

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 18th April, 2012

10.00 am

Darent Room, Sessions House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 18th April, 2012, at 10.00 am Ask for: **Andrew Tait**
Darent Room, Sessions House, County Telephone: **01622 694342**
Hall, Maidstone

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

Membership (13)

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

Liberal Democrat (1): Mr T Prater

Webcasting Notice

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UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes - 29 November 2011 (Pages 1 - 6)
5. Committee Work Programme (Pages 7 - 10)
6. Member Development Programme (Pages 11 - 12)
7. Corporate Risk Register (Pages 13 - 36)
8. Treasury Management Quarterly Report (Pages 37 - 44)
9. Update on Savings Programme (Pages 45 - 46)

10. Update on Change to Keep Succeeding (Pages 47 - 52)
11. Statements of Required Management Practice (SORPs) (Pages 53 - 56)
12. Review of the Code of Corporate Governance (Pages 57 - 68)
13. Internal Audit Progress Report (Pages 69 - 88)
14. Internal Audit Strategy and Annual Audit Plan 2012/13 (Pages 89 - 116)
15. Audit Commission Certification of Claims and Returns Annual Report (Pages 117 - 130)
16. Audit Commission Report on Objection to 2010/11 Accounts (Pages 131 - 144)
17. Audit Commission Audit Opinion Plans 2011/12 (Kent County Council and Kent Superannuation Fund) (Pages 145 - 194)
18. Revised accounting policies (Pages 195 - 198)
19. Anti-Fraud and Corruption Progress Report (Pages 199 - 204)
20. Audit Commission progress report on appointment of External Auditor (Pages 205 - 206)
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
(01622) 694002

Tuesday, 10 April 2012

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 Tuesday, 29 November 2011.

PRESENT: Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman), Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd, Mr D A Hirst, Ms A Hohler, Mr R J Parry, Mr T Prater and Mr R Tolputt

ALSO PRESENT: Mr A H T Bowles, Ms S J Carey, Mr R W Gough and Mr J D Simmonds

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr G Wild (Director of Governance and Law), Mr N Vickers (Head of Financial Services), Mrs A Beer (Corporate Director of Human Resources), Ms J Foster (Director of Business Strategy), Mr M Hardie (Interim Senior Risk Manager), Ms S Buckland (Acting Head of Internal Audit), Mr P Rock (Counter Fraud Manager) and Mr A Tait (Democratic Services Officer)

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

UNRESTRICTED ITEMS

46. Minutes - 14 September 2011

(Item 4)

RESOLVED that, subject to an amendment to Minute 37 (2) clarifying that the report on the maladministration case would be made to the next appropriate meeting of the Committee, the Minutes of the meeting held on 14 September 2011 are correctly recorded and that they be signed by the Chairman.

47. Committee Work Programme

(Item 5)

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

(2) RESOLVED that the forward work programme for 2012 be agreed.

48. Bribery Act Policy

(Item 6)

(1) The Director of Governance and Law presented a report reviewing the County Council's Bribery Act policy and consequential amendments to the Constitution.

(2) The proposed amendments to the Constitution were tabled at the meeting.

(3) The Director of Governance and Law proposed a further modification to the suggested amendment to the proposed Terms of Reference of the Governance and Audit Committee to read "(j) monitor the implementation of the Bribery Act Policy to ensure that it is followed at all times." This was agreed.

(4) RESOLVED that subject to (3) above, the County Council be recommended to approve the draft Bribery Act Policy together with the consequential changes to the Constitution.

49. Update on Change to Keep Succeeding *(Item 7)*

(1) The Corporate Director of Human Resources gave an update on the "Change to Keep Succeeding" programme of organisational change. The report covered progress on populating the senior level of the new operating framework, the changes to staffing across the Authority since April 2011 and other key organisational development activity since the previous report in September 2011.

(2) The Committee congratulated Mr A Wood on his appointment as Corporate Director of Finance and Procurement. The Corporate Director of Human Resources agreed to ensure that all Members of the County Council were notified of all such appointments as soon as they were made.

(3) RESOLVED that the report be noted for assurance.

50. Update on Savings Programme *(Item 8)*

(1) The Corporate Director of Finance and Procurement reported on progress towards achieving the savings target of £95 million in 2011/12 through the savings Project Initiation Documents (PID) process, which was being continually monitored to ensure that savings targets were met or that alternatives were found.

(2) RESOLVED that the report be noted for assurance.

51. Review of KCC's Risk Management Framework *(Item 9)*

(1) The Director of Business Strategy presented the revised Risk Management Policy for approval and asked the Committee to note progress. She also introduced the Interim Senior Risk Manager, Mr Michael Hardie.

(2) RESOLVED that:-

- (a) the progress and planned activity on risk management presented in the report be noted;
- (b) approval be given to the Risk Management Policy for the year 2011/12; and
- (c) a further report giving an update on risk management be made to the Committee at a future date.

52. Treasury Management 6 month review 2011/12

(Item 10)

- (1) The Head of Financial Services presented the half-yearly update of Treasury Management.
- (2) The Head of Financial Services agreed to inform the Committee about the missing text in paragraphs 2.2 and 2.3 of the report. The figure of £7 million set out in paragraph 2.2 was later confirmed, whilst the two market loans with RBS (paragraph 2.3) had been arranged in May 2010.
- (3) RESOLVED that subject to (2) above, the report be endorsed for submission to the County Council.

53. Debt Management

(Item 11)

- (1) The Head of Financial Services reported on the County Council's debt position and agreed to provide Members of the Committee with the details relating to an invoice raised in September 2010 to a Primary Care Trust.
- (2) RESOLVED that the report be noted for assurance.

54. Audit Commission Draft Annual Audit Letter

(Item 12)

- (1) Mr Darren Wells from the Audit Commission highlighted key issues and his conclusions on relevant aspects of the audit. He clarified that he was considering an objection made to the County Council's accounts and that he was expecting to be able to reach a conclusion on this objection in January 2012. He would report on this matter once he had done so and, if necessary, the Committee would be invited to consider the implications of his findings. The objection had not prevented him from issuing an opinion on the Statement of Accounts.
- (2) RESOLVED that the Annual Audit letter be received for assurance and that:-
 - (a) it be noted that the requirement of the External Auditors to prepare and issue an Annual Audit letter to the Council has been met; and
 - (b) the proposed actions for publication of the Annual Audit Letter be noted.

55. Effectiveness of Internal and External Audit Liaison

(Item 13)

- (1) The Acting Head of Internal Audit reported on the effectiveness of the liaison arrangements between External and Internal Audit. She said that liaison between them was in place and that synergy would be sought by both parties between the two audit plans to be presented to the Committee in 2012.

- (2) RESOLVED that the annual update on liaison arrangements between Internal and External Audit be noted for assurance.

56. Internal Audit Progress Report

(Item 14)

(1) The Acting Head of Internal Audit summarised the outcomes of Internal Audit activity since the previous meeting of the Committee.

(2) Members of the Committee discussed the overall assessment of the Kent County Council Elections for 2005 and 2009. It was agreed that the assessment should be amended from “not applicable” to “non compliant” in order to clarify the level of assurance available.

(3) The Director of Governance and Law explained that the issues raised in the Kent County Council Elections audit were being examined as part of a wider review of election arrangements being carried out by the Electoral and Boundary Review Committee. An update on that Committee’s conclusions would be presented to the Committee in due course.

(4) RESOLVED to note:-

- (a) the amendments to and progress against the 2011/12 Audit Plan;
- (b) the assurance provided in relation to the Council’s control environment as a result of Internal Audit work completed to date; and
- (c) that a further report will be submitted to the Committee on the Electoral and Boundary Review Committee’s work on Kent County Council elections once that Committee has completed its work.

57. Anti Fraud and Corruption progress report

(Item 15)

(1) Counter Fraud Manager gave a summary of progress of anti-fraud and corruption activity since the Committee’s last meeting in September 2011.

(2) RESOLVED to note:-

- (a) the progress of anti-fraud and corruption activity; and
- (b) the assurance provided in relation to the anti-fraud culture and fraud prevention and investigation activity.

By: Chairman of Governance and Audit Committee
Neeta Major, Interim Head of Internal Audit

To: Governance and Audit Committee – 18 April 2012

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 April 2013. The content of the programme is matched to the Committee Terms of Reference and aims to provide at least the minimum coverage necessary to meet the responsibilities set out.
3. The programme has been updated to reflect requests made from Committee members for additional reports on specific items of interest.

Recommendations

4. It is recommended that Members:
 - approve the forward work programme to April 2013 to meet the Committee's Terms of Reference, and
 - identify any additional items that members would wish to include.

Neeta Major
Interim Head of Internal Audit
Ext: 4644

Category / Item	Owner	Apr-12	Jul-12	Sep-12	Dec-12	Apr-13
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	HoIA	✓	✓	✓	✓	✓
Member Development Programme	HoIA	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH	✓		✓		✓
Treasury Management quarterly report	NV	✓		✓	✓	✓
Treasury Management Annual Report	NV		✓			
Ombudsman Complaints	GW			✓		
Report on Insurance and Risk Activity	NV			✓		
Review of the Risk Management Strategy, Policy and Programme	RH			✓		
Annual Complaints Report	DC			✓		
Update on Savings programme	AW	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	IT			✓		
Corporate Governance						
Progress update on Change to Keep Succeeding	AB	✓	✓	✓	✓	✓
Update on development of Statements of Required Practice	DW	✓				✓
Annual review of Terms of Reference	HoIA			✓		
Debt Recovery	AW		✓		✓	
Annual review of the Council's Code of Corporate Governance	GW	✓				✓
Review of Bribery Act Policy and any related amendments to Constitution	GW				✓	

Category / Item	Owner	Apr-12	Jul-12	Sep-12	Dec-12	Apr-13
Internal Audit						
Internal Audit Progress Report	HoIA	✓	✓	✓	✓	✓
Internal Audit Annual Report	HoIA		✓			
Internal Audit Benchmarking Results	HoIA			✓		
Internal Audit Strategy and Annual Plan	HoIA	✓				✓
Review of Terms of Reference and Charter of Internal Audit	HoIA		✓			
External Audit						
External Audit Update	HoIA	✓	✓	✓	✓	✓
Proposal for tracking of External Audit and regulators recommendations	HoIA			✓		
External Audit Governance Report	HoIA		✓			
External Audit Annual Audit Letter	HoIA				✓	
External Audit Certification of Claims and Returns Report	HoIA	✓				✓
Effectiveness of Internal and External Audit Liaison	HoIA				✓	
External Audit Annual Plan & Fee	HoIA	✓				✓
External Audit Pension Fund Plan & Fee	HoIA	✓				✓
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW		✓			
Revised Accounting Policies	CH	✓				✓
Fraud						
Anti-fraud and anti-corruption compliance with CiPFA Red Book	HoIA		✓			
Review of the Anti-fraud and anti-corruption Strategy	HoIA		✓			
Anti-Fraud and Corruption Progress Report	HoIA	✓	✓	✓	✓	✓

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By: Neeta Major, Interim Head of Internal Audit
To: Governance and Audit Committee – 18 April 2012
Subject: **Member Development Programme**

Classification: Unrestricted

Summary: To provide an update on the introduction of the training programme for members of the Committee.

FOR DECISION

Introduction

1. On 30 November 2010, the Committee agreed that a training programme would be commenced from March 2011. It would be targeted at Committee members but would also be made available to all members of the Council.

Issues to note

1. Members' training is important to ensure that the Governance and Audit Committee remains effective and delivers against its terms of reference.
2. In November 2010, it was agreed by a group of members and officers that the best time for formal training would be immediately prior to the start of the formal meeting and that these sessions could be open to all members. The training could be recorded and added to any induction material given to new committee members or used as a refresher if required by existing members.
3. In addition, Corporate Finance has successfully delivered a learning and development programme on financial management for Members and senior officers that will continue in 2012-13. This will include sessions on the role of internal audit and fraud awareness refresher training.
4. Training sessions provided to Governance Audit Committee members to date include:
 - The role and terms of reference of the G&A committee (September 2009)
 - Treasury Management (April 2010)
 - Governance of the superannuation fund (March 2011)
 - Fraud awareness (November 2011)
5. To follow on from the training provided to date, there are a couple of areas which would be relevant to members of the Committee as forthcoming training including:
 - Risk Management
 - Role of a governance and audit committee (refresher training)

6. The “review of the adequacy and effectiveness of risk management systems” is a key requirement of the Committee and hence risk management training would be extremely relevant in the coming year. Refresher training on the role of the Governance and Audit Committee, whilst essential, will be better suited to the first Committee meeting after the 2013 elections.
7. Additional relevant training will also be provided through the Financial Management Development Programme for 2012-2013 which is open to members and senior officers.

Recommendation

8. Members of the Committee are asked to:
 - Support the continuation of a training programme during 2012-13.
 - Approve the inclusion of risk management training just before the September 2012 Committee meeting and training on the role of a governance and audit committee before the first meeting after the elections in 2013.
 - Support training sessions provided through the Financial Management Development Programme on areas relevant to the role of the Governance and Audit Committee.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

By: Roger Gough, Cabinet Member for Business Strategy,
Performance and Health Reform
Richard Hallett, Acting Head of Business Intelligence,
Performance and Risk

To: Governance and Audit Committee – 18th April 2012

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary:

It is a responsibility of this Committee to ensure the following outcome; *Risk Management and Internal Control Systems are in place that are adequate for purpose and effectively and efficiently operated.*¹ It is appropriate therefore that the Governance & Audit Committee is informed of the development and management of the Council's Corporate Risk Register (CRR).

