

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 14th September, 2011

10.00 am

Darent Room, Sessions House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 14th September, 2011, at 10.00 am
Darent Room, Sessions House, County Hall, Maidstone

Ask for: **Andrew Tait**
Telephone: **01622 694342**

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

UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest for items on the agenda for this meeting
4. Minutes - 30 June 2011 (1 - 8)
5. Meeting dates in 2012
Wednesday, 18 April 2012
Thursday, 26 July 2012
Tuesday, 25 September 2012 (at 2.00 pm)
Wednesday, 19 December 2012
6. Committee Work Programme (9 - 12)
7. The development of Statements of Required Practice (13 - 18)
8. KCC's Performance Management Framework (19 - 24)
9. Review of the Committee Terms of Reference (25 - 30)
10. Progress update on "Change to Keep Succeeding" TO FOLLOW
11. 2010/11 Budget Monitoring (31 - 32)
12. Ombudsman Complaints (33 - 58)
13. 2010/11 Final Accounts and Annual Governance Report (59 - 106)
14. Treasury Management update (107 - 114)
15. Annual RIPA Report on "surveillance" and other activities carried out by KCC between January and December 2010 (115 - 122)
16. Internal Audit progress report (123 - 140)
17. Internal Audit Benchmarking results (141 - 146)

18. Progress for anti-fraud and corruption arrangements (147 - 148)
19. Bribery Act 2010 (149 - 154)
20. The future of the Head of Audit and Risk role (155 - 156)
21. 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, 6 September 2011

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.

TERMS OF REFERENCE

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.

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 Thursday, 30 June 2011.

PRESENT: Mr R L H Long, TD (Chairman), Mr A R Chell, Mr K A Ferrin, MBE, Mr C Hibberd, Mr D A Hirst, Ms A Hohler, Mr S Manion (Substitute for Mr M V Snelling), Mr R A Marsh, Mr R J Parry, Mr T Prater, Mr R Tolputt Mr C T Wells

ALSO PRESENT: Miss S J Carey, Mr D Wells Mrs E Robinson

OFFICERS: Mr A Wood (Acting Corporate Director of Finance and Procurement), Mr D Tonks (Head of Audit & Risk), Mr N Vickers (Head of Financial Services), Mrs C Head (Chief Accountant), Mr P Mulholland (Group Leader, Property and Commercial), Ms J Hill (Performance Manager) Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Mrs E Robinson from the Audit Commission.

UNRESTRICTED ITEMS

16. Membership

(Item 2)

The Committee noted the appointment of Ms A Hohler and Mr R A Marsh in place of Mr P W A Lake and Mr J F London.

17. Minutes - 16 March 2011

(Item 5)

RESOLVED that subject to an amendment to Minute 4 (2) to clarify that the regular updates should take place at each meeting, the Minutes of the meeting held on 16 March 2011 are correctly recorded and that they be signed by the Chairman.

18. Committee Work Programme

(Item 6)

(1) The Head of Audit and Risk presented a forward work programme to the Committee for approval.

(2) The Committee agreed to the inclusion of an informal meeting for Members of the Committee to consider the savings programme with particular reference to those Project Initiation Documents where those responsible for the savings were at risk of failure to meet their targets or where an unforeseen impact on front line services had resulted. The preferred date was late July 2011.

(3) RESOLVED that subject to (2) above, the forward work programme for 2011 be agreed.

19. Treasury Management Annual Review 2010/11

(Item 7)

(1) The Head of Financial Services gave a report summarising Treasury Management activities in 2010/11. This included a high rating from Internal Audit, which had been reported to the quarterly Treasury Advisory group.

(2) The Head of Financial Services replied to questions from Members of the Committee by saying that it was anticipated that, assuming that the County Council maintained its Preferred Creditor status, it was projected that 95% of its investment in Icelandic Banks would be recovered. He also informed the Committee that the Treasury Advisory Group would meet in late July to consider whether the County Council should undertake short-term borrowing from Santander UK.

(3) RESOLVED that approval be given to the report for submission to the County Council.

20. External Audit Governance report

(Item 8)

(1) The draft Annual Governance report had been circulated to the Committee prior to the meeting.

(2) Mr Darren Wells from the Audit Commission said that the draft report gave assurance that there were no serious governance issues that needed to be addressed.

(3) In response to a question on unadjusted misstatements in the financial statements (Appendix 3 of the Annual Governance Report), the Acting Corporate Director of Finance and Procurement informed the Committee that these would only be corrected if it transpired that other adjustments would also be needed. This was because the corrections would have to be made throughout the accounts. There would be no reduced external audit opinion if the corrections were not made.

(4) The Committee agreed by 9 votes to 2 with 1 abstention that the decision on whether to make the corrections would be delegated to the Acting Corporate Director of Finance and Procurement in consultation with the Chairman and the Liberal Democrat Group Spokesman.

(5) RESOLVED that:-

(a) the draft Annual Governance report be noted for assurance; and

(b) the decision on whether to correct the misstatements in the financial statements be delegated to the Acting Corporate Director of Finance and Procurement in consultation with the Chairman and Liberal Democrat Group Spokesman once the Annual Governance report has been completed.

21. Internal Audit Annual Report

(Item 9)

(1) The Head of Audit and Risk summarised the output of the Internal Audit annual plan, commenting on the performance of the Internal Audit section. The report gave substantial assurance that the Council's system of internal control was operating effectively.

(2) The Head of Audit and Risk was asked whether the two overdue recommendations set out in paragraph 3.7 of the annual report had been implemented. He offered to reply to Committee Members once these had been followed up. He also reported that all recommendations were followed up as part of routine reporting to the Committee. .

(3) RESOLVED that the Internal Audit report for 2010/11 be noted for assurance.

22. Draft Statement of Accounts 2010/11

(Item 10)

(1) The Acting Corporate Director of Finance and Procurement presented the Draft Statement of Accounts for 2010/11. This was the first time they had been prepared on an International Financial Reporting Standards (IFRS) basis.

(2) The Liberal Democrat Group Spokesman asked for a report on the viability of Oakwood House to be presented to either the Trading Activities Sub-Group or the Committee.

(3) RESOLVED that:-

- (a) approval be given to the draft Statement of Accounts for 2010/11 subject 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 (Minute 20) be noted.

23. Company Protocol

(Item 11)

(1) The Group Leader, Property and Commercial reported on behalf of the Director of Governance and Law presented the Company Protocol to the Committee for assurance. The Committee asked to receive a report on the effectiveness of the protocol in a year's time.

(2) RESOLVED that: -

- (a) the Company Protocol be noted for assurance; and
- (b) a report on the effectiveness of the Protocol be submitted to the Committee in a year's time.

24. Review of Complaints

(Item 12)

(1) The Performance Improvement Manager reported that the manner in which the County Council dealt with complaints from the public and the Local Government Ombudsman would be improved by providing a single address, telephone number and e.mail address contact. This would enable reorganising the logging and tracking of complaints within one team.

(2) RESOLVED that the report be noted.

25. Debt Management

(Item 13)

(1) The Acting Corporate Director of Finance and Procurement reported the County Council's debt position. He explained that the Debt Management Team's focus was to ensure that debts did not become six months old.

(2) The Acting Corporate Director of Finance and Procurement offered to provide Members of the Committee with an explanation for the Chief Executive's department's write offs totalling £43,625 shortly after the meeting.

(3) RESOLVED that the report be noted.

26. Annual Audit Fee 2011/12

(Item 14)

(1) The Head of Audit and Risk presented a report on the Audit Commission's proposed audit fees for the County Council in 2011/12.

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

27. Kent Superannuation Fund Audit Plan 2011/12

(Item 15)

(1) The Head of Audit and Risk presented a report on the work that the Audit Commission intended to undertake on the Superannuation Fund, including the amount of fee to be charged.

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

28. Update on progress of Savings Programme

(Item 16)

(1) The Acting Corporate Director of Finance and Procurement presented a report on the process used by the County Council to ensure delivery of the 2011/12 budget savings. He said that it was essential to ensure that both the £95 million to be saved and the £909 million remaining should be treated as equal priorities.

(2) The Acting Corporate Director of Finance and Procurement continued by explaining the risk rating system (Blue, Green, Amber and Red) that had been adopted in respect of each line of the Medium Term Financial Plan (MTFP). Blue represented savings already achieved; Green where savings were almost certain to be achieved; Red where plans had not yet been finalised or where delivery was not fully in the County Council's control; and Amber, which was anything between Red and Green. The "Red" savings currently totalled £5 million of which some 50% could be delivered as planned. The remainder would need to be reconfigured and presented to Cabinet. He was cautiously optimistic that a balanced budget would be achieved.

(3) Members of the Committee expressed the view that they would like to have an overview of the entire savings process and that this would best be achieved by having an oversight of all the Red (and possibly Amber) Project Initiation Documents (PIDs). The Committee therefore agreed to arrange an informal meeting towards the end of July to consider the savings programme in greater detail and the scope of future reports to the Committee. The Finance and Procurement Portfolio Holder and Deputy would be invited to attend.

(4) Mr K A Ferrin asked that all Members of the Committee be sent a copy of the PID list as well as the individual PIDs when they were produced.

(5) RESOLVED that:-

- (a) the progress against the delivery of savings be noted; and
- (b) an informal meeting for Members of the Committee, the Finance and Procurement Portfolio Holder and Deputy be held (if possible in late July) to enable the savings programme to be considered in greater detail.

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By: Chairman of Governance and Audit Committee
David Tonks, Head of Audit and Risk

To: Governance and Audit Committee – 14 September 2011

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 December 2012. The content of the programme is matched to the Committee terms of reference and aim to provide the minimum coverage necessary to meet the responsibilities set out. The programme is 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. It is recommended that Members:
 - Approve the forward work programme for 2011/12 to meet the Committee's terms of reference, and;
 - Identify any additional items that members would wish to include.

David Tonks
Head of Audit and Risk
Ext: 4614

Category / Item	Owner	Sep-11	Nov-11	Apr-12	Jul-12	Sep-12	Dec-12
Internal Audit							
Internal Audit Progress Report		✓	✓	✓		✓	✓
Internal Audit Annual Report					✓		
Internal Audit Benchmarking Results		✓				✓	
Internal Audit Strategy and Annual Plan				✓			
Review of Terms of Reference and Charter of Internal Audit					✓		
External Audit							
External Audit Update		✓	✓	✓	✓	✓	✓
Proposal for tracking of External Audit and regulators recommendations			✓				
External Audit Governance Report		✓			✓		
External Audit Annual Audit Letter			✓				✓
Certification Work Report				✓			
Effectiveness of External Audit Liaison			✓		✓		✓
External Audit Annual Plan & Fee					✓		
External Audit Pension Fund Plan & Fee					✓		
External Audit Opinion work programme							
Financial Reporting							
Statement of Accounts & Annual Governance Statement	AW	✓			✓		
Revised Accounting Policies	CH			✓			
Fraud							
Compliance with Anti-fraud and anti-corruption good practice	PR	✓		✓			
Review of the Anti-fraud and anti-corruption Strategy	PR	✓				✓	
Update on Irregularities	PR		✓	✓	✓	✓	✓

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By: Roger Gough, Cabinet Member for Business Strategy,
Performance & Health Reform

To: Governance and Audit Committee – 14 September 2011

Subject: The development of Statements of Required
Management Practice (SORPs)

Classification: Unrestricted

Summary: This paper provides an overview of the process for the development of SORPs (Statements of Required Management Practice.) It explains the purpose that SORPs serve, the method by which they are being developed, communicated and embedded into the organisation and provides a timeline for the development of specific SORPs. The paper also outlines the governance arrangements for the development and ongoing review of SORPs.

FOR ASSURANCE

Introduction and background

1. KCC is establishing a new Internal Management Control Framework. To support this, managers need clear expectations and standards in order to deliver against the new framework.
2. SORPs are not additional new requirements for managers; rather they formalise and bring together a single, practical guide to the minimum standard we expect of KCC's managers. They set out succinct and easy to read principles that explain the way that managers will carry out management tasks. Management tasks include writing a business plan, managing performance, consulting with customers etc. SORPs will be embedded into day-to-day operational practice.
3. SORPs will reduce bureaucracy and save managers time by ensuring there is a single statement of standards to ensure all management tasks are being carried out effectively and consistently across KCC. They will benefit everyone as all staff will know how day-to-day tasks are to be carried out, providing clarity and consistency. They will help to rationalise any duplicate versions of guidance, policies and procedures across directorates, creating a single "one organisation" approach.
4. SORPs are referred to in Bold Steps for Kent and will help to deliver KCC's 'design principles'.
5. SORPs are owned and championed by Corporate Management Team (CMT) and all managers of people and projects within the organisation will adopt them.
6. SORPs are primarily an officer management and communication tool, however members are encouraged to be involved in commenting and developing SORPs. A briefing note will shortly be distributed to all members and as each SORP is developed, the SORP 'Owner' will ensure members are fully informed and engaged.

Process

How are SORPs being developed?

7. SORPs need to be usable, relevant and functional so that they become part of our day-to-day working practice. SORPs are being developed in a collaborative way, building upon the feedback and contribution of staff at all levels across the organisation.
8. Each SORP has an accountable owner, to lead on the development and regular review of the SORP in consultation with senior officers, members, staff and partners.
9. SORP owners are seeking input from staff in a variety of ways, including through a KNet comments page, focus groups, workshops and a dedicated SharePoint site.
10. Each SORP contains approximately 12 corporate standards that set out how the management tasks covered by the SORP should be achieved. Each SORP will provide some context on the area covered and set out governance arrangements. SORP 1 - Performance Management, was launched for trial implementation in August 2011 and is available on [KNet](#) for feedback from officers and members.
11. To keep SORPs to a manageable length and to improve compliance, each SORP will signpost to other guides, templates etc to help managers put the SORP into practice. SORP owners are working with other colleagues to develop supporting documents and these will be clearly linked and placed in a 'SORPs Toolbox' on KNet for all staff to use.
12. SORPs are being aligned to the new Kent Manager competencies, and will signpost managers to the Kent Manager and any training and support available.

What SORPs do we need and what is the timeline?

13. SORPs will cover a range of management disciplines that particularly require more consistency and clarity. Three top priority SORPs will be launched by October 2011:
 - SORP 1 – Performance Management (launched in August)
 - SORP 2 – Business & Financial Planning (due for launch in September)
 - SORP 3 – Risk Management (due for launch in October)
14. Up to 10 SORPs will be developed by April 2012. Additional SORPs which are already being developed include:
 - Communication & Consultation
 - Procurement
 - Project and Programme Management
15. Further SORPs will be discussed from October 2011, and will include key topics in the Internal Management Control Framework such as:
 - Operational Procedures
 - Information Management
 - Focus on the Customer

How will SORPs be communicated and embedded?

16. It is essential to the success of the SORPs programme that staff are aware of SORPs, their importance and the need to comply with them.

17. A communications plan has been developed for SORPs and identifies the stakeholders for the programme and how they will be communicated with.
18. A dedicated area of [KNet](#) has been developed where staff can find out all they need to know about SORPs and download the documents. This will be regularly updated as SORPs are developed, and staff will be notified via K-Mail when a new SORP is added.
19. A generic presentation on SORPs has been developed and sent to Pioneer, Challenger and Change Champions who have been asked to cascade the key messages about SORPs to their staff and colleagues.
20. Each SORP is being launched for trial implementation for approximately six months so that feedback from staff can be used to develop the final version. Staff are being encouraged to comment by Pioneers and Challengers, Change Champions and via features in K-Mail and K-Mag. A virtual message board has been set up on K-Net so staff can leave comments.
21. Further face-to-face opportunities to promote SORPs to staff are being identified, including launch events for the Kent Manager, Talk to the Top visits and Staff Awards.
22. In order to help ensure that SORPs are embedded into day-to-day management practice, the programme team are working with HR to incorporate SORPs into induction for new staff, appraisal processes and staff training.
23. A compliance measure for SORPs is being developed with input from Internal Audit.

Governance arrangements

24. SORPs are owned by CMT and championed by Corporate Managers within their directorates. Katherine Kerswell is the CMT Champion. The project is being managed on CMT's behalf by Business Strategy.
25. SORPs will be approved by Delivery Assurance Team (DAT.) SORPs will be brought to DAT for discussion before they are launched for trial implementation, and for regular review.
26. DAT are also overseeing progress on the delivery of the SORPs programme. A highlight report including a log of achievements to date and risks is being presented to each DAT meeting (*included as a background document for information*). Any concerns about progress will be escalated to CMT.

Recommendations

27. Governance and Audit committee are asked to note the process and governance for the development of SORPs, for **assurance**.

Background Documents

- DAT Monthly SORPs Highlight Report (September)

Contact

Liz Sanderson, Business Strategy, T: 01622 221703

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Project Highlight Report

PROJECT ID	SORPv.1
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Project Title	Statements of Required Management Practice (SORPs)		
Distribution	Delivery Assurance Team – 7 th September		
Project Sponsor	Joss Foster, Director of Business Strategy		
Project Manager	Liz Sanderson, Business Strategy	Date	30/08/11

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Benefits / Objective / Approach	Do Next
<ul style="list-style-type: none"> ▪ Benefits:- SORPs will save managers time and make sure day-to-day tasks are all being done in the same way. They will help highlight to managers the core requirements in key policies (e.g. HR Blue Book, Spending the Councils Money), create consistent templates and provide guidance for tasks that all managers carry out. They will help reduce duplication and confusion over what is expected and required of managers. They will become a useful tool to compliment the Kent Manager and HR processes such as Appraisal, Training & Induction. ▪ Objectives:- 3 Priority SORPs will be launched to all staff by October 2011, covering key management disciplines: <ul style="list-style-type: none"> ○ SORP 1 – Performance Management ○ SORP 2 – Business & Financial Planning ○ SORP 3 - Risk Management <p>Further SORPs are in initiation phase for Communication & Consultation, Project Management and Customer Focus, with up to 10 planned by April 2012. SORPs will be approved by Delivery Assurance Team (DAT).</p> <ul style="list-style-type: none"> ▪ Approach: The SORP Focus Group is leading rapid drafting, development and roll out of SORPs. All SORP Owners are developing content collaboratively with small workshops of staff and testing ideas with a Challenger peer group and wider Focus Group on the SORPs SharePoint site. SORPs will be live documents that are launched virtually with complimentary content on KNet, publicised via KMag and KMail. They will be embedded via a series of customised events, training & briefings, as set out in the SORPs Communications Plan (available on SharePoint). 	<ul style="list-style-type: none"> ▪ SORP 2 will be presented to DAT for discussion on 7 September. ▪ Subject to approval from DAT, SORP 2 will be launched as a live document for draft implementation in September. This will via an announcement in KMail with a link to a new subpage about SORP 2 on KNet. This will also be a good opportunity to remind staff to view general content on SORPs and SORP 1. ▪ Continued work with CCCE & SORP Owners to develop useful, time-saving content to add to the 'SORPs Toolbox' on KNet. This will ensure effective electronic signposting and useful supporting documents for managers e.g. for example a common business plan template and "How to Guides" ▪ An article will be written for the September edition of K-Mag to update staff on SORPs and encourage them to comment on SORPs 1 and 2. ▪ Pioneers and Challengers will continue to be encouraged to cascade key messages about SORPs to their staff, and encourage them to comment on the drafts. They can use the generic SORPs presentation for this (on Pioneer and Challenger SharePoint and KNet.) ▪ Change Champions will continue to be encouraged to promote SORPs, join the SharePoint site and encourage others to comment on the drafts. ▪ SORP 3 (Risk Management) is currently being drafted and is due for discussion at DAT on 2nd October (allowing DAT more detailed discussion time per SORP). ▪ Preparation for Risk Management SORP discussion and launch at 'Risk Management' themed Challenger event on 2nd November. ▪ Preparation continues on SORPs for Procurement, Project Management, Communications & Consultation and Information Management.



Project Highlight Report

PROJECT ID	SORPv.1
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Achievements (to date)	Concerns
<p>Drafting</p> <ul style="list-style-type: none"> Final comments from DAT on SORP 1 were incorporated into the final draft before it was launched on KNet in August. It will be refreshed by December to incorporate the constructive feedback from staff. SORP 2 has been redrafted to reflect feedback from DAT's discussions on Balanced Scorecard, CMT and "critical friends" from across the organisation. SORP owners are working to a common SORP Drafting Template. <p>Communicating & Embedding</p> <ul style="list-style-type: none"> The SORPs content on KNet is now live and includes introductory information about what SORPs are and how they will help, the 'SORPs Toolbox' for supporting content and a dedicated page for SORP 1 where staff can read the document and leave comments on a message board. SORP 1 was launched on 11 August via an announcement in K-Mail and link to the new K-Net content. The SORP SharePoint Site continues to be updated with SORP documentation, latest reports and communications. This has allowed draft SORPs to be viewed and commented on by a wider pool of staff. A generic SORPs presentation has been added to the Pioneer and Challenger SharePoint sites to support them in cascading the key messages to their staff at divisional and team meetings. SORPs will be referenced at the Challenger event on 2nd September. Change Champions have been invited to join the SharePoint site. Several Divisional Management Teams have received presentations from SORP Owners. An Equality Impact Assessment screening and action plan has been completed and the actions are being taken forward. SORPs and Kent Manager Programme Teams are aligning the communications plans for both programmes. The SORPs Programme Team has worked with HR to produce content on SORPs for the new e-induction. A measure of compliance for SORPs is being developed, ensuring this links to internal audit and review processes effectively. 	<ul style="list-style-type: none"> Concern: There is a rapid pace to the development, approval and roll out of SORPs by September 2011 and there has been some slippage from the original timescale set. 3 Priority SORPs are now to be prepared for DAT – Jul to Oct (was Jul - Sept.) Countermeasure: SORPs Drafting Template is now being used by all SORP Owners which should allow Owners to draft SORPs that meet requirements without the need for too much lengthy re-writing. The SORPs SharePoint site allows for drafts to be quickly reviewed by a large group of staff. A new schedule for taking future SORPs (after SORP 3) to DAT will be prepared and communicated with all SORP Owners, and stuck to. Countermeasure: Concern: SORPs are not understood or complied with by staff, or staff are not engaged Countermeasure: The Communications plan has been refreshed to provide more opportunities for face-to-face communication about SORPs and ensure that SORPs are developed in a collaborative way, with as many staff as possible able to comment and feed in. Actions include cascade of key messages by Pioneer, Challenger and Change Champions, useful content and message board on KNet for staff to leave comments on live drafts, regular features in K-Mail and K-Mag, and integration of SORPs into all Kent Manager events and communication and various other staff events during 2011. A compliance measure for SORPs is also being developed. Concern: SORP content delayed by path dependent aspects e.g. Internal Management Control Framework workstreams and supporting products like Balanced Scorecard not being available Countermeasure: Regular communication with SORP owners to identify path dependencies and identify early any slippage in timescales. SORPs will continue to be developed and launched as planned, with the development of supporting products being developed ASAP, alongside the SORPs. <p><i>A live Risk Register is kept by the Project Manager and updated monthly.</i></p>

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By: Roger Gough, Cabinet Member for Business Strategy, Performance & Health Reform

To: Governance & Audit Committee – 14 September 2011

Subject: KCC's Performance Management Framework

Classification: Unrestricted

SUMMARY

As part of the restructuring through 'Change to Keep Succeeding' and the launch of our medium term plan, *Bold Steps for Kent*, we have taken the opportunity to review our current arrangements and to introduce an improved performance management framework to enable effective briefing of Cabinet and into Scrutiny.

The framework was agreed at Cabinet on 20 June 2011. This report sets out the elements of the framework and updates the position since it was approved in June.

FOR ASSURANCE

1. Introduction

"Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk" (*Delivering Good Governance in Local Government CIPFA 2007*).

Regular review of our internal management control framework is a vital element of our governance arrangements and has been an important part of implementing *Bold Steps for Kent* and the design principles for our organisation to deliver those set out in 'Change to Keep Succeeding'.

We have started to review our internal controls and have focused initially on two key areas:

- Aligning and standardising to a 'One council' model supported by 'Kent Manager', development of Statements of Required Practice (SORPs) and a review of our various officer and member and officer bodies to ensure terms of reference, membership and naming is clear.
- Improvements to our performance management framework.

This report provides more detail on progress with our Performance Management Framework.

