at £1,092.4m with the maturity profile being as follows.



Total external debt managed by KCC includes £48.623m pre-LGR debt managed by KCC on behalf of Medway Council, pre-1990 debt managed on behalf of Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). These bodies make regular payments of principal and interest to KCC to service this debt. Total debt principal to be repaid in 2010-11 is £45.031m, £45m PWLB maturity loan and £0.031m relating to small annuity and equal instalment of principal loans.

2. Investments

During June the total value of cash under management fell to £320m. Significant cash outflows included the investment of £15.6m of Pension fund cash in 2 pooled property funds. The following graph shows the movement in cash balances over the period April 2009 – June 2010.



Total cash balances under internal management by KCC as at 30 June 2010 included principal amounts currently at risk in Icelandic bank deposits (£43.931m), Pensions Fund cash (£23.8m), balances of schools in the corporate scheme (£72.m), other reserves and funds held in trust. The remaining deposit balance represented KCC working capital created by differences in income and expenditure profiles.

2.1 Counterparty List

On 14 June Cabinet approved the recommendation of the Treasury Advisory Group that the maximum duration of deposits be extended from 6 to 12 months. Officers with advice from Arlingclose are presently reviewing opportunities for longer term deposits.

At the end of June, the value of deposits placed with RBS, Barclays and HBOS was £120m of which £105m was in call accounts. Deposits with the DMO totalled £136m at the month end.

2.2 Average return and comparison

The average return on new deposits in June was 0.4753% vs. 7 day LIBID 0.4262%

3. Interest on Cash Balances / Debt Charges for 2010-11

A saving of £1.016m is forecast relating to the write down in 2010-11 of the £4.024m discount saving on the debt restructuring undertaken at the end of 2008-09. (£2.362m was written down in 2008-09 and 2009-10, therefore leaving a further £0.646m to be written down over the period 2011-12 to 2012-13). As planned, this saving will be transferred to the Economic Downturn Reserve.

4 Risk management

Credit Score matrix. The following table compares the credit rating of the current deposits portfolio with that at the end of June 2009 excluding the Icelandic deposits. The credit risk of the June 2010 portfolio is very similar to that for June 2009 reflecting the significant proportion of funds being invested as short fixed term deposits with the DMO, rated AAA.

	June 2009		June 2010	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	AA+	1.9	AA	2.8
Time Weighted Average	AA-	4.2	AA-	4.4

Credit risk scored 1 – 10; 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D

Operational Controls - no failures

Alison Mings
16 July 2010

KCC Deposit Portfolio at 20 Aug

Instrument Type	Counterparty	Amount	Interest Rate	Next Call Option / Rate Review Date	Broker	Territory
Fixed Deposit	Dexia Bank	£10,000,000.00	0.505	n/a	Direct	Belgian Bank
	Total Belgian Bank Deposits	£10,000,000.00				
LIBOR Fixed Deposit	Glitnir	£5,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£3,250,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£4,600,000.00	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£5,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£1,500,000.00	0	n/a	Tullet Prebon	Icelandic Bank
1st Tranche Creditor Payment	Heritable Bank Ltd	-£2,959,121.00	0	n/a	Direct	Icelandic Bank
2nd Tranche Creditor Payment	Heritable Bank Ltd	-£2,323,110.00	0	n/a	Direct	Icelandic Bank
3rd Tranche Creditor Payment	Heritable Bank Ltd	-£1,136,429.10	0	n/a	Direct	Icelandic Bank
4th Tranche Creditor Payment	Heritable Bank Ltd	-£1,151,354.84	0	n/a	Direct	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	0	n/a	Martins	Icelandic Bank

KCC Deposit Portfolio at 20 Aug

Fixed Deposit	Landsbanki Islands	£2,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	0	n/a	Martins	Icelandic Bank
	Total Icelandic Bank Deposits	£42,779,985.06				
Fixed Deposit	Barclays Bank	£5,000,000.00	6.8	n/a	Tradition	UK Bank
Same Day Call Deposit	Barclays Bank	£35,000,000.00	0.7	n/a	Direct	UK Bank
Same Day Call Deposit	Lloyds HBOS	£40,000,000.00	0.85	n/a	Direct	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	1.33609	18/10/10	Tradition	UK Bank
Callable Rate Flipper	Royal Bank of Scotland	£5,000,000.00	1.9	19/09/2010	Tullet Prebon	UK Bank
Same Day Call Deposit	Royal Bank of Scotland	£30,000,000.00	1.15	n/a	Direct	UK Bank
	Total UK Bank Deposits	£120,000,000.00				
LIBOR Fixed Deposit	Principality Building Society	£5,000,000.00	1.33719	21/10/10	Tradition	UK Building Society
	Total UK Building Society Deposits	£5,000,000.00				
Fixed Deposit	Debt Management Office	£2,100,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£11,350,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£1,950,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,050,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£4,850,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£7,500,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£10,650,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£34,000,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£3,200,000.00	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,750,000.00	0.25	n/a	Direct	UK Govt.
	Total UK Govt. Deposits	£91,400,000.00				

KCC Deposit Portfolio at 20 Aug

	Grand Total of All Deposits	£269,179,985.06				
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By: The Director of Finance – Lynda McMullan
Cabinet Member for Finance – John Simmonds

To: Governance and Audit Committee – 15 September 2010

Subject: 2009/10 Final Accounts

Classification: Unrestricted

Summary: This paper updates the Committee on the final Annual Governance Report from the External Auditors relating to the 2009/10 Statement of Accounts.

FOR INFORMATION

1. Annual Governance Report/ 2009- 10 Statement of Accounts

1.1 The Audit Commission issued their Annual Governance Report on the 2009/10 Statement of Accounts at the June Governance and Audit Committee. Subsequent to this meeting there were a small number of items found during the remainder of the audit which were reported to the Chairman of this Committee prior to him signing the accounts. These items are listed in the revised Annual Governance Report presented at this meeting, and are shown in *italics* for ease of reference. The accounts were amended with the exception of the uncertainty around the valuation of Ellington School which will be amended for the 2010/11 Accounts.

The Accounts were signed by the Audit Commission on the 30th July and are currently in the process of being published.

2. Summary

2.1 Members are asked to NOTE the Annual Governance Report for 2009/10.

Cath Head
Chief Accountant
Ext: 1135

Lynda McMullan
Director of Finance
Ext: 4550

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Annual Governance Report (updated)

Kent County Council

Audit 2009/10

August 2010

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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.
-

Key messages

This report updates the Annual Governance that was presented to the Governance and Audit Committee on 30 June 2010 for issues that arose in completing the audit opinion on the 2009/10 financial statements.

I issued an unqualified opinion on the Council's financial statements on 30 July 2010. I also certified the Council has set up proper arrangements for securing economy, efficiency and effectiveness in the use of its resources in 2009/10. This is the value for money conclusion.

Audit opinion

- 1 I issued an unqualified opinion on the Council's financial statements on 30 July 2010.

Financial statements

- 2 On 30 June 2010, I reported the results of my opinion audit to the Governance & Audit Committee. At that time there were a few items that were still being reviewed. As agreed, on 21 July 2010 I wrote to the Committee Chair with the results of these outstanding matters, inviting him on behalf of the Committee to ask officers to amend the accounts for a few errors identified. In addition, I completed one remaining matter and reported this on 28 July 2010. Given the nature and size of the errors, the Council decided not to amend the accounts that were approved by the Governance & Audit Committee on the 30 June. For completeness, I now report all the issues arising from the audit of the financial statements. Issues not previously raised in my report of 30 June, are shown in italics in this report for easy identification.
- 3 The financial statements were submitted for audit on 10 June and were of a good quality. The audit has identified a few errors and omissions that officers have corrected within the accounts presented for members' approval on 30 June. None of these in my opinion needed to be brought to your attention to help you to fulfil your governance responsibilities.
- 4 I also consider the qualitative aspects of the financial statements. I identified weaknesses in the arrangements for seeking related party transaction declaration forms from officers and members and recommend the Council improves arrangements as set out in the action plan at Appendix 2.

Value for money

- 5 I issued an unqualified value for money conclusion on the arrangements the Council has in place for securing economy, efficiency and effectiveness in the use of its resources on 30 July 2010.

Independence

- 6 I have told you of any relationships between the auditor and Kent County Council and its senior management that might affect the auditor's objectivity and independence and any safeguards put in place. I confirm that we have complied with Accounting Practice Board's ethical standards and that we are independent and that our objectivity is not compromised.
-

Next steps

- 7 I ask the Governance and Audit Committee to note the matters raised in this updated report and the action plan at Appendix 2.

Financial statements

The financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It was important that you considered my findings before you adopted the financial statements and the annual governance statement.

Opinion on the financial statements

- 8 This report outlines the key findings of my work on the Council's financial statements for the year ended 31 March 2010. It includes any findings about the superannuation fund accounts which are contained within the Council's financial statements. I presented a shortened version of this report which focused specifically on the Fund's accounts to the Superannuation Fund Committee on 20 August 2010.
 - 9 I received the draft statement of accounts on the 10 June, ten weeks after the end of the financial year which is an achievement. With the help of officers responding quickly to audit enquiries, I completed most of planned work by the 30 June 2010 Governance and Audit Committee. Inevitably, given the tight timelines, there were some matters that were still to be completed and in line with the agreed update procedures, I reported the findings of this work to the Committee Chair on 21 and 28 July 2010. The Chair approved the final letter of representation in line with standard audit procedures and I gave my audit opinion on 30 July 2010.
-

Errors in the financial statements

- 10 The audit of the Council's accounts seeks to ensure the accounts are materially correct and present a true and fair view of the financial transactions of the Council in 2009/10. Materiality is defined in auditing standards as:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement."
- 11 I set the following materiality levels for the audit: the revenue account at £24.27 million; the balance sheet at £29.526 million; and £14.427 million for the superannuation fund statement. I also set, under International Standards on Auditing, a threshold below which I judge any errors to be 'trivial' and do not seek any amendments to the accounts. The trivial thresholds were set at £242,000 and £295,000 respectively for items affecting the Council's income and expenditure account and balance sheet and £144,000 for the superannuation fund.
- 12 During my audit I identified a few errors in the financial statements and reported these to management. These have been corrected. None of these I think need to be brought to your attention to help you to fulfil your governance responsibilities. I also identified

one matter that has not been corrected in the final statement of accounts (Table 1 - PFI accounting). I brought this matter to the attention of the Committee Chair on 28 July 2010. He confirmed his agreement that the accounts would not be amended for this issue.

Key areas of judgement and audit risk

13 In the earlier version of this report I set out the key areas of judgement and audit risk for the Council and Superannuation Fund with the audit findings up to 30 June 2010. These are reproduced for the Committee's information in Tables 1 and 2 below and the matters contained in my letters to the Chair of the Committee have been added.