FOR INFORMATION

1. Introduction and background

- 1.1 It is recognised good practice for Local Authorities to develop and maintain a register of those risks that may impact the achievability of their corporate ambitions and vision.
- 1.2 During the latter half of 2011, KCC's Risk Management team, in conjunction with Zurich Municipal (KCC's contracted insurance provider), facilitated a Risk Workshop for our Pioneer Group and two joint Risk Workshops for CMT / Cabinet Members. The output from the workshops provided a basis to establish a draft register outlining eleven corporate risks.
- 1.3 During December 2011 the Risk Management team liaised with Corporate Directors and their teams to refine the outputs from the last workshop into a final draft CRR with a working version being issued on the 3rd January 2012 following consultation with Cabinet Portfolio Holders. A 'Short' version of the CRR was also released for inclusion in the KCC Medium Term Financial plan.
- 1.4 The CRR is a 'living' document and it is well recognised that risks can change as a result of external and internal events. Between January and March this year, Risk Owners have, where necessary, made appropriate changes to the risks. All amendments are recorded in a Change Log to provide an Audit Trail.
- 1.5 A further joint CMT / Cabinet Member Risk Workshop was held on the 26th March 2012 to undertake an initial 3 month review / update of the CRR, examine how the CRR has been managed to date and to determine communication plans for the CRR under KCC's new governance arrangements.

¹ KCC Constitution – Page 30, Governance and Audit Committee

2. KCC Corporate Risk Register

- 2.1 A copy of the Corporate Risk Register is attached for Members' reference. Please note that this is currently undergoing a refresh following review by the CMT / Cabinet at the recent Risk Workshop.
- 2.2 The 11 corporate risks identified by CMT and Cabinet Members are presented individually from page 4 onwards. Each of the 11 entries provides a full assessment and evaluation of the risk, current controls and further containment / mitigating actions being taken by directorates.
- 2.3 The Summary Risk Profile on page 3 provides a graphical representation of the corporate risk landscape. The current level of risk is represented by the positions of the risk titles. The numbered boxes represent the corresponding Risk ID number and are positioned to show the target risk levels.
- 2.4 The contents of the CRR will be migrated to a corporate risk management database in May / June 2012 enabling Risk Owners and Risk Actionees to monitor and manage risks and actions and to make adjustments as they arise. The database will maintain an audit trail of changes and can be configured to prompt reviews and risk escalation. It is proposed that both the Cabinet and this committee are provided with an up to date copy of the CRR every 6 months for review. There will still be the option for Members to request risk information at any time.

3. Recommendations

- 3.1 That the Governance and Audit Committee note the assurance provided in relation to the development and maintenance of the Corporate Risk Register attached to this report.

Richard Hallett

Acting Head of Business Intelligence, Performance and Risk

Richard.Hallett@kent.gov.uk

Tel: 01622 694134

Contact Officer

Michael Hardie

Interim Corporate Risk Manager

Michael.Hardie@kent.gov.uk

Tel: 01622 696204



KCC Corporate Risk Register

Corporate Risk Register – January 2012

VERSION HISTORY

Version Date	Document Version	Document Revision History	Revisions	Document Author / Reviser	Version Approval Date	Version Approver Name
December 2011	1.01	Initial Development Copy		Corp. Risk Manager	Not Applicable	CMT and Cabinet
December 2011	1.02	Second Development Copy		Corp. Risk Manager	Not Applicable	CMT and Cabinet
December 2011	1.03	Third Development Copy		Corp. Risk Manager	Not Applicable	CMT and Cabinet
December 2011	1.04	Initial Draft for Cabinet Member Approval	Final draft submitted to Cab. Members & CMT for approval	Corp. Risk Manager	3 rd Jan 2012	Cabinet
December 2011	1.05	First Approved Version	Includes changes requested by Cab. Members following review of V1.04	Corp. Risk Manager	3 rd Jan 2012	Cabinet

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Summary Risk Profile

PROBABILITY	Very Likely				8. Academies Independence from KCC	10. Demand Management
	Likely			3. Economic Climate 9. Health Reform	2. Safeguarding	
	Possible			1. Data & Information Mgmt 7. Governance & Internal Control 11. Responsiveness to Emerging Gov Reforms & Directives	4. Civil Contingencies & Resilience 5. Organisation Transformation 6. Localism	
	Unlikely					
	Very Unlikely					
		Minor	Moderate	Significant	Serious	Major
IMPACT						

Note: Written Risk Titles indicate 'Current' Risk Level and numbered boxes correspond to the Risk ID number and their respective 'Target' Risk Level.

Corporate Risk Register – January 2012

Risk ID	Risk Title	Data and Information Management					
Description The Council is reliant on accurate and timely data and information to determine sound decisions and plans, conduct operations and deliver services. It is also required by the Data Protection Act to maintain confidentiality, integrity and proper use of the data. With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information repositories, controls on data management and security have become complex and important. The corruption, misuse, misplacement, loss or theft of the data and information could disrupt the council's ability to function effectively and result in unwelcome adverse publicity or legal action.	Threat Poor decision making due to ineffective use of or insufficient availability of data and information sharing. Loss, misrepresentation or unauthorised disclosure of sensitive data. Malicious attacks and sabotage	Implication Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs. Disablement of critical/vital services leading to failure to meet duties and to protect people, finances and assets	Risk Owner On behalf of CMT: Director Governance & Law Responsible Cabinet Member(s): Business Strategy, Performance & Health Reform Finance & Business Support	Current Probability Possible	Current Impact Significant	Target Residual Probability Unlikely	Target Residual Impact Significant
Control Title Appointment of a Senior Information Risk Officer			Control Owner Corporate Director Business Strategy & Support				
Formal appointment of Information Governance Manager			Director of Governance & Law				
Caldicott Guardians appointed in FSC and C&C Directorates			Corporate Director Families & Social Care				
Coherent county wide strategy and protocols on sharing information between agencies. Information Governance Programme Board's Information sharing agreement in place.			Information Governance Programme Board				
Centralised resilience and transparency team			Team Leader- Information Resilience & Transparency team				
Action Title		Action Owner		Progress (% Complete)	Planned Completion Date		
SIRO action plan including Information Governance SORP (to include FOI, DPA, EIR policies & protocols, good practice guidance on records management, data classification, information security, appropriate storage media, email and fax usage, privacy notices, use of databases)		Director Governance & Law Business Strategy & Support		10%	December 2012		
Instigation of information asset register and identification of information asset owners		Records Manager		40%	July 2012		
Standard terms and conditions for orders/contracts <£50k value		Head of Strategic Procurement		0%	December 2012		
Mandatory Information Governance training for all staff		Corporate Director Human Resources		0%	December 2012		

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	2	Risk Title	Safeguarding			
Description		Threat	Implication	Risk Owner	Current Probability	Current Impact
The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults and children. Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability.		Insufficiently robust management grip, performance management or quality assurance Incident of serious harm or death of a vulnerable adult or child	Insufficient rigor in maintaining threshold application/inconsistency Increase in referrals and service demand resulting in unmanageable caseloads/workloads for social workers Serious impact on vulnerable people Decline in performance and effective service delivery leading to critical inspection findings and reputational damage Serious impact on ability to recruit the quality of staff critical to service delivery. Serious operational and financial consequences Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities	Corporate Director Families & Social Care Responsible Cabinet Member(s): Specialist Children's Services Adult Social Care & Public Health	Likely Target Residual Probability Possible	Serious Target Residual Impact Significant
Control Title					Control Owner	
Consistent scrutiny and performance monitoring through Improvement Core Group, district deep dives and audit activity					Corporate Director Families & Social Care	
Reduction in caseloads and robust caseload monitoring					Corporate Director Families & Social Care	
Significant work undertaken to increase rigour and managerial grip in Duty and Initial Assessment Teams					Corporate Director Families & Social Care	
Implementation of Central Duty Service to ensure increase in consistency and threshold application					Corporate Director Families & Social Care	
FSC management team monitors social work vacancies and agrees strategies for urgent situations					Corporate Director Families & Social Care	
Active strategy in place to attract and recruit social workers through a variety of routes with particular emphasis on experienced social workers. Detailed programme of training					Corporate Director Families & Social Care	
CMT, FSC Directorate Management Team and the Cabinet Member for Adult Social Care and Public Health receive quarterly safeguarding performance reports					Director of Strategic Commissioning	
Programme of internal and external audits for adult safeguarding case files with regards to FSC and KMPT. The results of these audits are reported to FSC Directorate Management Team and the Cabinet Member for Adult Social Care and Public Health. The findings of KMPT external audits are also reported to KMPT colleagues in the Adult Safeguarding Unit and to the KMPT Programme Board					Director of Strategic Commissioning	
KMPT safeguarding action plan was developed following an external audit in February 2011. The action plan is monitored by the Head of Adult Safeguarding for FSC and the Head of Adult Safeguarding for KMPT. Highlight reports are produced for the KMPT Programme Board to advise Board					Director of LD / MH	

Corporate Risk Register – January 2012

members of progress towards the action plan			
FSC Strategic Adults Safeguarding Board provides a strategic countywide overview of adult safeguarding within FSC and monitors progress towards the FSC Strategic Adult Safeguarding action plan			Director of Strategic Commissioning
Safeguarding Vulnerable Adults Co-ordinators work closely with Contracting colleagues where there are safeguarding concerns in the independent sector using Quality in care framework			Director of Strategic Commissioning
Action Title	Action Owner	Progress (% Complete)	Planned Completion Date
Service restructure	Director of Children's Services	Planning is at advanced stage	April 2012
Continued work to strengthen delivery of early intervention/prevention services	Director of Strategic Commissioning	Commissioning and Procurement Plan Supplier Framework in place	Spring 2012
Practice improvement programme to strengthen practice across Children and Families Teams	Director of Children's Services	Good Progress made	End of July 2012
Preparation for full announced inspection of Safeguarding and Looked After children	Director of Children's Services	Commenced work	Ongoing
Ongoing development of further strategies to support recruitment so that we attract and retain high calibre social workers and managers. Use of competent agency social workers and managers on temporary basis to fill vacancies	Director of Human Resources		Ongoing
A structured mechanism for feeding back lessons learnt from assessment, regulation and inspection needs to be implemented	Director of Strategic Commissioning		Ongoing
Ongoing monitoring of FSC safeguarding action plan by the FSC Strategic Adults Safeguarding Board. Ongoing monitoring of KMPT safeguarding action plan	Director of Strategic Commissioning		
SGVA Co-ordinator meetings continue to take place on a monthly basis. These meetings are an opportunity to share best practice and raise ongoing issues. The workplan for the group continues to be monitored	Director of Strategic Commissioning		Ongoing
An exercise is underway to identify which levels of safeguarding training have been undertaken by staff in the independent sector and to signpost providers to where they can access information about safeguarding training	Director of Strategic Commissioning		February 2012

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Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID 3	Risk Title	Economic Climate				
<p>Description</p> <p>The Council carries significant responsibility for encouraging and enabling growth in the County's economy. Our aim to 'grow the economy' is becoming increasingly challenging in the current economic climate. Our programme of work includes ambitious plans to assist local businesses; to ensure local people have the right skills as well as delivering enabling infrastructure.</p> <p>The Council has already anticipated and adapted its plans to provide for the current economic scenario. If the current economic climate continues or worsens or other regions re-stimulate their economies more quickly than Kent, then the Council's ability to deliver its plans for economic growth will be constrained. Without growth the county residents will have less disposable income, face increased levels of unemployment and deprivation which could lead to heightened social and community tensions</p>	<p>Threat</p> <p>Prolonged adverse, uneven or worse than anticipated economic situation leads to reduced income, business exodus, unplanned increase in costs, and demand for Council services beyond capacity to deliver</p> <p>Our ability to deliver an enabling infrastructure becomes constrained</p>	<p>Implication</p> <p>Stalled/low economic and jobs growth</p> <p>The Council finds it increasingly difficult to meet growing demand for services and support, putting vulnerable people at greater risk</p> <p>Reduced S106 contributions</p> <p>Increased levels of unemployment which could cause social tensions</p> <p>Kent becomes a less viable place for inward investment and business</p>	<p>Risk Owner</p> <p>Corporate Director Business Strategy & Support and Head of Paid Service</p> <p>(Corporate Director Enterprise & Environment)</p> <p>Responsible Cabinet Member(s):</p> <p>Regeneration & Enterprise</p> <p>Environment, Highways & Waste</p>	<p>Current Probability</p> <p>Likely</p> <p>Target Residual Probability</p> <p>Likely</p>	<p>Current Impact</p> <p>Significant</p> <p>Target Residual Impact</p> <p>Significant</p>	
Control Title		Control Owner				
Robust budgeting and financial planning- MTFP		Corporate Director Finance & Procurement				
A process for monitoring delivery of the savings has been agreed at the February CMT and will be reported through CMT, Cabinet members and the Budget IMG		Corporate Director Finance & Procurement				
An additional £5m has been put into Reserves to cover the risk of overspend		Corporate Director Finance & Procurement				
Analysis and refreshing of forecasts to maintain the level of understanding which feeds into the relevant areas of the medium term plan and the business planning process.		Director Business Strategy				
Implementation of strategic transport schemes outlined in Growth without Gridlock		Director Planning & Environment				
Key infrastructure is identified and planned for as part of District Local Plans		Director Planning & Environment				
Infrastructure is provided as part of new developments		Director Economic Development				
Action Title	Action Owner	Progress (% Complete)		Planned Completion Date		
Monitor key socio-economic indicators and forecasts	Director Business Strategy	Ongoing action		Ongoing		
Plan and deliver a 'Budget for Growth' – identifying priorities that will stimulate and accelerate jobs growth in the next 3 years	Director of Economic	50%		March 2012		