2. Overall objectives of KCC's new performance management framework

The new performance management framework for the authority enhances the existing officer level arrangements and introduces a mechanism that creates a stronger officer culture of performance management accountability, much greater shared awareness for managers, and transparency about our performance.

As an authority we want to be smarter at delivering our performance management arrangements in a more joined-up and intelligent way to ensure that what Members want to see delivered is being delivered in the most effective way.

We are putting in place mechanisms to ensure we achieve Members' strategic priorities and know how we are doing against them during the year so we can keep Members fully informed as to progress and the managerial action that is being taken to drive that progress.

We are ensuring that the performance information that we report consistently results not just in data sets but in understanding, proper intervention and personal accountability to improve performance where it is poor or declining, and that it has due regard to risk and spotting potential problems before they arise. We will ensure early warning mechanisms are built into management information systems with each person in the organisation focused on meeting the objectives and managing the significant risks that relate to the tasks they perform.

Timely and relevant reports on progress against our business objectives and significant risks are a key component. A key focus will also be on data quality as well as the quality of the performance indicators we use as an authority.

We also want to ensure there is proper learning and that questions are raised where we are succeeding so we can understand the situation and transfer best practice where possible.

These steps will result in more effective reporting to Members so that they can direct, challenge and be assured that their decisions are being acted upon.

3. The new performance management framework

A number of specific improvements will be made and the key elements of the new framework are set out below.

3.1 SORPs (Statements of Required Practice)

SORPs (Statement of Required Practice) for managers are being introduced for a number of functions within KCC. A SORP has been introduced for Performance Management. SORPS are described in another paper to this committee.

3.2 Enhanced Performance Reporting & the Principle of Subsidiarity

We will report the information that Members need in order to understand current performance. A new quarterly performance report (QPR) for Members is being developed and will provide a *joined-up* assessment of performance. The new report will also place emphasis on anticipating performance problems to ensure 'no nasty surprises'

The framework follows the principle of subsidiarity ensuring performance is being correctly managed at the most appropriate managerial and political level. Subsidiarity will reinforce the ability of team managers, divisional and directorate management teams to review and manage their own directorate and divisional performance 'dashboards' and report any performance issues up the chain. Directorates will drive directorate level

indicators, performance challenge and delivery; divisional management meetings will do the same.

Reports on progress will be designated by a RAG (red/amber/green) status that will create a trigger when escalation and intervention is required. Clear decisions will be made about what action is needed. The SORP introduces the concept of escalation of performance issues from divisions and directorates and is linked to our risk appetite agreement anchoring it into our performance management practice.

A strong underpinning framework ensures personal accountability for improved performance through the Performance Assurance Team (PAT) and the Delivery Assurance Team (DAT) described later in this report.

We will ensure the transparency of performance data and its availability in the public domain. Data will only be confidential if it is confidential.

3.3 Delivering Bold Steps

Two structured workshops were held with POSC members during May to help finalise the list of strategic priorities within 'Bold Steps for Kent' and to seek their input on the success factors for these, including their views on key milestones and how we would seek to measure performance.

The feedback from the workshops has been used to help finalise this framework which is called 'Delivering Bold Steps'. The framework was approved by County Council on 21 July and will be embedded in future reporting arrangements.

3.4 Performance management and officer reporting structures

We have introduced two new groups. These are separate forums that enable senior managers to devote regular and specific time to focus on performance against objectives and milestones, ensure accountability for delivery and improvement, provide challenge, enable open dialogue and help provide a learning and accountability culture.

The Performance Assurance Team (PAT) focuses on organisational performance in line with member's strategic priorities and the business plans. The Delivery Assurance Team (DAT) focuses on the delivery milestones of major change programmes and projects. There is a strong relationship between the two teams as well as sharing of intelligence.

Performance Assurance Team (PAT)

PAT meets monthly and is chaired by the Deputy Managing Director. Membership includes a nominated director from each directorate. It also includes two non-executive directors (NEDs). These are staff at the grass roots of the organisation. This ensures PAT has cross-organisation membership from all levels to provide a 'whole organisation' approach to improvement, a blend of experience as well as independent challenge.

It is not the remit of PAT to cut across the directorates' responsibility to manage their own performance. It is about creating an effective council-wide system of control as necessary for the appropriate level of activity to ensure we deliver as a council and not just as a separate series of activities.

PAT meetings focus on the following aspects:

- Progress against key performance indicators and programmes. This includes discussing poor or declining performance with accountable managers and considering, challenging and ensuring appropriate action on the proposals for improving performance, including addressing constraints/barriers
- As well as looking at performance problems PAT will also examine areas of strong performance, the 'greens', and whether this could be as a result of good practice or learning that can be shared or any 'gold plating' that may need to be addressed
- Other relevant reports on performance including:
 - Risk and business continuity information
 - Complaints and customer engagement information
 - Staff performance information e.g. industrial relations, health and safety and equalities etc
 - It also receives the quarterly finance monitoring report.

Any red or repeatedly amber indicators in the new quarterly performance report will come straight to PAT if they are called in for further discussion. The person providing the action plan and attending PAT is the accountable manager for that service and is listed as the accountable officer for that indicator and challenged as necessary by PAT.

Prior to each PAT meeting the Cabinet Member for Business Strategy, Performance & Health Reform receives a full set of papers and the Chair of PAT will brief him on the key issues. They meet again following PAT to discuss the outcomes and agreed actions. These are included in the formal report on the actions that have taken place at PAT on challenging the issues and improving performance.

The Cabinet Member for Business Strategy, Performance & Health Reform has the right to attend PAT during the year as necessary to assess the operation of performance management framework. The Chair of Governance & Audit Committee may attend PAT on an exceptional basis to assure himself of the officer level of governance being delivered by PAT.

Delivery Assurance Team (DAT)

The organisation has a clear desire to see effective and speedy delivery on the strategic priorities it has made in 'Bold Steps' and the Medium Term Financial Plan. There are also a number of other major projects and programmes to deliver. In order to ensure delivery takes place and aid the co-ordination of a large number of potentially conflicting agendas and demands on support services in the authority it is essential we have in place a delivery assurance function. Delivery assurance is supported by the creation of a Delivery Assurance Team (DAT) chaired by the Managing Director. Like PAT, DAT meets monthly and membership includes a nominated director from each directorate (but different from those on PAT). It includes two Non-Executive Directors (again different from those on PAT).

DAT meetings focus on the following aspects:

- Quarterly reports setting out:
 - a) how well we are delivering on Bold Steps for Kent;
 - b) how well we are delivering against other major change programmes and projects not covered by Bold Steps;

- c) how well we are delivering against our PIDs savings programme
- d) how well we are delivering against our capital/property/land projects
- Other relevant reports for example bids into the capital programme.

Member arrangements for DAT mirror those for PAT.

3.5 Performance management and reporting to Members

Cabinet will receive the new quarterly performance report, once developed. These reports will enable discussion with Members to be more focused than is currently possible with the previous Core Monitoring reports and they will be able to have clearer direction on the most urgent areas for their attention.

3.6 Performance management culture and behaviours

KCC's stronger culture of performance management will underpin the new performance management framework and the new 'Kent Manager' programme is an important vehicle that will ensure our managers will be properly trained in the skills required by the council. It will also set out and reinforce the way in which management needs to be conducted at KCC, grounding the absolute imperative of managerial accountability and making the behavioural competencies a reality.

As already mentioned, an integrated set of documents defining how we must do things and managed from the centre, will help to provide transparency of our 'One Council' approach for all staff and members. These documents, the SORPs, supported by the 'Kent Manager' programme, are proposed as a core element of the future internal control framework.

4. Next steps

The key elements of the performance management framework are set out here and will be further refined over time. The new CMT and PAT arrangements will be reviewed later this year ensure to ensure they are working effectively.

5. Recommendation

Members are asked to NOTE the report for ASSURANCE purposes.

Contact

Joss Foster, Director of Business Strategy, BSS, 01622 69(4134).

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By: Richard Long, Chairman of Governance and Audit Committee
 David Tonks. Head of Audit and Risk

To: Governance and Audit Committee – 14 September 2011

Subject: **REVIEW OF THE COMMITTEE TERMS OF REFERENCE**

Classification: Unrestricted

Summary: The Committee's revised Terms of Reference have been in place for one annual cycle, and it is therefore appropriate that they be reviewed.

FOR DECISION

Introduction and background

1. At the June 2010 meeting members reviewed and approved revised Committee Terms of reference. These have been included at Annex 1 for ease of reference. Having been in place for one annual cycle of the committee it is appropriate that the Terms of Reference be reviewed to assess whether they meet the needs of the Committee in delivering its responsibilities to Council. Completing a review also meets recommended practice in HM Treasury's *Audit Committee Handbook*.

Suggested changes

2. There are a small number of minor amendments suggested to the responsibilities at Annex 1 which take account of known changes over the last year. Although there are no major changes suggested for this review, it is still for the Committee to determine whether more fundamental changes are required.
3. The Council will continue to review and develop its arrangements for governance over the next year. These developments may impact on the role of the Committee, and it is also suggested that the Terms of Reference be reviewed again in September 2012.

Recommendations

4. Members of the committee are asked to:
 - Recommend to full Council that, together with consequential changes to the Constitution, the amended Terms of Reference at annex 1 be approved
 - Agreed that the Committee Terms of Reference be reviewed in September 2012.

David Tonks
Head of Audit and Risk
Ext: 4614

Governance and Audit Committee

Terms of Reference

Overarching Purpose

The purpose of the Governance and Audit 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.

Objectives of the Committee

On behalf of the Council the Governance & Audit Committee will ensure the following outcomes:

- Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- 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.
- 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.
- The appointment and remuneration of the external auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- The external audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- Accounting policies are appropriately applied across the Council.
- 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.

Responsibilities

Risk Management and Internal Control

The Committee should:-

- Review annually the Council's Risk Management **Strategy and Policy and procedures** to ensure they remains up to date and relevant.
- Review **at each meeting of the Committee** the Council's **Strategic Corporate Risk Register every six months** 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 **planned actions to mitigate** 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 **significant** 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 and significant risks.

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, **Corporate** Director of Finance **and Procurement**, 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.
- Consider **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 at each meeting of the Committee progress against, and changes to, the 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 “**Critical**” and “High” 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 **Corporate** Director of Finance **and Procurement**, the Director of **Governance and Law**, the Head of Audit **and Risk**, **the Head of 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, those** 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.

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To: Governance & Audit Committee
 Date: 14 September 2011
 Subject: 2011/12 Budget Monitoring
 By: Cabinet Member for Finance, John Simmonds
 Acting Corporate Director of Finance and Procurement, Andy Wood

Summary: Members of the Committee have asked that the quarterly budget monitoring reports are brought to this Committee in order that assurance around delivery of the £95m of revenue budget savings can be assessed

FOR ASSURANCE

Introduction

- 1 A copy the first quarter budget monitoring report that will be considered by the Budget IMG on 15 September and Cabinet on 19 September, will be dispatched to Members of this Committee upon its completion on 9 September. Members of this Committee have asked that each of the quarterly budget monitoring reports are brought to this Committee in order that assurance around delivery of the £95m of revenue budget savings for 2011/12 can be assessed.
- 2 A report to this Committee in June advised Members that the monitoring of delivery of savings will be picked-up as part of the routine budget monitoring process and reports. This was discussed at an informal meeting open to Members of this Committee on 4 August, which concluded that the quarterly monitoring reports should be considered at this Committee.

2011/12 Forecast Outturn

- 3 The report will show that the forecast outturn for the year, based on spend and activity for the first quarter, is for an overspend of £2.4m, reducing to £1.7m after the impact of management action (Table 1a, line 'Total (excl Schools)').
- 4 Members will recall the lengthy process that has been undertaken to gain assurance that the £95m of savings will be delivered. There has been particular concern that some of the savings may not be delivered (the £4.8m 'Red' rated savings as reported to the June meeting of this Committee). Where that remains the case, managers have been instructed to include this in their forecast outturn, and this is therefore reflected in the current forecast overspend of £1.7m.

- 5 We have previously advised Members of this Committee (and others) that now that we have reasonable assurance around delivery of the savings (or not), we have potentially greater risks to the budget than non-delivery of those savings. This is reflected in the monitoring report, as we have a significant forecast overspend on Specialist Children's services of £8.8m
- 6 We do, however, have some good news in that the following services are forecasting significant underspends:
- | | £m |
|-------------------|------------|
| Capital Financing | 3.4 |
| Waste | 2.1 |
| Additional Grant | <u>1.5</u> |
| Total | <u>7.0</u> |
- 7 The net result, along with other smaller variances, is the forecast of a £1.7m overspend for the year after management action.
- 8 Clearly, we need to ensure that we do not end the year in an overspend position. There is obviously the continued risk that budgets that are not directly controllable experience pressure through the remainder of the year, but equally we have the option to introduce further management action in order to balance the budget. We will continue to monitor budgets each month and report the latest position to every Cabinet and Budget IMG meeting. We are by no means complacent, but remain confident that we can avoid an overspend by year end.

Recommendations

- 9 Members are asked to note the forecast outturn for the year, based on spend and activity in the first quarter of the year.

Background Documents: Governance & Audit Committee, 30 June 2011, Agenda Item 16; Update on progress of Savings Programme

Officer Contact: Andy Wood, Ext 4622

By: Mike Hill, Cabinet Member for Customer & Communities
 Roger Gough, Cabinet Member for Business Strategy,
 Performance & Health Reform
 Katherine Kerswell – Managing Director

To: Governance and Audit Committee – 14 September 2011

Subject: OMBUDSMAN COMPLAINTS

Classification: Unrestricted

Summary and Recommendations: To report the Local Government Ombudsman Letter & Annual Review 2010/11 and the latest position on complaints about Kent County Council escalated to the Ombudsman in 1 April – 30 June 2011.

STATUS FOR ASSURANCE

1. Local Government Ombudsman Letter & Annual Review 2010/11

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 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
- provide complaint-based information which the Ombudsman hopes councils will find useful in assessing and reviewing their performance.

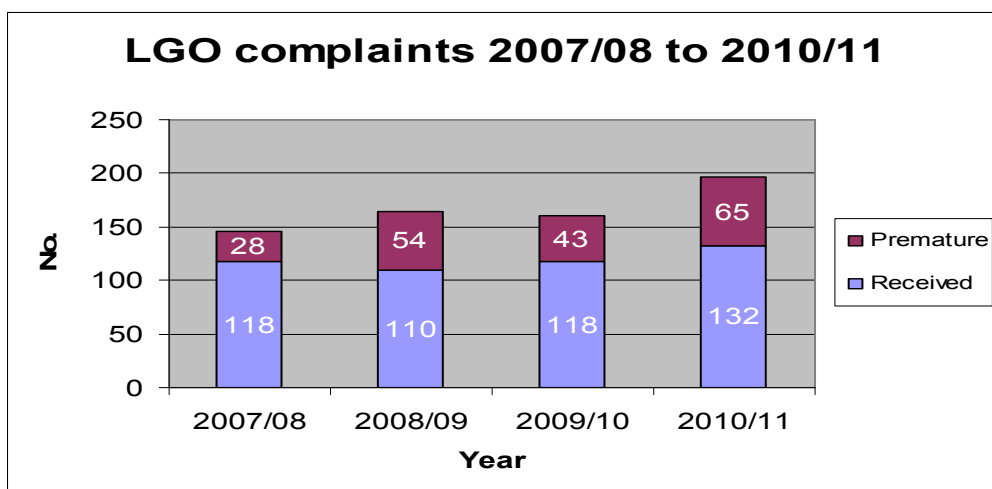
1.2 The Ombudsman’s letter to the Managing Director plus the Annual Review for 2010/2011 is attached as **Appendix A** to this report.

2. Ombudsman Complaints Statistics

2.1 This year, the Council has had difficulty reconciling its statistics with those provided by the Ombudsman. This was due to changes in the Ombudsman’s reporting process – some subject areas and detailed categories have been updated and new decision groups introduced. This resulted in Adult Care Service complaints being missed off the Ombudsman’s provisional statistics, which also included six complaints about schools, not KCC.

2.2 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.

2.3 The figures tabled in **Appendix B** shows that the Ombudsman received 194 complaints about KCC in 2010/11 (including 44 where advice was given to the complainant and 21 that were deemed premature). The correct total was actually 197, as the Ombudsman's statistics exclude 1 Adult Care Services complaint (the total forwarded to KCC was 38 not 37 as shown on the Appendix B table) and 2 Education & Children's Services complaints (the total forwarded to KCC was 71 not 69). This is an increase on previous years - 161 complaints about KCC in 2009/10 (including 43 that were deemed premature) and 164 complaints (54 premature) in 2008/09.



2.4 Of the 132 complaints that the Ombudsman investigated in 2010/11, 56 of them (42%) related to education matters and virtually all of these were about school admission appeals, a process that is not unique to Kent but is not an issue that majority of other councils have to contend with. This is one reason why Kent and Buckinghamshire CC (which also has a similar appeals process) seem to have disproportionately more complaints than other county and unitary authorities.

2.5 The Ombudsman's only criticism of KCC in this year's letter refers to a failure to provide the LGO with an initial response to enquiries within the LGO's target time of 28 days. KCC's average response time of 31.5 days in 2010/2011 was the same as it was for the previous year. However, bearing in mind that from June to October (when majority of Ombudsman complaints are received) the then Access to Information Team was reduced from 3 FTE to 2 FTE due to the uncovered maternity leave of one team member, this could be viewed as an improvement.

2.6 It is critical that as an organisation we learn the lessons from complaints, in particular those which go to the LGO. A recent case in Adult Social care highlighted the need for KCC to learn the lessons across the organisation, as the LGO identified similar issues to those raised in a complaint about Children's Services in 2009. Steps are being taken to ensure that lessons are cascaded with managers throughout the organisation and that reports are made to DMT and CMT as appropriate.

2.7 Of the 111 decision notices issued, there were no reports of maladministration.

2.8 With regard to the 28 local settlements, the Council was asked to pay a total of £8,865.65 in compensation to resolve 14 of these complaints. Details of these complaints are outlined in **Appendix C**.

2.9 To conclude on a positive note, 83 of the 111 complaints that the Ombudsman issued a decision on, could not 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 During 2010/11 the LGO's powers were extended to deal with complaints in two significant areas.

(a) The Health Act 2009 extended the LGO'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. The greater use of direct payments and personalised budgets mean that it is particularly important for the LGO to be able to deal with such complaints irrespective of whether a council has arranged the care. Anyone who arranges and pays for their own social care now has the right to an independent and impartial examination of any complaints and concerns they may have about their care provider. In the six months to April 2011 KCC received 89 complaints under the new adult social care powers.

(b) The Apprenticeships, Skills, Children & Learning Act 2009 introduced powers for the LGO to deal with complaints about schools by pupils or their parents. The Education Bill currently before Parliament proposes to rescind this jurisdiction from July 2012. The LGO received 64 complaints about schools by the end of March 2011. These covered a broad range of issues including how schools had dealt with allegations of bullying, the provision of additional support for those children with special educational needs, how schools had dealt with medical issues, complaints about staff conduct, the way in which policies on school uniforms had been applied, exclusions from school, school trips, and the barring of parents from school premises.

3.2 Further information about the LGO is available at:
<http://www.lgo.org.uk/working-for-us/self-funders/>

4. New Local Government Ombudsman Complaints 1 April 2011- 30 June 2011

4.1 As at 5 August 2011, there were 8 cases outstanding from previous financial years, where the LGO has yet to make a decision. See **Appendix D – Table 1**.

4.2 As at 5 August, a decision had been made on 10 cases received in the previous financial year. These decisions included payments totalling £15,463 in compensation to two complainants. See Appendix D – Table 2. Please note that these statistics will be reflected in next year’s annual review.

4.3 From 1 April – 30 June 2011, KCC had received 35 new complaints from the LGO. This excludes 6 complaints which were classified by the LGO as “premature”, i.e. 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 D - Table 3)

5. Maladministration

On 29 June 2011, KCC was found guilty of maladministration causing injustice. The Ombudsman found maladministration by the Council because it had:

- provided the School’s Governors with a clerk and an appeal panel who proved incapable of fulfilling the requirements of the statutory School Admission Appeals Code 2009
- contravened the Code by sending decision letters from its Legal and Democratic Services Section with the facsimile signature of the panel clerk, and
- substituted standard decision letters chosen by its Legal and Democratic Services section for those agreed by the panel.

A copy of the report issued by the Ombudsman can be found at <http://www.lgo.org.uk/complaint-outcomes/education/education-archive-2011-12/kent-county-council-amp-tunbridge-wells-girls-gram/>

KCC are due to provide their comments on what actions KCC has taken to address this report by the end of September 2011.

6. Lessons Learnt from Complaints

As reported to Governance & Audit In June Corporate Management Team has approved in principle of having a centralised complaints team. This will improve how we handle complaints and ensure lessons are learnt across KCC. In future complaints information will form part of the quarterly performance management report that goes to the Performance Assurance Team (PAT). PAT will analyse complaint information asking Corporate Directors or Directors and Managers to explain about trends and what action has been taken to make the system work more effectively.

Families & Social Care is experiencing an increase in the number of cases being referred to the LGO, as a result of peoples’ dissatisfaction with the handling of their complaint.

A recent LGO investigation has highlighted the need to ensure that findings, recommendations and resolutions from the Ombudsman are cascaded

throughout KCC, as appropriate, to ensure lessons are learned and therefore prevent recurrences of similar themes. A review of current procedures is being undertaken to ensure that recommendations and service improvements are made across the Authority.

7. Conclusion

7.1 The letter and Annual Review reflects the generally good working relationship that exists between the 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.

8. Recommendations

8.1 Members are asked to note the contents of this report

Caroline Dodge
Information Resilience & Transparency
Manager
Ext 1652

Janice Hill
Performance & Improvement
Manager
Ext 1981

Local Government
OMBUDSMAN

24 June 2011

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

Dear Ms Kerswell

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ending 31 March 2011. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number that the Advice Team forwarded to my office and decisions made on complaints about your council. Not all complaints are decided in the same year that they are received. This means that the number of complaints received and the number decided will be different.

The statistics also show the time taken by your authority to respond to written enquiries and the average response times by type of authority. I have decided to add a commentary to the attached statistics in view of the number and range of complaints against your Council that my office dealt with in the year which have predominantly been about Adult Care Services, Children's Services, and Education. I also wanted to provide you with some information on the schools complaints service which commenced in Kent in September 2010.

Enquiries and complaints received

Our Advice Team received 194 enquiries about your Council in 2010/11. We dealt with 44 of these enquiries through the provision of advice. A further 21 were passed back to the Council with a request that they were considered further because the corporate complaints procedure had yet to be exhausted, and it seemed that the complainants would not be disadvantaged by doing so. They were told they could resubmit their complaint to the Ombudsman if they were dissatisfied with the outcome of their complaint after it had been considered further by the Council. The remaining 129 enquiries were treated as complaints and so were forwarded to an investigation team.

Complaint outcomes

Of the 111 decisions I made in the year, nine were outside my jurisdiction. In 47 cases I found no fault, and in 24 cases I exercised my discretion not to pursue the complaint, often because I felt the claimed injustice was insufficient to justify an investigation. Although I issued no reports against your Council in the year, I did agree 29 local settlements.

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 London
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 Advice Team: 0300 061 0614

Anne Seex
 Local Government
 Ombudsman
 Nigel Ellis
 Deputy Ombudsman

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 2010/11, 27.1% of all complaints the Ombudsmen decided and which were in our jurisdiction were local settlements. The comparative figure for your authority just exceeded this at 28.8%. All except one of the local settlements we secured for Kent complainants this year related to complaints about three services: Adult Care Services, Children's Services, and Education. The majority of the settlements about Education related to fault in admissions arrangements to schools or in the hearing of appeals in respect of non-admission to a particular school. I will say more about this later.

Local settlements may be obtained in many different ways. Sometimes the payment of compensation is appropriate. In 2010/11 your Council paid compensation of £8,625 in total. But often there is more to a local settlement than just the payment of money. Here are some examples of the settlements obtained during the year.

Adult care services

We settled one complaint about the extent to which Council had responded appropriately to the complainant's concerns about the safety and wellbeing of her elderly mother who was known to its Psychiatric Services. A number of failings were identified in the way in which the Council had responded to the concerns, and the conclusion was reached that it had failed in its responsibilities to the complainant's mother. It set in train a number of actions to improve its procedures in future.