Table 1 Key areas of judgement and audit risk - Kent County Council

Potential issue or audit risk identified	Finding
<p>Payroll controls: In previous years we have relied on a control over the process by which new starters become live records on the payroll system. With the introduction of the IDOX system, it is no longer possible for us to test this control for compliance.</p>	<p>I have tested compensating controls identified in the payroll system. This work did not identify any weaknesses and I was able to rely on the payroll system to produce accurate and complete data.</p>
<p>Kent Public Services Network: I noted an error in the accounting treatment for the costs of this project which although not material in 2009/10 would accumulate into a material error over the period of the underlying contract. Because of this, Revenue Expenditure Funded from Capital Under Statute (REFCUS) becomes a risk area for the opinion audit. I also noted that a capital grant has been used to fund revenue expenditure towards the project which is allowed by CIPFA's Statement of Recommended Practice (SORP) but only in exceptional circumstances and the accounting treatment had not been supported adequately.</p>	<p>I agreed an amended accounting treatment with officers. My review of the financial statements confirms the Council has correctly followed this.</p> <p>I reviewed the expenditure treated as REFCUS and identified that a few transactions were incorrectly treated as capital. These are below the triviality level. However, officers should be more rigorous in distinguishing between capital and revenue expenditure.</p> <p>I reviewed the Council's justification for taking the capital grant to revenue and confirm that this treatment is appropriate.</p>
<p>PFI accounting: With the implementation of the International Financial Reporting Standards (IFRS), PFI schemes have to be reviewed in 2009/10 and often this will result in the assets</p>	<p><i>I have completed the review of the PFI scheme assumptions and accounting entries and confirm the schemes should be on the Council's balance sheet.</i></p>

Financial statements

Potential issue or audit risk identified	Finding
<p>coming on to the Council's balance sheet with an appropriate finance liability. The calculations required are complex and the amounts are material.</p> <p>IFRS accounting requires the Council to consider whether any service concessions exist that may contain embedded leases.</p>	<p><i>However, I identified the valuation of Ellington School, part of the six schools PFI build scheme, was incorrectly valued within the financial statements. The valuer had not valued the school as a PFI asset, which is likely to have a higher specification than standard secondary schools. This resulted in the asset being undervalued in the accounts by approximately £6 million (after allowing for lifecycle costs and accumulated depreciation). The Council has not amended the misstatement in 09/10 and intends to revalue all its PFI schools in 2010/11.</i></p> <p>I have reviewed the Council's process to identify service concessions and tested this. I am satisfied there are not any service concessions to be accounted for in 2009/10.</p>
<p>Collection Fund: A requirement in 2009/10, and going forward, is for the Council to show its share of accrued income in respect of its precepts. The accounting is complex and affects the income and expenditure account, balance sheet, cash flow statement and statement of recognised gains and losses. Accurate information is dependent on the cooperation of district and borough councils in Kent. A material error may arise if guidance is not followed properly.</p>	<p>I have reviewed the accounting entries and confirm that they are soundly based and the correct entries have been made in the financial statements.</p>
<p>Icelandic bank deposits: Over the past year the repayment of the Council's deposits in Icelandic banks have been revised. As a result, fair values and impairments for the outstanding deposits will need to be recalculated for inclusion in the accounts using the latest available information.</p>	<p>I have audited the deposits in Icelandic banks and confirm the calculation of the fair values and impairments follows latest accounting guidance from CIPFA (Local Authority Accounting Panel Bulletin 82 - as revised).</p>
<p>Domiciliary care payments: I am aware of the continuing issues within the systems used for payment of domiciliary care contracts and the work being done by</p>	<p>I have reviewed the entries in the financial statements in respect of domiciliary care payments. Although</p>

Potential issue or audit risk identified	Finding
officers to resolve them. While this does not constitute a risk of material misstatement in the financial statements, there is a significant degree of uncertainty in the year-end position.	there are continuing issues within the systems, I am satisfied that officers have undertaken enough work to determine a reliable estimate for the year-end creditor.
East Kent Opportunities (EKO) LLP: Draft accounts for this joint arrangement were not prepared within the Council's closedown timetable for the 2008/09 financial statements. There is a risk if the LLP 2009/10 accounts are not available the Council's accounts may not accurately reflect the joint arrangement.	I have received the draft 2009/10 EKO LLP accounts. I have reviewed the entries within the Council financial statements and confirm that they have made the suitable entries for the joint arrangement.
VAT partial exemption limit: The Council has come close to breaching the partial exemption limit of 5 per cent. Breaching that limit could result in a material financial liability for the Council.	I have reviewed the VAT partial exemption calculation and confirm the Council has not breached the 5 per cent limit.
Financial instruments note: <i>The Council incorrectly classified the creditor analysis within the financial instruments note. The government department total of £27,775k does not agree to the entry in the creditors note of £13,608k. The balance as at 31 March is not affected.</i>	<i>The Council has amended the financial instruments note to show the correct classification between government departments and other creditors.</i>

Table 2 Key areas of judgement and audit risk - Kent Superannuation Fund

Potential issue or audit risk identified	Finding
Contributions: From 1 April 2008 employees' contributions to the Local Government Pension Scheme are on a tiered basis with differing rates depending on the band in which their pensionable pay for the previous year fell. There is a risk that contributions will not be paid to the Superannuation Fund at the right rates and that this could result in a material misstatement to the financial statements.	I reviewed the systems and processes put in place to ensure that contributions from participating employees' contributions were being collected at the right rates. I did not find any errors or weaknesses in the systems and processes.

Financial statements

Potential issue or audit risk identified	Finding
<p>Internal controls at fund managers and custodians:</p> <p>The Superannuation Fund out-sources services to fund managers and custodians. Procedures are needed to ensure that reliance can be placed on the accuracy and completeness of the information provided such that where it is used to produce the Fund's financial statements it supports a true and fair view of the financial position of the Fund at year-end.</p>	<p>I have assessed the actions taken by the Council to place reliance on the Statement on Accounting Standards (SAS) 70 reports. I confirm that officers review the internal control reports provided by fund managers. Officers will report on an exception basis to the Superannuation Fund Committee if weaknesses are identified.</p>
<p>Derivatives:</p> <p>The accounting for derivatives can be complex and is driven by the details of each contract.</p>	<p>I have gained an understanding of the contracts and confirm the accounting treatment adopted is appropriate.</p>
<p>Valuation of unquoted and private equity investments:</p> <p>No formally quoted prices exist so the valuation needs to be based on appropriate techniques relevant to the individual investments held.</p>	<p>I have reviewed the basis of valuation and confirm that they are reasonable.</p>
<p>Pooled investment rebated fees:</p> <p><i>The rebated fees received for pooled investments are treated inconsistently in the Pension Fund Accounts. Where a lower fee has been agreed with a unit trust manager, the fees are rebated by additional units. However, in the case of Invesco Perpetual the rebated fees are being treated incorrectly as income. As a result, income is overstated by £2.7 million and 'change in market value' is understated by the same amount. There is no impact on net worth.</i></p>	<p><i>The Council has amended the Pension Fund notes to ensure consistent treatment of pooled investment rebated fees.</i></p>

Accounting practice and financial reporting

- 14 I consider the non-numeric content of your financial reporting. Tables 3 and 4 contain the issues I want to raise with you in respect of the Council and Superannuation Fund.

Table 3 Kent County Council

Issue or risk	Finding
<p>Related party transactions: Under International Standard of Auditing (UK&I) 550 'Related Parties' I am required to consider the adequacy of control activities over the authorisation and recording of related party transactions.</p>	<p>Last year I identified scope for strengthening the arrangements for obtaining related party transactions declarations from members and senior officers.</p> <p>This year's work has identified some gaps in the completeness of returns:</p> <ul style="list-style-type: none"> ● Related party declarations were not sought from the three other local authority representatives on Kent Superannuation Fund Committee; ● Two declarations are unsigned; ● Two are not dated; and ● Three declarations were from the previous year. <p>Although the declarations feed a non-material note to the financial statements I am unable to issue an audit opinion until these issues are resolved. The declaration process should be strengthened to make it clear the returns should be received from members of Kent County Council and Kent Superannuation Fund by the middle of May each year.</p> <p><i>I have now received all outstanding related party transaction declarations forms from members.</i></p>
<p>Long term contract: <i>My review identified that non-operational PFI schemes should be disclosed in a note to the accounts if the scheme has been signed or is past financial close.</i></p> <p><i>As the Building Schools for the Future (BSF) scheme (wave 3) had already passed financial close the Council is legally obliged to make future payments and disclosure of these commitments should be set out in a note to the accounts by service cost, finance lease payment and interest cost.</i></p>	<p><i>The Council amended the financial statements to include the BSF scheme in the long term contracts note.</i></p>

Financial statements

Issue or risk	Finding
<p>Post-balance sheet event: <i>On 5 July 2010, the government announced the funding for Building Schools for the Future scheme waves 4, 5 and 6 had been put on hold and is subject to a review process. The Council has expenditure included in assets under construction relating to the scheme.</i></p>	<p><i>The Council has included a non-adjusting post-balance sheet event in the financial statements setting out the estimated capital expenditure of £6 million in 2009/10.</i></p>
<p>Related party disclosures: <i>The cash held in the KCC bank account on behalf of the Pension Fund totals £55m at year end. This amount should have been included as a related party balance in both the KCC and Pension Fund accounts note.</i></p>	<p><i>The Council has included the disclosure within the KCC and Pension Fund notes.</i></p>

Table 4 Kent Superannuation Fund

Issue or risk	Finding
<p>Freehold property portfolio: <i>As part of our audit we requested a list of deeds held by the legal department on behalf of the Superannuation Fund for comparison against the properties listed in the statements. The list provided by the legal department included several properties that are no longer owned by the Fund and some where descriptions were inconsistent. Further investigation was required to ensure the legal department held the correct deeds.</i></p>	<p><i>I recommend there is a six-monthly update between legal department and officers administering the fund to ensure that deeds held are up to date and consistently named.</i></p>

Recommendation
<p>R1 The Council needs to improve the arrangements for making related party disclosures.</p>
<p>R2 The legal department and officers administering the superannuation fund should update the deeds information every six months.</p>

Important weaknesses in internal control

- 15** A material weakness in internal control is a deficiency in design or operation which could adversely affect the Council's ability to record, process, summarise and report financial and other relevant data. I have not identified any weakness in the design or operation of internal controls that might result in a material error in your financial statements of which you are not aware.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 16 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 1.
- 17 I issued an unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources on 30 July 2010.

Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.
-

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Annual Governance Report 2009/10 - Recommendations					
13	The Council needs to improve the arrangements for making related party disclosures.	3	Geoff Wild	Yes	It is accepted that KCC did not achieve a 100% return of the related party transaction forms by the required deadline and will continue to work with elected Members to improve performance in this area.	Immediate
13	The legal department and officers administering the superannuation fund should update the deeds information every six months.	2	Geoff Wild / Lynda McMullan	Yes		Immediate

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, Braille, audio or in a language other than English, please call 0844 798 7070.

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By: John Simmonds - Cabinet Member for Finance
Lynda McMullan- Director of Finance

To: Governance & Audit Committee

Subject: Report on Insurance Activity

Classification: Unrestricted

Summary This report provides an overview of insurance activity over the past twelve months.

FOR INFORMATION

Introduction

1. This report provides members with an understanding of the Council's insurance programme, claims and performance against agreed indicators over the past twelve months.

Funding position

2. Where possible the Council ensures financial risk associated with operational or commercial activities and schools is transferred, protected and paid for through a combination of self insurance and a variety of policies arranged through external insurers.
3. Expenditure on insurance is managed through the Kent Insurance Fund. The Fund meets the annual cost of insurance (premiums, claims payments and administrative costs) and maintains reserves for outstanding claims known about and future liabilities that have not yet been incurred or reported to KCC.
4. The Fund is financed by contributions from corporate funding, commercial activity centres, schools and investment income. For reasons previously explained to the Committee, the Fund has been operating in a deficit position for some time. The action plan developed in 2009/10 is now starting to correct this position. It is hoped that the Fund will be fully funded by 2011/12.
5. A snapshot of the Fund as at June 2010 is provided below.

Expenditure		Income	
Premiums paid to insurers	3,045,000	<i>Opening balance</i>	13,208,542
Adjusting fees	194,040	Contributions received from schools, Commercial Services etc	5,258,000
<i>Claims paid 10/11</i>	5,910,000	Corporate funding (directorates)	3,479,000
<i>Reserve for known claims</i>	12,672,182	<i>Recoveries from third parties</i>	780,000
Reserve for claims incurred but not reported	500,000	<i>Investment income</i>	50,000
Section costs	650,000	<i>Other</i>	10,000
<i>Misc</i>	26,750		
Total	22,997,972	Total	22,785,542

6. Although the Fund still appears in deficit by £212k this is an improvement upon the deficit position reported last year of £342k.

Insurance Section

7. The insurance programme and claims are managed through a central insurance section based in CED Finance. As well as managing all aspects of insurance for KCC the section continues to provide insurance services to Kent & Medway Fire Authority and Thanet District Council as part of shared service arrangements.
8. In April 2010 KCC entered into a two year agreement to provide insurance services to Reigate and Banstead Borough Council. Since April the Insurance Team has already generated approximately £20k worth of premium savings for the borough council.
9. Heath Lambert was appointed in September 2007 on a three year contract to provide insurance broking services to the Council. This arrangement has worked well and has been extended for a further period of one year.