Corporate Risk Register – January 2012

Development			
Consider how best to market Kent for inward investment	Director of Economic Development	75%	March 2012
Use of £10m capital and £500k revenue allocations to develop and pump prime transport schemes in Growth without Gridlock	Director Planning & Environment	Ongoing action – schemes are at various stages of development	Ongoing
Influence District Local Plans	Director Planning & Environment	Ongoing action – Local Plans are at various stages of development and review	Ongoing
Ensure infrastructure is provided through financial arrangements such as S106 and CIL	Director Economic Development	Ongoing action	Ongoing

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	Risk Title	Civil Contingencies and Resilience				
4						
Description	Threat	Implication	Risk Owner	Current Probability	Current Impact	
The Council, along with other Category 1 Responders in the County have a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood, and impact, of high impact incidents and emergencies and severe / extreme weather conditions. Their ability to effectively manage incidents and maintain critical services could be undermined if they are unprepared or have ineffective emergency and business continuity plans and associated activities.	Rise in civil emergency and high impact incidents and failure to deliver suitable planning measures, respond to and manage these events when they occur.	Potential increased loss of life if response is not effective. Serious threat to delivery of critical services. Increased financial cost in terms of damage control and insurance costs. Adverse effect on local businesses and the Kent economy. Possible public unrest and significant reputational damage Legal actions and intervention for failure to fulfill KCC's obligations under the Civil Contingencies Act or other associated legislation.	Corporate Director Customer & Communities Responsible Cabinet Member(s): Customer & Communities	Possible Target Residual Probability Possible	Serious Target Residual Impact Serious	
Control Title				Control Owner		
Legally required multi-agency Kent Resilience Forum in place, with work driven by risk and impact based on Kent's Community Risk Register. Key roles of group include:				Head of Emergency Planning		
<ul style="list-style-type: none"> • Intelligence gathering and forecasting; • Regular training exercises and tests; • Task & Finish groups addressing key issues. • Plan writing • Capability building 						
Critical functions have been identified across KCC as a basis for effective Business Continuity Management (BCM). Other BCM planning and response measures being developed				Head of Emergency Planning		
Management of financial impact to include Bellwin scheme				Finance Strategy Manager		
Maintenance & delivery of emergency procedures, plans and capabilities in place to respond to a broad range of challenges.				Head of Emergency Planning		
Olympics: dedicated Kent Olympics Resilience Manager in place and comprehensive planning for the 2012 Olympic & Paralympic Games				Head of Emergency Planning and Olympics Resilience Manager		
System in place for ongoing monitoring of severe weather events (SWIMS)				Programmes & Partnerships Manager, Sustainability & Climate Change		
Implementation of Kent's Adaption Action Plan 2011-2013				Programmes & Partnerships Manager, Sustainability & Climate Change		
Local multi-agency flood response plans in place.				Head of Emergency Planning		
Winter Resilience Planning Group & action plan in place.				Head of Emergency Planning		

Corporate Risk Register – January 2012

Action Title	Action Owner	Progress (% Complete)	Planned Completion Date
Continued implementation and monitoring of Olympics Resilience Plan	Olympics Resilience Manager	70%	August 2012
Implementation of business continuity recommendations contained in PWC audit.	Head of Emergency Planning	90%	January 2012
Continue to review Business Impact Analysis to reflect new structure and all inter-dependencies.	Head of Emergency Planning	75%: Data is in from all directorates and work is ongoing to load on to Mataco system	March 2012
Continue to maintain and develop the broad range of planning and response capabilities associated with this area.	Head of Emergency Planning	ongoing	ongoing
Further work to protect critical functions, including appropriate training.	Head of Emergency Planning	ongoing	ongoing
Continue to conduct regular exercises and rehearsals of plans Work to improve internal and external communications in the event of an incident (Communications Plan being developed)	Head of Emergency Planning	50%	March 2012
Implementation of action plan to improve overall resilience of Contact Centre	Head of Emergency Planning / Head of Contact Centre	25%: Work has begun on BCM for Contact Centre	September 2012
Work to improve ICT resilience arrangements.	Director of Information & Communication Technology	25%: Work has begun on BCM for Contact Centre	September 2012

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	5	Risk Title	Organisational Transformation			
Description		Threat	Implication	Risk Owner	Current Probability	Current Impact
The Council is undergoing rapid change in order to deliver Bold Steps for Kent. A programme of major structural, operational and cultural transformation is underway. Staff reductions are being made because of budget pressures. The move towards more strategic commissioning and other changes to ways of working requires new skill sets and the changing environment for local government requires new behaviours from all staff. A “one council” approach to workforce planning is essential to ensure we have the right numbers of suitably skilled staff in the right places. The combination of losing experienced staff, recruiting new staff, and ensuring existing staff have the right skills and behaviours is a major challenge, and if not managed successfully could result in failure to deliver expected outcomes and benefits, and critical services may be impeded.		Failure to manage the transformation process through adequate planning and resources	Failure to deliver key services, to maintain quality of services provided and to achieve financial savings required, leading to reputational damage and further pressure on services.	On behalf of CMT: Corporate Director Human Resources	Possible	Serious
		Lack of appropriate skills and capacity to move to alternative delivery process		Responsible Cabinet Member(s):	Target Residual Probability	Target Residual Impact
		Loss of excellent staff due to scale of changes		Business Strategy, Performance & Health Reform	Unlikely	Serious
				Democracy & Partnerships		
				Customer & Communities		
Control Title					Control Owner	
Delivery of organisational development plan					Corporate Director (Human Resources)	
Delivery of change to keep succeeding					Corporate Director (Human Resources)	
Staff care policy in place					Corporate Director (Human Resources)	
Workforce strategy with private sector providers					Corporate Director (Human Resources)	
Investment in training					Head of Paid Service	
More effective use of professional staffing resources on more complex issues					Head of Paid Service	
Succession planning					Corporate Director (Human Resources)	
Reputational management of senior posts					Head of Paid Service/Corporate Director (Human Resources)	
Work to develop internal control structures has been initiated					Director (Governance & Law)/ Director of Business Strategy	
Action Title			Action Owner	Progress (% Complete)	Planned Completion Date	
Improve programme and project management across KCC to identify the wider implications, timing and impact of separate initiatives including business change management			Head of Business Intelligence, Performance & Risk			

Corporate Risk Register – January 2012

Improved scheduling of changes involving support staff	Corporate Director (Human Resources)
Cross referencing between initiatives	Head of Business Intelligence, Performance & Risk
Improved strategic communications and open dialogue	Director (Communications & Engagement)
Improved management of redundancy criteria	Corporate Director (Human Resources)
Ongoing development of the Organisational Development Action Plan?	Corporate Director (Human Resources)

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

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Risk ID 6	Risk Title	Localism				
Description Bold Steps for Kent envisages place-based commissioning for some KCC services, pooling budgets into a single commissioning pot for each district. It also identifies considerable opportunity for a more joined-up approach and greater efficiencies if there is a single district-based commissioning plan that is shared by KCC Members and District Councillors. In addition, the Localism Bill paves the way for the Right to Buy public assets, the Right to Challenge the provision of public services and the Right to Bid to provide services, all of which potentially bring still greater complexity into the way in which services are commissioned and delivered. But unless this agenda is managed effectively, including relationships with partners and providers, key objectives will not be achieved.	Threat Failure to establish and maintain locality based arrangements within required timescales	Implication Delay in decision making due to complexity of this agenda Failure to deliver required transformation fast enough. Failure of devolved services, leading to reputational damage for KCC and the need to take back responsibility for the service. Loss of economies of scale for service delivery and failure to deliver required budget savings. Breakdown in critical relationships	Risk Owner Corporate Director Customer & Communities Responsible Cabinet Member(s): Democracy & Partnerships Customer & Communities	Current Probability Possible Target Residual Probability Possible	Current Impact Serious Target Residual Impact Serious	
Control Title		Control Owner				
KCC Future Service Options Programme in progress, preparing KCC for the implications of the "Right to Challenge". Risks to delivery of this programme are being monitored. Local Members will be involved in making recommendations for future service delivery.				Policy Manager Business Strategy & Support		
<i>Vision for Kent</i> – the county's community strategy, developed with partners across the county.				Kent Partnership Manager		
Locality Board Programme Plan in place, with governance arrangements being developed. A KCC steering group has been established. Roles & responsibilities are being developed and agreed for KCC staff who work with Locality Boards, along with a communications plan for stakeholders, including the public.				Business Transformation Manager, Service Improvement		
Action Title		Action Owner		Progress (% Complete)		Planned Completion Date
Locality arrangements to be responsible for refreshing the <i>Vision for Kent</i> sections covering their respective localities.		Strategic Relationships Advisor		15%		Discussion at March 12 Kent Forum
Ensure local government partners are engaged through Kent Joint Chiefs and Locality Boards		Strategic Relationships Advisor		Ongoing		Ongoing
Staff briefings to be held on KCC issues of importance to Locality Boards		Director of Service Improvement		To be Confirmed December 11		To be Confirmed
Data & Intelligence mechanisms for Locality Boards being established		Director of Service Improvement		10%		Evolving- partly dependent on ERP

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID 7	Risk Title	Governance and Internal Control				
<p>Description</p> <p>The Council has legal responsibilities to ensure that adequate governance arrangements are in place to help the Council achieve its statutory responsibilities and to protect the Council's assets and finances. In the increasingly complex multi agency working environment and the current economic climate with increased budgetary cuts and organisational change - organisations need to update their governance arrangements and internal controls to successfully implement change programmes, achieve organisational objectives and safeguard their assets and reputation. If the Council's Governance arrangements are deficient, ineffective or unresponsive then the Council may encounter financial loss, service / operational disruption and prosecution.</p>	<p>Threat</p> <p>Major governance and internal control failure within the Council and / or its key suppliers</p>	<p>Implication</p> <p>Major reputational damage and financial loss</p> <p>Fail external inspection/audit</p> <p>Loss of confidence in the Council and possible government intervention.</p>	<p>Risk Owner</p> <p>Corporate Director Finance & Procurement</p> <p>(Director Governance & Law Business Strategy and Support)</p> <p>Responsible Cabinet Member(s):</p> <p>Democracy & Partnerships</p> <p>Finance & Business Support</p>	<p>Current Probability</p> <p style="text-align: center;">Possible</p> <p>Target Residual Probability</p> <p style="text-align: center;">Unlikely</p>	<p>Current Impact</p> <p style="text-align: center;">Significant</p> <p>Target Residual Impact</p> <p style="text-align: center;">Moderate</p>	
Control Title		Control Owner				
Constitution		Director of Governance & Law				
Code of Corporate Governance		Director of Governance & Law				
Blue Book		Corporate Director of Human Resources				
Kent Manager		Corporate Director of Human Resources				
Governance and Audit Committee		Corporate Director of Finance & Procurement				
Standards Committee		Director of Governance & Law				
Overview and Scrutiny Committees		Director of Governance & Law				
Action Title		Action Owner	Progress (% Complete)		Planned Completion Date	
Revised Code of Corporate Governance to be included in Constitution		Director of Governance & Law				
Constitution to be updated to take full account of the CIPFA 'Statement on the role of the Chief Financial Officer in Local Government (2010)		Director of Governance & Law				
The roles of scrutiny and regulatory committees to be clarified following the restructure of the authority. An assessment to be completed regarding what scrutiny committees are required, and their roles clarified and detailed in the Constitution		Director of Governance & Law				

Corporate Risk Register – January 2012

Consideration to be given as to the viability of extending the Forward Plan to ensure proper transparency and accountability for decisions taken by officers within their delegated limits	Director of Governance & Law
New scheme of officer delegations required	Director of Governance & Law