In another complaint I asked the Council to provide £1,900 in compensation for its failure to provide community care services to a complainant who had been assessed as eligible to receive such services.

I also dealt with a complaint where the complainant did not receive the level of customer service which he was entitled to expect following the death of his stepfather when he attempted to obtain some clarification on the outstanding care home fees that were owed. The Council accepted that he should not have had to deal with so many of its officers over what ought to have been a simple matter. Although the Council responded promptly to most of the contact from the complainant, it was slow to recognise his legitimate concern that he may have been invoiced for money he had already paid. The Council should have recognised that the complainant was entitled to an apology and an explanation of what had gone wrong. The Council agreed to reduce the outstanding debt by £150 and to send an apology.

Education

I settled two complaints last year in respect of the Council's failure to provide suitable education for children of statutory school age. One had been excluded from school and should have been receiving suitable full time education from the sixth day of his exclusion. Although the child received some home tuition and arrangements were put in place to enable exams to be taken, my Investigator concluded that this was far from adequate. The second case involved a child who relied on a motorised wheelchair for mobility. As he had got older he had outgrown his wheelchair but the larger one he was provided with was unsuitable for his home until such time as adaptations had been undertaken. He effectively became housebound for a six month period during which time no education was provided.

Thirty five separate complaints about school admissions raised questions about the quality and independence of the appeal process when the Council provides and services Independent Appeal Panels - both for itself and for schools that are admission authorities. In some appeals the Clerk's notes were inadequate. I found a number of instances where an appeal panel had decided to send a particular standard decision letter only for Council officers to send a different one. Some decision letters did not include major points documented in the clerks' notes. The practice of Council officers finalising and sending appeal decision letters with the clerks' facsimile signatures breaches the statutory Code.

One of the school admission complaints involved a selection test that had been disrupted and the invigilators making mistakes about timing. The Council said it would not arrange for the children affected to sit an alternative test. It said that the parents could appeal to an Independent Appeal Panel. Primary schools can ask for a panel of head teachers to review the cases of children who are expected to pass but do not. Children who pass but achieve a lower score than expected cannot be referred to the panel of head teachers. As a result, a child who passes but has underperformed because of disruption and/or mistakes by the Council's invigilators could miss out on a 'super selective' place (i.e. one of the places that some schools reserve for a specified number of children scoring the highest marks who would not otherwise get a place, for example because of the distance between their home and school).

Liaison with the Local Government Ombudsman

My investigators made initial enquiries on 83 complaints this year. On average it took 31.5 days for the Council to reply. These times fall short of my requested timescale of 28 days.

Whilst my Investigators have noted some reluctance to agree to proposed settlements, they have also noted examples where the Council has been pro-active in proposing them on cases under investigation. I also note that two of your Officers attended a seminar I held in our London Office in December, which I hope they found useful.

Communicating decisions

We want our work to be transparent and our decisions to be clear and comprehensible. During the past year we changed the way we communicate our decisions and reasons. We now provide a stand-alone statement of reasons for every decision we make to both the citizen who has complained and to the council. These statements replace our former practice of communicating decisions by letter to citizens that are copied to councils. We hope this change has been beneficial and welcome comments on this or any other aspect of our work.

In April 2011 we introduced a new IT system for case management and revised the brief descriptions of our decisions. My next annual letter will use the different decision descriptions that are intended to give a more precise representation of complaint outcomes and also add further transparency to our work.

Extended powers

During 2010/11 our powers were extended to deal with complaints in two significant areas. In October 2010 all complaints about injustice connected to adult social care services came under our jurisdiction. The greater use of direct payments and personalised budgets mean that it is particularly important for us to be able to deal with such complaints irrespective of whether a council has arranged the care. Anyone who arranges and pays for their own social care now has the right to an independent and impartial examination of any complaints and concerns they may have about their care provider.

In the six months to April 2011 we received 89 complaints under our new adult social care powers. Between 2009/10 and 2010/11 complaints about care arranged or funded by councils doubled from 657 to 1,351.

The Apprenticeships, Skills, Children & Learning Act 2009 introduced powers for us to deal with complaints about schools by pupils or their parents. This was to be introduced in phases and currently applies in 14 council areas. By the end of 2010/11 we had received 169 complaints about schools in those areas and 183 about schools in other areas where we had no power to investigate. The Education Bill currently before Parliament proposes to rescind our new jurisdiction from July 2012.

As you are aware, schools in Kent have been subject our new powers since September 2010. I would like to thank Kent County Council for its support during this period in facilitating the delivery of training across the county to Head Teachers, Governors and Clerks about the new legislation, and more recently in supporting schools to develop accessible and fair complaints handling procedures. We have delivered eight courses in total to over 200 delegates with an overwhelmingly positive response.

I had received 64 complaints about schools in your area by the end of March 2011. These covered a broad range of issues including how schools had dealt with allegations of bullying, the provision of additional support for those children with special educational needs, how schools had dealt with medical issues, complaints about staff conduct, the way in which policies on school uniforms had been applied, exclusions from school, school trips, and the barring of parents from school premises.

Of the 57 complaints decided in your area:

- In 16 cases we initiated an investigation;
- In 39 cases the complaint was referred back to the school for it to consider using its own complaint procedure as it had not yet had the opportunity to do so before the complaint was made to me; and
- In 2 cases we were unable to consider the complaint as it was either not made by a qualifying person or was about a matter I am prevented from considering by law.

In terms of the 16 of cases where we initiated an investigation:

- A satisfactory resolution was reached between the parties in eight cases following the Ombudsman's involvement and so the investigation was discontinued.
- We secured a remedy and / or agreement for action to prevent similar problems recurring in six of the cases.
- In two we found that there was no fault in the actions of the school or there was no substance to the complaint.

Decisions in the 14 areas can be broken down as follows:

- In 47% of cases we initiated an investigation.
- In 48% of cases the complaint was referred back to the school for it to consider using its own procedures as it had not had the opportunity to do so.
- In 5% of cases we were unable to consider the complaint as it was not within our jurisdiction.

In terms of the 47% of cases where we initiated an investigation:

- A satisfactory resolution was reached between the parties in 25% of cases following the Ombudsman's involvement (and the investigation was discontinued).
- We secured a remedy and/or agreement for action to prevent similar problems recurring in 13% of the cases.

- In 9% we found that there was no fault in the actions of the school or there was no substance to the complaint.

Our new powers coincided with the introduction of Treasury controls on expenditure by government departments and sponsored bodies designed to reduce the public spending deficit. This has constrained our ability to inform care service users, pupils and their parents of their new rights.

Assisting councils to improve

For many years we have made our experience and expertise available to councils by offering training in complaint handling. We regard supporting good complaint handling in councils as an important part of our work. We provided a one day training course on Effective Complaint Handling for officers in your authority on 11 March 2011. I hope this course was timely in the context of the roll-out of your new complaint handling arrangements in April 2011.

During 2010/2011 we surveyed a number of councils that had taken up the training and some that had not. Responses from councils where we had provided training were encouraging:

- 90% said it had helped them to improve their complaint handling
- 68% gave examples of how the knowledge and skills gained from the training had been applied in practice
- 55% said that complaints were resolved at an earlier stage than previously
- almost 50% said that citizens who complained were more satisfied.

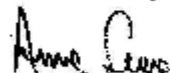
These findings will inform how we develop and provide training in the future. For example, the survey identified that councils are interested in short complaint handling modules and e-learning.

Details of training opportunities are on our web site at www.lgo.org.uk/training-councils/

More details of our work over the year will be included in the 2010/11 Annual Report. This will be published on our website at the same time as the annual review letters for all councils (14 July).

If it would be helpful to your Council I should be pleased to arrange for me or a senior manager to meet and explain our work in greater detail.

Yours sincerely



Anne Seex
Local Government Ombudsman

Local authority report - Kent CC

for the period ending - 31/03/2011

For further information on interpretation of statistics click on this link to go to www.lgo.org.uk/CouncilsPerformance

LGO Advice Team

Enquiries and complaints received	Adult Care Services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Other	Planning & Development	Total
Formal/informal premature complaints	4	0	0	10	1	5	0	1	0	21
Advice given	9	1	1	28	0	3	1	1	0	44
Forwarded in investigative team (resubmitted)	2	0	0	3	0	0	0	0	1	6
Forwarded to investigative team (new)	35	0	3	66	3	12	0	4	0	123
Total	50	1	4	107	4	20	1	6	1	194

Investigative Team

Decisions	Reports: maladministration and injustice	Local settlements (no report)	Reports: Maladministration no injustice	Reports: no Maladministration	No Maladministration (no report)	Ombudsman's discretion (no report)	Outside jurisdiction	Total
2010 / 2011	0	28	0	0	47	20	9	106

Adult social care decisions made from 1 Oct 2010*

	Not to initiate an investigation	To discontinue investigation, injustice remedied	To discontinue investigation, other	Total
2010 - 2011	3	1	1	5

*These decisions are not included in the main decisions table above. They use the new decision reasons from 1/10/10.

Response times	First enquiries	
	No of first Enquiries	Avg no of days to respond
01/04/2010 / 31/03/2011	79	31.6
2009 / 2010	75	31.6
2008 / 2009	69	38.1

Provisional comparative response times 01/04/2010 to 31/03/2011

Types of authority	<= 28 days %	29 - 35 days %	> = 36 days %
District councils	65	23	12
Unitary authorities	59	28	13
Metropolitan authorities	64	19	17
County councils	66	17	17
London boroughs	64	30	6
National parks authorities	75	25	0

Response times adult social care 1/10/10 - 31/3/11	First enquiries	
	No of first Enquiries	Avg no of days to respond
2010/2011	4	30.0

Local authority report - Kent CC

for the period ending - 31/03/2011

For further information on interpretation of statistics click on this link to go to www.lgo.org.uk/OurData/Performance

LGO Advice Team

Enquiries and complaints received	Adult Care Services	Benefits & Pensions	Corporates & Other Services	Education & Children's Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Housing	Other	Planning & Development	Total
Forwarded to internal governance complaints	4	0	0	10	1	5	0	1	0	21
Advice given	9	1	1	28	0	3	1	1	0	44
Forwarded to internal parties (not internalised)	2	0	0	3	0	0	0	0	1	6
Forwarded to investigative team (not)	38 not 39! SEE NOTE A	0	3	71 not 69! SEE NOTE B	3	12	0	4	0	123
Total	53	1	4	107	4	20	1	6	1	194

Investigative Team

Decisions	Reports: maladministration and injustice	Local resolutions (no report)	Reports: maladministration no injustice	Reports: no maladministration	No Maladministration (no report)	Ombudsman's discretion (no report)	Outside jurisdiction	Total
2010 / 2011	0	28	0	0	47	LGO quibbled 22 such decisions 23*	0	105

A 8 complaints included in the LGO's figures did not reach KCC until after 1/4/11 and will be counted in KCC's 2011/2012 statistics. 4 complaints have yet to be received by KCC. $38 - 8 - 4 = 26$ which is the number received by KCC!

B 5 complaints included in the LGO's figures did not reach KCC until after 1/4/11 and will be counted in KCC's 2011/2012 statistics. KCC received 69 complaints but this includes 4 that were Kent CC counted in the LGO's 2009/10 statistics + excludes 1 repeated complaint. $71 - 5 - 1 + 4 = 69$ which is number received by KCC!

On their provisional statistics which concur with KCC's.

Columns totals add up to 104 not 106!

Compensation paid on cases decided from 1st April 2010 to 31st March 2011

Our Ref	KCC Unit	Description	Financial settlement / compensation	Omb Decision	LGO subject area	LGO detailed category
10/074	KHS	Problem with trees in Ferndale Road & Central Avenue, Gravesend causing damage to constituent's property.	£50.00	LS	Planning & Development	Trees
09/168	CSD	Unhappy with son's home to school transport arrangements and the lack of help received from previous complaints	£100.00	LS	Education & Children's Services	Education Council: Transport
10/255	KASS	Failure to deal with outstanding care home fees following death of stepfather.	£150.00	DI - IR	Adult Care Services	Council: charging
10/097	KASS	Inadequate explanation or apology for errors (now corrected) with late mother's Kent Care account	£200.00	LS	Adult Care Services	Adult Care Services
10/169	KASS	Failure to deal with her current housing situation efficiently.	£250.00	LS	Adult Care Services	Housing
07/163	CSS	Unreasonable delay by KCC in responding to complaint	£250.00	LS	Education & Children's Services	Children & family services
10/105	CSS	Failure to complete and set up a support plan before residency order was obtained	£250.00	LS	Education & Children's Services	Children's Services: Education of LAC
10/113	KASS	KCC failed to provide her mother and her with enough information needed to make a truly well informed decision re care home placement	£500.00	LS	Adult Care Services	Adult Care Services
10/038	CSS	CSS Failed to provide adequate responses to their original complaint and did not make them aware of the appeals process	£500.00	LS	Education & Children's Services	Children's Services: Child Protection

Our Ref	KCC Unit	Description	Financial settlement / compensation	Omb Decision	LGO subject area	LGO detailed category
09/348	Ed	Fault in the way KCC did not and will not offer an OT service	£675.00	LS	Education & Children's Services	Education Council: SEN
10/230	Ed	Failure to provide son with adequate full time education after exclusion from school.	£750.00	LS	Education & Children's Services	Education
09/299	KASS	Unsatisfactory handling of complaint by KASS	£1,000.00	LS	Adult Care Services	Adult Care Services
10/136	KASS	Not receiving services that she has been assessed as eligible for.	£1,990.65	LS	Adult Care Services	Adult Care Services
09/286	Ed	Failure to provide education for son while he was no longer able to leave his home	£2,200.00	LS	Education & Children's Services	Education Council: SEN
		TOTAL	£8,865.65			

Summary of complaints received from LGO prior to 31 March 2011: still outstanding

Table 1

Date Received	Our Ref	KCC Unit	Description
05/05/2010	10/023	CSS	Social Services have failed to give adequate support since leaving foster care in 2007
07/07/2010	09/341	CSS	Occupational Therapy Services have not provided relevant information to Sevenoaks District Council causing funding to be delayed
06/09/2010	10/001	KASS	Failure to properly investigate circumstances of loan made by complainant's late mother to care worker or accept responsibility for outstanding debt.
15/09/2010	10/148	CSD	Actions of Interim Director of Commercial Services (changing son's home-to-school transport so he shares with another child who used to bully him) have put family in fear of physical violence from the child's mother who is also the new taxi driver.
06/12/2010	10/216	KASS	Unacceptable delay in carrying out assessment and care/support plan, reneged on a decision to provide a direct payment and refusal to provide a direct payment for respite care.
28/02/2011	10/330	CSS	Refusal to accommodate client under Section 20 of the Children Act 1989 on basis that he is not a child in need so no obligation to provide accommodation or support.
14/03/2011	10/223	CSS & Ed	Failure to act in accordance with the established policies when responding to a Child Protection Referral, advised a school inappropriately and failed to inform the school of the outcome of its initial enquiries.
25/03/2011	10/319	SEN	Delay in amending SEN statement for son following an Annual Review meeting and recent support offered in addition should have been offered earlier

Summary of complaints received from LGO prior to 31 March 2011: decisions now made

Table 2

Date Received	Our Ref	KCC Unit	Description	Financial settlement / compensation	Omb Decision	LGO main service area	LGO detailed category	Date of Decision	LGO's YE
05/10/2010	10/170	KASS	Council reneged on agreement which set out a support plan to fund daughter's support, failure to pay for care since July 2010.	£13,185.00	DI - IR	Adult Care Services	Adult Care Services	24/05/2011	31/03/2012
15/10/2010	10/183	KASS	Daughter's needs not assessed sufficiently, night time care removed and false accusations of injuries to carers.		OD	Adult Care Services	Adult Care Services	28/04/2011	31/03/2012
01/11/2010	10/191	KASS	Unhappy with the care provided to sister and changes to her care without consideration of dementia related needs or consultation with her.		DI	Adult Care Services	Adult Care Services	07/07/2011	31/03/2012
05/11/2010	10/030 - repeat	KASS	Standard of food and accommodation provided for the amount paid is not satisfactory and charge for care not wanted.		LS	Adult Care Services	Adult Care Services	19/04/2011	31/03/2012
16/12/2010	10/229	KASS	Failure to consider son's needs fully and withdrawal of care	£1,878.00	DI - IR	Adult Care Services	Adult Care Services	08/07/2011	31/03/2012

Date Received	Our Ref	KCC Unit	Description	Financial settlement / compensation	Omb Decision	LGO main service area	LGO detailed category	Date of Decision	LGO's YE
			due to complaint.						
19/01/2011	10/254	SEN&R	Failed to ensure that provision has been made for her daughter's SEN.		NM - WR	Education	Education	02/06/2011	31/03/2012
25/01/2011	10/260	KASS	Complainant disputes that he owes KCC money as a result of overpayment, the care provided was inadequate and is not satisfied with the way KCC have handled the complaint.		DI	Adult Care Services	Adult Care Services	20/06/2011	31/03/2012
28/01/2011	10/264	KASS	Inappropriate action taken in relation to the care of mother.		OR	Adult Care Services	Adult Care Services	12/04/2011	31/03/2012
09/03/2011	10/331	TS	Failure of Trading Standards to take action against Kent companies involved in a scam involving sales of Limoges Porcelain		NM - WR	Environmental Services & Public Protection	Consumer Affairs	04/05/2011	31/03/2012
24/03/2011	10/318	KHS	Failure to consider the complainants request for the introduction of traffic calming measures in Speldhurst.		NM - WR	Transport & Highways	Transport & Highways	09/06/2011	31/03/2012
			TOTAL	£15,463.00					

Summary of complaints received from LGO since 1st April 2011 to 30th June 2011

Table 3

Date Received	Our Ref	KCC Unit	Description	Date of first reply	Number of calendar days (should be 28 or less)
04/04/2011	11/004	OPPD	Failure to provide complainant with a satisfactory explanation for variations in the amounts charged for mother's domiciliary care between March 2010 to present.	13/05/2011	39
04/04/2011	11/003	FP	Complainant considers the Council was at fault in refusing to accept liability for the damage caused to vehicle.	14/04/2011	10
05/04/2011	11/006	SEN&R	Failure to finalise the proposed SEN statement within the required timescale which has resulted in the complainant's daughter remaining at a school unnecessarily.	18/05/2011	43
05/04/2011	11/007	SEN&R	Complainant did not fully receive the provisions of SEN statement between September 2008 - May 2009. Failure by the Council to provide education suitable for her son's needs following removal from school for stress-related illness.	31/05/2011	56
11/04/2011	10/243	SSP	Unsatisfied with way in which information was handled by the Council when investigating complainant's concerns about bullying incidents at school	N/A	
12/04/2011	11/016	OPPD	Failure by the Council to notify complainant immediately about the incident involving her daughter that promoted a safeguarding investigation.	02/06/2011	51
21/04/2011	11/019	SEN&R	Complainant alleged that the Council failed to put in place suitable full time education for his child, given that his placement within school has now irretrievably broken down.	N/A	

Date Received	Our Ref	KCC Unit	Description	Date of first reply	Number of calendar days (should be 28 or less)
28/04/2011	11/022	SCS	Complainant unhappy with the actions taken by the Council's Social Services in respect of her three children. The Council has lost important records that there is inaccurate information on the family life.	N/A	
03/05/2011	10/293	SEN&R	Failure by Council to deal with complainants daughter's educational needs since she was withdrawn from school in November 2009.	30/06/2011	58
03/05/2011	11/021	SSP	Council failed to offer complainant's daughter a school place between October 2010 - December 2010 and when offered a place at a school it was a different school than told	20/05/2011	17
04/05/2011	11/070	SSP	Council has failed to process an application for a school place for daughter.	N/A	
11/05/2011	10/311	SEN&R	Unreasonable delay in meeting the special educational needs of her son. In particular, provision has not been made for son's speech and language therapy.	10/06/2011	30
12/05/2011	11/043	OPPD	The Council is at fault for refusing to pay for residential care for complainant's mother on her discharge from hospital in December 2010.	02/06/2011	21
20/05/2011	11/071	OPPD	Complainant being kept prisoner in the care home where he lived and was no allowed out. Complainant treated with no respect by staff and money had been stolen.	N/A	
23/05/2011	11/058	OPPD	Failure by social worker to refer complainant's late father to NHS for continuing health care assessment and social worker's communication was poor and did not respond to a number of messages.	22/06/2011	30
24/05/2011	11/060	OPPD	Failed to offer a choice of residential care placement on discharge from hospital because of a policy which stipulated that non-residential placements had to be made into block purchased beds	22/06/2011	29

Date Received	Our Ref	KCC Unit	Description	Date of first reply	Number of calendar days (should be 28 or less)
25/05/2011	11/065	OPPD	Complainant feels she should have had continuing healthcare (CHC) funding throughout the four years her mother was placed in nursing home	28/06/2011	34
25/05/2011	11/068	OPPD	Complainant's wife not allowed to live with him, despite given the impression that she would be joining him.	N/A	
25/05/2011	11/062	SSP	The Council has failed to provide a suitable full time education for complainant's son since March 2010.	04/07/2011	40
25/05/2011	11/061	SSP & GL	Administrative fault in the way the Council administered complainant's application for the admission of her daughter to the Dover Grammar School for Girls for September 2011 and in the way the Admissions Appeal Panel considered her appeal.	27/06/2011	33
01/06/2011	11/069	OPPD	Complainant wrongly excluded from the Safeguarding Vulnerable Adults Group and complaint remains unresolved.	N/A	
06/06/2011	11/074	SSP & GL	Administrative fault in the way the Council considered complainant's application for the admission of her son to the Harvey Grammar School for September 2011 and the way the Appeal Panel considered the appeal against the Council's refusal.		
07/06/2011	11/077	SCS	Unsatisfied with the decision taken on complaints, which have not been upheld, or which have already been partially upheld. The Council has failed to offer an appropriate remedy for the injustice caused to him and his family.	10/06/2011	3
07/06/2011	11/075	OPPD	The Council has failed to deal properly with matters relating to the cost of father's placement at the North Lodge Residential Home	29/06/2011	22

Date Received	Our Ref	KCC Unit	Description	Date of first reply	Number of calendar days (should be 28 or less)
08/06/2011	11/078	CS	Council has failed to deal properly with her application to renew her daughter's disabled parking badge.	N/A	
08/06/2011	11/079	OPPD	Complainant is unable to get funding for her mother's care and as a result her mother is not receiving the care and support she is entitled to whilst the authorities are fighting amongst themselves.	N/A	
09/06/2011	11/076	SSP & GL	Administrative fault in the way the Council considered complainants application for the admission of son to Bridge & Patricbourne Primary School and in the way the Appeal Panel considered the appeal against the Council's refusal.		
10/06/2011	10/329	FSC	The Council has failed to ensure that his aunt received proper care, placed in an inappropriate care home, did not investigate concerns regarding her welfare, did not liaise with health colleagues and has not provided an apology for its failings.	16/06/2011	6
13/06/2011	11/088	SSP & GL	Administrative fault in the way that the Council considered complainants application for the admission of their son to the Harvey Grammar School and in the way the Admissions Appeal Panel considered the appeal against the Council's refusal.	12/07/2011	29
13/06/2011	11/089	SSP & GL	Administrative fault in the way that the Council considered complainants application for the admission of his daughter to Dover Grammar School for Girls School and in the way the Admissions Appeal Panel considered the appeal against the Council's refusal	12/07/2011	29
14/06/2011	11/090	OPPD	Both Kent County Council and East Sussex County Council have failed to deal properly with the applications for funding for assistance with the care home fees for her father-in-law since capital fell below the upper threshold.	30/06/2011	16

Date Received	Our Ref	KCC Unit	Description	Date of first reply	Number of calendar days (should be 28 or less)
15/06/2011	11/091	OPPD	As a result of the complainant's complaint about a very bad service and the lack of safety of my son, the Council has ceased son's transport.	N/A	
15/06/2011	11/092	SCS	Lack of response to several enquiries to social worker who failed to turn up to appointments with complainant.	N/A	
20/06/2011	11/096	GL	Administrative fault in the way that an education admissions appeal panel considered against the Council's refusal to admit complainant's daughter to the school for September 2011.	18/07/2011	28
27/06/2011	11/104	OPPD	Complainant unhappy with the care provided to brother who had been provided with an adjustable bed which was later found to be unhygienic. The complainant requested recompense for the costs incurred, however this has taken over 4 years to resolve.	N/A	
27/06/2011	11/025	SSP	The Council refused to remove an application for a school place and refused to provide complainant with details of which school his daughter had been offered. Complainant wishes to exercise his parental rights in respect of his daughter's education.	25/07/2011	28
27/06/2011	11/102	SSP & GL	Administrative fault in the way that the Council considered complainant's application for admission of their daughter to Dover Grammar School and in the way the Appeal Panel considered the appeal against the Council's refusal.	20/07/2011	23
30/06/2011	11/105	SSP & GL	Administrative fault in the way the Council processed complainant's application for admission of his daughter and the way the Admission Appeal Panel considered against the Council's refusal.		