Changes to Insurance Arrangements

Voluntary Aided Schools

10. Since the Council does not own the buildings used by Voluntary Aided schools it has not historically insured the property risk. In theory the risk was being covered by a combination of central government funding and Diocesan Boards. In recent years the element to be paid by central government has fallen to LEAs to be funded from non committed capital budget. The result has been that LEAs have been exposed to fund losses even where there is no non committed capital budget available.
11. To address this situation the insurance market has now made a facility available whereby LEAs can insure the property risk in full. To provide increased financial control the Council now insures the property risk for Church of England and Catholic Voluntary Aided schools 100% and 90% respectively. In the case of Catholic Voluntary Aided schools the diocesan board insures the remaining 10%.

Academy Schools

12. Schools becoming academies with effect from September 2010 will no longer be insured by KCC. Although this may reduce the risk profile of the Kent Insurance Fund it will reduce income. At present KCC is not offering to insure Academy schools as it is not yet clear whether this is legally permissible.

Claims Experience

13. Whilst the section sets its own processing standards it also incorporates external standards where appropriate. For example, when dealing with liability claims processing standards set within the Ministry of Justice Civil Procedure Rules are applied. At a basic level Civil Procedure Rules require all new claims involving a personal injury to be acknowledged within 21 days from receipt and then a decision on liability to be communicated to a claimant at the end of 111 days unless an extension to time has specifically been sought. The target level of performance has been achieved.

Performance indicator	Target	Performance
Acknowledgement of injury claims within 21 days of receipt	95%	100%
Communication of decision on liability within 111 days	95%	95% (Personal injury claims only)

14. Activity within each of the four main policies is summarised below.

Public Liability – third party claims

15. Claims can result from any activity undertaken by KCC. They can range from damage to a tyre going down a pothole through to death / major personal injury or financial loss. The majority of claims received relate to incidents on footways and carriageways. This is a typical profile for a county council with highway responsibilities.
16. The number of claims made by third parties (public, visitors, pupils etc) continues to rise:

Year	No of claims	Paid	Rejected	Decision awaited
2006/07	1770	529	1228	13
2007/08	1757	540	1188	29
2008/09	2288	630	1581	104
2009/10	3704	351	1882	1471
Totals	9519	2023	5879	1617
		£3,226,408		Estimated value of open claims £6,407,315

17. From December 2009 onwards the total number of claims received has exceeded all expectations and is entirely due to highway claims. The rapid and unexpected deterioration of the highway network since December has been well documented. The problem continued into Spring and as of July Kent Highway Services had repaired in excess of an estimated 100,000 potholes which have generated over 3250 claims. For the Insurance Team alone this equates to approximately two years worth of claims being received in a period of seven months. This has put an enormous strain upon both Kent Highway Services and the Insurance Team who have to process claims. This volume of work has overwhelmed resources and created serious delays in advising claimants of the decision taken in relation to their claims. As a consequence of the volume of work the claims process is being reviewed and streamlined to improve efficiency.
18. Anyone can make a claim against KCC where they believe they have suffered and injury or damage to their property. The Council can only be held liable where it has been negligent or in breach of its statutory duty and this is often not understood by claimants. As a result, the Council is able to reject a large number of claims. A target of settling no more than 25% of claims has been set to reflect the fact that the Council should be complying with its statutory duties and not operate negligently.

Performance indicator	Target	Performance
Settlement rate for Public Liability claims over past 3 years.	Under 25%	30%

19. During 2009/10 a total of £2.4m was paid out in compensation (damages + legal costs) for Public Liability claims. This sum includes claims that occurred in 2009/10 as well as many previous years. The amount paid out during any one year provides the best assessment of the true annual cost of Public Liability type claims made against KCC.
20. The potential value of rejected claims is not available. However it is considered that this easily exceeds the amount paid out.

21. It is inevitable that some claims will be litigated and progress to trial either because the claimant refuses to accept rejection of their claim or we have been unable to agree quantum. KCC generally only takes cases to trial where the chances of success are assessed as good. Taking cases to trial can however increase uncertainty as the final decision is left to the Courts.

New Performance indicator	Target	Performance
Number of public liability cases won at trial 2009/10	65%+	tbc

22. For Public Liability the following points are of interest:

From 2005 – 2009

- For all Public Liability claims KCC received 5.7 claims per 1000 population compared to the CIPFA benchmarking average of 4.9
- For highway claims KCC received 2.5 claims per 1000 population compared to the CIPFA benchmarking average of 2.4

Employers Liability – claims made by employees

23. The number of claims made by employees continues to remain stable.

Year	No of claims	Paid	Rejected	Decision awaited
2007/08	44	19	18	7
2008/09	39	12	23	4
2009/10	24	9	9	6
Totals	107	40	50	17
		£1,086,547		£145,150

24. Activity in this area is considered to be proportionately in line with other authorities

Performance indicator	Target	Performance
Settlement rate for Employer's Liability claims over past 3 years	below 50%	44%

Property

25. Due to the size and nature of the property portfolio there will always be a high level of claims.

Year	No of claims	Value of paid claims £	Estimated value of open claims £
2007/08	929	2,082,678	31,353
2008/09	693	861,282	201,277
2009/10	568	1,143,276	1,051,681
Totals	2,190	4,087,236	1,284,311

26. The breadth of cover within property policies varies greatly amongst authorities making it extremely difficult to benchmark KCC's experience. Benchmarking does indicate that the number of claims from KCC insured schools caused by fire, whether accidental or arson, is in line with the average.

Motor

27. At present KCC operates a large commercial motor fleet of 1000 vehicles. The number of claims has remained relatively stable within the main fleet:

Year	No of claims	Paid – own damage & third parties £	Estimated value of outstanding claims £
2007/08	417	354,176	2,926
2008/09	366	413,536	59,670
2009/10	332	287,341	87,496
Totals	1,115	1,055,053	150,092

28. CIPFA benchmarking indicates that KCC has a frequency of 0.4 claims per vehicle on its main fleet compared with the average of 0.44

Conclusion

29. The report highlights that the Risk Management and Insurance team of the Council have, except in one instance, met performance targets despite an increasing workload in relation to public liability claims. Claims in all other areas have also continued to reduce in number, a positive reflection of risk management across the Council.
30. Overall Members can take assurance that the insurance team is proving an effective service for the Council.

Recommendation

31. Members are asked to note this report

Darryl Mattingly
Corporate Risk & Insurance Manager
Ext 4632
19 August 2010

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By: John Simmonds, Cabinet Member for Finance
 Lynda McMullan, Director of Finance

To: Governance and Audit Committee – 15 September 2010

Subject: **Abolition of the Audit Commission**

Classification: Unrestricted

Summary: On 13th August the Communities and Local Government Secretary, Mr Eric Pickles, announced that the Audit Commission would be abolished. This paper provides members with a summary of the latest position following the announcement.

FOR INFORMATION

Introduction and background

1. On 13th August the Communities and Local Government Secretary, Mr Eric Pickles, announced that the Audit Commission would be abolished and replaced with a new decentralised audit regime, delivered through the private sector.
2. The press release from Communities and Local Government (CLG) is attached at annex 1 for information. Key points are:
 - The Audit Commission will be disbanded by 2013, with its research activities absorbed by the National Audit Office (NAO), lobby groups and think-tanks.
 - A new Audit regime for the 2012/2013 financial year, with audit provision to be wholly based in the private sector.
 - Local Authorities will be free to appoint their own auditors.
 - Audit quality will be regulated within a statutory framework, overseen by the National Audit Office and accountancy professions.
 - The Local Government Ombudsman will be given increased powers.
 - Savings of £50m.
3. The announcement from Mr Pickles also states that the Audit Commission's audit arm will be "...transferred out of public ownership" and that

"A range of options will be developed for converting the audit practice into a business independent of Government which could be sold or otherwise transferred into the private sector."

It is therefore possible that the Audit Commission will continue as an audit function, either in direct competition with audit providers in the private sector or as a wholly owned subsidiary of one of the large accounting practices.

4. There is not much more actual detail in addition to the CLG press release and the subsequent press release by the Chairman of the Audit Commission, although there is much debate in the media about the positives and negatives of the announcement. It is apparent that most of the detail leading up to the eventual demise of the Audit Commission is subject to detailed discussion and negotiation. Communications within the Audit Commission also reflect this position.
5. The Audit Commission has sent the Council a holding letter explaining that the current audit arrangements will continue (see appendix 2). The Audit Commission Board is holding an emergency meeting on 31 August to consider the policy issues relating to the announcement and a more detailed letter will then be sent to Councils outlining the proposals for the next two financial years (2010/11 and 2011/12). This letter can be forwarded on to the members of the committee for information.

Impact on KCC

6. The Council will continue have its External Audit provided by the Audit Commission for the next two financial years. The scope of this audit will be limited primarily to the annual accounts, although at present the statutory remit to give a value for money opinion remains.
7. If the CLG proceed in line with their stated timetable, legislation to enact the abolition of the Audit Commission will be sought in this Parliamentary session. This could mean that the value for money duty could be removed before the 2011/12 financial year, further reducing the External Audit burden for that year.
8. Once the framework for External Audit is clarified the Council will need to develop a tender specification document for the commissioning of its external auditor. It is most likely that the actual tender process will take place in the summer of 2012, and that members of the Governance and Audit Committee will be involved in the selection process. A draft audit specification is already being developed by Corporate Finance, and options for collaborative procurement explored.
9. Further updates will be provided to the Committee as more detailed information is released.

Recommendations

10. Members are asked to note the report.

David Tonks
Head of Audit and Risk
Ext: 4614

www.communities.gov.uk

Eric Pickles to disband Audit Commission in new era of town hall transparency

Published 13 August 2010

Communities and Local Government Secretary Eric Pickles has today announced plans to disband the Audit Commission and refocus audit on helping local people hold councils and local public bodies to account for local spending decisions. The changes will pass power down to people, replace bureaucratic accountability with democratic accountability and save the taxpayer £50 million a year.

The new Government will set in train measures to radically scale back centrally imposed, bureaucratic and costly inspection and auditing, saving council taxpayers money. The audit expertise of the Commission will be moved into the private sector.

The Audit Commission's responsibilities for overseeing and delivering local audit and inspections will stop; the Commission's research activities will end; audit functions will be moved to the private sector; councils will be free to appoint their own independent external auditors from a more competitive and open market; and there will be a new audit framework for local health bodies. This will save council taxpayers' money and decentralise power.

Ministers believe that the work of the Commission has increasingly become less focused on accountability to citizens and more on reporting upwards to Government, judging services largely against top down Government imposed targets.

As a result of the changes, the Audit Commission's in-house audit practice, which is the fifth largest audit practice in the country, will be transferred out of public ownership. A range of options will be developed for converting the audit practice into a business independent of Government which could be sold or otherwise transferred into the private sector.

A new decentralised audit regime will be established, replacing the Audit Commission and providing genuine support for local democratic accountability. This new decentralised approach, applicable to local government, police, and local health bodies, will:

Shift power from Westminster to people: Local people, not Whitehall, will now be the audience for the assurances audit gives on local spending decisions. The Government is committed to promoting decentralisation and democratic engagement and ending the era of top-down government by giving new powers to local councils, communities, neighbourhoods and individuals. This needs to be underpinned by audit reporting not upwards to Whitehall departments but to local people.

Citizens' rights: The powers of the separate Local Government Ombudsman will be strengthened, to give residents greater rights when local services go wrong.

Save the taxpayer over £50 million a year: This will include saving the central and corporate costs of the Audit Commission, currently paid for by the Commission's fees including a surcharge on audits, including those by private firms. In addition, councils will be able to appoint their own independent external auditors from a more competitive and open market among audit firms, reducing costs.

Maintain auditing standards: Councils and local health bodies will still be subject to robust auditing. Protections will be developed to ensure independence, competence and quality, including audit quality regulated within a statutory framework, overseen by the National Audit Office and profession. The Commission's research activities would stop; ending duplication with others and strengthening the National Audit Office's role in this area.

Protecting children and the vulnerable: Inspection and intervention will remain for the most vulnerable to protect public welfare, including children's services and adult social care.

Secretary of State for Communities and Local Government Eric Pickles said:

"The corporate centre of the Audit Commission has lost its way. Rather than being a watchdog that champions taxpayers' interests, it has become the creature of the Whitehall state.

"We need to redress this balance. Audit should remain to ensure taxpayers' money is properly spent, but this can be done in a competitive environment, drawing on professional audit expertise across the country. I want to see the Commission's auditing function become independent of Government, competing for future audit business from the public and private sector.