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	Risk Title					
8	Academies independence from KCC					
Description	Threat	Implication	Risk Owner	Current Probability	Current Impact	
The Academies Act 2010 enabled schools to become independent from KCC. Academies will get separate funding some of which will be taken away from the Council resulting in reduced funds being available for the support of the remaining local authority schools. Although funding and control is passed to schools KCC remains accountable for educational performance for all state maintained schools including Academies	Insufficient funding remains available to support remaining Local Authority schools to perform effectively Provisions of the Education Act 2011 substantially limit local authorities' ability to monitor and intervene effectively in all categories of schools. This constrains KCC's duty to secure high standards for all pupils	Budgetary pressure on KCC to maintain adequate support to remaining Local Authority Discontent among Local Authority Schools for lack of support. Poor performance among all Schools due to lack of ability to influence Academies or resource Local Authority schools effectively KCC will retain the overall responsibility for the educational standards of the pupils in the County - Reputational damage as people perceive KCC to be responsible	Corporate Director Education, Learning & Skills Responsible Cabinet Member(s): Education, Learning & Skills	Very Likely	Serious	
				Target Residual Probability	Target Residual Impact	
				Likely	Significant	
Control Title			Control Owner			
The potential implications of the Act have been identified and mapped			Corporate Director ELS			
Commercial Transfer Agreement templates have been devised that limit KCC's liability although these are subject to individual negotiation with converting schools and their legal advisers			Corporate Director ELS			
Action Title		Action Owner	Progress (% Complete)	Planned Completion Date		
Lobbying central government		Director- School Resources	50%	12 July 2012		
KCC is delegating more services from April 2012 which begins to reduce the funding gap between schools and academies, moves services onto a traded basis and mitigates against the impact of current academy funding methodology		Director- School Resources		Date of end of consultation		

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	Risk Title	Health Reform					
Description The Health and Social Care Bill is currently progressing through parliament and should receive Royal Assent in 2012. The Department of Health's time table for the transition to the new arrangements requires the majority of the activity and new organisations in place by April 2013. KCC is closely monitoring the progress of the Bill and its implications so that it is as prepared as it can be to implement the reforms once approved.	Threat Reform funding and deliverability are more challenging than anticipated and we fail to prepare for worst case scenario and to take an influential role in the co-ordination and implementation of local arrangements. Following successful delivery / implementation the predefined outcomes and benefits are unachievable. Not enough Public Health resource to cover services	Implication Existing arrangements are undermined by changes to health structures during and after implementation leading to additional costs particularly in adult social services (cost shunting). Existing arrangements for health and social care deteriorate whilst waiting for new arrangements to get underway leading to ineffective health and social care provision for citizens of Kent – potentially damaging lives and Council reputation. Major financial and legal backlash / repercussions from Central Government. Cuts in Public Health Services	Risk Owner Corporate Director Families & Social Care (Director of Public Health) Responsible Cabinet Member(s): Business Strategy, Performance & Health Reform Adult Social Care & Public Health	Current Probability Likely	Current Impact Significant	Target Residual Probability Possible	Target Residual Impact Moderate
Control Title		Control Owner					
Local transition plan has been developed by KCC and Medway Directors of Public Health		Director of Public Health					
KCC has had a designated cabinet portfolio holder Cabinet		Leader of the Council					
NHS / KCC Strategic Oversight Board established		Director of Public Health					
Establishment of a Health & Wellbeing Board chaired by Cabinet member		Director of Governance & Law					
Cabinet Member attends PCT Cluster Board		Cabinet Member for Business Strategy Performance & Health Reform					
Action Title	Action Owner	Progress (% Complete)	Planned Completion Date				
Preparing a local transition plan alongside that being produced by the South East Coast region	Director of Public Health	100%					
Cabinet member will assume a central role at a strategic level.	Cabinet Member for Business strategy, Performance & Health reform	100%	On Going				
An HR framework is being developed as part of the work of the transition planning group	Director of Public Health	0% Department of Health to publish					
Dedicated resource to be commissioned to ensure that any transfer of funding is fair and equitable and the interests of the Council are protected.	Director of Public Health	On Going	On Going				

Corporate Risk Register – January 2012

KCC/NHS Reform Budget	Director of Strategic Commissioning	CMM agreement for Investment	March 2012
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Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID	10	Risk Title	Demand Management			
Description	Threat	Implication	Risk Owner	Current Probability	Current Impact	
<p>KCC recognises that to effectively operate its services within budget limitations and effect preventative early intervention it must examine its operations and services and how they match customer expectations and demand. If the Council does not correctly assess, understand and deal with demand, changing demographics, customer expectations and delivery channels; and redesign and align its services and operations accordingly then it will find it increasingly difficult to fulfil its statutory duties and satisfy customer needs.</p>	<p>Council fails to determine, manage and resource to future demand and its services are then unable to meet future customer requirements.</p>	<p>Customer dissatisfaction with service provision, increased and unplanned pressure on resources and cycle of decline in performance.</p> <p>Fulfilling statutory obligations and duties become increasing difficult against rising expectations</p> <p>Increase the need to provide minimum appropriate services which may be interpreted by the public as reduction or withdrawal of services.</p> <p>May have unintended consequences on some of the Council's strategic objectives.</p> <p>Individual or class action legal challenge resulting in adverse reputational damage to the image of the Council.</p>	<p>Corporate Director Families & Social Care</p> <p>Responsible Cabinet Member(s):</p> <p>Adult Social Care & Public Health</p> <p>Specialist Children's Services</p> <p>Customer & Communities</p>	Very Likely	Major	
				Target Residual Probability	Target Residual Impact	Likely
Control Title		Control Owner				
Analysis and refreshing of forecasts to maintain the level of understanding which feeds into the relevant areas of the MTFP and the business planning process		Director of Strategic Commissioning			Director of Strategic Commissioning	
Multi-agency protocols regarding placement of children and Adults in Kent are in place		Director of Strategic Commissioning			Director of Strategic Commissioning	
Plans developed to reduce the number of LAC and ongoing discussions with high placing LA's for out of area placements		Director of Children's Services			Director of Children's Services	
Market the benefits of enablement support to existing and potential service users, their families and key partners and ensure there is sufficient capacity in the market to provide Enablement Services		Director of Strategic Commissioning			Director of Strategic Commissioning	
Continue to support early intervention and support services that make a difference in terms of delaying the need for more expensive social care support		Director of Children's Services			Director of Children's Services	
Joint commissioning of services with health, in particular for people with dementia		Director of Strategic Commissioning			Director of Strategic Commissioning	
Take advantage of every opportunity to make contracting and procurement controls drive value for money further		Director of Strategic Commissioning			Director of Strategic Commissioning	
Develop better understanding of demand profile and respond as early as possible to have the greatest impact on demand management		Director of Strategic Commissioning			Director of Strategic Commissioning	
Continue with the drive to make telecare one of routine community care services		Director of OP/PD and LD/MH			Director of OP/PD and LD/MH	
Maintain the use of price reduction tools to obtain value for money in relation to the commissioning of expensive specialist residential accommodation		Director of Strategic Commissioning			Director of Strategic Commissioning	

Corporate Risk Register – January 2012

Action Title	Action Owner	Progress (% Complete)	Planned Completion Date
Reduce the number of LAC	Director of Children's Services	Working to agreed targets	ongoing
Ensure that Looked After Children receive appropriate levels of support and services through effective multi-agency intervention that is responsive to their needs.	Director of Children's Services	LAC Team established	ongoing
Re-focus early intervention and prevention services – both direct and commissioned- is specifically to address this pressure and to ensure improved outcomes for children and young people	Director of Strategic Commissioning	Commissioning plans developed	End of 2012/13
Establish the Central Referral Unit to help with the effective management of safeguarding cases	Director of Children's Services	Significant progress made, recruitment in progress, identified resources Plan in progress to incorporate adult social care and health	Implementation, 23 January 2012
Institute a refreshed Transformation Programme focused on budget saving covering the term of the MTFP timeframe	Director of Strategic Commissioning	Transformation strategy to be in place by March 2012	2014/15
Continue to challenge other local authorities on ordinary residence matters	Director of OP/PD and LD/MH		ongoing
Implementation of Customer Service Strategy	Director of Community & Cultural Services		

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

Corporate Risk Register – January 2012

Risk ID 11	Risk Title	Responsiveness to Emerging Government Reforms and Directives				
Description KCC must remain responsive to and be prepared for Government Reforms and Directives and endeavour to implement them efficiently and effectively. The scope, scale and frequency of reforms and directives could become overwhelming and KCC may not have sufficient financial resources or ability to implement or accommodate the required changes on time and within cost to meet Government expectations	Threat Fail to effectively monitor Central Government activity (Horizon Scanning) Inability to predict / forecast implications on KCC strategic priorities, and business plans and finances. Fail to take advantage of new initiatives and opportunities Fail to establish reasonable contingent actions to minimise impact	Implication KCC falls behind other regions in its development impacting national reputation, economy and future opportunities. KCC unable to implement changes effectively and realise predicted benefits attracting undesirable government attention, penalties or intervention and reputational damage. Existing services malfunction as resources are drawn to government priorities and KCC goes into operational 'melt down'.	Risk Owner Corporate Director Business Strategy & Support and Head of Paid Service Responsible Cabinet Member(s): Business Strategy, Performance & Health Reform	Current Probability Possible Target Residual Probability Possible	Current Impact Significant Target Residual Impact Moderate	
Control Title		Control Owner				
Horizon scanning by Business Strategy team		Director of Business Strategy				
Briefing on emerging government policy by policy staff		Head of Policy & Strategic Relationships				
CMT/Cabinet and DMT discussions on significant issues in order to inform risk assessment strategic business planning		Director of Business Strategy				
Engagement with national and local working groups and networks to influence government policy and get early warning of developments		Head of Policy & Strategic Relationships				
Work with other local government authorities to increase level of influence		Head of Policy & Strategic Relationships				
Engaging where possible in pilot schemes to test and assess new initiatives		Head of Policy & Strategic Relationships				
Action Title	Action Owner	Progress (% Complete)	Planned Completion Date			
Current controls will be strengthened by the Business Strategy restructure which will enable KCC to take a more holistic and strategic approach to this risk, including making connections across the professional networks attended by professional staff in service Directorates	Head of Policy & Strategic Relationships	0%	March 2012			
Development of modelling capability within Business Intelligence will support improved forecasting	Head of Business Intelligence, Performance & Risk	20%	March 2013			
Development of business transformation capability through the Service Improvement Division will help ensure effective implementation of change	Business Transformation Programme Manager	0%	March 2012			
A refreshed risk framework will enhance our capability to capture and drive contingent actions to minimize impact of risks	Head of Business Intelligence, Performance & Risk	20%	June 2012			

Probability and Impact Scales					
Probability	Very Unlikely	Unlikely	Possible	Likely	Very Likely
Impact	Minor	Moderate	Significant	Serious	Major

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

To: Governance & Audit Committee – 18 April 2012

Subject: **TREASURY MANAGEMENT QUARTERLY REPORT**

Clarification: Unrestricted

Summary: To report an update on treasury management issues.

FOR ASSURANCE

INTRODUCTION

1. This Committee is charged with responsibility for oversight of the Council's treasury management arrangements and receives a quarterly report.

STATEMENT OF DEPOSITS

2. A statement of deposits as at 30 March is attached in Appendix 1. This is circulated to members of Treasury Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

3. A performance report is produced monthly for Treasury Advisory Group. The February report is attached in Appendix 2.

SUMMARY OF DEVELOPMENTS

4. Treasury Advisory Group met on 7 December where the focus was the Treasury Strategy and again on 22 March.
5. From 22 February the 9 February Council counterparty decisions were implemented. This reintroduced the "systemically" important UK banks and Nationwide Building Society. Since then we have placed £35m in a RBS call account (earning 1.25%), £35m in a Nat West call account earning 1.15% and £27.5m in a Bank of Scotland call account earning 0.75%. The full year effect of this additional income compared with using the Debt Management Office earning 0.25% is £802,500. On 14 March Arlingclose recommended increasing the maximum duration of deposits to 6 months for HSBC and Standard Chartered, 100 days for the other counter parties and 35 days for Santander. At

the time of writing this report a decision is pending on whether to resume use of Santander but for overnight money only.

6. The Council is continuing to hold off new borrowing given the low rates we can get for deposits and critically the Council's cash flow is proving to be highly resilient although they will decline particularly in the latter part of the year. The biggest borrowing decision relates to £77m of short term borrowing which matures this year. This is the last tranche of a major debt refinancing undertaken 3 years ago which saved the Council £15m. By deferring new borrowing to refinance this £77m of debt for 6 months the saving to the Council at current rates is £1.6m. With the caveat that longer term rates may have gone up when we come to refinance, or they may be less.
7. Current recoveries from Icelandic banks are £30.2m consisting of:
 - Heritable dividends 67.9p in £ or £12.5m
 - Landsbanki first 2 dividends of £5.3m, around one-third, with at least 1 more significant dividend this year following the sale of Iceland Foods.
 - Glitnir paid a dividend of £12.4m on 16 March and in addition £2.6m is held in Icelandic kroner in interest bearing accounts in Iceland. The Icelandic kroner is currently not convertible but we are pursuing options to address this.