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By: Cabinet Member for Finance – John Simmonds
Acting Corporate Director of Finance and Procurement
– Andy Wood

To: Governance and Audit Committee – 14 September 2011

Subject: 2010/11 Final Accounts and Annual Governance Report

Classification: Unrestricted

Summary: This paper updates the Committee on the final Annual Governance Report from the External Auditors relating to the 2010/11 Statement of Accounts.

FOR INFORMATION

1. Annual Governance Report/ 2010- 11 Statement of Accounts

1.1 The Audit Commission issued their Annual Governance Report on the 2010/11 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 and the Liberal Democrat Group Spokesman prior to the Chairman 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 two errors identified at the June meeting which related to the overstatement of adult social care gross expenditure and income and a duplicated asset in the infrastructure asset register. These will be reviewed and amended in the 2011-12 Accounts.

The Accounts were signed by the Audit Commission on the 26th July and were published on the website on the 29th July.

The Annual Governance Report also includes the Value for Money (VFM) conclusion.

2. Summary

2.1 Members are asked to NOTE the Annual Governance Report for 2010/11.

Cath Head
Acting Head of Financial
Management
Ext: 1135

Andy Wood
Acting Corporate Director of
Finance and Procurement
Ext: 4662

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Annual governance report

Kent County Council

September 2011 (updated)

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Traffic light explanation

■ Red ◆ Amber ● Green

Key messages

This report updates the Annual Governance Report that was presented to the Governance and Audit Committee on 30 June 2011 for issues that arose in completing the work for the audit opinion on the 2010/11 financial statements.

It includes the messages arising from my audit of your financial statements, which include the Kent Superannuation Fund Accounts, and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Traffic light
Unqualified audit opinion	
Adequate arrangements to secure value for money	

Audit opinion and financial statements

I issued an unqualified audit opinion on the 2010/11 financial statements on 26 July 2011.

On 30 June 2011, I reported the results of my opinion audit to the Governance & Audit Committee. With the help of officers responding quickly to audit enquiries, I had completed most of my planned work by this date. Inevitably, given the tight timelines, there were a few items that were still being reviewed. As agreed by members, I wrote to the Committee Chair, copied to the Liberal Democrat Committee member on 25 July 2011, 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. 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.

The financial statements submitted for audit on 10 June 2011 were of a good quality. The Council did well to produce complete accounts within this short timescale as the requirements of International Financial Reporting Standards means they are significantly more complex. During the audit I identified a small number of errors in the financial statements. Management agreed to adjust the financial statements for all but two of the errors.

Value for money

I issued an unqualified value for money conclusion on the arrangements Kent County Council has in place for securing economy, efficiency and effectiveness in the use of its resources on 26 July 2011. However, the Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources. Such a matter is the findings from the Ofsted inspection of the Council's safeguarding children and young people services and services for looked after children.

Matters of interest

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including Ethical Standard 1 (revised) - Integrity, Objectivity and Independence. I identified the following threat to independence:

- *One member of the audit team has immediate family employed at the County. I have concluded that this does not pose a risk to the auditor's independence and objectivity, but as a safeguard have set clear parameters over what work he can be involved in during this year's audit. I bring this to your attention in the interests of transparency. The threat has been reduced to an acceptably low level.*

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

Correspondence from local electors

I have received correspondence from a local government elector in relation to the 2010-11 accounts. I have considered the matters being raised and am satisfied that they do not prevent me from issuing an audit opinion on the accounts. However, I cannot certify the closure of the audit, until I have considered the issues more fully.

I ask the Governance and Audit Committee to:

- take note of the matters raised in this updated report; and
- agree your response to the proposed action plan (Appendix 4).



I confirm to you

I ask you to confirm to me

Financial statements

Opinion

Opinion on the financial statements

I issued an unqualified audit opinion on the 2010/11 financial statements on 26 July 2011.

This report outlines the key findings of my work on the Council's financial statements for the year ended 31 March 2011. 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 2 September 2011.

Errors in the financial statements

My audit seeks to ensure that the accounts are materially correct and present a true and fair view of the financial transactions of the Council in 2010/11. The concept of materiality is defined at Appendix 4. For the 2010/11 accounts I have set materiality levels as follows: £24.8 million for the Council and £16.0 million for the Superannuation Fund. Under International Standards on Auditing I also set a threshold below which I judge any errors to be 'trivial' and do not ask for the accounts to be amended. For 2010/11 the triviality threshold is set at £248k for the main statements and £160k for the Superannuation fund.

Where I identify errors above this triviality threshold, under auditing standards I must request officers to amend the accounts. During the audit I identified a small number of errors in the financial statements. In agreement with the Governance and Audit Committee, officers agreed to adjust the financial statements for all but two of the errors. The reasons for not adjusting the accounts for the two misstatements were set out in the representation letter approved by the Chairman and Liberal Democrat member of the Committee on 25 July 2011.

The misstatements identified in the accounts are set out in appendix 1 (adjusted errors) and 2 (unadjusted errors) of this report.



Financial statements

The Council's 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. In the earlier version of this report I set out the key areas of judgment and audit risk for the Council and Superannuation Fund with the audit findings up to 30 June 2011. These are reproduced for the Committee's information in Tables 1 and 2 below and the matters contained in my letter to the Chair of the Committee have been added.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings – Kent County Council

Key Audit Risk

Finding:

1. International financial reporting standards

The financial statements will have to reflect for the first time the requirements of International financial reporting standards. This is a significant risk as the changes to reporting standards affect all main statements. This is a major workstream for the Finance Department at a time when its capacity is stretched.

I worked with officers throughout the closedown period to review their working papers on the proposed amendments under International Financial Reporting Standards (IFRS). As part of this review, I provided challenge to the judgements being made by officers, resulting in some changes to the restated accounts. As a result, the full version of the restated 2009/10 accounts, received in late May, correctly reflected the requirements of IFRS. I have identified some minor issues in the 2010/11 financial statements which I report in the 'quality of the financial statements' section of this report. *These have been corrected by officers.*

2. Accounting for leases:

The definition of leases is wider under IFRS and many more arrangements may conceivably be recognised as and have to be accounted for as leases.

The Council undertook an extensive review of its leases during 2010/11. Audit testing confirms that the financial statements correctly reflect the categorisation of leases as either operating or financial leases.

Key Audit Risk

3. Public Finance Initiative (PFI) accounting:

Three PFI schools became operational during the year. The Council has to review the schemes and assess whether the assets are brought on to the Balance Sheet with an appropriate finance liability.

I reported in the 2009/10 annual governance report that there was an uncertainty over the valuation of a PFI school. The Council has to value all the PFI schools, including the three new build schools if on Balance Sheet, in 2010/11. PFI accounting is a significant risk.

4. Restructuring

The Council is currently undertaking a large restructuring exercise of its directorates and central departments. This will involve redundancies and restructure costs that will need to be accounted for in 2010/11 financial statements. These are likely to be material estimates.

5. Related party transactions

'Clarity' International Standards of Auditing have increased the audit work required on related parties and in particular the investigation of management controls.

Finding:

The Council has brought these assets on to the Balance Sheet. My review of the accounting treatment is nearing completion and I will report my findings to you once this work is complete.

The valuation of the PFI schools has been undertaken by Mouchel using a specialist valuation model for PFI assets. Audit testing confirmed that the revaluation of PFI assets in 2010/11, which also includes the Kent Adult Social Services PFI, were impaired by £24 million.

The Council has correctly accounted for restructuring costs in the financial statements.

Audit testing has confirmed that the related party transactions note discloses all required declarations and payments made to those bodies.

Key Audit Risk

6. Foster care system

As part of documenting the material financial systems I identify key controls to gain assurance over the system. I was unable to identify key controls in the foster care system.

Finding:

There is a weak control environment in this system which the manager is aware of. The foster care system covers two main areas of expenditure: foster care (£29m) and adoption (£7m). Substantive sample testing has found that the foster care payments are supported by original documentation and are correctly stated.

I completed the testing of the adoption payments made in 2010/11. My testing identified that officers are not routinely completing agreed procedures:

- *evidence supporting the means test calculation is not kept on the file; and*
- *the approval process for the payment award is not evidenced by the district managers.*

There are 14 district managers who oversee the means test calculation and agree the weekly payment to carers. The weaknesses in the adoption payments procedures during 2010/11 cannot lead to a material error in the financial statements due to the value of payments made in the year. Whilst I am satisfied that the payments were made, given the lack of evidence available, I cannot confirm the accuracy of the payments.

Management has introduced new procedures for adoptions payments from 1 April 2011 so these weaknesses should not exist in the future.

The following audit risks relate to both the Council and Superannuation Fund Accounts:**7. Actuary's assumptions:**

Barnett Waddingham carried out a full triennial valuation as at 1 April 2010. I am aware that different assumptions will be used from the previous actuarial valuation which may give rise to a material change to the Superannuation Fund's liabilities.

The actuary provided the assumptions for the roll forward of the triennial valuation. Audit testing completed under International Accounting Standard 19 (Employment Benefits) identified that the actuary estimated the growth in the Fund's asset base as 6.9% whereas the actual growth is nearer 11% as at 31 March 2011. This difference resulted in the County's share of the Superannuation fund assets, estimated at approximately 46%, being significantly different between the IAS 19 actuarial report (£1.450m) and the actual year end asset figure (£1.471m). The actuary has now produced a revised IAS 19 report and the Council will amend its accounts to reflect the new figures. I recommend that a control needs to be implemented by management to check the reasonableness of the assumptions against the net assets statement.

8. Icelandic bank deposits

The Council must write out the balance of the impairment as changes to accounting standards remove entries in the adjustment account. This is a sensitive issue for the readers of the accounts. I am expecting further guidance in a LAAP Bulletin before the financial statements audit.

The Council has correctly charged the impairment of the Icelandic bank deposits to expenditure in accordance with the latest accounting advice from CIPFA.

Key Audit Risk

9. Superannuation fund bank account:

As of 1 April 2011 the County Council and Superannuation Fund will have separate bank accounts. The Council transferred the cash held on behalf of the Superannuation Fund on 1 July 2010. There is a risk that the Council fails to correctly separate all income or expenditure.

Finding:

The Council and Superannuation Fund have correctly separated the bank balances. However, further testing is being completed on the Superannuation fund bank account as a small number of admitted and scheduled bodies are still paying contributions to Kent County Council's bank account.

My review of the year end cash balance identified that it was incorrectly stated on two accounts:

- *understated by £21k due to the Council excluding the interest received on the call account as at 31 March 2011; and*
- *overstated by £13,082k due to the Icelandic deposits being included in the balance. These should be recognised as a debtor in 'other current assets'.*

The Council has amended the cash balance to state the correct year end position of £14,652k.

Key audit risks and our findings – Kent Superannuation Fund

Key Audit Risk

Finding:

1. International Financial Reporting Standards (IFRS):

The Superannuation fund statements will have to reflect, for the first time, the requirements of the International Financial Reporting Standards.

There is a requirement to disclose the 'actuarial present value of promised retirement benefits' in the 2010/11 accounts. In advance of the accounts production, officers selected the option of disclosing this value in a note to the accounts. The accounts submitted for audit did not contain the note.

The IAS 26 report from the actuary states that this value is £4,523 million.

The accounts also omitted the following requirements:

- note on defined benefit schemes; and
- note explaining the move to IFRS, which is required even if there are no material changes to the accounts.

This note has now been included by officers.

2. Valuation of freehold property:

The accounting for freehold property is a material accounting estimate. The portfolio is managed by DTZ and was valued by Colliers CRE at 31 March 2010 at £168 million.

Audit testing has provided assurance that the valuation of the freehold property is materially correct.

Recommendation
R1 The control weaknesses within the foster care system should be resolved.
R2 The Treasury and Investments Manager should carry out a reasonableness check of the actuary's IAS 19 reports before issuing to Kent County Council and other admitted and scheduled bodies for inclusion in their financial statements.

Financial statements

Quality of your financial statements

The quality of the draft financial statements presented for audit was good.

Working papers supporting the accounts were not provided on the first day of the audit. These could be improved by adding narrative information to ledger extracts.

Officers responded promptly to audit enquiries and were helpful in producing further information for audit. However, there were delays in producing additional information and reports for audit within the Superannuation team.

Generally accounting practices, policies, estimates and financial disclosures were appropriate. I identified some areas for improvement.

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

These are the issues I want to raise with you.

Accounting practices, policies, estimates and financial disclosures

Issue

Findings and recommendations:

Kent County Council:

- Explanatory Foreword
I recommended that reference is made to the aborted Building Schools for the Future wave 4 project. Officers included this in the final set of accounts.
- Internal consistency of the financial statements
I identified a small number of areas where the notes to the accounts were not internally consistent. Officers reviewed these and amended the accounts as appropriate.
- Financial instruments (note 15)
My review of the financial instruments note identified a number of presentational and disclosure issues. This note has been revised by officers.
- Revenue expenditure funded by capital under statute (REFCUS)
My testing identified a number of expenditure items potentially incorrectly categorised as capital transactions. These included, survey fees, maintenance contracts, Legionella inspection tests, PMAs etc. These are not capital transactions although they have been treated as capital expenditure.

However, as this revenue expenditure may lead to a capital project, e.g. surveys leading to capital works, KCC may have justification for capitalising the expenditure. This is difficult to ascertain, as while it is clear some projects have correctly capitalised actual capital expenditure (also REFUCUS in foundation schools etc), the majority of the maintenance contracts have been capitalised for all schools without a clear audit trail of expenditure classification.

This is an area of uncertainty as to the scale of misstatement and could well be material. However, this issue does not impact on primary statements and only affects two disclosure lines in note 7, without affecting the 'Total adjustments' in the note. My view is that this uncertainty would not be material to the reader of the accounts.

In future, I recommend that KCC ensures that all revenue expenditure is treated correctly.

Contingent liabilities (note 40)

The Council has amended the narrative of the note to clarify the contingent liabilities as at 31 March 2011.

Post-balance sheet event (note 6)

Following the recent government announcement on education funding by the Department for Education on 19 July 2011, the Council has drafted a post balance sheet note which I have reviewed and agreed.

Kent Superannuation Fund:

Accounting policies

The accounting policies were prepared on the Pensions Statement of Recommended Practice. They should have been prepared based on the CIPFA Code of Practice for Local Authority Accounting. Some amendments were required to ensure compliance with the Code, for example, disclosures required under International Accounting Standard 26 (see page 10 for further detail).

Contributions receivable (note 1)

Audit testing on the timing of contributions receivable by the Superannuation fund identified that payment from admitted and scheduled bodies of the scheme are in breach of regulation 42(2) of

the Local Government Pension Scheme (Administration) Regulations 2008. This requires employer authorities to pay employee contributions to the administering authority within 19 days of the end of the month to which they relate. Testing found that the regulation had been breached throughout the year by admitted and scheduled bodies. Officers monitor this on a monthly basis through a key performance indicator and payment within 19 days has improved by year end.

Financial instruments (note 17)

The CIPFA Code of Practice on Local Authority Accounting 2010/11 requires the Superannuation Fund Accounts to disclose a financial instruments note. Officers omitted the note from the draft financial statements but have since included a note which I have audited and agreed.

Disclosure amendments to notes

The financial statements have been amended as follows:

- *Three new notes were added disclosing the 'actuarial valuations as at 31 March 2010' which was previously disclosed in the introduction section of the accounts, the 'International Accounting Standards 26 disclosure' and 'Property' setting out the valuation of, and income from, investment properties;*
- *Note 5 was expanded to disclose the 'other investment management expenses'; and*
- *Note 8 'cash and cash equivalents' was reduced by £13,082k and 'other current assets' were increased by this amount.*

Letter of representation

A letter of representation was prepared by management for the 2010/11 audit opinion. The letter included the reasons for not adjusting the accounts for the two misstatements. This was approved by the Chairman and Liberal Democrat member of the Committee on 25 July 2011.

Recommendation
R3 Officers should continue improvements made at the end of the year in taking prompt corrective action to ensure payments from admitted and scheduled bodies do not breach 19 days in the 2011/12 year.
R4 Officers should ensure that all revenue expenditure, regardless of the funding source, is accounted for in accordance with the Code.
R5 Officers should improve procedures to collate and disclose contingent liabilities.

Financial statements

International Standards on Auditing requires auditors to carry out a risk assessment of the general IT control environment. My review for 2010/11 has identified a specific weakness in the IT environment as set out below. Officers acknowledge the weakness and have agreed to take action to correct it.

I also identified two other potential issues that I have discussed with officers. I am satisfied that officers have put in place appropriate controls to mitigate the risk of these so am not required to report them to you.

These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Significant weaknesses in internal control

I did not identify any significant weaknesses in the system of internal control. I identified some areas for improvement.

Internal control issues and our findings

Description of weakness

The Axise Superannuation system has a generic user ID with administrative privileges which is being used by the payroll team.

Potential effect:

There is a risk of potential misuse of the system by the payroll team as the user ID has full access to the Superannuation system and the ID is being shared within the team.

Management action:

Officers have confirmed that the user ID is only used for the purposes for which it was intended. The Superannuation's payroll group carry out 100% checking of all input and this is backed up by a system journal for each user automatically created each night. This is sufficient to mitigate the risk in 2010/11.

Disabling leavers' accounts on Oracle is not always completed in a timely manner.

This could lead to manipulation of financial data in Oracle by another user accessing the account after officers have left.

Officers confirm that this is a potential risk limited to users with administration access to Oracle and have highlighted alternative controls that limit the exposure to this risk to a period of 30 days. Officers have provided reports confirming that there were no leavers in the 2010/11 year that had administration access to Oracle so the risk of manipulation in 2010/11 has not materialised.

Recommendation

R6 The Council should improve the process for disabling user accounts on Oracle.

R7 Stronger controls should be implemented in the Axise Superannuation system to mitigate the risk of an administrative level user ID being used by multiple officers.

Value for money

Value for money conclusion

I issued an unqualified value for money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources on 26 July 2011.

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

I issued an unqualified value for money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources on 26 July 2011.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission:

- **Financial resilience - The organisation has proper arrangements in place to secure financial resilience**
Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **Securing economy efficiency and effectiveness - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness**
Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Value for money

In my audit plan to you in March 2011, I set out the work I intended to complete to allow me to issue a VFM conclusion. My detailed findings are set out below.

Audit Risk

Senior management restructure

The Council's Change to Keep Succeeding proposals were approved by the Council on 16 December 2010 and will be implemented for the 2011/12 financial year.

Significant changes to the management team may impact on the leadership team's collective knowledge, experience and skills and may have an impact on business continuity and capacity. Strong transitional arrangements are important at a time when the Council has a particularly challenging agenda and as a result the Council has established project management arrangements, including risk management arrangements to mitigate against the risk identified.

Audit Response

I will :

- monitor the effectiveness of the risk management arrangements;
- review a sample of redundancies and any compromise agreements to determine the value for money;
- review the financial savings emerging from the restructuring; and
- review the re-mapping of directorates' budget.

Summary of findings

Background

In autumn 2010, the Council embarked on a programme of senior management restructure called "Change to Keep Succeeding". This was in response to significant anticipated cuts in public sector funding and to strengthen corporate arrangements to deliver the Council's Medium Term Plan, Bold Steps for Kent, and new government policies and priorities. Key principles of the restructure included improving productivity and efficiency through economies of scale and providing a structure to support an integrated "One Council" approach to minimise duplication and avoid professional silos. To ensure the new senior management structure aligned with the new Medium Term Plan and developing Medium Term Financial Plan (MTFP), the Council set a challenging

Value for money

timetable to implement the new structure by the start of the new financial year 2011/12.

Risk management arrangements

Reporting to members clearly identified risks and the Council put in place programme management resources to manage these. Significant programme risks such as the impact on management capacity, governance arrangements and finance capacity were incorporated into the Council's corporate risk management arrangements and members were updated on progress. The Corporate Management Team (CMT) acted as the programme board and received regular updates on the implementation plan.

The programme has been effectively managed, including risk management arrangements. The senior management/ directorate restructure was completed in line with the planned timetable and with no detrimental impact on the delivery of Council services. Relevant systems (Finance, HR, IT etc) were up and running as planned on 4 April 2011. Significant work was undertaken to update systems to go live from 4 April 2011 including the use of dry runs and data cleansing on the HR system and the re-mapping of budgets. The large majority of transition work was completed to allow operation of the new structure at the start of the financial year but some issues arose following implementation which required additional work such as final transfers of some staff and review of transferred budgets and associated funding. Lessons learnt from the restructure exercise have been reported to CMT and recommendations have been integrated into future Council work programmes.

Following completion of this first stage of the restructure the Council is now in the process of completing restructures within directorates and resulting savings have been factored into the MTFP. The directorates are at different stages of development and we have considered this as part of our work on the Council's savings plans considered below.

Senior management appointments

'Change to Keep Succeeding' proposed significant changes to the Council's structure, changes to existing directorates' responsibilities and the roles and responsibilities of senior managers. The programme firstly applied the Council's normal HR process to the new structure to establish which of the existing senior managers should "slot" into the new roles where these were similar to existing posts. Those managers that could not be allocated to new posts were classified "at risk" of redundancy and could apply for the remaining posts in the structure or apply for voluntary redundancy. Two "at risk" senior managers were subsequently appointed to vacant posts. The remaining vacant posts were then advertised and a mix of internal and external candidates appointed. This mix both reduced risks in relation to business continuity and provided new capacity from outside the Council.

Value for money

protocol also states that “There is no contractual entitlement to any payment in lieu of notice (PILON)”. None of the above payments were treated as “large sum agreements” however the payment of PILON and accrued holiday pay would have meant that some of these payments exceeded the £50,000 threshold. To avoid any potential misinterpretation over the application of the Council’s own compromise agreement protocol, it should clarify whether extra-contractual payments such as PILON and payments for accrued holiday pay are included in consideration of the “compensatory sum”.

Savings

The ‘Change to Keep Succeeding’ proposals submitted to the County Council for approval included a section on financial implications. This stated that “*the savings on implementation given the proposed restructuring and likely outcomes will deliver a reduction in costs at implementation of approximately £750k.*”

The saving of £750,000 reported is based on the annual savings comparing the cost of the old and new top tier structures, assuming the mid point of the salary range and represents the ongoing base budget saving arising from the senior management restructure. However there were additional financial implications of the restructure relating to redundancy and termination payments which were not estimated in the report due to the unknown costs at the time the report was written. Whilst it is accepted that at the time of writing the County Council report in December 2010 included references to redundancy and that individual staff members affected was not yet known, an estimate or description, of potential contract termination costs and proposed funding could have been provided to members to provide a fuller appreciation of the financial impact of the changes. These one-off costs relating to redundancy payments and pension payments, were subsequently reported to the Personnel Committee once they were known and amounted to over £900,000. These were budgeted for and were funded from a combination of central restructuring reserves and charges to directorates.

The Council should ensure that financial implications section for reports requiring decisions include sufficient information, including uncertainties and risks, for members to have a full appreciation of the financial impact of their decisions.

Budget re-mapping

Due to significant financial challenges facing the Council, the work on the budget and savings proposals needed to be completed concurrently with the restructuring proposals. Therefore the 2011/12 budgets were based on the old directorate structure and once the new structure was confirmed, the budget had to be recast. Whilst this entailed significant additional work within Finance, financial accountability and control was particularly important in the context of financial pressures and significant savings requirements and this process enabled clear arrangements to be in place from the start of the financial year.

Value for money

Although this approach carried additional complexity with regards understanding, accountability and control of the budget and savings plans my work has confirmed that the process had been well managed with clear communications from Finance and good understanding by the budget holders.

In addition to the budget recasting, a revised approach was taken to the budget setting process in 2011/12 to increase transparency and public understanding of the budget. The budget was therefore reported in three parts including:

- portfolio summary;
- A-Z of services (public facing);
- directorate level budget, detailing services/ units including responsible managers.