"These proposed changes go hand in hand with plans to create an army of armchair auditors - local people able to hold local bodies to account for the way their tax pounds are spent and what that money is delivering."

From: Audit Commission [mailto:a-commission@audit-commission.gov.uk]
Sent: 20 August 2010 13:18
To: McMullan, Lynda - CED FIN
Subject: Audit Commission announcement



Dear Mrs McMullan

You will have seen the announcement last Friday by the Secretary of State for Communities and Local Government about the proposed abolition of the Audit Commission. The proposed abolition will be from 2012 and the Government has announced its intention to seek legislation in this session of Parliament.

I am writing to confirm that there is no immediate change to the audit arrangements for your authority. As you are aware, your auditor is currently completing the audit of your 2009/10 accounts and preparing the accompanying annual audit letter.

I recently wrote to you outlining our proposed approach to the value for money element of the 2010/11 audit and this remains our planned approach. That letter also said that we will confirm the final position on 2010/11 audit fees following our September Board meeting.

For the limited number of planned Audit Commission inspections, we will be in touch with those authorities affected to agree the way forward.

We are in discussion with the Department about the proposed legislation and the details that will need to be worked through. I will write to you again in due course about the future audit programme and any changes to audit arrangements.

Yours sincerely

Gareth Davies
Managing Director Local Government & Community Safety

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By: Roger Gough – Cabinet Member for Corporate Support Services and Performance Management
David Tonks – Head of Audit and Risk

To: Governance and Audit Committee – 15 September 2010

Subject: INTERNAL AUDIT PROGRESS REPORT

Classification: Unrestricted

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

FOR INFORMATION

Introduction

1. This report summarises progress against the 2010/11 internal audit programme, provides the results from reviews that have been completed in the period since the last report to the Governance and Audit Committee, and reports the achievement against Internal Audit's Key Performance Indicators.

Overview of Progress

2. This report contains the outcome of Internal Audit's work completed from April to July 2010, including audits started or at draft report stage up to 31 July 2010. During the period six audits were completed, six draft reports were issued and 12 audits had commended field work. Of the reports issued two gave high assurance, two substantial, one limited and one not applicable. There were no minimal assurances.
3. Progress against the audit plan for 2010/11 is listed at annex A, and a summary of each of the audits completed in the period is at annex B.
4. The directorates' progress against the implementation of agreed recommendations is shown at annex C.
5. Other information included in this report are amendments to the Audit Plan (annex E) and a detailed breakdown of Internal Audit Performance Indicators (annex F).

Irregularities

6. Since April 2010 four cases of suspected irregularity have been reported, each involving either KCC finances or business processes. These have all been investigated and concluded during the period which is summarised at annex D.

Implications for Governance

7. No significant control weaknesses have been identified from the audits completed or the irregularities investigated in the current financial year. All audits are allocated an assurance level which are defined in annex H. Of the six audits completed in the current reporting period, none were given the

lowest category of assurance (minimal) which could indicate a significant risk for the Council.

8. Annex G provides the cumulative assurance position for the Council from 2008/09 to present.

Recommendation

9. Members are asked to note:

- the amendments to, and progress against the 2010/11 audit programme
- the assurance provided in relation to the Council's control environment as a result of the outcome of the internal audit programme completed to date.

David Tonks
Head of Audit & Risk
Ext: 4614
06 September 2010

Annex A
Progress against the 2010/11 Audit Plan

Directorate	Audit	Progress at 31 July 2010	Assurance
Authority Wide			
	Risk Management – Health & Safety	Final report issued	High
	Authority Wide – ISG Management /Strategy Development	Final report issued	Substantial
	Use of Consultants	Draft report issued	-
	Content Management (Web site Internet)	Audit in progress	-
	Data Protection	Audit in progress	-
	Handling Risk Information	Audit in progress	-
Chief Executive's			
	Virus Protection/Spyware	Draft report issued	-
	PC End User controls	Draft report issued	-
	Employment checks through Kent Top Temps	Audit in progress	-
	Accounts Payable	Draft report issued	-
	Accounts Receivable	Final report issued	High
	Year End Accounting	Final report issued	N/A
	Medium Term Planning	Audit in progress	-
	Commercial Services Accounts Payable	Audit in progress	-
	Operation of the Property Consultants Framework	Audit in progress	-
Children Families & Education			
	Cluster Funding	Draft report issued	-
	Direct Payments (for children)	Audit in progress	-
	Special Education Needs Transport	Draft report issued	-
Kent Adult Social Services			
	Residential Payments Data	Final report issued	Substantial
	Debt Management	Audit in progress	-
Communities			
	Fee Income	Audit in progress	-
	Libraries IT Renewal Project	Audit in progress	-
Environment, Highways & Waste			
			-
	Key financial controls in KCC establishments	Audit in progress	-
	Permit Scheme Application Audit	Final report issued	Limited

Risk Management – Health and Safety

Scope

The scope of the audit was to review the corporate framework of health and safety management in KCC; and communication across the directorates.

Overall Assessment – High

Generally, the audit found that the structure and processes are sound and appropriate for the organisation, although the Health and safety teams vary in size and structure.

There are effective processes in place to ensure that Health and Safety corporate policy, decisions, best practice guidance and legislation is communicated and applied across the directorates. We confirmed that there are monthly directorate meetings with regular monitoring and reporting of incidents and accidents. The Health and Safety Manager completes an annual report to the Corporate Management Team submitted through the Corporate Health and Safety board, followed by six monthly verbal updates.

The corporate and directorate action plans are compiled from various sources to ensure all priority areas in KCC are included. The audit established that the directorates' action plans include certain elements of the corporate plan as well as incorporating priorities pertinent to directorates.

There are regular training activities and continuous professional development for the health and Safety Manager and advisors.

No recommendations were made.

Authority Wide – ISG Management /Strategy Development

Scope

The scope of the audit was to review the ISG Management/Strategy Development to ensure that it meets the need of the council.

Overall assessment – Substantial

The Strategy is directly informed by the objectives of the council and is an integral part of the council's strategy for the delivery of the 'Vision for Kent' and 'Towards 2010'. The core ICT initiatives to this include:

- The Kent Public Sector Network (KPSN),
- The £10.1m Capital Programme for the ICT investment;
- Provision of Broadband as part of the Digital Strategy' and,
- Connection to the government Connect Secure Extranet

The audit found that ISG is able to support the council and directorate requirements. There is a clearly defined organisation structure and documented terms of reference for the Programme Board with oversight for the ICT capital programme. There are also regular reviews of the Strategy. However, there was no regular consolidated reporting of key directorate projects which could have an impact on the achievement of corporate goals. In addition IT standard need to be finalised and formally communicated for adoption to ensure consistency.

Two recommendations have been made to address these issues which have been accepted by management.

Accounts Receivable

Scope

The objective of the audit was to review the processes in place for billing, collection of income, debt recovery and write offs.

Overall Assessment - High

Exchequer Services raise invoices for income in excess of £97m. The audit found that in general Income was invoiced completely, accurately and promptly and that there is robust monitoring of debt to ensure high levels of debt collection. The audit excluded the billing, income collection and debt recovery for Kent Adult Social Services (ie residential and domiciliary care) as this will be subject to a separate audit.

No recommendations were made

Year End Accounts Closedown 2009/10

Scope

To review processes in place to ensure that payments and income are identified and accounted for in the correct financial year.

Overall Assessment – Not Applicable

At the end of each financial year the council's accounts are closed and financial statements are prepared prior to them being audited by the external auditors. Internal Audit carried out a review to ensure that payments and income are correctly accounted for in the correct financial year. Our testing confirmed that, payments above the de-minimus level (£500) were either processed correctly or were rectified during the audit; and all income above the de-minimus level was accounted for in the correct financial year.

The audit found that most of the invoices had been accounted for in the correct financial year. Where they had not been we found that appropriate debtors/creditors had already been set up. We also found that where directorate staff were anticipating missing closedown deadlines that they had set up appropriate debtors/creditors.

No recommendations were made.

Kent Adult Social Services - Residential Payments Data

Scope

The scope of the audit was to review processes in place to ensure that data between the social care system SWIFT and the financial system Oracle correlate so that correct payments are made to residential providers for services supplied.

Overall Assessment – Substantial

In order to process payments, a Financial Activation Notice (FAN) must be completed and authorised. The FAN which is produced by SWIFT from information provide by case managers contains client information, including the details of the residential home, and the cost. This information is also used to complete individual client cards.

The audit found good processes in place to ensure that data between Swift and Oracle financials is accurate. Robust systems in place to forecast spend for residential care using a combination of data from Swift and finance activation notices.

There were instances when there were delays in making the initial payments to residential home providers. This occurred because the relevant documentation either did not reach the Area Payments Team in a timely manner, or was lost. A recommendation has been made to improve the process and this has been accepted by senior management.

Environment Highways and Waste - Permit Scheme Application

Scope

The objective of the audit was to review the software application used to manage the road permit scheme.

Overall Assessment – Limited

Kent County Council was the first county council to apply to the Secretary of State for Transport to operate a Permit Scheme. Under the Kent Permit Scheme, a company planning to dig up a road (eg utilities companies) must apply for a permit from Kent Highways Services (KHS). KHS must also comply with the scheme for the work that they carry out.

The audit found that the application is well managed, with controls to ensure that data processed is accurate and timely. The Mayrise database is backed up nightly and the retention period allows rollback to a daily, weekly or monthly interval as required.

The primary reason for the limited assurance is because of the weak access controls to the application. However, we acknowledge that the software produced by Mayrise was developed from the original software used for notification and at that time the financial implications were much lower. As such the system is still being developed and management were aware of some of the weaknesses identified in the audit. We have been informed that management have already implemented the majority of the audit recommendations including the one that was considered to be a high risk.

Directorates' Progress with the Implementation of Agreed Recommendations

Where Internal Audit find instances of non compliance ie with policies, procedures and legislation and/or lack of internal controls recommendations are made to ensure compliance and/or improve controls. At the draft report stage of an audit, recommendations are discussed with responsible managers who decide how they will implement the recommendation and the timeframe. The agreed action, date and name of the responsible officer are included in the final audit report. Internal Audit, either follow up the progress of the implementation of agreed recommendations or seek assurance from the relevant responsible manager that the recommendation has been implemented as agreed.

The annex is split into two tables showing the progress with the implementation of agreed recommendations.

Table 1 – This details the recommendations that were due to be actioned between April and July 2010. 37 actions' were due to be in place by the end of July 2010; 28 have been implemented and 9 actions are outstanding; six of which are high priority and three medium priorities. Revised dates for implementing the outstanding recommendations have been provided.

Table 2 - This details the outstanding high priority recommendations with revised implementation dates.