RECOMMENDATION

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

Nick Vickers
Head of Financial Services

Next Call Option /									
Instrument Type	Counterparty	Principal Amount	Start Date	End Date	Interest Rate	Rate	Date	Broker	Territory
LIBOR Fixed Deposit	Glitnir	£5,000,000.00	21/01/08	21/01/09	0	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	06/02/08	06/02/09	0	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Glitnir	£5,000,000.00	20/08/08	19/08/09	0	0	n/a	Martins	Icelandic Bank
1st Tranche Creditor Payment	Glitnir	-£11,851,201.87	16/03/12	n/a	0	0	n/a	Direct	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	08/11/07	10/11/08	0	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£4,600,000.00	02/05/08	23/12/08	0	0	n/a	Garban Intercapital	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£1,500,000.00	18/08/08	17/08/09	0	0	n/a	Tullet Prebon	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£2,000,000.00	03/09/08	03/11/08	0	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£3,250,000.00	01/10/08	30/10/08	0	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Heritable Bank Ltd	£5,000,000.00	02/10/08	02/07/09	0	0	n/a	Martins	Icelandic Bank
1st Tranche Creditor Payment	Heritable Bank Ltd	-£2,959,121.00	30/07/09	n/a	0	0	n/a	Direct	Icelandic Bank
2nd Tranche Creditor Payment	Heritable Bank Ltd	-£2,323,110.00	18/12/09	n/a	0	0	n/a	Direct	Icelandic Bank
3rd Tranche Creditor Payment	Heritable Bank Ltd	-£1,136,429.10	30/03/10	n/a	0	0	n/a	Direct	Icelandic Bank
4th Tranche Creditor Payment	Heritable Bank Ltd	-£1,151,354.84	16/07/10	n/a	0	0	n/a	Direct	Icelandic Bank
5th Tranche Creditor Payment	Heritable Bank Ltd	-£759,211.42	18/10/10	n/a	0	0	n/a	Direct	Icelandic Bank
6th Tranche Creditor Payment	Heritable Bank Ltd	-£865,564.99	14/01/11	n/a	0	0	n/a	Direct	Icelandic Bank

7th Tranche	Heritable Bank Ltd	19/04/11	n/a	0	n/a	Direct	Icelandic Bank
Creditor Payment	Heritable Bank Ltd	15/07/11	n/a	0	n/a	Direct	Icelandic Bank
8th Tranche	Heritable Bank Ltd	20/10/11	n/a	0	n/a	Direct	Icelandic Bank
Creditor Payment	Heritable Bank Ltd	23/01/12	n/a	0	n/a	Direct	Icelandic Bank
9th Tranche	Heritable Bank Ltd	08/11/07	10/11/08	0	n/a	Martins	Icelandic Bank
Creditor Payment	Landsbanki Islands	22/04/08	22/04/09	0	n/a	Martins	Icelandic Bank
10th Tranche	Heritable Bank Ltd	15/07/11	n/a	0	n/a	Direct	Icelandic Bank
Creditor Payment	Heritable Bank Ltd	20/10/11	n/a	0	n/a	Direct	Icelandic Bank
Creditor Payment	Heritable Bank Ltd	23/01/12	n/a	0	n/a	Direct	Icelandic Bank
Fixed Deposit	Landsbanki Islands	08/11/07	10/11/08	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	22/04/08	22/04/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	02/05/08	05/05/09	0	n/a	Martins	Icelandic Bank
Fixed Deposit	Landsbanki Islands	19/09/08	24/10/08	0	n/a	Martins	Icelandic Bank
1st Tranche	Landsbanki Islands	06/12/11	n/a	0	n/a	Direct	Icelandic Bank
Creditor Payment	Landsbanki Islands	17/02/12	n/a	0	n/a	Direct	Icelandic Bank
2nd Tranche	Landsbanki Islands						
Creditor Payment	Landsbanki Islands						
	Total Icelandic Bank Deposits						
Same Day Call	Bank of Scotland	01/03/12	n/a	0.75	n/a	Direct	UK Bank
Deposit	Barclays Bank	02/06/08	31/05/13	6.8	n/a	Tradition	UK Bank
Fixed Deposit	Barclays Bank	09/05/11	10/04/12	1.359	n/a	Direct	UK Bank
Fixed Deposit	Barclays Bank	08/08/11	08/06/12	1.37	n/a	Direct	UK Bank
Same Day Call	Barclays Bank	14/03/12	n/a	0.5	n/a	Direct	UK Bank
Deposit	Barclays Bank	27/03/12	28/05/12	0.72	n/a	Direct	UK Bank
Fixed Deposit	HSBC	23/03/12	02/04/12	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	26/03/12	03/04/12	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	26/03/12	04/04/12	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	29/03/12	10/04/12	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	30/03/12	13/04/12	0.4	n/a	Direct	UK Bank
Fixed Deposit	HSBC	30/03/12	11/04/12	0.4	n/a	Direct	UK Bank

KCC Deposits Portfolio at 30-03

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	26/03/12	26/06/12	1.4	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000.00	30/03/12	31/05/12	0.75	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£5,000,000.00	30/03/12	29/06/12	1.4	n/a	Direct	UK Bank
Fixed Deposit	Lloyds TSB	£6,000,000.00	30/03/12	10/05/12	0.65	n/a	Direct	UK Bank
Same Day Call Deposit	NatWest	£35,000,000.00	27/02/12	n/a	1.15	n/a	Direct	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000.00	20/10/08	18/10/13	1.68956	18/04/12	Tullet Prebon	UK Bank
Same Day Call Deposit	Royal Bank of Scotland	£35,000,000.00	27/02/12	n/a	1.25	n/a	Direct	UK Bank
	Total UK Bank Deposits	£210,600,000.00						
Fixed Deposit	Nationwide Building Society	£1,200,000.00	05/08/11	04/05/12	1.17	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£10,000,000.00	22/03/12	04/05/12	0.62	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£10,650,000.00	22/03/12	25/04/12	0.55	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£13,000,000.00	22/03/12	25/06/12	0.98	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£1,500,000.00	27/03/12	27/06/12	0.98	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£3,650,000.00	30/03/12	30/04/12	0.55	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£5,000,000.00	30/03/12	01/06/12	0.74	n/a	Direct	UK Building Society
Fixed Deposit	Nationwide Building Society	£5,000,000.00	30/03/12	02/07/12	1.1	n/a	Direct	UK Building Society
	Total UK Building Society Deposits	£50,000,000.00						

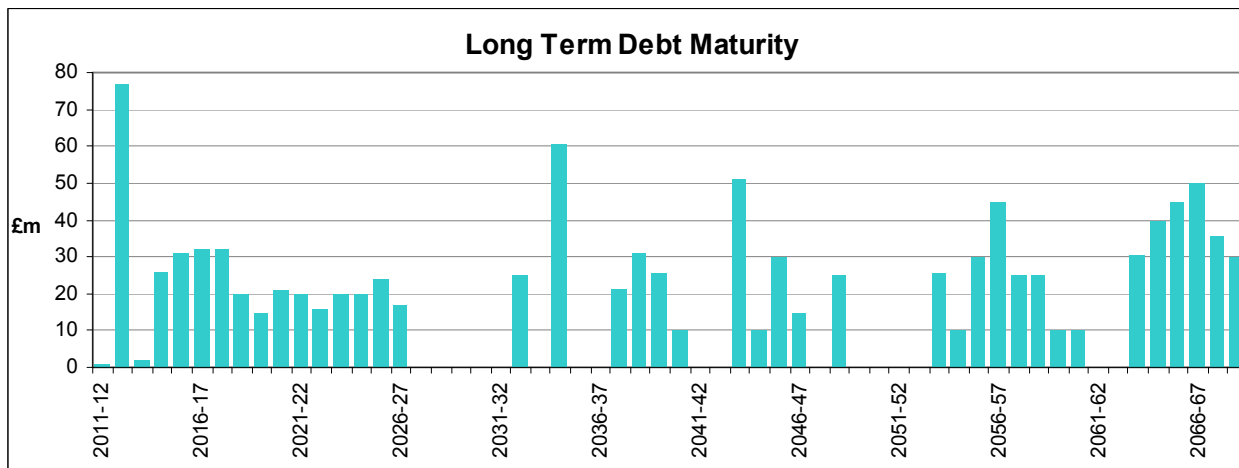
KCC Deposits Portfolio at 30-03

	Grand Total of All Deposits									£281,731,926.92

Treasury Management Report for the month of February 2012

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. The total amount of debt outstanding at the end of the month was £1,090million, with the maturity profile being as follows.



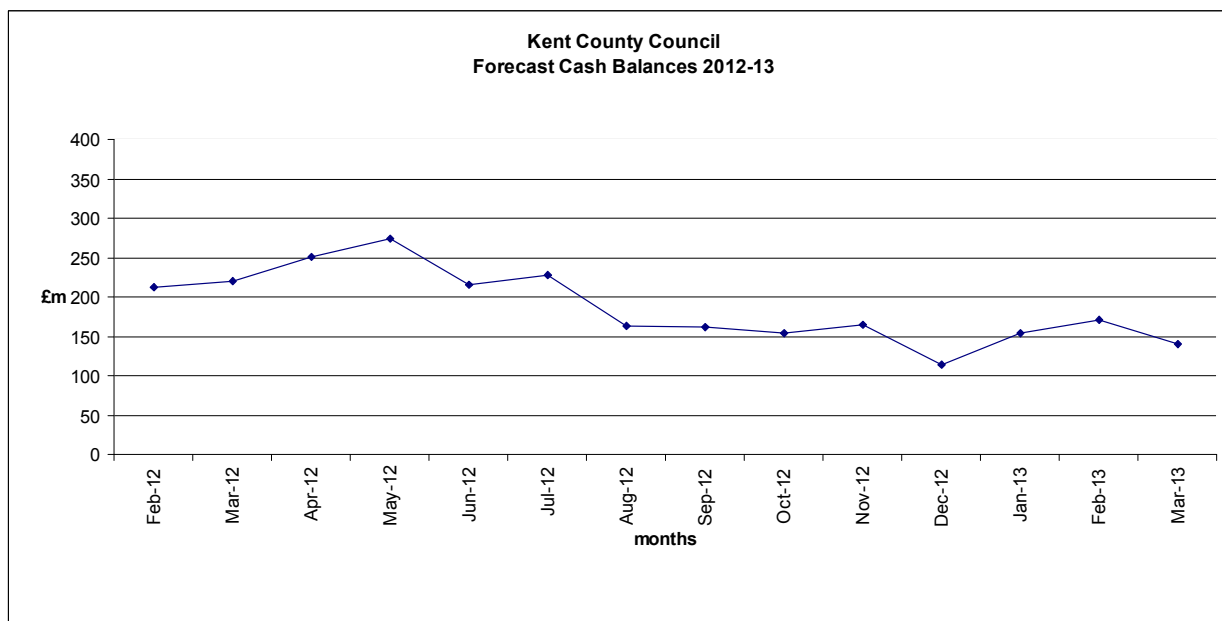
Total external debt managed by KCC includes £45.36m pre-LGR debt managed by KCC on behalf of Medway Council, pre-1990 debt managed on behalf of Further Education Funding Council (£2.6m), Magistrates Courts (£1.4m) and the Probation Service (£0.24m).

2. Investments

2.1 Cash Balances

During February the total value of cash under management fell by £17.08m to £245.32m, £212.34m excluding £32.98m of Iceland monies. The available balance at the end of February of £212.34m included schools balances (£52.2m), KCC working capital (£60m), and other reserves and funds held in trust.

The following graph shows the forecast cash balances over the period February 2012 – March 2013. This assumes lower income, maturing loans being financed from cash and lower school reserves.



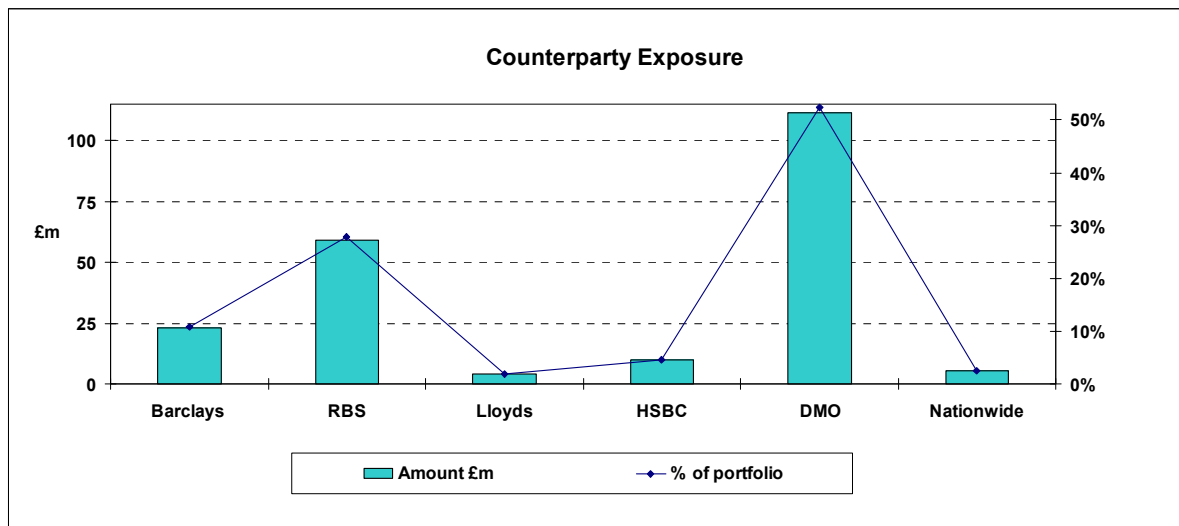
2.2 Average return on new deposits

The average return on new deposits in February was 0.3051% vs 7 day LIBID 0.4835%. Until 23rd February all cash was being invested with the DMO at 0.25%. Following agreement of the revised counterparty list surplus cash has been invested in call accounts with NatWest and RBS earning 1.15% and 1.25% respectively.