The presentation of the budget in an A-Z of services provides a more understandable summary of how the Council spends its money to the public, separating the services delivered from the managerial/ administrative control. This reflects government policy of transparency in public services and is considered to be good practice.

As in previous years, the budgets were built up from services. Therefore there was budget holder involvement in identifying the base budget, pressures and savings which ensure understanding and accountability for budgets. In this respect there were no changes to previous years. A separate exercise was then undertaken by Finance to allocate the budgets across the services and new directorates based on staff transfers and other analyses of costs such as property and IT costs. The most significant adjustments included the transfer of service budgets from Children, Families and Education between ELS and FSC and the identification of support costs within directorates transferred to Business Strategy and Support (BSS).

The large majority of the work was completed and the budget entered onto the general ledger to provide management information for the start of the financial year. At the time of my review, in July 2011, further work was being undertaken to address issues arising from the transfer of budgets and to reflect the new portfolio structure. Work was also ongoing to enable quarterly Cabinet reporting and monitoring in line with the public facing A-Z of services structure rather than directorates/ portfolios. The Council has provided delegated authority to amend/ vire budgets by £0.5 million if necessary. Whilst acknowledging the good practice and drive for transparency, the analysis and reporting of budgets by service, directorate and portfolio could cause confusion and may require duplication of effort. The Council should therefore consider the costs and benefits of the different analysis of A-Z of services, directorate and portfolio structures/ analyses for budget monitoring and reporting and ensure that these provide value for money.

There is a good understanding of the recast budget in directorates. Responsible managers are clear on the budgets under their control and the savings

Value for money

they are required to deliver. The 2011/12 savings requirement have clearly been assigned to individual responsible managers as part of the budget recast and savings plan arrangements. One potential risk area identified during my review related to the transfer of budgets to BSS and the service expected by directorates. As part of the restructure, support services previously provided within directorates were transferred to BSS. These budget transfers included related savings requirements included in the MTFP. BSS is now responsible for delivery of those savings and as a consequence of the budget reductions a reduced level of service may now be provided compared to those previously provided within the directorates. BSS restructures are underway but there is a potential risk that directorates may seek to maintain previous levels of support by recruiting staff to supplement the services provided by BSS. The Council is aware of this risk and intends to introduce controls to mitigate against these. The Council should therefore continue to ensure that there are clear communications with directorates with regards to the services provided by BSS and the impact of the savings requirements and, following implementation of the restructure, review whether BSS demonstrates value for money to the directorates.

Recommendation
R8 Clarify whether extra-contractual payments such as PILON and payments for accrued holiday pay are included in consideration of the “compensatory sum” when considering the thresholds for compromise agreements and the application of the compromise agreement protocol.
R9 Ensure that financial implications section for reports requiring decisions include sufficient information, including uncertainties and risks, for members to have a full appreciation of the financial impact of their decisions.
R10 Consider the costs and benefits of the different analysis of A-Z of services, directorate and portfolio structures/ analyses for budget monitoring and reporting and ensure that these provide value for money.
R11 Ensure that there are clear communications with directorates with regards to the services provided by BSS and the impact of the savings requirements. Following implementation of the restructure, review whether BSS demonstrates value for money to the directorates and ensure planned procedures prevented duplication of functions.

Value for money

Audit Risk

Audit Response

Financial challenges

Councils are facing significant financial challenges. The Council has identified savings of £95 million in 2011/12 and £65 million the following year. Although the Council has an excellent history of delivering against its efficiency targets, this was of a different scale to the savings now required. The Council has identified that in 2011/12 this will require efficiency savings of £39 million, policy changes of £35 million, use one-off funds of £15 million and increased income by £6 million.

The Council's robust financial management and budgetary control arrangements may no longer be sufficient to ensure that these savings are delivered.

I will:

- monitor the progress the Council makes against its savings target;
- review the project management arrangements to monitor the savings plan and manage risks at a corporate level and consider the progress against milestones for a sample of individual schemes; and
- test the assumptions behind a selection of savings targets.

Summary of findings

Background

Demand for local services is increasing due to demographic changes and the recession. This is against a backdrop of significant cuts in government funding and reducing income from investments and fees and charges. The Council's partners will be facing similar pressures and cuts elsewhere may provide challenges to partnership working and may have unintended consequences on the Council's plans. Strong project management arrangements are required to identify, evaluate and manage savings schemes. The savings target for 2011/12 within the MTFP is £95 million.

Project management arrangements

Project management arrangements are in place to monitor the identification and delivery of savings plans. This includes adequate oversight by CMT, the Governance and Audit Committee and policy overview and scrutiny committees.

Value for money

The Council initiated a process of monitoring the delivery of savings plans in the MTFP. The MTFP identifies the savings targets within directorates and services. For each project over £200,000 the responsible directorate/ manager has prepared a short Project Initiation Document (PID) which identifies how the savings will be delivered, the level of savings and project milestones. This process covers £92 million of the £95 million savings target in 2011/12. My high level review of the Council's monitoring spreadsheet shows that the total savings requirement in the MTFP has been adequately captured and savings identified and that all projects over £200,000 have PIDs in place.

Monitoring and co-ordination of the delivery of savings and PID process is undertaken by Finance. A PID surgery was held by Finance in April 2011 where the responsible manager and directorate finance business partner discussed the PID and project with the Acting Director of Finance, Corporate Accountant responsible for monitoring the savings projects and the Transformation Programme Manager. The surgery provided the opportunity to review the project and consider actions taken to date and a number of PIDs were revised following those discussions.

Responsible managers give the PIDs a red, amber or green (RAG) rating, with an additional blue rating where savings have already been delivered. The rating is considered by the Acting Director of Finance, Corporate Accountant and the Transformation Programme Manager for reporting. Reporting and monitoring is undertaken in a variety of ways and can vary across Directorates. For example the FSC have a separate Efficiency Board (now Savings Group) which considers progress against the PIDs whilst other directorates keep PIDs under review by the responsible manager and finance business partner. Corporately, Finance maintain an overview of the management assessment of the schemes through a monitoring spreadsheet reflecting updates from, and discussions with, finance business partners and detailed monitoring of budgets. The Transformation Programme Manager has also been involved in reviewing progress against the PID milestones. Reporting has been to CMT (and now Delivery Assurance Team), Governance and Audit Committee and to Policy Overview and Scrutiny Committees (POSC). These reports have explained the process and a summary of the RAG status of the projects.

Following the initial PID process, the focus for monitoring and review will move from savings delivery to budget monitoring. Therefore delivery of savings will now be monitored via the usual budget reporting process rather than a separate RAG rating or reporting the value of savings achieved and forecast. Discussions with officers have identified other significant risks to the budget such as emerging pressures in children's services. It is therefore critical that financial management arrangements do not focus solely on the delivery of the savings to the detriment of proper management of the Council's overall budget and spending.

However the delivery of the savings schemes may present specific risks around the achievement of base budget changes and one-off compensating

Value for money

actions. Although budget monitoring will highlight significant non-delivery of savings targets, without monitoring of milestones there are risks that non-delivery may not be highlighted early enough for remedial action to be taken. The Council is reviewing corporate arrangements for the monitoring of achievement of PID milestones; this should include a risk assessment of each PID and clarify any escalation procedures to be used if necessary.

Where schemes have been unable to deliver the planned savings, the directorates will be responsible for meeting the 2011/12 savings requirement in-year, for example by compensating savings/underspends, wherever possible. Where the savings projects have not delivered base budget reductions but achieved by one-off measures, additional savings will need to be identified in 2012/13 if those original savings cannot be delivered in 2012/13. CMT has agreed that where directorates fail to reduce the base budget in line with the planned savings schemes, these should be responsible for identifying the additional recurrent savings in 2012/13.

Progress to date

At the time of our review, July 2011, the Council had made good progress against the 2011/12 target of £95 million. The reports to the Governance and Audit and Policy Overview and Scrutiny Committees in June/ July 2011 reported the following assessment of the savings schemes:

- Red (detailed plans not yet finalised and/or delivery not totally within the Council's control) – £4.8 million (£2.6 million to be pursued through original means and £2.2 million requiring alternative savings);
- Amber – £28.4 million;
- Green (delivery of savings has started) – £29.1 million; and
- Blue (savings delivered) – £32.4 million.

Whilst good progress has been made in implementing some of the savings schemes, a number of the blue savings resulted from one-off savings such as the roll forward of the 2010/11 underspend (£4.7 million), release of corporate reserves (£9 million) and utilisation of other specific reserves such as the Supporting People reserve (£3 million) in 2011/12. This approach is sensible given the front loading and timing of the government funding reductions and is factored into the MTFP. However, these do not address issues within the base budget and require further savings to be delivered in future years. The current MTFP is a two year plan and therefore does not include detailed plans for the reinstatement of these reserves but the Council intends to replenish these from base budget contributions from 2014/15.

Whilst there is a strong focus on delivery of savings in-year and a commitment from directorates to meet the reduced budgets in 2011/12 there are no clear

Value for money

contingency arrangements in place to achieve savings for projects identified as red or where there are risks to delivery. A prudent approach might be to consider alternative plans to address an agreed percentage of projects classed as red or amber. Given the continued requirement to deliver savings over the next four years these alternative plans could help to deliver future targets if not required in 2011/12. The Council should consider whether formal contingency plans should be in place for red and amber rated schemes to ensure that the 2011/12 savings target is met.

The current project management arrangements and reporting of progress has focused on 2011/12 savings targets. However, the MTFP requires delivery of significant additional savings of £65 million in 2012/13. Furthermore, to date during 2011/12 the Council has identified emerging pressures on the base budget therefore the level of savings required in 2012/13 is likely to be in excess of that in the MTFP. Where PIDs identify savings over 2 years these have been included within the current monitoring arrangements. £25 million have been identified through these means but there are significant savings yet to be identified. The Council is starting to embark upon a similar process for identification of potential savings through the PID process and consideration of options by Cabinet.

The Council's savings target of £95 million in 2011/12 has been challenging and it has done well to identify the majority of these savings through better procurement and other efficiency measures, without resorting to significant numbers of policy changes impacting on delivery of services to the public. However, in future years it is likely that the savings will need to be achieved through policy changes which will effect front line delivery of services. These savings schemes will require strong political decision making based on robust information. Consultation is likely to be required and therefore these schemes may have a long lead in time. It is therefore essential that a strong project management process is in place for the identification and monitoring of savings schemes going forward. Although it may become increasingly difficult to identify savings in the future, based on the robustness of project management arrangements in place for 2011/12, the Council has a good basis for identifying, monitoring and delivering savings in the future.

Review of schemes

As part of my review I considered a sample of detailed savings scheme covering each directorate and each RAG rating. Through discussions with officers and review of documentation I considered the progress of the scheme and whether the RAG rating was realistic and that corporate monitoring arrangements provided adequate assurance for management and members.

The following schemes were reviewed through discussions with officers, review of supporting papers and consideration of the detailed assumptions behind the schemes. In all cases I considered the RAG assessment to be a fair reflection of the likelihood of achieving the target or agree it was a prudent/conservative assessment of progress.

Value for money

£000s	Directorate	Description (PID ref)	RAG	Audit comments
2,200	FSC	Older Persons Strategy (35)	Green	<p>Strategy developed with a number of drivers relating to the Council's provision of care for Older People, not solely identification of savings plans. Consultation had been completed and relevant decisions made. Delivery of the planned changes was underway and milestones were being achieved. Planned savings were on track to be delivered and exceeded. Monitoring within the Directorate undertaken by an FSC Efficiency Board.</p> <p>Savings calculations are based on a detailed analysis of re-provision of services based on current locality rates but allowed additional contingency for unforeseen costs.</p>
7,000	CC	Supporting People (25)	Blue	<p>2011/12 savings to be met from use of reserves with additional non-recurrent savings on contracts. However plans are already in place to reduce the base budget in 2012/13. Detailed plans are in place for different elements of Supporting People services including retendering of services, considering eligibility criteria and hours delivered. Planned milestones are being achieved.</p> <p>Savings calculations are based on benchmarking of provider rates.</p>
4,000	BSS	Savings on net debt costs (10)	Green	<p>Savings will be realised through a reduction in the capital programme and the impact on the Council's Minimum Revenue position. In addition, the economic climate has meant that it has been more efficient to fund developments from balances when returns are low rather than taking out loans and incurring debt costs.</p> <p>The target is likely to be over-achieved and the surplus used to fund emerging budgetary pressures.</p>

Value for money

5,489	EE	Highways maintenance and overheads (38)	Amber	<p>Savings identified through a completed restructure and fundamental review of contracts including re-negotiations and procurement. Large number of strands to the total savings with one significant project around the maintenance contract. Savings identified will not effect front line delivery, and in the case of the maintenance procurement contract will also realise additional benefits in terms of risk and quality of service.</p> <p>Since the amber assessment the new contract had been approved by Cabinet and all significant decisions have been made and milestones met to enable savings to accrue once the contract was in place, therefore Amber rating is now Green. There is a clear understanding within the directorate as to where the savings will come from and arrangements are in place to monitor the delivery of expected savings once the contract is in place (September 2011).</p> <p>A detailed and complex analysis was undertaken to estimate the level of savings and support the savings target.</p>
1,113	ELS	Management structures (91d)	Red	<p>The PID surgery and directorate assessment of progress found that the initial PID was considered to be unrealistic in terms of timing. Since selection of our audit sample, ELS has combined a number of existing PIDs relating to restructuring into a new PID. This re-profiles the planned savings by putting some schemes back and bringing some forward. This combined PID identifies savings of £1 million in 2011/12 compared to the previous plan of £4.8 million (including the £1.1 million which was previously included under this PID). This results in a significant non-recurrent shortfall against the 2011/12 target of £3.8 million and the directorate has identified options from underspends on other budgets, roll forwards and additional income.</p> <p>Restructuring plans are still in the early stages.</p>

Value for money

My review identified a high level of understanding of the financial situation facing the Council and a strong commitment within the directorates to achieve the savings targets identified. Managers are clear on their responsibilities and felt that the PID process had been necessary and proportionate. There was also a commitment to identify further savings in future years whilst recognising that these would be increasingly difficult to achieve and would impact upon delivery of front line services.

The PIDs reviewed included various levels of detail and were of a variable quality. However this did not necessarily reflect the progress of the scheme as in many cases there was significant detail within the directorate to support the PID and milestones were being delivered and savings achieved. The Council should consider providing some standard guidance for completion of the PIDs for 2012/13.

Recommendation	
R12	Review corporate arrangements for the monitoring of achievement of PID milestones based on a risk assessment of each PID and clarify any escalation procedures to be used if necessary.
R13	Consider whether formal contingency plans should be in place for red and amber rated schemes to ensure that the 2011/12 savings target is met.
R14	Provide some standard guidance for completion of the PIDs for 2012/13.

Value for money

Report by exception

I issued a report by exception in relation to the Council's arrangements with regards to safeguarding children and young people services and services for looked after children.

In addition to completing my planned work, I am required to consider any other significant matters that come to my attention and consider the impact on my value for money conclusion. A significant matter is one that could impact adversely on a council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. 'Proper arrangements' are defined in the Audit Commission's Code of Audit Practice which is approved by Parliament. The relevant extract from the Code is:

"It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- *planning finances effectively to deliver strategic priorities and secure sound financial health;*
- *having a sound understanding of costs and performance and achieving efficiencies in activities;*
- *reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;*
- *commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;*
- *producing relevant and reliable data and information to support decision making and manage performance;*
- *promoting and demonstrating the principles and values of good governance;*
- *managing risks and maintaining a sound system of internal control;*
- *making effective use of natural resources;*
- *managing assets effectively to help deliver strategic priorities and service needs; and*
- *planning, organising and developing the workforce effectively to support the achievement of strategic priorities."*

Ofsted's inspection of the Council's safeguarding children and young people services and services for looked after children raised significant concerns about operational practice (which is outside of the scope of my consideration) and aspects of the Council's proper arrangements. I consider that the inspection highlighted weaknesses in the Council's arrangements for:

- producing relevant and reliable data and information to support decision making and manage performance; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

I am required to recognise these weaknesses within the value for money conclusion as a 'report by exception'.

Appendix 1 - Amendments to the financial statements

I identified the following misstatements during my audit which management have adjusted the final version of the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

KENT COUNTY COUNCIL		Comprehensive income and expenditure statement	Balance sheet
Adjusted misstatement	Nature of adjustment	Dr £'000s	Cr £'000s

1) Unusable reserves (note 22): Within the capital adjustment account the 'charges for depreciation and impairment of non-current assets' only includes the impairment figure for the current and previous year. Depreciation totalling £98,612k has been netted off minimum revenue provision in the 'statutory provision for financing of capital investment against the General Fund'.

The note has been amended to show the depreciation in the correct line of the note. Disclosed as follows:

- charges for depreciation and impairment of non-current assets £132,616k; and
- statutory provision for the financing of capital investment charged against the General Fund £(55,979)k.

2) Superannuation's assets (Balance Sheet and note 39): The actuary has produced a revised report for International Accounting Standards (IAS) 19 as there was a significant difference between the estimated fair value of the asset base (£3.156 billion) and the actual Net Asset Statement asset base as at 31 March 2011 (£3.202 billion). The Council has approximately 46% share of the asset base. The estimated asset share was £1,450 million and the actual share is calculated as £1,471 million.

The Balance Sheet and note 39 entries will be amended to disclose the fair value of the assets as £1,471 million.

20,993

20,993

3) Capital grants income & (Comprehensive Income & Expenditure Statement): The Council accounted for capital grants income of £247m against the service line in the Net Cost of Services that they relate to. The Best Value Accounting Code of Practice (BVACOP) requires the grant income to be shown in the 'taxation and non-specific grant income' line in the Comprehensive Income & Expenditure Statement.

The capital grants income has been correctly amended in the Comprehensive Income & Expenditure Statement and related notes.

247,000

247,000

were incorrectly disclosed in the Superannuation increases line of the note.

The total values as at 31 March are now:

- Superannuations increase £39,376k; and
- Lump sums (retirement) £37,379k.

7) Future investment commitments (note 12): The disclosure included two errors within the note:

- Total commitment with HarbourVest is overstated as one of the contracts for the reported £7.5m has not yet been signed; and

The disclosure note has been correctly amended to state the following:

- HarbourVest commitment £60m
- Invested amounts for HarbourVest are £1.6m and Partners Group £14.7m.

- Total amounts invested with Partners Group and HarbourVest were disclosed against the incorrect Fund.

Audit testing also identified that officers did not maintain records of the exchange rate used for the commitment or invested amounts so the exact disclosures could not be verified.

Recommendation

R15 Officers should maintain records of the exchange rate used for commitments in foreign currencies on the date of investment.

Appendix 2 – Unadjusted misstatements in the financial statements

I identified two misstatements during my audit which management did not adjust in the final version of the financial statements. The reasons for not adjusting the accounts for the two misstatements were set out in the representation letter approved by the Chairman and Liberal Democrat member of the Committee on 25 July 2011.

KENT COUNTY COUNCIL			
Unadjusted misstatement	Nature of required adjustment	Comprehensive income and expenditure statement	Balance sheet
		Dr £'000s	Cr £'000s

Adult Social Care (Comprehensive Income and Expenditure Statement):

- Ⓐ The gross expenditure and gross income are overstated in the Statement by £3.9m.
- Ⓑ There is no effect on the net expenditure at 31 March 2011. Adult social care calculates the value of care packages on a means tested basis with some clients paying part of their package. Adult social care are accounting for the income paid by the client directly to the provider as notional income in the financial statements. This income is not received by Kent County Council, nor do they have the associated costs of that element of the care package. Therefore, the costs should not be included in the financial statements as it is not the Council's income or expenditure.

The adult social care gross expenditure and gross income should be amended to remove the notional income and costs of £3.9m.

3,900

3,900

Cr £'000s

Dr £'000s

Cr £'000s

Property, Plant and Equipment (note 12): Audit testing of additions identified a duplicated asset in the infrastructure asset register. The Ashford Highways Super Depot had become operational in 2009/10 financial statements at a value of £7m. However, the costs of construction included in infrastructure asset register of £6.9m were accounted for as a capital addition in 2010/11. This means the Balance Sheet and Revaluation Reserve is overstated by £6.9m. There is no impact on the depreciation charge for 2010/11 as the asset added in 2009/10 has been correctly depreciated this year.

The construction costs of £6.9m should be removed from the Balance Sheet and Revaluation Reserve to ensure the accounts are not overstated. There would be a revenue amendment of approximately £2m. The changes required would cascade through a number of notes to the accounts.

6,953

6,953

2,000

2,000

Recommendation

R16 A manual adjustment should be made as part of accounts preparation to remove the notional income and associated expenditure from the adult social care accounts.

Appendix 3 – 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 financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Appendix 3 – Glossary

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.



Appendix 3 – Glossary

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 based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.



Appendix 4 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
13	The control weaknesses within the foster care system should be resolved.	2	Head of Financial Management	Yes		March 2012
13	The Treasury and Investments Manager should carry out a reasonableness check of the actuary's IAS 19 reports before issuing to Kent County Council and other admitted and scheduled bodies for inclusion in their financial statements.	3	Treasury and Investments Manager	Yes	We will carry out checks before the reports are issued.	March 2012
17	Officers should continue improvements made at the end of the year in taking prompt corrective action to ensure payments from admitted and scheduled bodies do not breach 19 days in the 2011/12 year.	1	Treasury and Investments Manager	Yes	The timing of the receipts is a key performance indicator and will continue to be monitored monthly. We have no legal remedy in respect of late payments but employers are being reminded of the deadlines and new monitoring arrangements are being established.	Done
17	Officers should ensure that all revenue expenditure, regardless of the funding source, is accounted for in accordance with the Code.	1	Head of Financial Management	Yes		March 2012

17	Officers should improve procedures to collate and disclose contingent liabilities.	2	Head of Financial Management	Yes	March 2012
19	The Council should improve the process for disabling user accounts on Oracle.	2	Director of ICT	Yes	By March 2012
19	Stronger controls should be implemented in the Axise Superannuation system to mitigate the risk of an administrative level user ID being used by multiple officers.	1	Director of ICT	Yes	Done All PAYMAN journals are now retained even when blank.
26	Clarify whether extra-contractual payments such as PILON and payments for accrued holiday pay are included in consideration of the "compensatory sum" when considering the thresholds for compromise agreements and the application of the compromise agreement protocol.	2	Corporate Director of Human Resources	Yes	Immediate
26	Ensure that financial implications section for reports requiring decisions include sufficient information, including uncertainties and risks, for members to have a full appreciation of the financial impact of their decisions.	2	Corporate Director of Finance and Procurement	Yes	Immediate
26	Consider the costs and benefits of the different analysis of A-Z of services, directorate and portfolio structures/ analyses for budget monitoring and reporting and ensure that these provide value for money.	3	Corporate Director of Finance and Procurement	Yes	Immediate
26	Ensure that there are clear communications with directorates with regards to the services provided by BSS and the impact of the savings requirements. Following implementation of the restructure, review whether BSS demonstrates value for money to the directorates and ensure planned procedures prevented duplication of functions.	2	Corporate Director of Finance and Procurement	Yes	Immediate
33	Review corporate arrangements for the monitoring of achievement of PID milestones based on a risk	2	Corporate Director of Finance and Procurement	Yes	Immediate

	assessment of each PID and clarify any escalation procedures to be used if necessary.		Procurement		
33	Consider whether formal contingency plans should be in place for red and amber rated schemes to ensure that the 2011/12 savings target is met.	2	Corporate Director of Finance and Procurement	Yes	Immediate
33	Provide some standard guidance for completion of the PIDs for 2012/13.	1	Corporate Director of Finance and Procurement	Yes	Immediate
38	Officers should maintain records of the exchange rate used for commitments in foreign currencies on the date of investment.	1	Treasury and Investments Manager	Yes	Done A memorandum record is being maintained of the FX rate.
40	A manual adjustment should be made as part of accounts preparation to remove the notional income and associated expenditure from the adult social care accounts.	1	Chief Accountant	Yes	March 2012

By: John Simmonds, Cabinet Member for Finance
Andy Wood, Acting Corporate Director of Finance &
Procurement

To: Governance and Audit Committee –14 September 2011

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

Summary: To report a summary of Treasury Management activity
FOR ASSURANCE

INTRODUCTION

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

STATEMENT OF DEPOSITS

2. A statement of deposits as at 26 August is attached in Appendix 1. This statement is circulated to members of Treasury Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

3. The Treasury & Investments Manager produces a monthly report for all members of Treasury Advisory Group. The July report is attached in Appendix 2.