Annex C: Table 1
Directorates Progress with the Implementation of Audit Recommendations
(Covers April to July 2010)

Directorate	Total actions due to be in place by end of July 2010	Actions in place	Priority of outstanding actions as at 31 March 2010			Comments on recommendations		
			C	H	M	Audit		To be completed by
Authority wide and S151	1	1				General Ledger	All recommendations completed.	
	5	5				Payroll	All recommendations completed.	
	9	9				Business Continuity Planning	All recommendations completed.	
	2			1	1	Governance of Individual Partnerships	No response due to annual leave will be progressed in September 10.	September 2010
	3			3		Imprest Accounts	Due to resources & annual leave Rec. 2 points 2, 3 & 4 are being progressed but will not be completed until 31.10.10, Directorate heads of finance are progressing Rec.1 & point 1 of Rec.2 and are due to complete by end of September 10. No response to Rec. 5 as responsible manager on annual leave will be progressed in September 10.	September/October 2010
CED	1			1		Staffcare Services	SCS are awaiting a software provider to write a 'program' to allow this action. They are fully aware of the urgency but report difficulty in getting this done. Therefore SCS are unable to complete this action until this is done or a new software provider is sourced who are able to complete this action. SCS are presently in the process to identify a software provider to meet this need, amongst many others, however this has been delayed as a result of the number of 'organisational changes' / departmental moves within KCC. They are hopeful that they will be able to source a new provider before the end of the financial year.	March 2011

Annex C: Table 1
Directorates Progress with the Implementation of Audit Recommendations
(Covers April to July 2010)

Directorate	Total actions due to be in place by end of July 2010	Actions in place	Priority of outstanding actions as at 31 March 2010			Comments on recommendations		
			C	H	M	Audit		To be completed by
	1				1	Property Management System Security	Completion of planned change to the Enterprise application in May 2010 to mitigate the risks identified in the audit has now been put back to July 2010 as completion date.	September 2010
CFE	3	3				Contact Point – IT Security	All recommendations completed.	
	3	3				Building Schools for the future	All recommendations completed.	
	2	2				Asylum Imprest Accounts	All recommendations completed.	
KASS								
EHW								
Comm	6	4		1	1	Tribal EBS	One recommendation been progressed July/August so will follow up in September. Other rec. can not be completed as earliest release of updated security will not be until Dec. 10	September & December 10
	1	1				Internet Access by the Public Key Training	Recommendation completed.	
TOTAL	37	28		6	3			

C = Critical risk, H – High risk, M = Medium risk

Annex C: Table 2
Directorates Progress with the Implementation of Audit Recommendations
(Covers April to July 2010)

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
CED – Commercial Services	Staffcare Services	The Finance & Information Officer will regularly cross reference and document a random sample of the yellow questionnaires with the counsellor invoices to ensure that there is parity in the number of sessions provided.	SCS is awaiting a software provider to write a 'program' to allow this action. They are fully aware of the urgency but report difficulty in getting this done. Therefore SCS is unable to complete this action until this is done or a new software provider is sourced who is able to complete this action. SCS is presently in the process to identify a software provider to meet this need, amongst many others. However this has been delayed as a result of the number of 'organisational changes' / departmental moves within KCC. They are hopeful that they will be able to source a new provider before the end of the financial year.	March 2011
Communities	Tribal EBS	The Systems Manager and Head of Finance should request if the software can be updated to apply the EBS Agent security function to EBS 4.	The earliest release of updated security will be December 2010	Dec 2010
Section 151	Imprest Accounts	Directorates should carry out a review of the use of all of their imprest accounts to determine if a different method of payment can be used (e.g. purchase cards) and therefore the account closed. Where directorates consider that the use of an imprest account is essential, a request must be submitted to the Director of Finance to allow the account to remain open.	Progressed to be checked with Directorate heads of finance other than CFE who are progressing with this and are due to complete by end of September 10 and CMY who have completed the review and are using purchase cards where possible	Sept. 2010
		Management should explore the feasibility of using the data uploader to upload imprest schedules on to the General Ledger. If found to be viable then appropriate action should be taken to roll it out across the directorates.	Delay due to annual leave, to be progressed by the end checked of August 10.	Aug. 2010

Annex C: Table 2
Directorates Progress with the Implementation of Audit Recommendations
(Covers April to July 2010)

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
Page 79		<p>1-All dormant cost centre account codes for imprest accounts no longer needed should be disenabled on Oracle.</p> <p>2-All surplus bank accounts that do not relate to the active imprest accounts should be identified and closed.</p> <p>3-Regular monitoring should be introduced at the corporate/directorate level to identify Oracle accounts that are no longer used and bank accounts that are not being operated. This should be carried out on a regular basis, at least once annually.</p> <p>4-To facilitate the monitoring, management should consider including the Natwest account details in the BHA (imprest) account narrative on the General Ledger, for easier identification and reconciliation of accounts in the future.</p>	<p>Point 1 completed by CFE, CMY will complete by 01 October 10 progress to be checked with other heads of finance.</p> <p>Points 2, 3 and 4 are being progressed by the Treasury and Investment Manager and are due to be completed by end of October 10.</p>	Nov 2010
Authority Wide	Governance of Individual Partnerships	The KSCB should request summary performance reports from its Partners on a quarterly basis to enable a more regular monitoring of their activities and should introduce a mechanism to obtain assurance on data quality of those reports.	Delay due to annual leave of responsible manager, to be progressed, followed up in September 10.	Sept. 2010

xx792 Overpayment to a contractor

A contractor engaged to provide repair and maintenance duties at a number of sites, submitted invoices for his time and materials used. He substantiated his invoices to KCC with the invoices from suppliers for goods that he had purchased to enable him to carry out maintenance and repairs.

A check of his invoices revealed that he had not always submitted the number of documents that was stated on his invoices, and he had used delivery notes and invoices so that he claimed and received payment more than once for the same supplies. Senior management decided that KCC would no longer engage him as a contractor. The overpayment was recovered.

Internal Audit has made recommendations to improve controls, including the thorough checking of documentation that is used to substantiate the payment of invoices, and ensuring that the number of documents submitted with invoices, matches the number itemised on invoices.

xx 794 Expenses Claims

A member of staff submitted claims for mileage that were suspected of being inflated and for journeys not carried out. In addition claims had been made for home to work mileage that the member of staff was not entitled to.

Over a period of one year the member of staff claimed for over 13,000 miles, however, the claims had not been subjected to checks and the details contained in the claims was vague. It was a new line manager who queried the high mileage being claimed.

An investigation was carried out jointly with Internal Audit and the manager of the unit. Since the details on the claims were vague the investigation was unable to establish how much had been over claimed. However, home to work mileage had been claimed and an estimate of £2,679 has been made which is the amount paid with regards to this element.

A recovery of £1,218 has so far been made and the employee who has since resigned will be invoiced for the balance.

Internal Audit has sought amendments to the standard expense claim. However this will not remove the requirement for managers to correctly check all claims submitted for authorisation.

xx796 Stolen/lost laptops and other items

A number of items have either been stolen or lost from an office. This includes three laptops; a trolley bag, handbag and keys to pedestals that contained laptops. Two of the laptops went missing during periods of annual and sick leave. When an investigation took place it was found that one of the laptops had been left out on a desk unsecured. The police have been informed but there was no evidence of any forced entry.

Staff have been advised to lock laptops and other valuables away. Spot checks will be carried out in the office building to check that laptops have not been left unattended and unsecured.

xx 797 Application for a Blue Badge

In May 2010 an application was made for the renewal of a Blue Badge via the Contact Centre. However, when checks were made by the Contact Centre staff, including a check on the register of deaths, this confirmed that the subject of the application was deceased indicating an attempt had been made to fraudulently obtain a Blue Badge.

The actual details of the person attempting to obtain the Blue badge fraudulently was not known, and therefore the Contact Centre was initially unable to pursue the issue further. However, when the 'applicant' made contact asking why they had not received the Blue Badge the Contact Centre staff obtained their details and contacted the police. The person who had made the application was the deceased person's daughter, and was given a police caution.

Amendments to Plan

This table identifies necessary amendments to the agreed 2010/2011 audit programme.

Audit	Comments	Days
CFE05 - ContactPoint	Central Government has scrapped the ContactPoint database and therefore the audit is no longer required.	-20
KASS02 - FAME	The original audit (deferred from 2009/10) was to provide assurance on the arrangements for project management in relation to this project. As the project is now in its latter stages it was considered that assurance obtained would be of limited value, and alternative assurance can be obtained by a QA review performed by ISG.	-25
Net total		-45

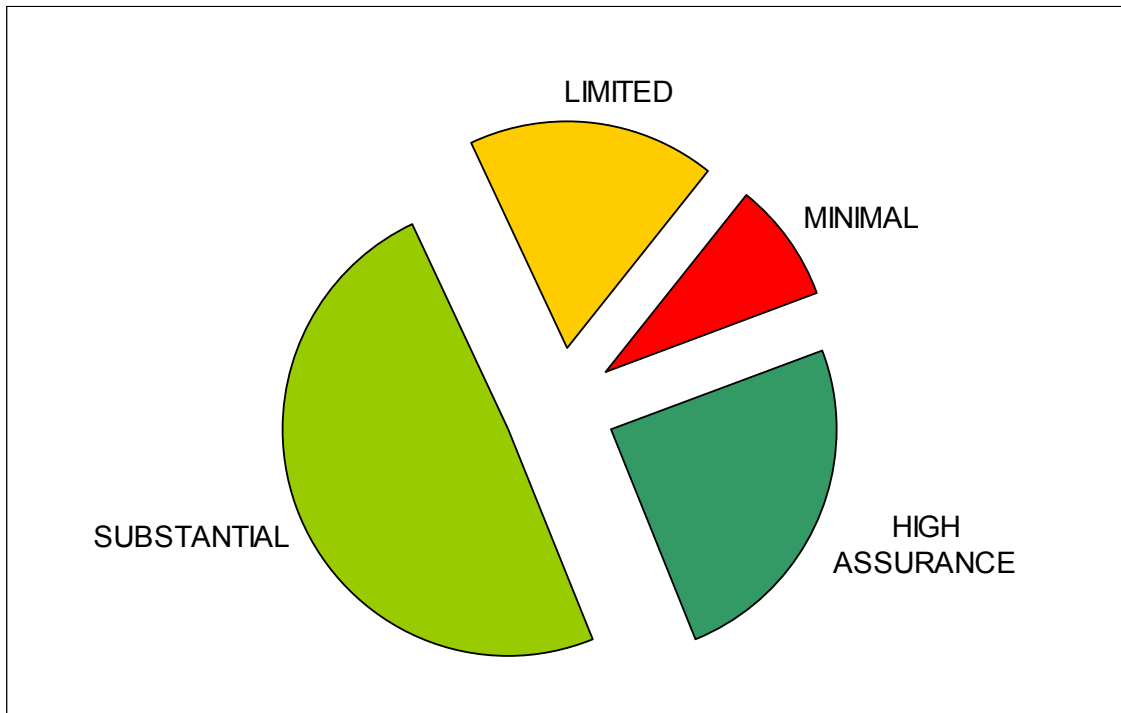
Annex F
Internal Audit Performance

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

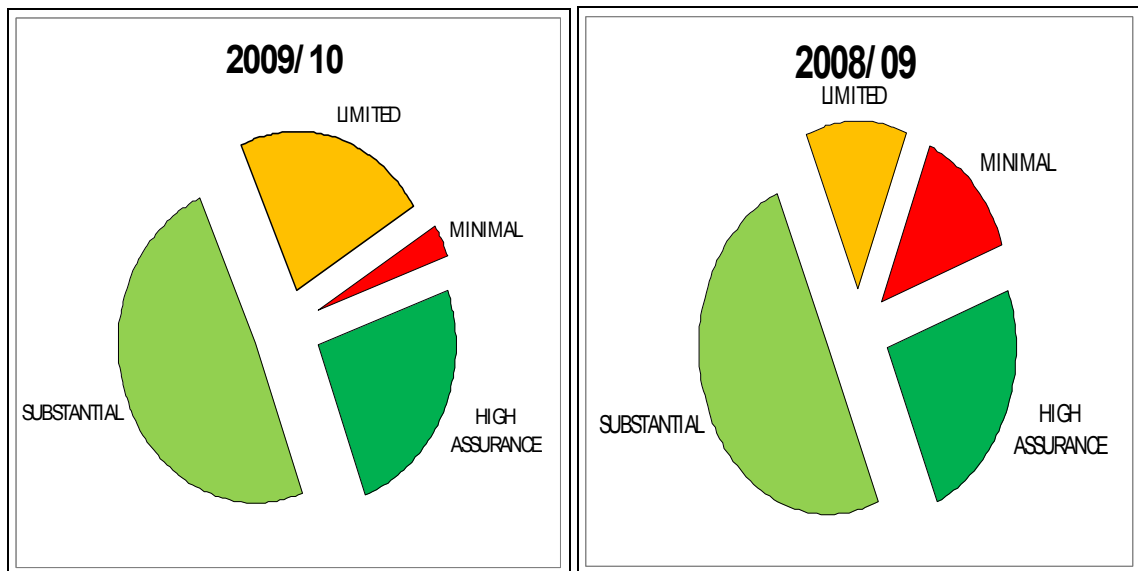
Performance Indicator	Target	Actual (Apr – July 2010)
<p><u>Effectiveness</u></p> <ul style="list-style-type: none"> • % of recommendations accepted • Compliance with the CIPFA Code of Practice for Internal Audit 	<p>98%</p> <p>90%</p>	<p>97%</p> <p>79%</p>
<p><u>Efficiency</u></p> <ul style="list-style-type: none"> • % of plan delivered (note 1) • % of available time spent on direct audit work • % of draft reports completed within 10 days of finishing fieldwork • Preparation of annual audit plan • Periodic reports on progress • Preparation of annual report and Annual Governance Statement 	<p>30%</p> <p>80%</p> <p>80%</p> <p>By March/April G&AC meetings</p> <p>By May</p>	<p>20%</p> <p>94%</p> <p>79%</p> <p>April G&AC meetings</p> <p>May</p>
<p><u>Quality of Service</u></p> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	<p>70%</p>	<p>84%</p>

1) Percentage of plan delivered as at 31 July 2010

Cumulative Assurance Position:



Assurance Position by Year



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

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By: Roger Gough – Member for Corporate Support Services
and Performance Management
David Tonks – Head of Audit and Risk
To: Governance and Audit Committee – 15 September
2010
Subject: INTERNAL AUDIT BENCH MARKING RESULTS
Classification: Unrestricted

Summary: This report summarises the 2009/10 Internal Audit Benchmarking Results.