2.3 Credit maturity profile and counterparty exposure

At the end of February £190.14m, 90% of the portfolio was held in call accounts and short term deposits with the DMO.

The following chart shows the counterparty exposure as at the month end.



2.4 Credit Score matrix

	January 2012		February 2012	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	AA+	1.19	AA	3.13
Time Weighted Average	A+	4.67	A+	4.97

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

The switch from term deposits with the DMO to monies in call accounts with RBS / NatWest is reflected in the portfolio's higher risk scores.

3. Interest on Cash Balances / Debt Charges for 2011-12

The forecast underspend has increased by £0.143m this month. This is mainly due to £0.205m further interest on cash balances as a result of receiving the second dividend from Landsbanki.

4. Interest Rate Forecast

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

Alison Mings, 9 March 2012

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

To: Governance and Audit Committee – 18 Apr 2012

Subject: Update on Savings Programme

Classification: Unrestricted

Summary: This report asks Members to note the position

FOR ASSURANCE

1. Current Position

- 1.1 The 2011-12 quarter 3 monitoring reported to Cabinet on 19 March shows a forecast underspend of £12.6m. This is after the transfer of £3.1m to reserves to support the 2012-13 budget, as approved at County Council on 9 February 2012. Within this forecast position are a number of savings which are expected to continue into the medium term.
- 1.2 £4m of the forecast underspend relates to the Big Society Fund which will be re-phased into 2012-13.
- 1.3 £3.2m relates to the release of Social Care Reform Grant contingency, following agreement to the use of the £16.2m NHS funding for Social Care. This funding has also been released from the Adult Social Care budget in the 2012-15 MTFP.
- 1.4 There is £1.6m additional special school recoupment income. This is a continuation of the trend experienced in 2010-11 and therefore an increase in the anticipated income has also been reflected in the 2012-15 MTFP.
- 1.5 There is a £1m saving on mainstream home to school transport, which is a continuation of the savings experienced in 2010-11 and hence a similar saving has also been reflected in the 2012-15 MTFP.
- 1.6 There is a £3.9m underspend on Adult Social Care as a result of lower than expected demand. Demographic pressures in the 2012-15 MTFP have been revised in the light of this but are likely to need further refinement.
- 1.7 £3.7m relates to savings on the waste budgets. A saving to reflect the trend of reduced waste tonnage levels has been included in the 2012-15 MTFP.
- 1.8 £1.3m relates to savings on concessionary fares due to successful procurement negotiations with major bus operators and reduced journey

numbers. A saving to reflect the procurement efficiencies has been reflected in the 2012-15 MTFP.

- 1.9 There is a £1.1m saving against the Carbon Reduction Commitment Levy, reflecting the intention to charge schools for their share of these costs following a recent change in school finance legislation. This will result in a similar saving in future years which has been reflected in the 2012-15 MTFP.
- 1.10 In addition, there is £4.1m of treasury savings, principally due to re-phasing of the capital programme in both 2010-11 and 2011-12, and a £1.5m unexpected unringfenced grant for Extended Rights to Free Travel which has been held centrally in order to offset pressures within Specialist Children's Services of £13.2m (excluding Asylum). This reflects the continuing increased demand for these services, particularly fostering and residential care, together with pressures on staffing, mainly agency social workers. This increased demand has been addressed in the 2012-15 MTFP.
- 1.11 There is a £1.5m pressure on the Asylum budget, principally due to our obligations under current childcare legislation to support Appeal Rights Exhausted and naturalised clients even though these clients are ineligible for funding under the UKBA grant rules. We continue to make representations to Government to resolve this issue.
- 1.12 During this financial year, we moved away from specific reporting of progress against the £95m budgeted savings and incorporated that with the "bigger picture" of the regular monitoring reports to Cabinet, Budget IMG and POSCs. The expected underspend reflects the success of delivering most of the £95m planned savings, plus additional unbudgeted savings.

2. Conclusion

- 2.1 The £12.6m current forecast underspending position for 2011-12 is quite a considerable achievement taking into account that it is in the context of delivering a £95m savings requirement in 2011-12, increasing demands for services and the need to deliver the Children's Services Improvement Plan.

3. Recommendation

- 3.1 Members are asked to NOTE the report for assurance.

Background Papers

Cabinet 19 March Item 4. Revenue & Capital Budgets: Key Activity & Risk Monitoring 2011/12.

Andy Wood
Corporate Director of Finance and
Procurement
Ext: 4662

By: Roger Gough, Cabinet Member for Business Strategy,
Performance & Health Reform
Amanda Beer, Corporate Director Human Resources

To: Governance and Audit Committee – 18 April 2012

Subject: Update on Change to Keep Succeeding

Classification: Unrestricted – for assurance

Summary: This update on the Change to Keep Succeeding programme of organisational change has been requested by the Governance and Audit Committee. The paper covers progress on populating the senior level of the new operating framework, the changes to staffing across the Authority since April 2011 and other key organisational development activity since the last report to the Committee in November 2011. The Governance and Audit Committee is invited to note the changes covered in the report.

1. Introduction

This paper is a result of the request made at the meeting of the Governance & Audit Committee on 14 September 2011 for a regular update on Change to Keep Succeeding, with particular reference to staffing numbers.

2. The Operating Framework

Restructures

On 15th December 2011, the County Council agreed to proposals to change the operating framework which included the deletion of the post of Managing Director and the creation of two Director posts in Education, Learning and Skills. The level of restructure activity throughout the Authority remains high. The significant restructure of Education, Learning and Skills is nearing completion, although Specialist Teaching Services and Pupil Referral Units continue to be the subject of change. Other major HR activity is focussed on the Youth Service transformation, Older People's Units and Strategic Commissioning. The Decision Making Accountability model is being applied to all restructures now that a significant number of officers in HR have received training alongside a number of line managers.

Recent Appointments to senior posts

Sue Rogers has been appointed to the post of Director of Education Quality and Standards. She takes up the post on 2nd April 2012. Sue is currently KCC's Head of School Improvement and Standards.

Mairead MacNeil has been appointed as the Director of Specialist Children's Services. She is joining us from Plymouth City Council, where she held the position of Assistant Director of Children's Social Care. Mairead is expected to take up her new position in July.

Remaining senior posts

There are two remaining Director vacancies. Member interviews for the Director of Education Planning and Access took place on 27th March but no appointment was made. The member panel for the Director of Commercial Services is on 30th March. An oral update will be provided at the Committee on the outcome of these interviews.

3. Staffing Numbers and Reductions

Part of the Authority's response to the very significant financial pressures it is facing is to reduce spending on staffing budgets. It is expected that a total of 1500 posts will be lost over the four financial years from April 2011. Appendix 1 shows the staffing numbers at the end of February.

The figures attached show a reduction in headcount (excluding casual, relief, sessional and supply staff) of 1,040. This reduction will include both redundancies and natural wastage where staff have left KCC and not been replaced. 518 staff were made redundant between 1 April 2011 and 29th February 2012 and redundancy payments for that period totalled £4,960,188. The restructures currently under consultation and being planned are likely to result in a further significant reduction in posts.

4. Organisation Development and People Plan

Action plans to support the achievement of KCC's organisation development plan for 2011 – 2015 have been discussed at CMT and by each Directorate management team. The Personnel Committee endorsed the approach and organisational priorities at its meeting in September 2011. Each Directorate is now prioritising its action plan, concentrating on Organisational Development issues which will have most impact on their business delivery

5. The Kent Manager

Kent Manager, the standard that clearly defines the management role within KCC and provides an agreed benchmark for all Kent Managers to work towards, has been launched for staff at KR9 and above.

7. Conclusion

Significant progress continues to be made in implementing Change to Keep Succeeding which is underpinned by the Organisational Design Principles as part of Bold Steps for Kent. The amount of structural, operational and culture change needed cannot be completed overnight, but clear programmes to achieve all that is required are in place.

Background papers

Update on Change to Keep Succeeding - Governance and Audit Committee 14.9.11.

Organisation Development & People Plan – Personnel Committee 23.9.11

Change to Keep Succeeding – the next steps. County Council 15.12.11

Amanda Beer
Corporate Director Human Resources
4136

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Staffing Numbers

Feb 12

Based on Active Assignments

	Assignment Count	Headcount (inc CRSS)	Headcount (exc CRSS)	FTE
Total KCC	44,529	37,629	33,497	24,552.40

Total Non Schools	13,941	12,680	10,904	9,221.53
Non Schools Workforce difference compared with Mar 11	-1,389	-1,170	-1,040	-839.34
Total Schools	30,588	25,135	22,671	15,330.87

Directorate Split				
BSS	1,689	1,681	1,662	1,539.75
ELS	1,652	1,592	1,300	995.23
FSC	5,419	4,899	4,617	3,916.02
CC	3,969	3,410	2,278	1,732.58
EE*	1,212	1,198	1,089	1,037.95

NB CRSS = Staff on Casual Relief, Sessional or Supply contracts

* Includes Commercial Services figures as shown below.

EE - Commercial Services	621	614	605	557.76
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Notes

If a member of staff works in more than one directorate they will be counted in each. However, they will only be counted once in the Non Schools Total and once in the KCC Total.

If a member of staff works for both Schools and Non-Schools they will be counted in both of the total figures. However, they will only be counted once in the KCC Total.

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

To: Governance and Audit Committee – 18 April 2012

Subject: Statements of Required Management Practice (SORPs)

Classification: For assurance and decision

Summary: The paper outlines the progress to date on the development of SORPs. A shift in approach is suggested, away from lengthy SORP documents that set standards, to light-touch and practical guidance to support managers. The Committee are asked to note the proposed approach and consider whether they wish to continue to have oversight of the development of management guidance for staff

1. Background

The original aim of the Statements of Required Management Practice (SORPs) Programme was to address an identified need to support managers in understanding the way that essential management tasks are carried out in KCC. They were developed to underpin the “one council” approach, and to improve consistency in the way that business tasks such as business planning and project management are carried out.

SORPs were intended to consolidate the Council’s agreed policies and procedures in practical terms. However, there was concern from an early stage that they could create confusion and duplication by creating another layer of requirements for managers.

2. Progress to date

Draft SORPs have been developed by accountable ‘owners’ across KCC, in consultation with staff. The first drafts to be completed were shared with DAT for comment and endorsement, before approval by the SORPs Project Sponsor and relevant Cabinet Member. The draft SORPs were then launched for ‘trial implementation’ via KNet for a four month period to gather staff feedback and amended as appropriate. Drafts were shared with Governance and Audit Committee for information prior to being launched for consultation.

There have been concerns that the lengthy development, consultation and approval process has been disproportionate to the intended aim of SORPs. When DAT disbanded, the SORPs programme was paused in order to determine the future direction and approval process for SORPs.

The table below provides a summary of progress on each of the ten SORPs that were originally commissioned:

Name	Owner	Progress to date
SORP 1 - Managing the Council's Performance	Mark Scrivener - Business Strategy	Draft was launched for staff consultation in August 2011. A small number of comments were received. The document was revised and a final version produced. The final version was informally published on KNet in February 2012.
SORP 2 - Business & Financial Planning	Paul McCallum - Finance David Whittle - Business Strategy	Draft was launched for staff consultation in November 2011. No comments were received. Informal feedback has shown that the most useful element of the SORP was the supporting Business Planning template and guidance on setting KPIs, both of which have been widely used.
SORP 3 - Programme & Project Management	Lynn Egercz - Service Improvement	Draft was launched for staff consultation in November 2011. A small number of comments were received. The draft was accompanied by a Programme and Project management guide for staff, and a comprehensive set of tools and templates for programme and project management. Informal feedback has shown that the accompanying practical guidance and tools have been the most useful element.
SORP 4 - Risk Management	Michael Hardie - Business Strategy	Draft was informally published for staff consultation on KNet in March 2011. No comments have been received so far. The SORP is accompanied by practical guides on Risk Management, both for staff who are new to risk management and more detailed guidance for responsible managers. Indications are that this is more useful than the SORP itself, which also replicates the guidance.
SORP 5 - Commissioning & Procurement	Henry Swan - Procurement Mark Lobban - FSC Strategic Commissioning	Drafting underway. Procurement are producing 'How to buy' guides which will be published on KNet to provide practical guidance to staff on the way in which they should procure goods and services. Indications are that this will provide the guidance that is needed and the SORP will not add any additional value.
SORP 6 - Customer Service	Peter Brook - Customer Services	The SORP has been drafted and approved by C&C DMT. It identifies and emphasises the most important points of the Customer Service Strategy. The service has advised that it should be launched in June to time with the end of the communications campaign for staff on the Customer Services Strategy.
SORP 7 - Communication & Engagement	Marcus Chrysostomou - Communication and Engagement	Drafting underway. SORP aims to set out basic principles of communications and engagement, how and when this should happen and signpost to the support that C&E can provide.
SORP 8 - Information Management	Richard Hallett - Business Strategy	Drafting underway. There is a need to clearly set out some mandatory information governance requirements for staff. Other elements of the SORP are best practice guidance.