SUMMARY OF DEVELOPMENTS

4. Treasury Advisory Group met on 17 June and 29 July. The group's membership is the Cabinet Member for Finance (Chair), Deputy Cabinet Member for Finance, Deputy Leader, Chairman Superannuation Committee, Chairman Corporate Policy Overview and Scrutiny Committee, Labour Group Leader and Liberal Democrat Finance Spokesman. The group is a sub-group of Cabinet and is advised by Arlingclose the Council's treasury consultants.
5. The focus of attention at both meetings was the counter party list which remains highly restricted. The group agreed to maintain the suspension of Santander and Clydesdale and keep under constant review with a formal report on options to Cabinet in the autumn. There is concern about the very low rates of return from funds placed with the Debt Management office but the continued turmoil in financial markets does not give sufficient

assurance to be able to introduce other counter parties or increase limit levels with existing counter parties.

6. On 11 August Arlingclose recommended that the maximum duration for the UK institutions we currently use should be reduced from 12 months to 6 months. This was implemented immediately. Interestingly their limit for Clydesdale was reduced to 7 days and Santander UK 3 months.
7. The Landisbanki and Glitnir appeals will be heard by the Icelandic Supreme Court in September and the Head of Financial Services and the Local Government Association Director of Finance will be present representing UK local authorities and supporting our Icelandic and UK legal teams.

RECOMMENDATION

8. Members are asked to note this report for assurance.

Nick Vickers
Head of Financial Services
Ext: 7000 4603

KCC Deposits at 26 Aug 11

Instrument Type	Counterparty	Amount	Start Date	End Date	Interest Rate	Next Call Option / Rate Review Date	Broker	Territory
Fixed Deposit	Dexia Bank	£10,000,000.00	15/04/09	31/10/11	0.505	n/a	Direct	Belgian Bank
	Total Belgian Bank Deposits	£10,000,000.00						
LIBOR Fixed Deposit	Glitnir	£5,000,000.00	21/01/08	21/01/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	06/02/08	06/02/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	20/08/08	19/08/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	08/11/07	10/11/08	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£4,600,000.00	02/05/08	23/12/08	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£1,500,000.00	18/08/08	17/08/09	0	n/a	Tullet Prebon	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	03/09/08	03/11/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£3,250,000.00	01/10/08	30/10/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£5,000,000.00	02/10/08	02/07/09	0	n/a	Martins	Icelandic Bank
1st Tranche Creditor Payment	Heritable Bank Ltd	-£2,959,121.00	30/07/09	n/a	0	n/a	Direct	Icelandic Bank
2nd Tranche Creditor Payment	Heritable Bank Ltd	-£2,323,110.00	18/12/09	n/a	0	n/a	Direct	Icelandic Bank
3rd Tranche Creditor Payment	Heritable Bank Ltd	-£1,136,429.10	30/03/10	n/a	0	n/a	Direct	Icelandic Bank
4th Tranche Creditor Payment	Heritable Bank Ltd	-£1,151,354.84	16/07/10	n/a	0	n/a	Direct	Icelandic Bank

5th Tranche Creditor Payment	Heritable Bank Ltd	-£759,211.42	18/10/10	n/a	0	n/a	Direct	Icelandic Bank
6th Tranche Creditor Payment	Heritable Bank Ltd	-£865,564.99	14/01/11	n/a	0	n/a	Direct	Icelandic Bank
7th Tranche Creditor Payment	Heritable Bank Ltd	-£1,147,154.44	19/04/11	n/a	0	n/a	Direct	Icelandic Bank
8th Tranche Creditor Payment	Heritable Bank Ltd	-£744,544.49	15/07/11	n/a	0	n/a	Direct	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£2,000,000.00	08/11/07	10/11/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	22/04/08	22/04/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	02/05/08	05/05/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	£5,000,000.00	19/09/08	24/10/08	0	n/a	Martins	Icelandic Bank
	Total Icelandic Bank Deposits	£39,263,509.72						
Same Day Call Deposit	Bank of Scotland	£13,000,000.00	12/10/09	n/a	0.85	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000.00	02/06/08	31/05/13	6.8	n/a	Tradition	UK Bank
Same Day Call Deposit	Barclays Bank	£5,000,000.00	05/11/09	n/a	0.7	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000.00	06/01/11	06/09/11	1.17	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£3,000,000.00	27/04/11	27/09/11	0.78	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£3,000,000.00	27/04/11	27/10/11	0.89	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£2,000,000.00	09/05/11	10/04/12	1.359	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£3,000,000.00	09/05/11	09/03/12	1.28	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£4,000,000.00	07/07/11	07/11/11	0.83	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000.00	07/07/11	07/12/11	0.94	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000.00	08/08/11	08/06/12	1.37	n/a	Direct	UK Bank
Fixed Deposit	HSBC	£7,000,000.00	05/08/11	05/09/11	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	£9,200,000.00	08/08/11	31/08/11	0.4	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000.00	07/01/11	07/10/11	1.6	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000.00	07/01/11	09/01/12	2	n/a	Direct	UK Bank

KCC Deposits at 26 Aug 11

Fixed Deposit	Lloyds TSB	£4,000,000.00	27/04/11	27/10/11	1.4	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£4,000,000.00	09/05/11	09/02/12	1.8	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£4,000,000.00	09/05/11	08/05/12	2.1	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000.00	05/07/11	05/01/12	1.45	n/a	Direct	UK Bank
Same Day Call Deposit	NatWest	£25,000,000.00	04/04/11	n/a	1.5	n/a	Direct	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	19/09/08	19/09/11	1.075	19/09/11	Tullet Prebon	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	20/10/08	18/10/13	1.42781	18/10/11	Tradition	UK Bank
Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	07/01/11	06/01/12	1.4	n/a	Direct	UK Bank
	Total UK Bank Deposits	£136,200,000.00						
Fixed Deposit	Nationwide Building Society	£5,000,000.00	27/04/11	27/10/11	1.07	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£4,200,000.00	14/06/11	13/09/11	0.75	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£5,000,000.00	14/06/11	14/12/11	1.03	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£4,600,000.00	27/06/11	25/11/11	0.93	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£1,200,000.00	05/08/11	04/05/12	1.17	n/a	Direct	UK Building Society
	Total UK Building Society	£20,000,000.00						
Fixed Deposit	Debt Management Office	£3,950,000.00	08/08/11	02/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	08/08/11	30/08/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£2,000,000.00	09/08/11	02/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£3,000,000.00	09/08/11	07/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,250,000.00	10/08/11	07/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£2,250,000.00	11/08/11	08/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£2,590,000.00	16/08/11	08/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£5,000,000.00	17/08/11	09/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,290,000.00	17/08/11	12/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£710,000.00	18/08/11	12/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£2,190,000.00	18/08/11	20/09/11	0.25	n/a	Direct	UK Govt.

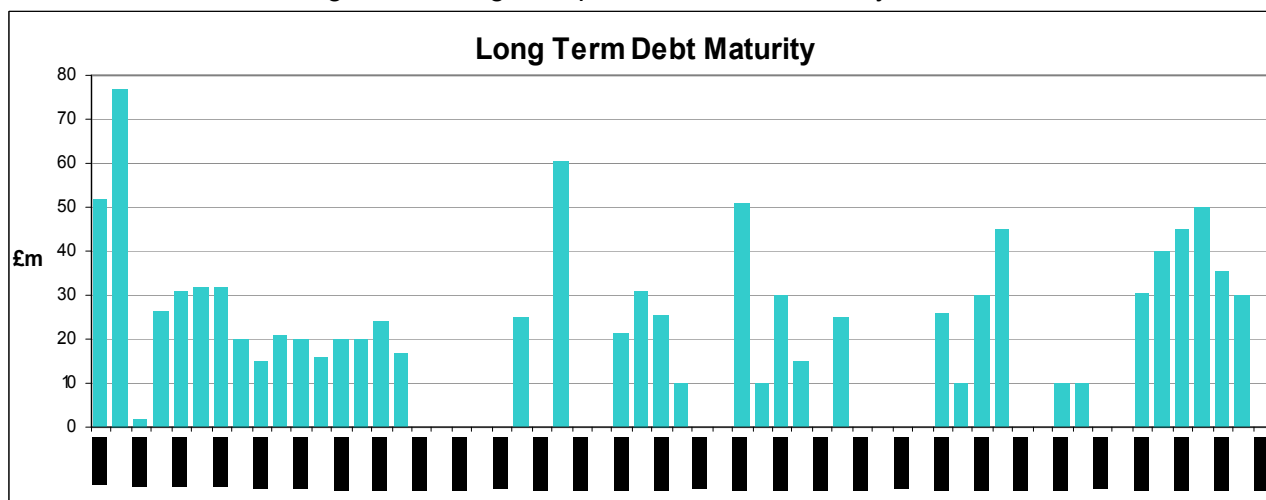
KCC Deposits at 26 Aug 11

Fixed Deposit	Debt Management Office	£6,000,000.00	18/08/11	16/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£6,100,000.00	19/08/11	20/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£8,600,000.00	22/08/11	20/09/11	0.25	n/a	Direct	UK Govt.
Fixed Deposit	Debt Management Office	£18,850,000.00	26/08/11	30/08/11	0.25	n/a	Direct	UK Govt.
	Total UK Govt. Deposits	£77,780,000.00						
	Grand Total of All Deposits	£283,243,509.72						

Treasury Management Report for the month of July 2011

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.

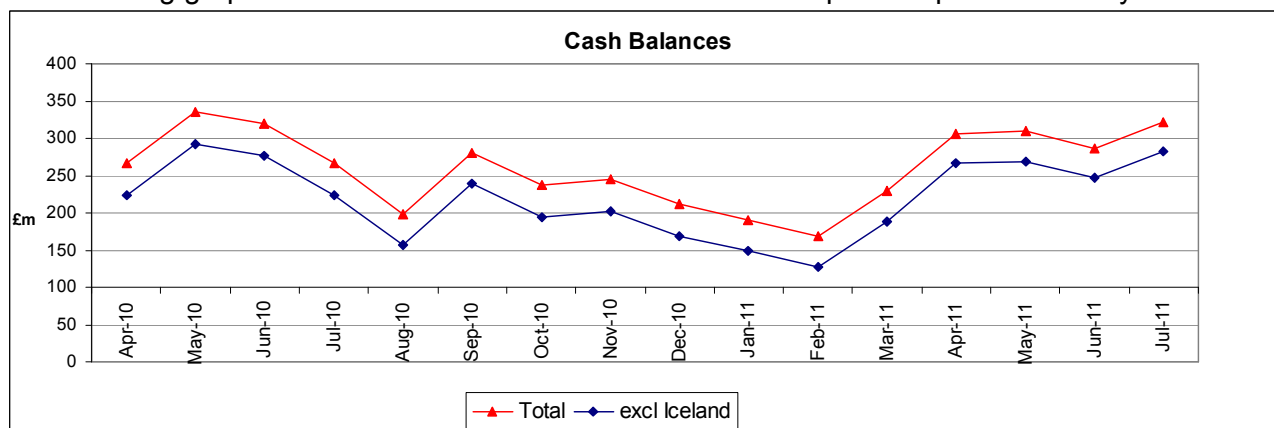


Total external debt includes £46.5m pre-LGR debt managed by KCC on behalf of Medway Council and pre -1990 debt managed on behalf of the Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m). During 2011-12 KCC expects to repay loans totalling £57m and has arranged borrowings of £50m to be drawn in August.

2. Investments

During July the total value of cash under management rose by £33.87m to £320.87m, £281.61m excluding £39.264m of Iceland monies. The available balance at the end of July of £281.61m included schools balances (£52.1m), KCC working capital (£60m), and other reserves and funds held in trust. An 8th dividend of 4.05p/£ was received from Heritable bank on 15 July bringing our total receipts from Heritable to £11.09m, 60.42% of the amount due.

The following graph shows the trend in cash balances over the period April 2010 – July 2011.

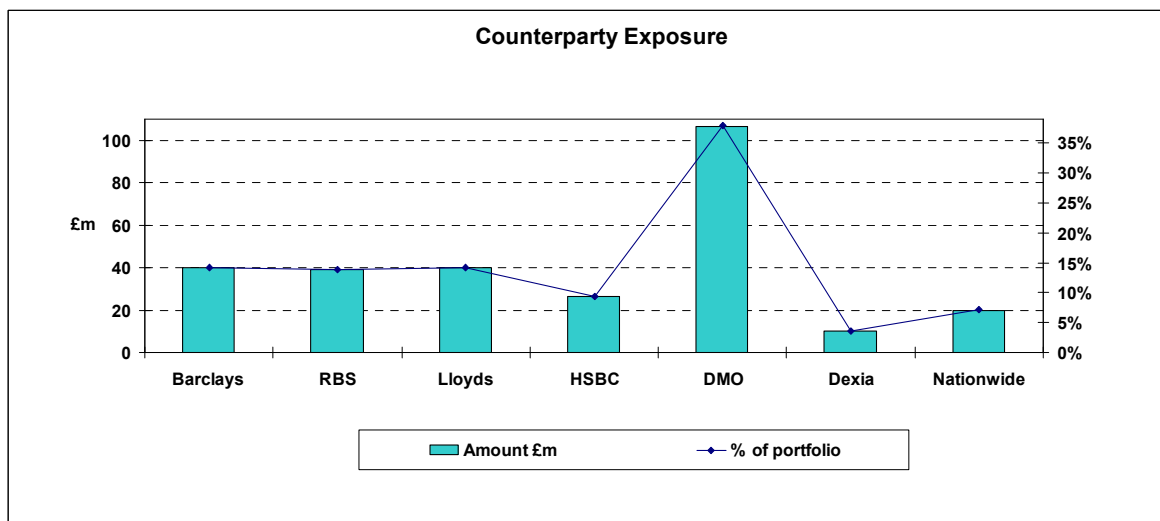
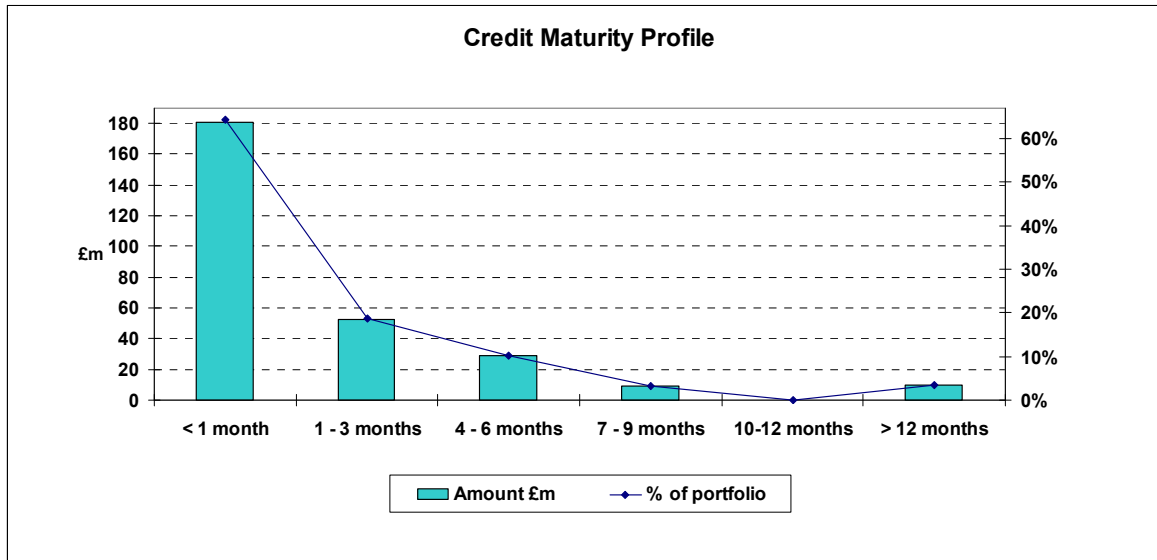


2.1 Average return on new deposits

The average return on new deposits in July was 0.6038% vs 7 day LIBID 0.4663%. This return is the result of most new deposits being placed with the DMO as facilities with other counterparties totalling £180m had already been used.

2.2 Credit maturity profile and counterparty exposure

At the end of July £181million, 64% of the portfolio, was held in call accounts and deposits with a maturity of less than 1 month including £106.56m with the DMO. The following charts show the credit maturity profile of the portfolio and counterparty exposure.



2.3 Credit Score matrix

	July 2010		July 2011	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	AA	3.2	AA	2.94
Time Weighted Average	A+	4.6	AA-	4.01

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

3. Interest Rate Forecast

The July commentary provided by Arlingclose on the economy and outlook for interest is attached.

Alison Mings, 17 August 2011

To: Governance & Audit Committee – June 2011

From: Mike Hill, Cabinet Member for Customer and Communities
Amanda Honey, Corporate Director Customer and Communities

Subject: Annual RIPA report on ‘surveillance’ and other activities carried out by KCC between Jan – December 2010

Classification: Unrestricted

Summary This report outlines the work undertaken in 2010 by KCC Officers on surveillance and other activities governed by the Regulation of Investigatory Powers Act 2000 (RIPA).

FOR ASSURANCE

1. Background

- 1.1. The document sets out the extent of Kent County Council’s use of RIPA and who can authorise such activity. There remains considerable interest from the media and pressure groups so the County Council wishes to be as open and transparent as possible to assure the public that these powers are used only in a ‘lawful, necessary and proportionate’ manner.
- 1.2. To achieve maximum transparency and ensure that the County Council maintains public confidence and in accordance with the Codes of Practice, a report at the end of each year shall be submitted by the senior responsible officer to the appropriate Audit Committee, outlining the work carried out in the preceding year by KCC falling within the remit of RIPA

This is the third Annual Report to this Committee.

Some of the roles and responsibilities have altered since the report from 2010. The KCC policy document has to be amended.

2. What this report covers

- 2.1. There are three types of activity where authority is required to be granted to individual officers to carry out a specialise function within the remit of RIPA. These are as follows:
 - Acquisition of Communications Data
 - Covert Surveillance
 - Covert Human Intelligence Source (CHIS)

Each of the above is defined in detail within the Policy document but in simplified form can be described as follows

Acquisition of communications data – obtaining from a communications service provider names, addresses, telephone billing records and traffic data but not the content of any communication

Covert Surveillance – intended to be carried out without the person knowing and in such a way that it is likely that private information may be obtained about a person (not necessarily the person under surveillance). Local authorities are only permitted to carry out certain types of covert surveillance and for example cannot carry out surveillance within or into private homes or vehicles (or similar “bugging” activity).

Covert Human Intelligence Source (CHIS) – the most common form is an officer developing a relationship with an individual without disclosing that it is being done on behalf of the County Council for the purpose of an investigation. In most cases this would be an officer acting as a potential customer and talking to a trader about the goods / services being offered for sale. Alternatively, a theoretical and rare occurrence would be the use of an ‘informant’ working on behalf of an officer of the Council. In such cases, due to the potential increased risks, KCC has agreed an MOU with Kent Police.

- 2.2. In each of the above scenarios an officer is required to obtain authorisation from a named senior officer before undertaking the activity. This decision is logged in detail, with the senior officer considering the lawfulness, necessity and proportionality of the activity proposed and then completing and signing an authorisation document, which is then held on a central file. There is one central file for KCC, held on behalf of the Corporate Director of Customer and Communities, which is available for inspection by the Office of the Surveillance Commissioners and the Interception of Communications Commissioner’s Office.

3. RIPA work carried out in the year 2010

- 3.1. The appendix to this report gives the date, general purpose or reason for which authority was granted under each of the three headings together with the confirmation that an appropriate senior manager that granted the authority. It is not possible to give further details as this may breach confidentiality legislation, such as the Enterprise Act, offend the subjudice rules, interfered with the proper investigation of potential offenders, or disclose other operational information which could hinder past, current or future activities, investigatory techniques or investigations.
- 3.2. It can be seen from the information in the appendix that the only activities covered by RIPA, across the whole of KCC, were carried out within two services, Environmental Crime (Environment, Highways and Waste Directorate) and Trading Standards (Communities Directorate).
- 3.3. Total number of authorisations granted in 2010 (and 2009 for comparison):

Surveillance – 37 (2009 = 104)

The reduction in numbers from 2009 is due to advice given on the need for each under-age sales operation (several premises) rather than individual authorisations for each premise.

Acquisition of communications data (telecoms) – 29 (2009 = 39)

Covert human intelligence source (CHIS) – 17 (2009 = 12)

4. The Interception of Communications Commissioner's Office and the Office of Surveillance Commissioner

- 4.1. There are two separate national bodies which carry out audits to ascertain standards within those enforcement bodies which carry out covert surveillance and access communications data. These are respectively the Office of the Surveillance Commissioner (OSC) and the Interception of Communications commissioner's Office (ICCO). As required by the legislation and Codes, a brief report of usage and of any error has been submitted covering this reporting period. There were no errors to report to either regime.

5. Developments in 2010

5.1. Government Review 2010 and outcome

There was further public consultation on RIPA by the Home Office during 2010.

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 and revised Codes of Practice for covert surveillance / property interference and CHIS have been published and came into force on 6 April 2010. The amendments have been included in the Policy document.

Most existing requirements have been maintained, however there are several new suggested improvements. It is considered good practice for a senior responsible officer, who should be a member of the corporate leadership team, to be made responsible for the integrity and oversight of key aspects of the RIPA regime in the Authority. Under the new structure, the Corporate Director of Customer and Communities will assume this role.

In the Codes, it is considered good practise that members should review the Authority's use and Policy of RIPA at least once a year. This Committee already fulfils this function. Members should also consider internal reports on the use of RIPA on at least a quarterly basis and this will be introduced in 2011. Members should not, however, be involved in making decisions on specific authorisations.

5.2. Government – latest proposals

"We will ban the use of powers in the Regulation of Investigatory Powers Act (RIPA) by councils, unless they are signed off by a magistrate and required for stopping serious crime" – Source: The Coalition, our programme for government.

There are still no other details available at this time, although we have been advised that the use of RIPA is of concern to the new Government and we should expect legislative alteration. It is envisaged that when the amendments are available it will require further updating to the KCC Policy.

5.3. Memorandum of Understanding with Kent Police on Covert Human Intelligence Sources

In 2009 Cabinet Member M. Hill for Trading Standards and Chief Constable M. Fuller for Kent Police signed a formal Memorandum of Understanding relating to the operation and handling of CHIS. The agreement recognizes

the need to protect the safety and welfare of any “informant” or similar person. The handling of informants requires special care, skills and security issues; Kent Police take the lead and legal responsibility in these circumstances however there has been no use of this arrangement in 2010.

5.4. New Head of Paid Services

Confidential material – although the Council has never authorised any directed surveillance where ‘confidential material’ might be disclosed (for example information as between a doctor or lawyer and their client) there is a need to ensure the if, during surveillance, the possibility of this could arise, then the authorisation of that surveillance should be carried out by the Head of Paid Services or deputy. The KCC Policy has been amended to state that the Group Managing Director should carry out such authorisations.

6. **Conclusion**

- 6.1. During the reporting year the applications to use the RIPA powers are all submitted in relation to criminal investigations where there is a clear statutory duty and responsibility.
- 6.2. The applications were all carefully considered and found to be legal, necessary and proportionate.

7. **Recommendation**

- 7.1. Members are asked to:

Note for assurance the use of the powers under RIPA during the period.