FOR INFORMATION

INTRODUCTION

1. Internal Audit is a member of the CIPFA/IPF Audit Benchmarking Club. Through this, information about Internal Audit's costs and productivity is compared against other county councils. We also compare our costs and productivity to the previous years to establish if we are improving and/or areas where we need to improve.
2. Our benchmarking results have remained relatively similar to 2008/09. The number of 'chargeable' days per auditor has decreased slightly from 181 to 179, but is still above the average of 177. This is a comparison against all county councils that submitted data (20); Appendix A details the comparator group. Chargeable days represent the number of days that are spent on direct audit or audit related work. Non chargeable days represent non audit work for example administration, team meetings etc.
3. However, all staff are committed to continuous improvement and to increasing their chargeable time. To achieve this we continued the action that we had started in the previous year as detailed below -
 - We reviewed the way we used our internal time recording system to ensure that any non chargeable time could be quickly identified and monitored;
 - All staff were set targets for their chargeable time and this was monitored regularly during 'one to ones', reported on a monthly basis and discussed at each team meeting;
 - All potential chargeable work was identified in advance (for example pro active fraud work, completing terms of

references etc) so that any 'down time' and potential non chargeable time was minimised.

4. An area that was identified as needing addressing from the 2008/09 benchmarking was our charge out rates. This has improved in 2009/10. One of the reasons is that we have introduced more detailed coding within the time recording system so that external work can be better identified and therefore the correct amount of time charged for work carried out. This is an area that has been and will continue to be reviewed during 2010/11. Our charge out rate ranges from £260 to £400 per day, with an average of £323 per day. In 2008/09 the average was £270 per day.

Summary of 2009/10 position

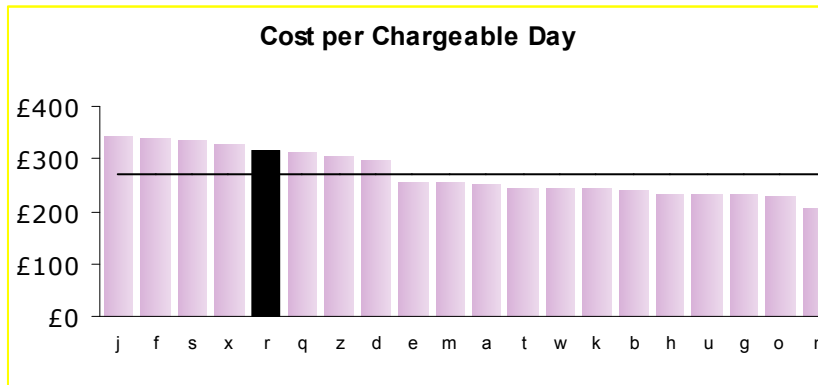
The table below shows Kent's position against other counties.

	Kent	Average	Lower quartile	Median	Upper quartile
Cost/auditor £k					
Pay	£42.5 (£38.4)	£42.0 (£42.4)	£40.24 (£38.42)	£41.9 (£40.0)	£44.0 (£42.7)
Overheads	£10.4 (£10.6)	£6.1 (£10.8)	£3.29 (£7.26)	£4.7 (£10.6)	£8.2 (£13.1)
Total	£52.9 (£49.1)	£48.1 (£52.0)	£43.80 (£46.31)	£46.4 (£51.2)	£52.2 (£54.2)
Days per auditor	179 (181)	177 (173)	170 (166)	176 (171)	180 (179)
Cost per day (net to LA)	£318 (£315)	£272 (£299)	£238 (£261.78)	£253 (£304)	£314 (£326)
Days per £m	1.01 (1.00)	2.06 (2.27)	1.86 (1.71)	2.19 (2.22)	2.29 (2.54)
Cost per £m	£321 (£316)	£557 (£666)	£496 (£537.44)	£542 (£605)	£597 (£813)

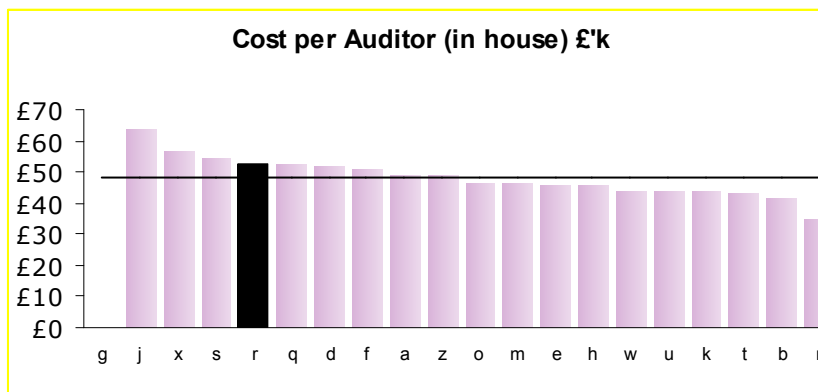
The figures in brackets shows data for 2008/2009

The following charts provide further details:-

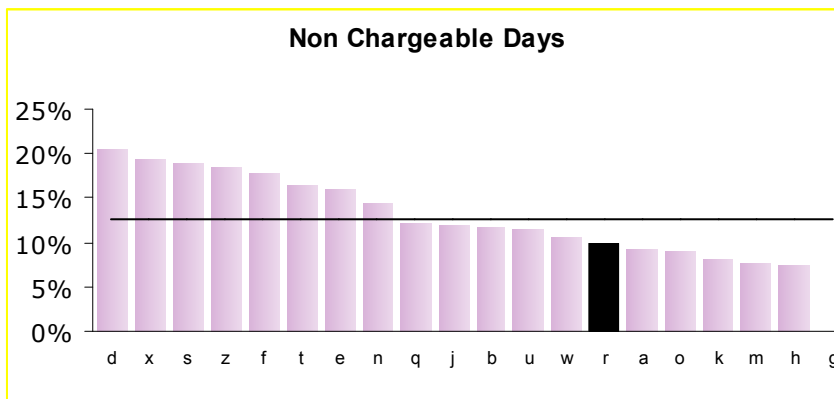
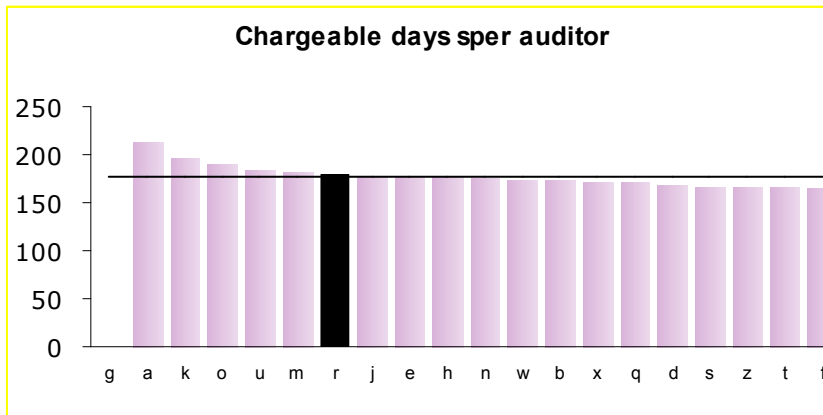
- Our **cost per chargeable day** was £406 in 07/08, £315 in 08/09 and was £318 in 2009/10. The cost per chargeable day is above the average of £272 per day this is because we have used external providers to deliver part of our service (mostly ICT audit work) and some agency staff.



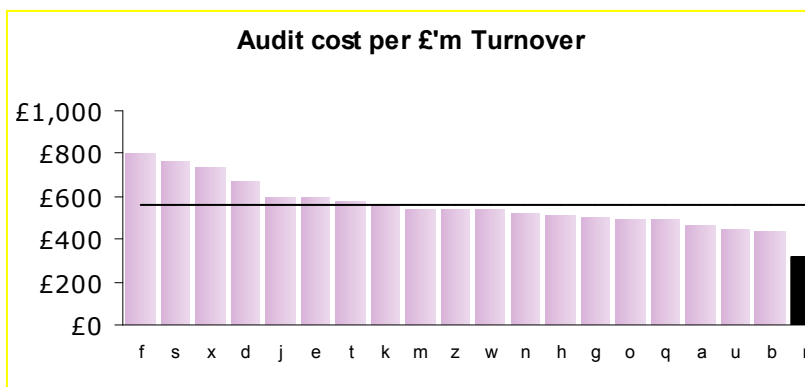
- The cost per chargeable day is affected by two variables: the **cost per auditor** (broken down into pay and overheads) and the **chargeable days per auditor**.



- Our **cost per auditor** has risen from £ £49,051 in 08/09, (13th highest) to £52,862 which is above the average of £48,118. However, this includes a proportion of the Head of Audit and Risk's salary and the cost of agency staff.



10. The **chargeable days per auditor** is affected by many factors namely bank holidays, annual leave, training, sickness, and other 'non-chargeable' days for example administration, team meetings and other tasks that are not directly related to audit work. The number of **chargeable days per auditor** was 179 which is slightly above the average of 177 but is a slight reduction from 2008/09 when the average number of days was 181. However, the Internal Audit Section is supporting four members of staff to obtain professional qualifications and this therefore, reduces the number of available days. Our **non chargeable days** is 10% which is below the average of 12.5%



11. Kent spends the least per £m gross turnover on its audit service than other county councils. However, Kent does not carry out 'school audits' ie compliance visits, or the Financial Management Standards in Schools (FMSiS) assessments that a number of other (although not all) councils do. This is carried out by teams in the Children, Families and Education directorate. If these teams' costs were included this would put our costs nearer the mid range.

12. A full version of the Benchmarking report is available upon request.

Recommendation

13. Members are asked to note this report.

Janet Armstrong
Senior Audit Manager
Ext: 4567
27 August 2010

Code	County Council
a	Devon
b	Suffolk
d	Cumbria
e	Leicestershire
f	Hampshire
g	Somerset
h	Buckinghamshire
j	Surrey
k	Essex
m	Cambridgeshire
n	North Yorkshire
o	Staffordshire
q	West Sussex
r	Kent
s	Gloucestershire
t	Lincolnshire
u	Nottinghamshire
w	Norfolk
x	East Sussex
z	Lancashire

By: Roger Gough, Cabinet Member for Corporate Support Services
& Performance Management
Katherine Kerswell – Group Managing Director

To: Governance and Audit Committee – 15 September 2010

Subject: OMBUDSMAN COMPLAINTS

Classification: Unrestricted

Summary and Recommendations: To report the Local Government Ombudsman Letter & Annual Review 2009/10 and the latest position on complaints about Kent County Councils escalated to the Ombudsman in 1 April – 30 June 2010.

STATUS FOR INFORMATION

1. Local Government Ombudsman Letter & Annual Review 2009/2010

1.1 Each year, the Local Government Ombudsman issues an annual review in which he sets out the number of complaints he has dealt with concerning the county council and summarises the outcome in each case. The purpose of the letter and Annual Review is to:

- help Councils learn from the outcome of complaints to the Ombudsman
- underpin effective working relationships between Councils and the Ombudsman's office
- identify opportunities for the Ombudsman and his staff to provide assistance that a Council may wish to seek in bringing about improvements to its internal complaint handling
- generally provide complaint-based information which the Ombudsman hopes Councils will find useful in assessing and reviewing their performance.

1.2 The Ombudsman's letter to the Group Managing Director plus the Annual Review for 2009/2010 is attached as Appendix A to this report.