SORP 9 - Operational Procedures	Janet Armstrong - Internal Audit	Drafting underway. A practical guide for staff on developing operational procedures and template cover sheet is being developed alongside the SORP document. Indications are that accompanying documents will be more useful than the SORP document.
SORP 10 - Internal Governance & Decision Making	Paul Wickenden - Governance and Law	Drafting underway. There is an urgent need to communicate the new governance arrangements to staff. It has been suggested that this guidance is developed as a priority and placed on KNet.

From the progress to date, several patterns emerge. Firstly, despite repeated publication of the opportunity to comment on SORP drafts through K-Mail, K-Net, Change Champions, Challenger events etc, very few comments have been received from staff.

Secondly and significantly, in most cases the accompanying practical guidance, tools and templates have been more useful and better received by staff than the SORP documents themselves.

This suggests that there continues to be a need for light-touch guidance for staff on key business tasks, but not for documents that attempt to impose standards.

3. The way forward

In light of the lessons learnt from progress to date, there will be a shift in the approach to developing guidance for the remaining six categories of management tasks that were originally identified. The four existing SORP documents will also be reviewed.

The emphasis will be on providing practical, useful guidance for managers. The guidance will meet the original aims of helping managers understand what they need to do to run the business effectively, particularly in this time of change. They will also promote consistency and reduce duplication by providing templates and practical guides to carrying out tasks.

The guidance will be developed under a different identity and branding to signify the shift away from required standards to useful guidance that is supportive of managers and staff.

The guidance will be in the form of a series of webpages in a defined area of KNet, so staff can easily find all the guidance in one place. The guidance will link to tools, templates and other sources of helpful information. The content will be 'live' so that it can be refreshed quickly - this is particularly important in allowing us to respond to change.

The content of the guidance will be approved in a light-touch way, through David Whittle as Project Sponsor and Roger Gough as the responsible Cabinet Member.

It is anticipated that the guidance for all ten categories will be published on KNet by September 2012. Priority will be given to those categories where guidance is needed more quickly, for example guidance on Internal Governance and Decision Making will be needed as soon as possible to help staff understand the new governance arrangements which are live from April.

4. Recommendations

Governance and Audit Committee is asked to:

1. Agree the proposed shift in approach to developing management guidance for staff
2. Agree the proposed light-touch approval process for signing off the content of the new management guidance
3. Consider whether G&A Committee wish to have a continuing oversight of the development and roll out of management guidance for staff

Background documents

None

Contact

David Whittle, Head of Policy and Strategic Relationships, Business Strategy
David.whittle@kent.gov.uk, 01622 696969

By: Geoff Wild, Director of Governance and Law
To: Governance and Audit Committee -18 April 2012
Subject: Review of the Code of Corporate Governance
Classification: Unrestricted

Summary

This report asks the Governance and Audit Committee to endorse a revised Code of Corporate Governance for submission to the County Council for final approval. Revision of the Code was one of the actions arising from the 2010/11 Corporate Governance Audit, and this report also provides an update on other actions arising from that audit.

FOR DECISION

1. Introduction

(1) The final report of the 2010/11 Corporate Governance Audit identified the following actions for Democratic Services:

(i) Appendix 10 of the Constitution (the Code of Corporate Governance) should be rewritten to ensure that it includes all requirements of 'Delivering Good Governance in Local Government (2007)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

(ii) The Constitution should be updated to take full account of the CIPFA 'Statement on the role of the Chief Financial Officer in Local Government (2010)'.

(iii) The roles of Scrutiny and regulatory committees should be clarified, particularly following the restructure of the authority. An assessment should be completed regarding what scrutiny committees are required, and their roles clarified and detailed in the Constitution.

(iv) Consideration should be given as to the viability of extending the Forward Plan to ensure proper transparency and accountability for decisions taken by officers within their delegated limits.

2. The Code of Corporate Governance

(1) The audit findings relating to Appendix 10 of the Constitution specifically highlighted that the current Code of Corporate Governance should comprehensively cover the recommendations of the CIPFA/SOLACE guidelines and that the code should be clarified around what corporate governance means to the authority.

(2) It should be noted that the Council is under no legal obligation to comply with the CIPFA/SOLACE guidelines, although they are recognised by the Audit Commission and the Local Government Association (amongst others) as representing best practise.

(3) A draft revised Code of Corporate Governance (**Appendix 1**) has been developed that takes into account the audit findings and which, in its electronic form, also provides immediate access to supporting policies and other key documents by way of hyperlinks.

(4) The revised Code was endorsed by the Corporate Management Team (CMT) on 24 January 2012 for onward submission to the Governance and Audit Committee and the County Council for consideration and approval.

3. The role of the Chief Financial Officer

(1) The CIPFA guidance on the role of the Chief Financial Officer (summary attached to the appended Audit report) runs to several pages, and explores ground covered within the KCC Financial Regulations. This raises the question of how best to embed such requirements within the governance arrangements of the Council without unnecessarily duplicating in the Constitution what may already exist in other key policies and protocols.

(2) As part of a comprehensive review of the Constitution it will be established how best to cover the required ground, including the option of appending the Financial Regulations to the Constitution.

4. Clarifying the roles of Scrutiny and regulatory committees

(1) The required clarity around scrutiny and regulatory functions forms part of the comprehensive review of governance arrangements, which has been approved by the Council for implementation in April 2012.

5. Extending the Forward Plan

(1) For some time there has been an ongoing dialogue around broadening the scope of the Forward Plan to include non-Key Member decisions. Further discussion is required to fully establish criteria for this, and also to explore the extent to which significant officer decisions should be included and on what basis.

(2) In considering the above, CMT have recommended that officers should:

- Offer to set up regular (monthly) directorate briefings with opposition groups to advise them of forthcoming significant officer decisions
- Use the new Cabinet Committees for discussion of significant officer decisions
- Use the proposed new scheme of officer delegations to ensure appropriate Member consultation and involvement in significant officer decisions

6. Recommendation

The Governance and Audit Committee is asked to:

- (i) Endorse the draft revised Code of Corporate Governance (Appendix 1) for submission to the County Council for consideration and final approval
- (ii) Note the position in relation to the additional actions recommended following the 2010/11 Corporate Governance Audit

Background Documents:

1. 'Delivering Good Governance in Local Government (2007)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).
2. CIPFA 'Statement on the role of the Chief Financial Officer in Local Government (2010)'.

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Code of Corporate Governance

Introduction to the Code of Corporate Governance

1. Corporate Governance is the system by which local authorities direct and control their functions in the best interests of their communities.
2. Good corporate governance is fundamental to securing confidence in public services, and so governance arrangements must be transparent to the community and other stakeholders, and promote their involvement, in order to demonstrate openness, integrity, and accountability.
3. Governance arrangements should be aligned with the Council's core vision and objectives, and ensure continuous improvement in the context of economy, efficiency and effectiveness.
4. The Code of Corporate Governance describes the principles applied by Kent County Council as the framework for good corporate governance, how we are achieving those principles, and the key policies and plans in place to support this.
5. The Code follows closely the six principles identified in 'Delivering Good Governance in Local Government (2007)', published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), as a framework for local authorities.
6. The Council's governance arrangements are reviewed annually and reported, with any consequential recommendations, to the Governance and Audit Committee and the County Council for approval.

Principle One	How we achieve this	Policies/Plans
<p>Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a Vision for the local area:</p> <p>Exercising strategic leadership by developing and clearly communicating the Council’s purpose and vision, and it’s intended outcomes for citizens and service users</p> <p>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</p> <p>Ensuring the Council makes best use of resources, and that tax payers and service users receive excellent value for money</p>	<ul style="list-style-type: none"> • Develop and promote our purpose and vision to be used as a basis for corporate and service planning • Regularly review our vision for the local area and it’s impact on our governance and financial arrangements • Ensure that partnerships work to a common vision which all parties understand/agree • Publish annual reports communicating our activities and achievements, financial position and performance • Measure quality of service, and ensure availability of information needed to effectively review our service quality • Put in place effective procedures to identify and address failures in service delivery, including complaints and consultation mechanisms for our service users • Measure value for money, and ensure that we have the information needed to review value for money and performance effectively • Measure of the environmental impact of our policies, plans and decisions 	<p>Bold Steps for Kent</p> <p>Change to Keep Succeeding</p> <p>Vision for Kent 2011-2021</p> <p>Business Plans</p> <p>Complaints & Whistle-blowing procedures</p> <p>Kent Forum</p> <p>Medium Term Financial Plan</p> <p>Consultation Strategy</p> <p>Environment Policy</p> <p>Equality Impact Assessment</p>

Principle Two	How we achieve this	Policies/Plans
<p>Members and officers working together to achieve a common purpose with clearly defined functions and roles:</p> <p>Ensuring effective leadership throughout the Council and being clear about executive, non-executive and scrutiny functions/roles</p> <p>Ensuring that a constructive working relationship exists between Council Members and officers, and that the responsibilities of members and officers are carried out to a high standard</p> <p>Ensuring relationships between the Council and the public are clear so that each knows what to expect of each other</p>	<ul style="list-style-type: none"> • A clear statement of the respective roles and responsibilities of our executive, individual executive members, and the Scrutiny function, and our approach towards putting this into practice • A clear statement of the respective roles and responsibilities of our non-executive Members, Members generally, and our senior officers • A scheme of delegation and reserved powers within our Constitution, including a formal schedule of matters specifically reserved for collective decision of the Council, taking account of relevant legislation, to be monitored and revised as required • Making the Corporate Management Team responsible and accountable to the Council for all aspects of operational management • Protocols ensuring that the Leader and Chief Officers negotiate their respective roles and that a shared understanding of roles and objectives is maintained • Making a the Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control • Making a the Monitoring Officer responsible to the Council for ensuring that agreed procedures are followed, and for ensuring compliance with all applicable statutes and regulations • Protocols to ensure effective communication between members and officers • Set out terms and conditions for remuneration of Members and officers, and an effective structure for managing the process, including an independent remuneration panel, and effective mechanisms for monitoring performance and service delivery • Ensuring that our vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated • When working in partnership, ensuring that our Members are clear about their roles and responsibilities, both individually and collectively in relation to the partnership and to the Council, that there is clarity about the legal status of the partnership, and that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	<p><u>Constitution:</u></p> <ul style="list-style-type: none"> • <i>Article 11 Roles of Statutory Officers</i> • <i>Executive/Overview & Scrutiny structures</i> • <i>Scheme of Delegation</i> <p>Financial Regulations</p> <p><u>Member & Officer Codes of Conduct</u></p> <p>Personnel policies (conditions of employment, JD/PS)</p> <p>Performance management</p> <p><u>Key Decisions/Forward Plan</u></p> <p><u>Members Allowances Scheme</u></p> <p>Protocol for KCC Companies</p> <p><u>Outside Body list</u></p> <p><u>IRP Annual Reports</u></p>

Principle Three	How we achieve this	Policies/Plans
<p>Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:</p> <p>Ensuring Council members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p> <p>Ensuring that organisational values are put into practice and are effective</p>	<ul style="list-style-type: none"> • Ensure that our leadership sets a tone for the organisation by creating a climate of openness, accountability, integrity, support and respect • Ensure that standards of conduct and personal behaviour expected of our Members and officers, of work between our Members and officers, and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols • Put in place arrangements to ensure that our Members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and put in place appropriate processes to ensure that they continue to operate in practice • Maintain shared values including leadership values for both the Members and officers reflecting public expectations, and communicate these with our Members, officers, the community and partners • Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice • Develop and maintain an effective ethical standards regime to ensure that high standards of conduct are embedded in our culture • Use our shared values to act as a guide for decision making, and as a basis for developing positive and trusting relationships within the Council • In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively 	<p>Member & Officer Codes of Conduct</p> <p>Equalities policy</p> <p>Transparency agenda & FOI</p> <p>Financial Regulations</p> <p>Standards Committee</p> <p>Whistle-blowing procedures</p> <p>Member & Officer Registers of personal interests</p> <p>Kent Partners Compact</p> <p>Member Development Policy and Learning & Development Strategy</p>

Principle Four	How we achieve this	Policies/Plans
<p>Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk:</p> <p>Being rigorous and transparent about how decision are taken and listening and acting on the outcome of constructive scrutiny</p> <p>Having good quality information advice and support to ensure that services are delivered effectively and are what the community wants/needs</p> <p>Ensuring that an effective risk management system is in place</p> <p>Using legal powers to the full benefit of citizens and communities in the local area</p>	<ul style="list-style-type: none"> • Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances our performance overall, and that of any organisation form which it is responsible • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • Put in place arrangements to safeguard Members and officers against conflicts of interest, and put in place appropriate processes to ensure that they continue to operate in practice • Develop and maintain an effective Governance & Audit Committee which is independent of the executive and scrutiny functions • Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints • Ensure that those making decisions for the Council or its partnerships are provided with information that is fit for purpose (relevant, timely, and giving clear explanations of technical issues and their implications) • Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately • Ensure that risk management is embedded within our culture, with Members and officers at all levels recognising that risk management is part of their role • Ensure that arrangements are in place for whistle-blowing to which officers and all those contracting with the Council have access • Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law 	<p><u>Constitution:</u></p> <ul style="list-style-type: none"> • <i>Article 11 Roles of Statutory Officers</i> • <i>Decision making procedures</i> • <i>Scheme of Delegation</i> • <i>Scrutiny procedures</i> <p>Financial Regulations</p> <p><u>Member & Officer</u> Codes of Conduct</p> <p><u>Member & Officer</u> Registers of personal interests</p> <p><u>Complaints & whistle-blowing</u> procedures</p> <p>Members Induction</p> <p>Risk management (Strategy, Risk Register, Internal Audit)</p> <p><u>Key Decisions/Forward Plan</u></p> <p>Terms of Reference</p>