Appendix – KCC – Use of RIPA Powers 2010

Further information: Ian Treacher, Assistant Head of Trading Standards

RIPA 1/4/2010- 31/3/2011 Trading Standards East Kent Team

All Authorised by Area Manager

Date	Type	Crime
9/4/10	CHIS	Sale of counterfeit tobacco from residential premises
20/4/10	CHIS & Surveillance	Sale of dangerous cars from the roadside
4/6/10	Surveillance	Sale to underage; products – alcohol
16/6/10	Surveillance	Doorstep crime. Gardening work targeting the vulnerable
18/6/10	Telecommunications	Car park lining fraud
25/6/10	Telecommunications	Doorstep crime – tree surgery
28/6/10	CHIS	Sale of counterfeit tobacco products
30/6/10	CHIS & Surveillance	Sale of dangerous cars from the roadside
8/7/10	Surveillance	Sale to underage; products – alcohol
23/7/10	Telecommunications	Doorstep fraud – damp work
4/8/10	Surveillance	Sale of underage products – alcohol
19/8/10	Telecommunications	Doorstep fraud – roofing
2/9/10	CHIS	Sale of counterfeit tobacco products
13/9/10	Telecommunications	Fraudulent sales of satellite navigation updates
16/9/10	Surveillance	Sale to underage; products – alcohol
21/9/10	Surveillance	Sale to underage; products – alcohol
24/9/10	Telecommunications	Sale of misdescribed cars
11/10/10	Telecommunications	Sale of misdescribed cars
14/10/10	CHIS	Sale of counterfeit tobacco products
25/6/10	Telecommunications	Doorstep – Gardening & Driveways
12/11/10	CHIS	Fraudulent sales of satellite navigation updates
23/11/10	Surveillance	Doorstep crime. Gardening work targeting the vulnerable
14/12/10	Surveillance	Sale to underage; products – alcohol
20/9/10	Telecommunications	Sale of counterfeit clothing
15/11/10	Telecommunications	Doorstep crime – driveway
1/12/10	Telecommunications	False claims about team building courses offered to small businesses
15/12/10	Telecommunications	Doorstep crime. Tarmac
15/12/10	Telecommunications	Doorstep crime – roofing
22/2/11	Surveillance	Sale to underage; products – alcohol
21/2/11	Surveillance	Sale to underage; products – alcohol
6/1/11	Telecommunications	Unlicensed money lending
22/2/11	Telecommunications	Doorstep crime – drainage
2/3/11	Telecommunications	Doorstep crime – roofing
16/3/11	Telecommunications	Doorstep crime – driveways

RIPA 1/4/2010- 31/3/2011 Trading Standards West Kent Team

All authorised by Area Manager

Date	Type	Crime
01/04/2010	Telecommunications	Scam Phone Fraud
09/04/2010	Surveillance	Sale to Underage; products – tobacco
15/04/2010	Telecommunications	Roadside car sales, illegal trading
27/04/2010	Telecommunications	Sale of misdescribed cars
10/05/2010	Telecommunications	Scam Mail Fraud
5/5/2010	Surveillance	Sale to underage ;products – tobacco and alcohol
27/05/2010	Telecommunications	Scam Mail Fraud
2/06/2010	Surveillance	Sale to underage; products – tobacco and alcohol
18/06/2010	Telecommunications	Doorstep Crime – guttering
17/6/2010	CHIS	Misdescribing availability of loans
17/6/2010	CHIS	Misdescribing availability of loans
17/6/2010	CHIS	Misdescribing availability of loans
17/6/2010	CHIS	Misdescribing availability of loans
15/06/2010	Surveillance	Sale to underage; products – alcohol
15/07/2010	CHIS	Misdescribing availability of loans and refunds
28/7/2010	Telecommunications	Doorstep Crime – roofing
19/7/2010	Telecommunications	Flytipping
5/8/2010	Surveillance	Sale to underage; products - alcohol
5/8/2010	CHIS	Unlicensed credit brokerage
10/8/2010	Telecommunications	Doorstep Crime – building work
18/8/2010	Telecommunications	Misdescribed horses
16/8/2010	Telecommunications	Doorstep crime – driveways
19/8/2010	Telecommunications	Misdescribed horses
19/8/2010	Surveillance	Sale to underage; products various
19/8/2010	CHIS	Roadside car sales, illegal trading
19/8/2010	CHIS	Roadside car sales, illegal trading
20/9/2010	Surveillance	Sale to underage; products – tobacco
21/09/2010	Surveillance	Sale to underage; products – tobacco & alcohol
11/10/2010	CHIS	Sale of counterfeit clothing
19/10/2010	CHIS	Roadside car sales, illegal trading
28/10/2010	Surveillance	Sale to underage; products – spray paints
26/10/2010	Surveillance	Sale to underage; products – tobacco and alcohol
22/11/2010	Surveillance	Sale to underage; products – tobacco and alcohol
28/1/2011	Surveillance	False claim of membership to organisation
1/2/2011	Surveillance	Sale to underage; products– tobacco and alcohol
17/3/2011	Surveillance	Sale to underage; products– tobacco and alcohol

RIPA 1/4/2010 - 31/3/2011 Environmental Enforcement Team

All authorised by Service Manager

Date	Type	Crime
04/03/2010	Surveillance	Fly tipping – Rural Location
03/03/2010	Surveillance	Fly Tipping Rural location
03/03/2010	Surveillance	Fly Tipping Industrial location
27/04/2010	Surveillance	Fly Tipping Rural location
28/04/2010	Surveillance	Fly Tipping Rural location
28/04/2010	Surveillance	Fly Tipping Rural Location
11/05/2010	Surveillance	Fly Tipping Rural Location
14/07/2010	Surveillance	Fly Tipping Rural Location
07/09/2010	Surveillance	Fly Tipping Rural Location
18/10/2010	Surveillance	Fly tipping,
22/11/2010	Surveillance	Fly tipping Rural location
12/01/2011	Surveillance	Fly Tipping residential area

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By: David Tonks – Head of Audit and Risk
 To: Governance and Audit Committee – 14 September 2011
 Subject: INTERNAL AUDIT PROGRESS REPORT
 Classification: Unrestricted

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

FOR INFORMATION

Introduction

1. This report summarises the;-
 - key findings from Internal Audit reviews, including management responses where appropriate;
 - implementation of agreed high and medium priority recommendations;
 - progress against the 2011/12 Internal Audit programme since the last report to the Governance and Audit Committee,
 - reports the achievement against Internal Audit's Key Performance Indicators, and,
 - the number of potential irregularities reported and concluded.

Overview of Progress

2. This report contains the outcome of Internal Audit's work completed, at draft report stage or in progress for June and July 2011. During this period seven audits were finalised, six draft reports were issued and eight audits started. Further details of the final reports issued, including management's responses where appropriate, can be found at annex A.
3. Progress against the audit plan for 2011/12 is shown in annex C. Progress in the first quarter of the audit programme is traditionally slow, due to the finalisation of previous year's work (including preparation of the Annual Report) and the necessity of scheduling the new years audit's. The shift in emphasis for this year's audit plan, as well as the significant level of change taking place within the Council also means that it has proven harder to initiate audit reviews.
4. Annex D shows amendments to the Audit Plan. Three audits have already been added to the original 2011/12 Internal Audit plan, with the days required being drawn from the limited 'contingency' included in the original plan.

Irregularities

7. After the appointment of the Counter Fraud Manager all "live" cases of suspected irregularities that have been reported or identified involving KCC finances have been reviewed. Where sensible to do so, these cases have been closed or otherwise resolved. The details of these cases are set out in

annex E. Since April 2011 eight new cases of suspected irregularities have also been reported and are subject to review.

Implications for Governance

8. No significant control weaknesses have been identified from the audits completed or the irregularities investigated in the current financial year. All audits are allocated one of four assurance levels which are defined in annex G.

Recommendation

9. Members are asked to note:
 - the amendments to, and progress against the 2011/12 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

Fee Income

Scope

The audit examined the processes and controls that had been put in place by management with regards to income that is 'volatile', to ensure that actions can be taken to manage any variance in forecast income. The audit reviewed the following four units:-

- Kent Scientific Services;
- Kent Registration services;
- Regulatory Training services and,
- Community, Learning and Skills.

Overall assessment – Substantial

In general we found that the units' comply with the forecasting and monitoring controls put in place by management. This provides 'early warning' systems which enable them to forecast any variances in income. All four units are constantly reviewing their systems which contain the information used for budget monitoring and are working towards producing more accurate information where possible.

We made five recommendations to improve controls; these relate mainly to the records used to base forecasts on which management has agreed to implement. Two of the recommendations were medium priority and three were low priority.

Use of Corporate Credit Cards

Scope

The scope of the audit was to provide assurance that purchase cards are issued and used in accordance with guidelines and that the expenditure incurred is appropriate, authorised and accounted for correctly.

Overall assessment – Limited

Corporate credit cards provide a cost effective way for officers to purchase goods and services where there are no existing KCC procurement contracts for mandated items. The cards are particularly cost effective for smaller purchases, because of the savings in the cost of processing transactions. The expenditure through credit cards in 2010/11 was £1.1 million.

The audit found a number of key areas where controls were not in place or were not being applied effectively.

We found that some staff were bypassing the individual transaction limit contrary to the guidance by splitting a transaction in two parts.

Other issues identified during the audit, relate to cards being used for travel and subsistence and amounts paid are not always in line with the approved policy on expenses in the Kent Scheme. There are no limits defined for foreign travel.

Receipts were not always obtained and VAT was not always separately identified so could not be reclaimed from HM Customs and Revenue. We have calculated that the loss to KCC is approximately £14,000 per year.

In addition, cash advances were not always accounted for properly in a number of cases.

Transactions should be reviewed and approved. In 2010 the number of transactions that had not been approved and reviewed was significant (920) although this had reduced considerably from the 3,000 that had not been approved in 2009. By April 2011 the number not approved was down to 102. This was as a result of the work of the Exchequer Services Manager and her staff. However, it is important that card holders and approving officers should carry out their responsibilities in reviewing and approving transactions in a timely manner.

Management Action

Management has agreed to implement the six recommendations and the following will be initiated:

- assessing the practicality of publishing Purchase Card statements / spend on a separate area of Kent.gov linked to the transparency page
- a redraft of the guidelines (to be approved by CMT)
- a discussion at CMT (and / or Pioneer group) around Purchase cards (at the same time as approving the guidelines)
- An assurance piece to DAT in November around how the system for purchase cards is operating.
- facilitating the Leader in reviewing the purchase card spend of the pioneer group in November and May of each year.
- ensuring that authorisation for mew purchase cards is at an appropriate (i.e. Corp Dir) level
- the hierarchy of approvers to be mapped and assessed to see that it is appropriate

Internal Audit have also been requested to:

- review how members access or use purchase card facilities
- check that all listed purchase card users have a designated approver
- identify a review process that can provide real time audit assurance on purchase card usage

Financial Controls in the Gypsy Traveller Unit

Scope

The scope of the audit was to provide assurance that the financial controls within the Gypsy Traveller Unit (GTU) are operating effectively.

Overall assessment – Substantial

In general the controls were found to be operating effectively, although we have made recommendations to further improve controls. These include having a policy in place with regards the levels of cash that is held prior to banking.

Ensuring that electric cards are reconciled regularly to ensure that stock levels are as stated and that the income is as expected. Delegating the responsibility to site managers for ordering works up to a set limit, and ensuring that job completion records are checked and signed by a different person to the one who authorised the order.

All of the recommendations which management have agreed to implement were low priority.

English National Concessionary Travel Scheme Implementation

Scope

The scope of the audit was to examine the process of the transfer of responsibility for the English National Concessionary Travel Scheme (ENCTS) from the district councils to Kent County Council, particularly relating to the transfer of data and the quality of that data.

Overall assessment – Full

Following consultation in 2009, the department for Transport decided to move responsibilities for the ENCTS from the district councils to upper tier authorities. The aim was to realise efficiencies; make funding by formula easier; offer a more consistent scheme to residents; and harmonise concessionary travel responsibilities with those of the transport authority. This came into force from 1 April 2011.

We found that good communication links were put in place by the project team with the district councils which enabled the project to progress at an appropriate pace to meet the tight project deadlines.

The database provider (EUCLID) was unable to achieve the project deadline as they had been unable to complete sufficient testing on the functionality of the database. However, Kent Highways Services' project officers had foreseen this risk, identifying it in the risk register, and ensured that alternative arrangements were put in place should the need arise. The Council was still able to offer a full service to members of the public during the period of down time.

Data quality exercises were underway at the time of the audit on the ENCTS database, using information provided prior to the change of responsibilities to the district councils as part of the National Fraud Initiative. Going forward further data quality exercises will be undertaken to ensure that information within the database remains up to date.

We were able to give high assurance that the process had operated effectively. We did not make any recommendations.

Governance of Partnerships

Scope

The overall purpose of the audit was to support the Annual Governance Statement by reviewing a sample of 35 of the partnerships that were identified as strategic across the Council. We also followed up the progress on recommendations made in the previous audit

We reviewed the governance arrangements for the following partnerships:-

- Kent Drug and Alcohol Team;
- Supporting People Commissioning Body;
- Clean Kent Delivery Group;
- Kent and Medway Safeguarding Adults Board;
- Kent Strategic Forum, and
- Employment and Skills Board.

Overall assessment – Substantial

The Kent Partnership Team carried out a review of the strategic partnerships that the Council is involved in during 2009/10 at the request of the Deputy leader. Recommendations from the review are to be taken forward by senior management from each directorate.

Generally we found that the governance arrangements were in place.

We identified 12 key controls that we would expect the partnerships to have in place. These included up to date agreements that had been agreed by all partners; agreed budgets, detailing each partners' contribution; a risk assessment of the partnership and exit strategies.

However, three of the six partnerships we reviewed did not have an exit strategy in place to ensure that the Council could withdraw from the partnerships if necessary or where appropriate. Three of the partnerships had not completed a risk assessment and one partnership did not have a formal document detailing the financial arrangements with its partners.

The 2009/10 Governance of Partnership gave substantial assurance that partnerships are governed effectively and raised two recommendations to improve controls. One of the recommendations has been implemented but there is one recommendation that remains outstanding which we will continue to monitor as part of our follow up process.

Payments made for responsive building maintenance

Scope

The purpose of the audit was to review payments made to contractors for building maintenance services to ensure that payments are for services provided and are properly authorised.

Overall assessment – Substantial

The Council has a multi Provider Framework Agreement for the provision of reactive and planned maintenance services. The Council's Property Group is responsible for the effective management of the Council's property assets. The portfolio comprises more than 1,800 properties. A total of £1.9 million was spent on carrying out responsive and emergency building maintenance during the financial 2010/11 financial year.

The audit found that there are processes and controls in place to ensure that requests for maintenance are dealt with promptly and assigned the relevant priority ie, emergency, urgent or routine. Of the invoices tested as part of the audit we found that they had been appropriately checked and authorised.

The main areas highlighted during the audit relate to the accuracy of recording requests in terms of responsive maintenance; the information recorded from Job Completion Certificates relating to the mechanism for monitoring performance and the performance monitoring of contractors, including investigation completed works.

Five recommendations all with a low priority ranking have been made which management has agreed to implement.

Commercial Services – General Ledger

Scope

The purpose of the audit was to review the controls in Commercial Services General Ledger to ensure that all transactions are accurately identified, recorded, and processed accurately and promptly.

Overall assessment – Substantial

The financial records for Commercial Services are maintained on CODA Financials. The General ledger is held within CODA and has integrated Accounts payable and Accounts Receivable ledgers. Other non CODA applications such as payroll feed into the General Ledger and data is also manually input.

In general we found that there were satisfactory controls over input, access and data transfers into the General Ledger and that there was regular monitoring to ensure that input is accurate, valid and completed. We have made recommendations which include reviewing the frequency of reconciliations of the Sales and Purchase ledger accounts; and the access levels of staff to ensure that they suit the job function of each member of staff and that an adequate segregation of duties is maintained. The three recommendations have been assigned a 'medium' priority ranking and have been agreed by management.

Directorates' Progress with the Implementation of Agreed Recommendations

Where Internal Audit finds instances of non compliance ie with policies, procedures and legislation and/or lack of internal controls; recommendations are made to ensure that compliance and/or to improve controls. At the draft report stage of an audit, recommendations are discussed with responsible managers who decide how they will implement the recommendations and the timeframe. Each recommendation is allocated a 'priority' ranking (high, medium or low) which relates to the seriousness of the control failure/non compliance and how quickly the agreed action should be implemented. In general we would expect high priority recommendations to be implanted within one month 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 (or an appropriate alternative) 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 2011.

25 actions were due to be in place by the end of July 2011:-

17 have been implemented

Eight actions are outstanding, one of which is a high priority and seven medium priority.

Revised dates for implementing the outstanding recommendations have been provided.

**Directorates Progress with the Implementation of Audit Recommendations
(Covers April 2011 to July 2011)**

Directorate	Total actions due to be in place by end of July 2011	Actions in place	Priority of outstanding actions as at 31 October 2010			Comments on recommendations		
			C	H	M	Audit		To be completed by
Authority wide	1	1				Handling Information Risk	The recommendation was implemented at time of audit	
Authority wide	1				1	Use of Consultants/ Consultancy firms	The recommendation relating to updating the subjective code list and guidelines has not yet been completed. This may be superseded by the ERP project and an update will be provided in November 2011.	November 2011
Children, Families and Education	4	4				SEN transport	All recommendations relating to this audit have now been completed.	
Section 151	1	1				Accounts Payable	The recommendation relating to this audit has now been completed	
Section 151	2	1			1	Pensions Investment Income	The recommendation that is currently outstanding relates to reconciliation of balances in the General Ledger to those on Shareholder on a quarterly basis. At the time of follow up, the posting of the June returns had not yet been completed and therefore the reconciliation will only take place after those returns have been posted.	August 2011
Chief Executive's Department	4	3			1	Data Backup & Data Centres	The outstanding recommendation relates to the backup of data. As ICT are currently in the process of migrating all KCC data to a new location, the backup requirements of that data will change and this is being covered by the Netbackup 7 environment.	December 2011
Commercial Services	2			1	1	Accounts Payable	The outstanding recommendations relate to reports being produced to identify duplicate and inactive suppliers. The reports have been produced but the first was not appropriate and has	October 2011

**Directorates Progress with the Implementation of Audit Recommendations
(Covers April 2011 to July 2011)**

Directorate	Total actions due to be in place by end of July 2011	Actions in place	Priority of outstanding actions as at 31 October 2010			Comments on recommendations		
			C	H	M			
							therefore been referred back to the report writer for amendment and the second is being worked on currently. These were mentioned in the Head of Audit Annual Report.	
Communities	7	5			2	Careworks Application	There are two outstanding recommendations on this audit due to be implemented within this period. The first relates to the lack of a disaster recovery plan. Due to the restructure in Kent YOS, this has not yet been created and tested. The second relates to the logical access control as weak password parameters are currently used. Kent YOS accept the residual risk but will address this when the new version of the system is released.	November 2011
Kent Adult Social Services	1	1				Swift Application controls	Compensating controls have been implemented, due to the current restructure, and the recommendation relating to a project portfolio / programme office will be considered within the future structure.	
Environment, Highways and Waste	1				1	Roadworks Permits	Due to the reorganisation of Kent Highways and the new Enterprise contract, the training on the management of the debt recovery process has been postponed until October 2011.	October 2011
Business Strategy & Support	1	1				Pension Contributions	All recommendations relating to this audit have now been completed.	
TOTAL	25	17		1	7			

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

Annex C
Progress against the 2011/12 Audit Plan

Directorate/area	Audit	Progress at 31 July 2011	Assurance
Authority Wide			
	Kent County Council Elections	Audit fieldwork complete	
	Governance of Partnerships	Draft report issued	High
	Corporate Governance	Planning in progress	
	Schemes of Delegation and Limits on Approval	Initiation Document agreed	
	Annual Governance Statement	Planning in progress	
	Performance Management Framework	Planning in progress	
	Risk Management	Planning in progress	
	Business Continuity Planning	Planning in progress	
Core Systems			
	Pensions Payroll	Draft report issued	
	Responsive Building Maintenance	Draft report issued	
	Commercial Services – Services Tender Costing	Draft report issued	
	Oracle Database Audit	Draft report issued	
	Transaction Data Matching	Draft report issued	
	Key financial controls – Gypsies and Travellers Unit	Completed	Substantial
	Implementation of the English National Travel Concessionary Scheme	Completed	High
	Oracle – General Ledger	Initiation Document agreed	
	Oracle – Accounts Payable	Initiation Document agreed	
	Oracle – Accounts Receivable	Audit in progress	
	Oracle – i Procurement	Initiation Document agreed	
	Use of Corporate Purchase Cards	Completed	Limited
	Oracle Payroll & HR	Audit in progress	
	Treasury Management	Planning in progress	

Annex C
Progress against the 2011/12 Audit Plan

Directorate/area	Audit	Progress at 31 July 2011	Assurance
	Cashiering and Bank Reconciliations	Planning in progress	
	Medium Term Planning	Initiation Document issued	
	Revenue Budget Monitoring	Initiation Document issued	
	Swift – Social Care System (Domiciliary & Residential)	Planning in progress	
	Transaction Data Matching (TDM)	Planning in progress	
	Client Billing	Planning in progress	
	Capita One – Children’s Social Care System	Planning in progress	
	Pensions Contributions	Planning in progress	
	Pensions Investment Income	Planning in progress	
	Enterprise & Interprise (Property Information databases)	Planning in progress	
	Routewise	Planning in progress	
	WAMS	Planning in progress	
	Financial Controls in Schools	Planning in progress	
	Oracle Modules	Planning in progress	
	Firewalls and Firewall Management	Planning in progress	
	Network Security and Infrastructure (LAN)	Planning in progress	
	Exchange Server and e-mail	Planning in progress	
	IT Support Arrangements (ITL)	Planning in progress	
	IT Compliance	Planning in progress	
Policies			
	Data Protection Act	Planning in progress	
	Freedom of Information Act	Planning in progress	
	Equalities Act	Initiation Document issued	
	Complaints, Comments and Compliments Policy	Initiation Document issued	

Annex C
Progress against the 2011/12 Audit Plan

Directorate/area	Audit	Progress at 31 July 2011	Assurance
	Blue Book – Job Evaluation	Audit in progress	
	Blue Book – Recruitment and Selection	Audit fieldwork completed	
	Blue Book – Total Contribution (TCP)	Audit in progress	
	Blue Book – Employment Contracts	Audit in progress	
	Blue Book – Equalities Act/Fairness at Work	Audit in progress	
	Blue Book – Health and Safety at Work	Audit in progress	
	Blue Book – Performance and Conduct	Audit fieldwork completed	
	Communications Toolkit	Initiation Document issued	
	Procurement	Initiation Document issued	
	Information Security	Planning in progress	
	Managing Change	Planning in progress	
Emerging Issues			
	Carbon Reduction Commitment	Audit in progress	

Amendments to Plan

Audit	Comments	Days
AW07 Kent County Council Elections	Audit undertaken as a result of management concerns in relation to election expenses. Audit in progress	+20
POL15 Blue Book - Managing Change	This audit was requested by the Deputy Leader of the Council because of the changes occurring in the Council. This is scheduled for the last quarter of 2011/12	+20
Emerging Issues – Carbon Reduction Commitment	This audit was deferred from 2010/11 this is scheduled for the second/third quarter of 2011/12.	+15

xx803 Change of Suppliers Bank Details

A genuine supplier's bank details were changed at the request of an unknown fraudster purporting to be the supplier. When a valid invoice for £245k was received the payment went to the fraudster's bank account. Details reported to the police who were able to secure the majority of the payment (£235k). The genuine supplier's valid invoice has been paid. A member of KCC staff has been disciplined for failing to follow the existing procedures. The Counter Fraud Manager is working with Exchequer Services to improve procedures further and reduce the risk of this occurring in the future.

xx804 Financial Mismanagement

A Headteacher was alleged to have deliberately misled the School's Governing Body about its financial position, which included 'lending' the school his own money to cover up a deficit; and letting the Governing Body believe that the that money the school was entitled to, was a personal donation.

Staff in the Schools Financial Services unit who provided financial support, also failed to report the financial mismanagement.

An investigation was carried out by Internal Audit. However, the Headteacher who had at that stage worked beyond retirement age, resigned.

xx806 Missing Laptop

In March 2011 a laptop allocated to a senior member of staff went missing. The same senior member of staff was found to be using a laptop allocated to a member. The missing laptop has not been recovered. IT confirm it does not appear to be in use. The senior member of staff has now left the organisation. The Counter Fraud Manager is meeting with the ICT security officer to discuss how to minimise future losses.

xx 807 Appointment

It was alleged that a consultant had appointed another consultant inappropriately. There was no evidence to support or disprove the allegation, and by the time it was reported both the consultants had left and the manager who had recruited the original consultant.