2. Ombudsman Complaints Statistics

2.1 For the second year running, the Ombudsman has changed the reporting format of statistics so appendix 2 of his review contains details relating to complaints made to the Ombudsman against KCC for the last financial year only. (In the past, complaints received for the two years prior to the one reported were also shown allowing easier comparison). The Ombudsman also provides KCC's response times to first enquiries over the past three years and compares KCC's performance in this respect with other councils.

2.2 The figures tabled in appendix 2 shows that the Ombudsman received 161 complaints about KCC in 2009/10 (including 43 that were deemed premature) compared to 164 complaints (54 premature) in 2008/09 and 146 (28 premature) in 2007/08.

2.3 In April 2009 the KCC complaints procedure was streamlined from 3 internal stages to a 2 internal stage process. Although there has been an increase in the number of complaints reported to KCC in 2009/10, the removal of the third stage (Chief Executive Review) has not seen an increase in the number of complaints received by the Local Government Ombudsman.

2.4 Of the 118 complaints that the Ombudsman investigated in 2009/10, 86 of them (nearly 75%) related to education matters and virtually all of these were about school admission appeals. KCC Officers met with senior investigators from the Local Government Ombudsman Office to discuss the issues related to school admissions. The Council has incorporated the feedback from the meeting into its training of Appeal Panel Members and Clerks.

2.5 The Ombudsman's criticisms of KCC in this year's letter fall into three main issues:

- not providing the LGO with an initial response to enquiries within the LGO's target time of 28 days
- not providing full and comprehensive responses necessitating further enquiries by the Ombudsman
- reluctance to settle complaints locally until ordered to do so by the Ombudsman.

2.6 The Ombudsman did observe that the average response time of 31.5 days in 2009/10 was an improvement on the average of 38.1 days for 2008/09. The improvement was due to the recruitment of a new member of staff in April 2009 to assist the Council's designated link officer (Caroline Dodge, Corporate Access to Information Coordinator) manage her increased workload. Further training is planned for staff to ensure that full and comprehensive responses are sent to the Ombudsman. There were 29 Ombudsman local settlement decisions in 2009/10. These complaints are being reviewed to see how KCC can be more proactive in the future.

2.7 Of the 120 decisions issued, there was only one report of maladministration, KCC's first in four years. The Ombudsman provides a summary of the case and KCC's action following the complaint in section 1 of his review (page 3 of the Ombudsman report).

2.8 To conclude on a positive note, 90 of the 120 complaints that the Ombudsman issued a decision on, couldn't have been avoided. KCC had done nothing wrong; the complainant was simply unhappy with perhaps a decision or policy that went against them.

3. Developments in the Local Government Ombudsman service

3.1 In April 2010 the LGO launched the first pilot phase of a complaints service extending its jurisdiction to consider parent and pupil complaints about state schools. This power was introduced by the Apprenticeships, Skills, Children and Learning Act 2009. Kent County Council is one of the ten local authorities involved in phase 2 of the pilot starting on 1 September 2010 and the Secretary of State will no longer consider complaints about schools in Kent. We will have the advantage of working with the LGO as the service develops to ensure that it works well for both pupils and

their families and our schools across the county. Further information is available at <http://www.lgo.org.uk/schools/>

3.2 The Health Act 2009 extended the Local Government Ombudsman's powers to investigate complaints about privately arranged and funded adult social care, where the provider is registered with the Care Quality Commission. These powers come into effect from 1 October 2010. Provision of care that is arranged by an individual and funded from direct payments also falls within this jurisdiction. Each Ombudsman has set up a team to deal with all adult social care complaints. The Ombudsman is currently developing information sharing agreements with both the Care Quality Commission and local authorities in their roles as adult safeguarding leads and service commissioners.

3.3 Kent Adult Social Services welcomes the LGO's dedicated complaints service that is being introduced in October 2010, which will bridge this gap and will be raising awareness of this new service in the coming months to ensure that people who fund their own support are provided with information to be able to make a complaint to the LGO. Further information is available at <http://www.lgo.org.uk/working-for-us/self-funders/>

4. New Local Government Ombudsman Complaints 1 April - 30 June 2010

4.1 There are no cases outstanding from previous financial years. However, see Appendix B Table 1 for a summary of the complaints that were outstanding as at 31 March 2010 but where the Ombudsman has since issued a decision. Please note that these statistics will be reflected in next year's annual review.

4.2 From 1 April – 30 June 2010 KCC had received 40 new complaints about the Council from the LGO. This excludes 8 complaints which were classified by the LGO as "premature", that is the LGO considered that the Council had not yet had sufficient opportunity to consider them first and asked that KCC put these through its internal complaints procedure first. (Appendix B Table 2 & 3)

5. Conclusion

5.1 The letter and Annual Review reflects the generally good working relationship which exists between the County Council and the Ombudsman's office. Positive action is being taken to respond to lessons learnt through complaints monitoring – through service development, training and through improvements to the complaints process itself.

6. Recommendations

6.1 Members are asked to note the contents of this report.

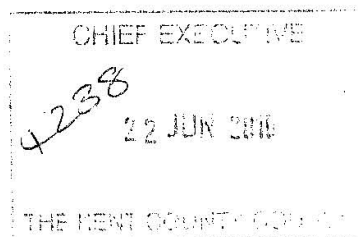
Caroline Dodge
Corporate Access to Information Coordinator
Ext 1652

Janice Hill
Performance & Improvement Manager
Ext 1981

Local Government
OMBUDSMAN

21 June 2010

Ms K Kerswell
Managing Director
Kent County Council
County Hall
Maidstone ME14 1XQ



If telephoning contact: Mr Redmond's PA on 020 7217 4692
email address: d.gorwala@lgo.org.uk

Dear Ms Kerswell

Annual Review 2009 / 2010

I am writing to give you a summary of the complaints about your authority that my office has dealt with over the past year, set out in the annual review attached. I hope you find the review a useful addition to other information you have on how people experience or perceive your services.

The review is split into two sections. The first concerns complaints about your authority and the second section provides a general update on LGO developments. I would welcome any comments you may have on the form and content of the review.

We will publish all the annual reviews on our website (www.lgo.org.uk). We will wait for three weeks after this letter before doing so, to give you an opportunity to consider the review first. If any material factual inaccuracy is found we will reissue it. We will issue a press release about the publication of the annual reviews on our website. We will also publish on our website a summary of statistics relating to the complaints we have received and dealt with against all authorities.

I would again be happy to consider requests for me or a senior colleague to visit the authority to present and discuss the letter with councillors or staff. We will do our best to meet the requests within the limits of the resources available to us.

I am also arranging for a copy of this letter and the review to be sent to you electronically so that you can distribute it easily internally and put the annual review on your website. You do not need to include this covering letter on your website.

Yours sincerely



Tony Redmond

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Tony Redmond
Local Government Ombudsman
Nigel Ellis
Deputy Ombudsman

Local Government
OMBUDSMAN

**The Local Government Ombudsman's
Annual Review**

Kent County Council

**for the year ended
31 March 2010**

Local Government Ombudsmen (LGOs) provide a free, independent and impartial service. We consider complaints about the administrative actions of councils and some other authorities. We cannot question what a council has done simply because someone does not agree with it. If we find something has gone wrong, such as poor service, service failure, delay or bad advice, and that a person has suffered as a result, we aim to get it put right by recommending a suitable remedy. We also use the findings from investigation work to help authorities provide better public services through initiatives such as special reports, training and annual reviews.

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Section 1: Complaints about Kent County Council 2009/10

Introduction

This annual review provides a summary of the complaints we have dealt with about Kent County Council. We have included comments on the authority's performance and complaint-handling arrangements, where possible, so they can assist with your service improvement.

I hope that the review will be a useful addition to other information your authority holds on how people experience or perceive your services.

Two appendices form an integral part of this review: statistical data for 2009/10 and a note to help the interpretation of the statistics.

Enquiries and complaints received

Last year our Advice Team handled 161 enquiries and complaints about your Council. Of these 14 related to complaints which we considered were premature, and we referred them to your Council for investigation. We gave advice to 28 other enquirers on a variety of matters, including my jurisdiction. Our Advice team passed 119 complaints to the investigative team. The issue which prompted the largest group of enquiries and the most complaints was education. Of 116 complaints forwarded to the investigative team 86 concerned education.

Complaint outcomes

Last year I made decisions on 120 complaints against your Council. There were 52 complaints in which I found no, or insufficient, evidence of fault by the Council to warrant further investigation. I used my discretion not to pursue investigations into 21 complaints, for example where the injustice to the complainant was not significant enough to warrant a remedy or where the remedy which the Council had provided was adequate. I found that 17 complaints were outside my jurisdiction.

Reports

When we complete an investigation, we generally issue a report. I issued one report. The complaint concerned the Council's actions in respect of the complainant's two children both of whom have learning difficulties. I found that the Council failed in its statutory duty to make direct payments available for overnight respite care. The Council also failed to carry out regular reviews of children in need. There was a delay in assessing the needs of the family which, coupled with the failure to make direct payments available for overnight respite care, meant that one of her children missed one night a week of overnight respite care for eight months, and seven hours of daytime respite care a week for three months. To remedy matters the Council agreed to pay the complainant the value of the direct payments she missed (in the region of £12,000). It apologised and paid a further £500 for the time and trouble she had been put to in pursuing her complaint. The Council has also taken action to ensure that regular reviews are carried out for children in need.

Local settlements

A 'local settlement' is a complaint where, during the course of our investigation, a council takes or agrees to take some action that we consider to be a satisfactory response to the complaint. In 2009/10, [26.9%] of all complaints the Ombudsmen decided and which were within our jurisdiction were local settlements. Of the complaints we decided against your authority which were within my

jurisdiction 29 (28%) were local settlements. These settlements resulted in the Council making payments totalling just under £9,000 (£5,000 of which was in respect of one complaint).

Of the 29 local settlements, 25 were education complaints. The largest group of local settlements, 21, concerned applications and appeals for admission to schools where the Council is the admissions authority. The faults included wrong or insufficient information being presented to appeal panels, inappropriate questioning by panellists and poor record keeping. In 14 cases the Council agreed to settle the complaint by the offer of a fresh appeal hearing. In five cases the Council offered a place at the preferred school. I found fault in four other admission cases but used my discretion not to pursue these as I was not satisfied that any injustice had been caused.

During the year, four of my staff met officers from the Council's corporate complaints section and its education department. They discussed identified problems in the way the Council arranges appeals (both for its own schools and in the appeal service that it provides for voluntary aided and foundation schools). They also discussed some delays in responding to our enquiries and resistance to settling complaints. The meeting was useful. As a result, two of my staff took part in three training sessions the Council organised for panellists, presenting officers and appeal clerks for all types of schools.

I settled four other education complaints. Two concerned a failure by the Council to provide education while a child was out of school. The Council paid a total of £1,450 compensation. The second concerned the Council's failure to state that it would not pay for transport to a school named in a statement of special educational needs. The Council agreed to provide transport following my involvement. The last concerned a number of faults in the way the Council dealt with a child's special educational needs. As a result he lost half a year's education which had an impact on him and his mother, who was unable to work while she cared for him at home. The Council paid £5,000 compensation.

Of the remaining four settlements one concerned errors by the Council in the way it arranged a meeting to discuss care arrangements for the complainant's daughter, for which the Council paid £250 compensation. A second concerned some modest fault in the way the Council considered a consumer affairs complaint, for which it apologised. Two concerned highways matters. In the first of these the Council had not implemented a previous agreement to adopt a highway. The Council clarified the timescale for carrying out this work. In the second the Council failed to give advance notice of a road closure. The Council agreed to pay £1,000 compensation for the impact on the complainant's business.

Liaison with the Local Government Ombudsman

The average time taken by the Council to reply to our written enquiries was 31.5 days. This is an improvement on last year's figure but still outside my target time of 28 days. As in previous years the Council's responses do not always provide full answers. There is sometimes a reluctance to acknowledge fault and to agree to local settlements. These issues were raised at the meeting I have referred to above. I hope that the Council can continue to reduce the time taken to reply and respond positively to my proposed settlements.

Training in complaint handling

I would like to take this opportunity to remind the Council that part of our role is to provide advice and guidance about good administrative practice. We offer training courses for all levels of local authority staff in complaints handling and investigation. All courses are presented by experienced investigators. They give participants the opportunity to practise the skills needed to deal with complaints positively and efficiently. We can also provide customised courses to help authorities to deal with particular issues and occasional open courses for individuals from different authorities.