No further action taken.

xx 808 Theft/loss of cash

An amount of cash was stolen from Apollo House. The amount is £1,430 which was drawn to provide cash for FIP project purchases. Managers were advised and the incident reported to the Police.

xx 809 Theft/loss of cash

An allegation was made that income received at a Children's Centre was not banked. An investigation was carried out but nothing was proven, although a member of staff resigned. Internal Audit will be carrying out some work in the future to ensure that appropriate controls are either in place, or put in place to prevent a similar occurrence.

xx 811 Inappropriate bonus payments

An allegation was made that a school had been paying inappropriate bonuses to teaching and non teaching staff.

Internal Audit carried out an investigation and found that the allegation was unfounded. All payments that had been made had been appropriate, authorised and in line with the expected salary rates for the staff concerned.
No action taken.

xx 813

A school's cheques were intercepted and cashed. cheques from a school that had not been countersigned. The payee was not a member of staff. The bank is carrying out an investigation.

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 2011)
<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>80%</p>	<p>94%</p> <p>80%</p>
<p><u>Efficiency</u></p> <ul style="list-style-type: none"> • % of plan delivered – • % of available time spent on direct audit work • % of draft reports completed within 10 days of finishing fieldwork • Preparation of annual audit plan • Periodic reports on progress • Preparation of annual report and Annual Governance Statement 	<p>95%</p> <p>85%</p> <p>90%</p> <p>By March</p> <p>G&AC meetings</p> <p>By May</p>	<p>12%</p> <p>84%</p> <p>50%</p> <p>Achieved</p> <p>Achieved</p>
<p><u>Quality of Service</u></p> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	<p>90%</p>	<p>-</p>

* Percentage of plan delivered as at 31 July 2011

Assurance Level	Detailed definition
Full	The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives.
Substantial	Whilst the controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively, weaknesses have been identified that require management attention. These issues increase the possibility that objectives may not be achieved.
Limited	Some controls are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues identified, if unresolved, mean that objectives may not be achieved.
No Assurance	Expected controls are absent, or where evaluated are flawed in design, scope or application. The auditor is unable to form a view as to whether objectives will be achieved.

By: David Tonks, Head of Audit and Risk

To: Governance and Audit Committee – 14 September 2011

Subject: INTERNAL AUDIT BENCH MARKING RESULTS

Classification: Unrestricted

Summary: This report summarises the 2010/11 Internal Audit Benchmarking Results.

FOR ASSURANCE

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. The number of county councils who have participated in the benchmarking has decreased this year, probably as a result of the costs of the exercise. Including Kent County Council only 13 counties (i.e less than half of all Counties) participated compared to 21) last year. Appendix A lists the county councils who participated.
3. Table 1 below provides the main headlines from the benchmarking exercise.

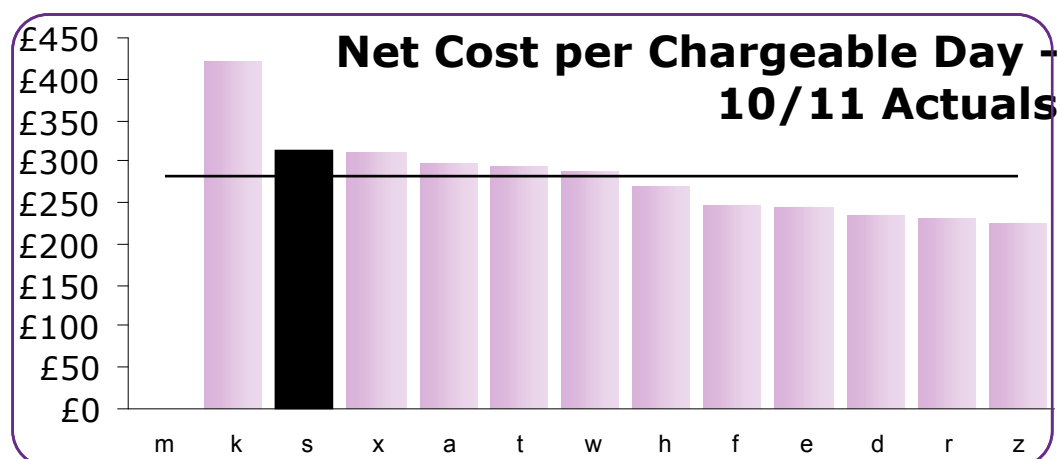
Table 1: Summary of 2010/11 position - *The figures in brackets show data for 2009/10*

	Kent	Average	Lower quartile	Upper quartile
Cost/auditor £k				
Pay	£42.3 (£42.5)	£43.0 (£42.0)	£39.42 (£40.24)	£45.7 (£44.0)
Overheads	£7.8 (£10.4)	£7.3 (£6.1)	£4.18 (£3.29)	£8.8 (£8.2)
Total	£50.2 (£52.9)	£50.4 (£48.1)	£45.20 (£43.80)	£53.3 (£52.2)

	Kent	Average	Lower quartile	Upper quartile
Days per auditor	166 (179)	178 (177)	170 (170)	184 (180)
Cost per day £	£314 (£318)	£282 (£272)	£243 (£238)	£302 (£314)
Days per £m Turnover	0.76 (1.01)	1.72 (2.06)	1.54 (1.86)	2.00 (2.29)
Cost per £m Turnover	£238 (£321)	£476 (£557)	£433 (£496)	£543 (£597)

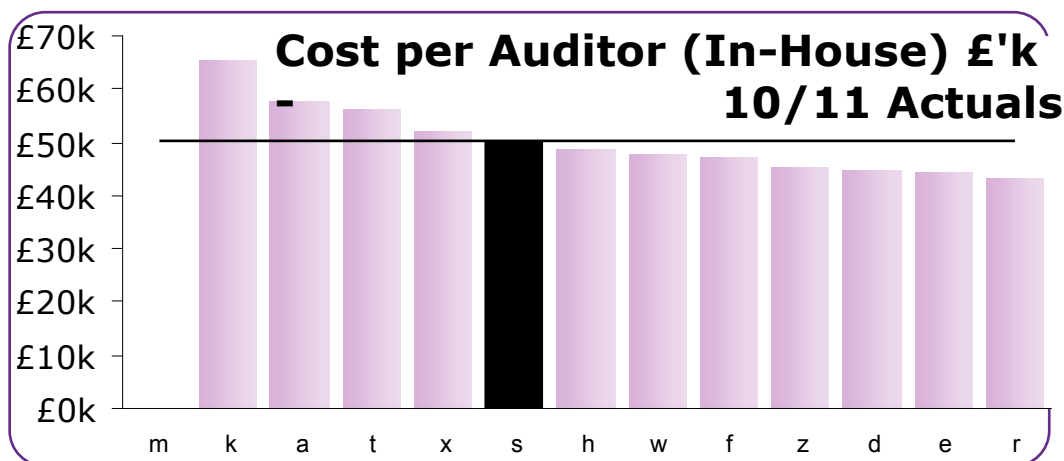
4. The following charts provide further details.

Productivity

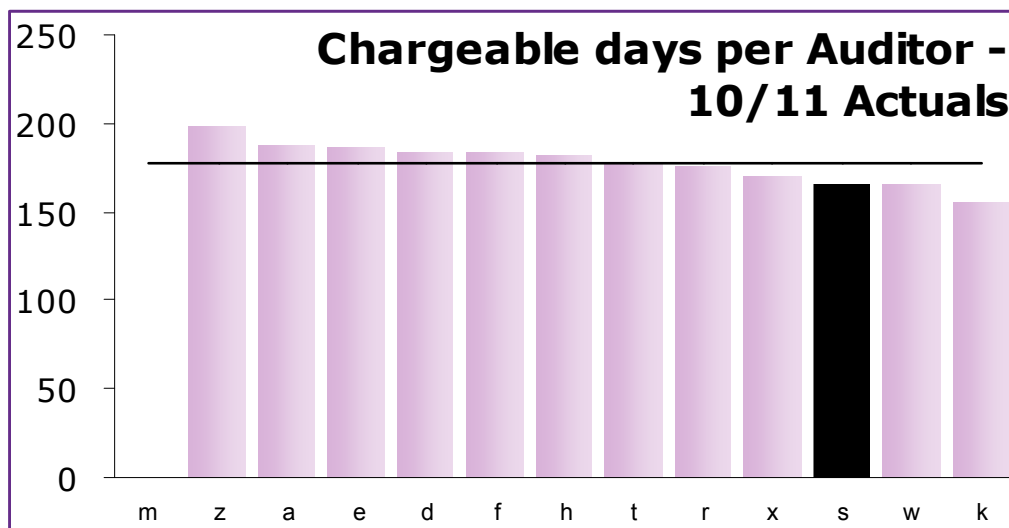


Source: CIPFA

5. Our **cost per chargeable day** has remained relatively stable for the past three years, and for 2010/11 was £314 (£318 in 2009/10, £315 in 2008/09). The average cost per chargeable day is £282 per day. Our costs are above average in part because we co-source specialist audit work, such as IT, from the private sector. Up to January 2011 the section also had a 41% of its budget given over to management. One of the aims of the recent restructure of IA was to reduce this cost, and it is expected that the cost per chargeable day for 2011/12 will move closer to the average.
6. 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.

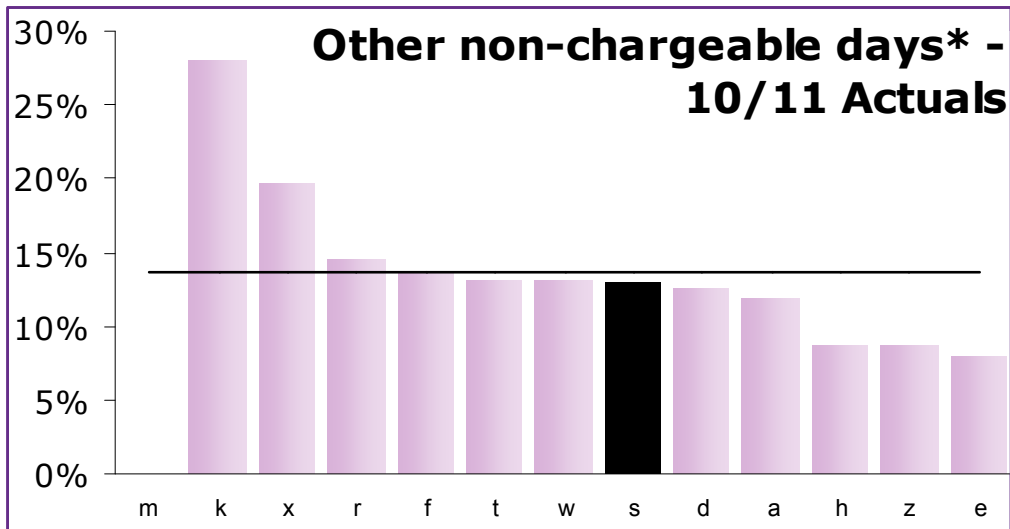


7. The cost per auditor, which is a crude indicator, has decreased from nearly £53,000 (13th highest) to £50,150 which is just below the average of £50,350. Again it is expected that this costs will fall in 2011/12.



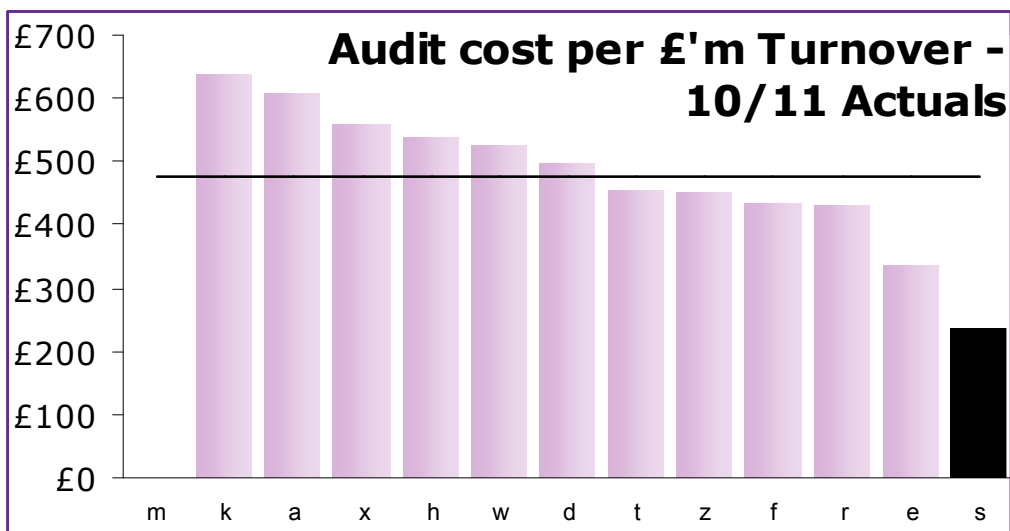
8. The number of 'chargeable' days per auditor has decreased from 179 to 166, compared to the average of 178. There have been a number of factors that have resulted in this slight drop in productivity, including:
- Mid-year restructure (with resulting consultation, interviewing etc)
 - the introduction of a formal in-house training programme for all staff
 - support to five members of staff to obtain professional qualifications (PIIA)
 - relocation of the team to a new office.
9. To ensure that the team remains as productive as possible a number of new initiates have been introduced, including:
- more rigorous work scheduling to reduce downtime
 - personal chargeability targets linked to TCP awards
 - clearer definitions of chargeable and non-chargeable, with a focus on reducing the latter.
10. Although the sections chargeable time reduced slightly in 2010/11, the non-chargeable time (bank holidays, annual leave, training, sickness, administration, team meetings and other tasks that are not directly related to specific audit work)

remains around the average of those that participated in the benchmarking, as shown below.



Comparative spend on audit

11. Kent County Council spends the least on its audit service per £m of gross turnover than other county councils in the survey. This is consistent with previous year's results. One reason for this outcome is that Kent's Internal Audit does not carry out 'school audits' (i.e. compliance visits, and Financial Management Standards in Schools (FMSiS) assessments) which is the norm in other County areas. If it were possible to include this teams' costs in the data submitted it is likely that the audit cost would move closer to the average, although it is likely that it would still be at the lower end.



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

Recommendation

13. Members are asked to consider the outcome of the annual benchmarking for assurance on the economy and efficiency of the Internal Audit section.

Janet Armstrong
Specialist Audit Manager
Ext: 4567

County Council
Devon
Suffolk
Cumbria
Surrey
Warwick
Hertfordshire
Cambridgeshire
Kent
Gloucestershire
Nottinghamshire
Norfolk
East Sussex
Lancashire

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By: David Tonks – Head of Audit and Risk
To: Governance and Audit Committee – 14 September 2011
Subject: PROGRESS FOR ANTI-FRAUD AND CORRUPTION ARRANGEMENTS
Classification: Unrestricted

Summary: This paper provides a summary of the progress against the self assessment of anti fraud and corruption arrangements.

FOR ASSURANCE

Introduction and background

1. In 2010 Internal Audit carried out a self assessment of the Council's anti-fraud and corruption arrangements against the CIPFA Red Book '*Managing the risk of fraud – Actions to counter fraud and corruption*'. The Red Book is divided into five key areas of activity covering the strategic approach to anti-fraud and corruption, measuring fraud and corruption losses, the necessary authority and support for anti-fraud and corruption work, the range of actions taken to tackle problems (eg. deterrence, prevention, detection, investigation, sanctions and redress), and ensuring that there are clear outcomes for anti-fraud and corruption work.
2. The self assessment of anti-fraud and corruption arrangements identified that a framework was in place but some areas required review and improvement. It was also recognised that a dedicated resource was required to deliver these changes. The reorganisation of the Internal Audit section included the creation of two posts a Counter Fraud Manager and a Senior Fraud Officer. The Counter Fraud Manager has been appointed and joined the Internal Audit section on the 8th August 2011.
3. Within Kent County Council the responsibility for this area of activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This paper supports the Committee in meeting this outcome.

Progress Against the Action Plan

- The Council's anti-fraud and corruption statement of policy and fraud response plan were dated 2005. A new Anti Fraud and Corruption Policy and fraud response plan were drafted and subsequently approved by the Governance and Audit Committee in April 2011.
- The Council's investigation manual and procedures did not include a quality assurance process that assessed the monitoring and effectiveness of investigations. The Counter Fraud Manager is working with Internal Audit to agree a quality assurance process by the end of September 2011.
- More effective links between 'policy' work (developing an anti-fraud and corruption and 'zero tolerance' culture) and 'operational' work (to detect and

investigate fraud and corruption, apply sanctions and reduce losses) needed to be established. The Counter Fraud Manager has been tasked with developing the existing processes to ensure that there is a strong link. This will include a review of key policies as well as all investigations undertaken in the last twelve months. If weaknesses are identified recommendations will be made to ensure the risks of fraud are minimised.

- Time has been set aside in the annual Internal Audit Plan for any fraud, corruption or other irregularity work required. However, the risk of fraud and corruption within the Council has not been formally assessed. The Counter Fraud Manager will be undertaking a series of risk assessments to determine where the greatest risks of fraud are. In response to these risks, proactive exercises will be undertaken to test those areas where the Council appears susceptible to fraud.
- Apart from ad-hoc fraud awareness training sessions which were available on request, there was no clear programme of work to publicise the anti fraud arrangements. The Counter Fraud Manager has been tasked with delivering a comprehensive programme of fraud awareness training, one to one meetings, e-learning and publicity campaigns.
- In November 2011 a detailed plan will be presented to members for their review and agreement.

Recommendations

4. Members are asked to:

- Note for assurance the progress against the identified actions.

Paul Rock
Counter Fraud Manager
Ext: 4694

By: Alex King – Deputy Leader
 David Tonks – Head of Audit and Risk
 To: Governance and Audit Committee – 14 September 2011
 Subject: BRIBERY ACT 2010
 Classification: Unrestricted

Summary: This paper provides a summary of the proposed response to the commencement of the Bribery Act 2010.

FOR ASSURANCE

Introduction and background

1. The Bribery Act came into force on the 1st July 2011. The Act modernises the law on bribery. The Act sets out four offences:
 - Section 1 - Offering, promising or giving a bribe to another person to perform a relevant 'function or activity' improperly, or to reward a person for the improper performance of such a function or activity. ('Active' bribery)
 - Section 2 - Requesting, agreeing to receive or accepting a bribe to perform a function or activity improperly, irrespective of whether the recipient of the bribe requests or receives it directly or through a third party, and irrespective of whether it is for the recipient's benefit. ('Passive' bribery)
 - Section 6 - Bribing a foreign public official.
 - Section 7 - Failure of a commercial organisation to prevent bribery. It should be noted that section 1 or section 6 needs to be proven for a section 7 offence to apply.
2. The maximum penalty for Members or Officers found guilty of an offence of bribery will be ten years' imprisonment, a fine of up to £5,000, or both, and the maximum penalty for the Council will be an unlimited fine.
3. The Act represents a significant change from the current law and places obligations on the Council to ensure that it has adequate procedures in place.
4. The Ministry of Justice has issued guidance in relation to adequate procedures which includes proportionality, top level commitment, risk assessment, due diligence, communication, monitoring and review.

The Council's Response

5. Both Internal Audit and Legal Services have considered the Council's response to the implementation of the Bribery Act. A response plan has been prepared and this will be agreed with the relevant corporate directors.

If agreed, it is anticipated that these actions will be completed and a progress report will be presented to the Committee in November 2011.

Recommendations

6. Members are asked to:

- Note the enactment of the Bribery Act and the Council's proposed response plan.

Paul Rock
Counter Fraud Manager
Ext 4694

Bribery Act Response Plan

Task No.	Key Principles of Bribery Act Guidance	Action Points	Corporate Lead	Proposed Target date	Progress	Completion date	Supporting Evidence
1	(1) Proportionate Procedures	The Anti-Fraud and Corruption Policy needs to be amended to reflect the requirements of the Bribery Act, including the investigation and monitoring of associates and any allegations/incidents of bribery. The Governance and Audit Committee approved the Anti-Fraud and Corruption Policy in March 2011. The additions required for the Bribery Act can be dealt with as an appendix to the policy. The Counter Fraud Manager will draft the appendix which will be submitted to Governance and Audit Committee for approval.	Corporate Director of Finance and Procurement.	Sep-11			
2		Review and update the Blue Book - Kent Scheme 2010 Terms and Conditions of Service. Key sections will include recruitment and selection, whistleblowing, gifts & hospitality, Kent Code and sponsorship.	Corporate Director of Human Resources	Nov- 11			

Bribery Act Response Plan

Task No.	Key Principles of Bribery Act Guidance	Action Points	Corporate Lead	Proposed Target date	Progress	Completion date	Supporting Evidence
3		The Constitution and the Member Code of Conduct will be reviewed and updated to reflect the Bribery Act.	Director of Governance and Law.	Nov- 11			
4		Review and update "Spending the Council's Money – The Code of Practice" The guidance in the document needs to highlight the potential risk of bribery and the action needed to minimise this risk. This will include any standard contracts, procurement processes, due diligence, risks register and insurance cover. This should cover the organisations supply chain, agents and intermediaries (if used), joint ventures and partnerships.	Corporate Director of Finance and Procurement.	Nov- 11			
5	(2) Top Level Commitment	The Managing Director should make a statement in support of the anti- bribery and corruption initiative and this statement should be published on the organisations website.	Managing Director	Nov- 11			

Bribery Act Response Plan

Task No.	Key Principles of Bribery Act Guidance	Action Points	Corporate Lead	Proposed Target date	Progress	Completion date	Supporting Evidence
6	(3) Risk Assessment	A risk management review should be undertaken to identify areas where risk of bribery is considered high. Risk registers should include specific bribery risks and mitigating actions.	Corporate Director of Finance and Procurement.	Oct- 11			
7	(4) Due Diligence	Due diligence procedures to be included in the review of Spending the Council's money.	Corporate Director of Finance and Procurement.	Nov- 11			
8	(5) Communication (including training)	Agree a targeted training plan to explain the Bribery Act and the standards expected of staff and members, including corporate induction.	Corporate Director of Human Resources	Nov- 11			
9		Provide information about the Bribery Act and its implications via K-Net, K-Mail and K-Mag.	Corporate Director of Human Resources	Nov- 11			

Bribery Act Response Plan

Task No.	Key Principles of Bribery Act Guidance	Action Points	Corporate Lead	Proposed Target date	Progress	Completion date	Supporting Evidence
10	(6) Monitoring and Review	Report all allegations of bribery to the Governance and Audit Committee. Governance and Audit Committee to receive reports on the progress of Bribery Act initiatives. Annual Governance Statement to include details of compliance with the Bribery Act.	Corporate Director of Finance and Procurement.	Nov- 11			

By: David Tonks, Head of Audit and Risk
To: Governance and Audit Committee – 14 September 2011
Subject: Update on Head of Audit and Risk post
Classification: Unrestricted

Summary: This paper provides an update to the Committee on the decisions taken in relation to the Head of Audit and Risk post.

FOR INFORMATION

Background

1. Following my resignation at the end of April 2011, the post of Head of Audit and Risk will become vacant on 1st November 2011. For assurance to the committee in their role of ensuring good governance, there is nothing untoward in the resignation.
2. The resignation has prompted a series of discussions around the options for replacing the role. Corporate Management team discussed a number of options (shown at annex 1) and it was agreed that some “soft” market testing would be appropriate to assess whether outsourcing of some description would be worthwhile. Meetings were set up with the following audit and risk providers:
 - PriceWaterhouseCoopers.
 - KPMG.
 - Grant Thornton.
 - Reeves.
 - PKF.
 - Deloitte.
 - Zurich (risk management only).
3. The outcome of these meetings reinforced internal discussions about the post, and following a meeting of the Corporate Director of Finance and Procurement, the Deputy Managing Director, the Deputy Leader and the Cabinet Member for Finance, the following was decided:
 - to split Audit and Risk and move risk management from Finance and Procurement to Business Strategy. This provides a much better synergy with business planning and policy setting, and provides the potential for harmonisation between risk management and performance management. It also preserves the independence of the Head of Audit.
 - to recruit to a permanent Head of Audit, on our payroll. This should make recruitment much easier, having removed risk from the role. This post would attract the same grade as the existing post and would continue to report to the S151 Officer

- to continue to use third-party contractors to support the highly specialised areas of audit where it is not economical to employ our own staff e.g. complex IT audits
- to use specialist external risk management expertise to very quickly raise the profile of risk management and get things moving in the right direction. Once that is underway, we would look to recruit to our payroll a Head of Risk.

Recommendations

4. Members are asked to note the steps taken to replace and strengthen the Audit and Risk functions.

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Head of Audit and Risk
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