I have enclosed some information on the full range of courses available together with contact details for enquiries and bookings.

During the year I ran seminars for officers dealing with adult social care complaints. I am pleased that two of your staff attended one of these events. I hope they found it useful.

Conclusions

I welcome this opportunity to give you my reflections about the complaints my office has dealt with over the past year. I hope that you find the information and assessment provided useful when seeking improvements to your authority's services.

**Tony Redmond
Local Government Ombudsman
10th Floor
Millbank Tower
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London
SW1P 4QP**

June 2010

Section 2: LGO developments

Introduction

This annual review also provides an opportunity to bring councils up to date on developments in the LGO and to seek feedback.

New schools complaints service launched

In April 2010 we launched the first pilot phase of a complaints service extending our jurisdiction to consider parent and pupil complaints about state schools in four local authority areas. This power was introduced by the Apprenticeships, Skills, Children and Learning Act 2009.

The first phase involves schools in **Barking and Dagenham, Cambridgeshire, Medway and Sefton**. The Secretary of State no longer considers complaints about schools in these areas. In September the schools in a further 10 local authority areas are set to join the pilot phase.

We are working closely with colleagues in the pilot areas and their schools, including providing training and information sessions, to shape the design and delivery of the new service. It is intended that by September 2011 our jurisdiction will cover all state schools in England.

A new team in each office now deals with all complaints about children's services and education on behalf of the Ombudsman. Arrangements for cooperation with Ofsted on related work areas have been agreed.

For further information see the new schools pages on our website at www.lgo.org.uk/schools/

Adult social care: new powers from October

The Health Act 2009 extended the Ombudsmen's powers to investigate complaints about privately arranged and funded adult social care. These powers come into effect from 1 October 2010 (or when the Care Quality Commission has re-registered all adult care providers undertaking regulated activity). Provision of care that is arranged by an individual and funded from direct payments comes within this new jurisdiction.

Each Ombudsman has set up a team to deal with all adult social care complaints on their behalf. We expect that many complaints from people who have arranged and funded their care will involve the actions of both the local authority and the care provider. We are developing information-sharing agreements with the Care Quality Commission and with councils in their roles as adult safeguarding leads and service commissioners.

Council first

We introduced our Council first procedure in April last year. With some exceptions, we require complainants to go through all stages of a council's own complaints procedure before we will consider the complaint. It aims to build on the improved handling of complaints by councils.

We are going to research the views of people whose complaints have been referred to councils as premature. We are also still keen to hear from councils about how the procedure is working, particularly on the exception categories. Details of the categories of complaint that are normally treated as exceptions are on our website at www.lgo.org.uk/guide-for-advisers/council-response

Training in complaint handling

Demand for our training in complaint handling has remained high, with 118 courses delivered over the year to 53 different authorities. Our core Effective Complaint Handling course is still the most popular – we ran some of these as open courses for groups of staff from different authorities. These are designed to assist those authorities that wish to train small numbers of staff and give them an opportunity to share ideas and experience with other authorities.

The new Effective Complaint Handling in Adult Social Care course, driven by the introduction of the new statutory complaints arrangements in health and adult social care in April 2009, was also popular. It accounted for just over a third of bookings.

Over the next year we intend to carry out a thorough review of local authority training needs to ensure that the programme continues to deliver learning outcomes that improve complaint handling by councils.

Statements of reasons

Last year we consulted councils on our broad proposals for introducing statements of reasons on the individual decisions of an Ombudsman following the investigation of a complaint. We received very supportive and constructive feedback on the proposals, which aim to provide greater transparency and increase understanding of our work. Since then we have been carrying out more detailed work, including our new powers. We intend to introduce the new arrangements in the near future.

Delivering public value

We hope this information gives you an insight into the major changes happening within the LGO, many of which will have a direct impact on your authority. We will keep you up to date through LGO Link as each development progresses, but if there is anything you wish to discuss in the meantime please let me know.

Mindful of the current economic climate, financial stringencies and our public accountability, we are determined to continue to increase the efficiency, cost-effectiveness and public value of our work.

Tony Redmond
Local Government Ombudsman
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June 2010

Appendix 1: Notes to assist interpretation of the statistics 2009/10

Table 1. LGO Advice Team: Enquiries and complaints received

This information shows the number of enquiries and complaints received by the LGO, broken down by service area and in total. It also shows how these were dealt with, as follows.

Premature complaints: The LGO does not normally consider a complaint unless a council has first had an opportunity to deal with that complaint itself. So if someone complains to the LGO without having taken the matter up with a council, the LGO will either refer it back to the council as a 'premature complaint' to see if the council can itself resolve the matter, or give advice to the enquirer that their complaint is premature.

Advice given: These are enquiries where the LGO Advice Team has given advice on why the LGO would not be able to consider the complaint, other than the complaint is premature. For example, the complaint may clearly be outside the LGO's jurisdiction.

Forwarded to the investigative team (resubmitted premature and new): These are new cases forwarded to the Investigative Team for further consideration and cases where the complainant has resubmitted their complaint to the LGO after it has been put to the council.

Table 2. Investigative Team: Decisions

This information records the number of decisions made by the LGO Investigative Team, broken down by outcome, within the period given. **This number will not be the same as the number of complaints forwarded from the LGO Advice Team** because some complaints decided in 2009/10 will already have been in hand at the beginning of the year, and some forwarded to the Investigative Team during 2009/10 will still be in hand at the end of the year. Below we set out a key explaining the outcome categories.

MI reps: where the LGO has concluded an investigation and issued a formal report finding maladministration causing injustice.

LS (local settlements): decisions by letter discontinuing our investigation because action has been agreed by the authority and accepted by the LGO as a satisfactory outcome for the complainant.

M reps: where the LGO has concluded an investigation and issued a formal report finding maladministration but causing no injustice to the complainant.

NM reps: where the LGO has concluded an investigation and issued a formal report finding no maladministration by the council.

No mal: decisions by letter discontinuing an investigation because we have found no, or insufficient, evidence of maladministration.

Omb disc: decisions by letter discontinuing an investigation in which we have exercised the LGO's general discretion not to pursue the complaint. This can be for a variety of reasons, but the most common is that we have found no or insufficient injustice to warrant pursuing the matter further.

Outside jurisdiction: these are cases which were outside the LGO's jurisdiction.

Table 3. Response times

These figures record the average time the council takes to respond to our first enquiries on a complaint. We measure this in calendar days from the date we send our letter/fax/email to the date that we receive a substantive response from the council. The council's figures may differ somewhat, since they are likely to be recorded from the date the council receives our letter until the despatch of its response.

Table 4. Average local authority response times 2009/10

This table gives comparative figures for average response times by authorities in England, by type of authority, within three time bands.

LGO Advice Team

Enquiries and complaints received	Adult care services	Children and family services	Education	Housing	Benefits	Planning and building control	Transport and highways	Other	Total
Formal/informal premature complaints	3	7	1	0	1	0	3	0	15
Advice given	3	0	14	1	0	2	2	6	28
Forwarded to investigative team (resubmitted premature)	0	1	0	0	0	0	2	0	3
Forwarded to investigative team (new)	7	12	86	0	0	2	6	2	115
Total	13	20	101	1	1	4	13	8	161

Investigative Team

Decisions	MI reps	LS	M reps	NM reps	No mal	Omb disc	Outside jurisdiction	Total
2009 / 2010	1	29	0	0	52	22	16	120

Appendix 2: Local Authority Report - Kent CC

For the period ending - 31/03/2010

Average local authority resp times 01/04/2009 to 31/03/2010

Response times	FIRST ENQUIRIES	
	No. of First Enquiries	Avg no. of days to respond
1/04/2009 / 31/03/2010	76	31.5
2008 / 2009	69	38.1
2007 / 2008	78	29.4

Types of authority	<= 28 days		29 - 35 days		> = 36 days	
	%	%	%	%	%	%
District Councils	61	22	17	6	17	6
Unitary Authorities	68	26	22	8	22	8
Metropolitan Authorities	70	22	32	10	36	12
County Councils	58	52	60	20	20	20
London Boroughs	52	60	20	20	20	20
National Parks Authorities	60	20	20	20	20	20

Summary of complaints received from LGO since April 2010

Summary of complaints received from LGO prior to 31 March 2010: decision now issued

Table 1

Reasons for the investigations	Number	Ombudsman decisions
Children's Social Service		
Unreasonable delay by KCC in responding to complaint	1	Local Settlement
Fault in how investigation re allegations about his son was handled	1	Ombudsman Discretion
Commercial services		
Unhappy with son's home to school transport arrangements and the lack of help received from previous complaints	1	Local Settlement
Education		
Administrative fault in testing in connection with parents application for their daughter to selective Kent schools	1	Ombudsman Discretion
Kent Adult Social Services		
KCC failed to inform her father about alternative care options	1	Ombudsman Discretion

Key to outcome categories:

MI reps: where the LGO has concluded an investigation and issued a formal report finding maladministration causing injustice.

LS (local settlements): decisions by letter discontinuing our investigation because action has been agreed by the authority and accepted by the LGO as a satisfactory outcome for the complainant.

M reps: where the LGO has concluded an investigation and issued a formal report finding maladministration but causing no injustice to the complainant.

NM reps: where the LGO has concluded an investigation and issued a formal report finding no maladministration by the council.

No mal: decisions by letter discontinuing an investigation because we have found no, or insufficient, evidence of maladministration.

Omb disc: decisions by letter discontinuing an investigation in which we have exercised the LGO's general discretion not to pursue the complaint. This can be for a variety of reasons, but the most common is that we have found no or insufficient injustice to warrant pursuing the matter further.

Outside jurisdiction: these are cases which were outside the LGO's jurisdiction.

**Table 2 A summary of the latest position of these 32 new complaints:
(Directorate that the complaints relate to are set out in Table 3).**

Total new complaints 1/4/10 -30/6/10 of which:	Number
In hand (<i>KCC collating information for the Ombudsman's investigation</i>)	
Ombudsman's decision awaited	16
Ombudsman decision issued - Local Settlement	1
Ombudsman decision issued - Ombudsman's Discretion	2
Ombudsman decision issued - outside Ombudsman's Jurisdiction	1
Ombudsman decision issued - No evidence of Maladministration	12
Ombudsman decision issued - Maladministration causing Injustice	0

Table 3 Reasons for the investigations and Ombudsman decisions to date:

Reasons for the investigations	Number	Ombudsman decisions
Children's Social Services		
Unsatisfactory handling of social services case	1	No evidence of Maladministration
Inadequate support since leaving foster care	1	
Inadequate responses to original complaint and did not make complainant aware of the appeals process	1	
Education		
Failure to ensure that daughter was provided with full time appropriate education whilst awaiting a school placement	1	
Legal & Democratic Services		
Administrative fault when arranging an appeal against son's permanent exclusion from school and the consideration of that appeal	1	
Failure to deal with complaint and Freedom of Information request	1	Ombudsman's Discretion
Legal & Democratic Services & Education		
Administrative fault when dealing with application for Grammar School	7	No evidence of Maladministration
Administrative fault when dealing with application to C of E Primary School	1	Local Settlement

Reasons for the investigations	Number	Ombudsman decisions
Administrative fault when dealing with application to C of E Infant School	1	Ombudsman's Discretion
Administrative fault when dealing with appeal for place at Infant School	2	No evidence of Maladministration
Administrative fault when dealing with application for Grammar School	4	
Administrative fault when dealing with appeal for place at Infant School	1	
Administrative fault when dealing with appeal for place at Primary School	3	
Kent Adult Social Services		
Unsatisfactory handling of late mother's cost of care by Kent Care accounts	1	No evidence of Maladministration
KHS		
KCC failed to take any action to minimise risk of flooding to property	1	Outside Ombudsman's Jurisdiction
Lack of communication between KCC and Tonbridge and Malling Council	1	
Failure by KHS to take their noise complaint seriously and carry out appropriate tests	1	
Failure to properly advertise and consult with local residents about an experimental Traffic regulation order	1	
Incorrect information being supplied re Traffic Regulation Order for Clapper Farm Lane	1	
Trading Standards		
Failure by Trading Standards to properly investigate a false advertisement re coils from B&Q	1	No evidence of Maladministration

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