Principle Five	How we achieve this	Policies/Plans
<p>Developing the capacity and capability of members and officers to be effective:</p> <p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as groups</p> <p>Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>	<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs, and regular opportunities for Members and officers to update their knowledge • Ensure that statutory officers have the skills, resources and support necessary to perform their roles effectively, and that these roles are understood throughout the Council • Assess the skills required by our Members and officers, and make a commitment to develop those skills to enable roles to be carried out effectively • Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed • Ensure that effective arrangements are in place for reviewing the performance of our executive, and of individual Members, and addressing any training or development needs • Ensure that there are effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to, and participate in the work of the Council, including putting themselves forward for election as Members of the Council • Ensure that career structures are in place for Members and officers, to encourage participation and development 	<p>Staff Induction programme</p> <p>Staff Training & Development</p> <p>Constitution</p> <ul style="list-style-type: none"> • <i>Scheme of Delegation</i> • <i>Article 11, Roles of Statutory Officers</i> <p>Member Induction Programme and Member Training Plan/ Member PDPs</p> <p>Performance management</p> <p>Kent Forum</p> <p>Local Boards</p> <p>Kent Manager</p> <p>The Kent Show</p> <p>Webcasting of public meetings</p> <p>Independent school admissions appeal panels</p>

Principle Six	How we achieve this	Policies/Plans
<p>Engaging with local people and other stakeholders to ensure robust public accountability:</p> <p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p> <p>Taking an active and planned approach to dialogue with, and accountability to, the public to ensure effective/appropriate service delivery whether directly by the Council, in partnership or by commissioning</p> <p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	<ul style="list-style-type: none"> • Making sure that the Council, all staff, and the community are clear about to whom the Council is accountable and for what • Consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of relationships and any changes required • Produce an annual report on the activity of the scrutiny function • Ensure clear channels of communication with all sections of the community and other stakeholders, with monitoring arrangements to ensure that they operate effectively • Hold meetings in public unless there are justifiable reasons for confidentiality • Ensure that there are arrangements enabling the Council to engage effectively with all sections of the community, recognising different priorities and establishing explicit processes for dealing with competing demands • Having a clear policy on what issues the Council will meaningfully consult on or engage with the public and service users about, including a feedback mechanism to demonstrate what has changed as a result • Publish an annual performance plan giving information on our vision, strategy, plans and financial statements as well as information about outcomes, achievements and the satisfaction of service users • Ensure that the Council is open and accessible to the community, service users and its staff, ensuring a commitment to openness and transparency in all dealings, including partnerships, subject only to specific circumstances where confidentiality is justified • Develop and maintain a clear policy on how our staff and their representatives are consulted and involved in decision making 	<p>Vision for Kent 2011-2021</p> <p>Business Plans</p> <p>Complaints & Whistle-blowing procedures</p> <p>Kent Forum</p> <p>Consultation Strategy</p> <p>Petitions Scheme</p> <p>Forward Plan</p> <p>Constitution</p> <p>Statement of Accounts</p> <p>Transparency agenda & FOI</p>

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By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 18 April 2012
Subject: **Internal Audit Progress Report**
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity since the November 2011 Governance and Audit Committee.

FOR ASSURANCE

Introduction

1. This report summarises:
 - the key findings from Internal Audit reviews;
 - implementation of agreed high and medium priority recommendations;
 - progress against, and amendments to, the 2011/12 Internal Audit Plan since the last report to the Governance and Audit Committee; and
 - achievement against Internal Audit's Key Performance Indicators.

Overview of Progress

2. This report details the outcome of Internal Audit work completed, at draft report stage or in progress for November 2011 to March 2012. During this period fourteen audits were finalised and thirteen draft reports were issued. Further details of the final reports issued can be found at Annex A.
3. Annex B shows the progress of Directorates in the implementation of the agreed recommendations arising from our audit reports.
4. Progress against the Audit Plan for 2011/12 is shown in Annex C; this shows an increase from 33% to 87% since the last progress report to Governance and Audit Committee.
5. Annex D shows amendments to the Audit Plan. There are 6 additional audits to the 2011/12 Internal Audit plan. A further 5 audits have been carried forward from the plan to 2012/13. Reasons for the amendments made are shown in the Annex.
6. Annex E provides detail of our progress against the agreed Internal Audit Key Performance Indicators for the 2011/12 year.

Implications for Governance

7. No significant control weaknesses have been identified from the audits completed in the current financial year. All audits are allocated one of four assurance levels which are defined in Annex F.

Recommendation

8. Members are asked to note:

- the amendments to, and progress against, the 2011/12 Audit Plan.
- the assurance provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

Neeta Major
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Summaries of Completed Audits

Revenue Budget Monitoring**Scope**

The overall objective of the audit was to provide assurance that the revenue budget monitoring process ensures that revenue income and expenditure is properly recorded and reviewed. This provides forecasts that can be relied upon to identify potential issues in time for corrective action to be taken.

Overall assessment - substantial

Substantial assurance was given as there are no significant issues that require management attention.

The current revenue budget monitoring process is sufficiently sound to report an accurate financial position to senior management and Members; however this is heavily reliant on substantial input from the finance officers who provide advice and support to budget managers. A corporate led training programme and improved access to Oracle financial systems for budget managers is now in place to provide them with the tools required to report their financial positions accurately with reduced assistance from finance officers.

We have made recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Medium Term Financial Plan**Scope**

The overall objective of the audit was to provide assurance on the management arrangements for the preparation, monitoring and review of the Medium Term Financial Plan (MTFP). The work assessed the process for developing this key planning document, designed to ensure that future resources and service planning are closely aligned.

Overall assessment – Substantial

The MTFP is an important part of the Council's financial governance arrangements; it provides the necessary assurance on prudential stewardship and will support the overall Strategic Plan, "Bold Steps for Kent". The changed approach outlined in "Bold Steps for Kent" will mean that the Council will need to provide services with less funding available and recognise that the structure for service provision will need to change to meet this challenge.

'Substantial' assurance was given as there is a process in place to ensure that the MTFP is compiled within given timescales. It is written in line with other strategic documents within the Council. Project Initiation Documents had been written for savings targets over £200,000 and progress against those targets is reported to Policy Overview and Scrutiny Committees and Cabinet. Data from the previous year's MTFP feeds into the current year's plan and progress against the plan is monitored closely.

Recommendations raised in relation to this audit were procedural and will support accuracy and efficiency in compiling the MTFP in future years. There were no high priority recommendations raised as a result of this audit.

Summaries of Completed Audits

Payroll**Scope**

The overall objective of the audit was to provide assurance that adequate and effective controls are operating within the Council's Payroll system. The controls were evaluated to ensure that salaries are only paid for bona fide staff employed in approved posts and that payments are accurately processed and recorded.

Overall assessment - Substantial

Substantial assurance was given as controls reviewed were managed effectively and provide a secure environment to ensure that payroll information is processed accurately and that payments are only made to bona fide employees.

The production of payroll is a highly complex and well documented process which is order and time critical. All stages are properly substantiated and signed off as required by management. Evidence was obtained that the expected systems and processes are operating correctly with sufficient documentation retained in the Oracle Payroll system and IDOX Document Imaging system to confirm all appointments and the subsequent accurate payment of salaries. The same process was applied to employees leaving the employment of Kent County Council.

There were a number of issues identified around the administrative process which do not materially affect the overall security of the payroll production system.

No high priority recommendations were raised.

East Kent Payroll: Follow-up**Scope**

This audit follow-up review was undertaken subsequent to the original audit of the East Kent Payroll Service in 2011. The overall objective of this review was to consider the action taken on the recommendations in the original report, make further recommendations as necessary, and to review the original assurance level.

Overall assessment - Substantial

Substantial assurance was given as the controls over the operation of the East Kent Payroll Service are now acting effectively. It is clear that the project is now managed to a high standard. The audit and the subsequent post implementation review by Employee Services have allowed positive action to be taken on the development and operation of the East Kent Payroll Service. All the General Ledger Interface reports are working correctly and the format and content of information has been signed off by all partners.

The agreed actions on all the recommendations have been implemented with one exception relating to the development of a comprehensive pro-forma specification for future Payroll/ HR developments. This is in progress following the publication of the post implementation review in December 2011, but does not have a determined deadline for completion. A further recommendation was made for this to be resolved within a defined timescale.

Summaries of Completed Audits

Employment Contracts**Scope**

The overall objective of the audit was to provide assurance that policy and procedures in place ensure that an accurate and appropriate written statement of employment particulars is issued within the statutory eight weeks of the date when employment starts and is in line with relevant legislation and organisational policy.

Overall assessment - Substantial

The Blue Book sets out the detail of the terms and conditions of employment for all staff on Kent Scheme terms and conditions. Section C of the Blue Book (Contracts of Employment) describes the specific conditions included in the Kent Scheme contract and also outlines the various contracts issued by the Council.

Substantial assurance was given because there are processes in place to ensure that employment contracts contain all required information and are updated to reflect any policy and/or legislative changes that are introduced. The majority of contracts and contract variations were issued within eight weeks of the employee's start date and there was a reasonable rate of acceptance of contracts by employees.

The recommendations that were raised were procedural in nature and do not pose a significant risk to achievement of the Council's objectives. There were no high priority recommendations raised as a result of this audit.

Total Contribution Pay**Scope**

The overall objective of the audit was to provide assurance that the TCP process is correctly and equitably applied through proper appraisal of staff performance. This should ensure fairness and consistency in rewarding performance and measurement of individual performance throughout each year.

Overall assessment – Substantial

Substantial assurance was given as there are no significant issues that require management attention. The audit found that in the majority of cases the TCP process was applied equitably and fairly. However sample testing identified that the documentary evidence to support that process was lacking in detail and there were inconsistencies in guidance and documentation provided to managers in relation to the cash award process. Recommendations have been made to improve these areas. Other recommendations were also made e.g. to review approval levels for cash payments.

There were no high priority recommendations raised as a result of this audit.

Summaries of Completed Audits

Member Expenses**Scope**

The overall objective of the audit was to provide assurance that the current system for review, approval and monitoring of Members' expenses and related expenditure is adequate to ensure all payments made are accurate and bona fide.

Overall assessment – Substantial

The substantial assurance was given as the current system for review, approval and monitoring of Members' expenses and related expenditure is adequate to ensure all payments made are accurate and bona fide.

Payments to Members are recorded on the Council's financial system. Payments made are monitored on a monthly basis by officers within the Democratic Services team. In the sample of expense claims reviewed payments were only made to Members with supporting documentation, for example complete mileage log sheets, and supporting receipts for parking, public transport/hotel expenses.

The Council has met its statutory requirement to publish a list of county councillors' allowances and expenses claimed every year.

Several recommendations to further improve the current process were made, none of which are high priority recommendations.

Areas for improvement as recommended in the report include;

- Enhancing the level of detail submitted on individual expense claims to improve the verification process.
- Improving the process for verifying the mileage claimed.
- Ensuring that the Members' handbook is corrected to comply with the Constitution so that Members are aware of time limits for claiming expenses.
- Ensuring the Head of Department signs and approves all manually submitted expenses.

Annual Governance Statement (AGS) – Mid-Year Review**Scope**

The overall objective of the audit was to provide an assurance on the mid-year review process for the Annual Governance Statement (AGS).

Overall assessment – Substantial with limitation of scope

Substantial assurance was given as our review established that that the current system for mid-year review of the AGS was adequate to ensure all significant control weaknesses were identified, reported and monitored. However, the scope of our work was limited as mid-year review submissions were not received from Education, Learning & Skills (ELS), Families & Social Care (FSC) and Customer & Communities (C&C) directorates. The assurance given and findings that follow therefore relate to the process introduced by Governance and Law and the submissions reviewed from Business Strategy & Support (BSS) and Enterprise & Environment (EE).

Our review found that all control weaknesses that were identified in the relevant 2010/11 AGS submissions were either addressed or in the process of being addressed, and this

Summaries of Completed Audits

was detailed in the mid-year reviews.

There was an appropriate method of identifying new weaknesses, although this could be made more robust through formalising the process and using directorate risk registers as well as ensuring the AGS is on the agenda for management meetings.

A comparison of the Corporate Risk Register to the AGS mid-year reviews showed that issues identified in the risk register had also been addressed in the AGS.

A number of recommendations were made to enhance the process including:

- The introduction of a more formal process where mid-year review submissions had not been received including agreed timescales for reminders and a documented escalation process ;
- A requirement for detailed plans to document actions, timescales and responsible officers where issues are identified ;
- The introduction of formal statements from Statutory Officers to provide assurance on relevant Council-wide issues.

Oracle – Accounts Receivable

Scope

The overall objective of the audit was to provide an assurance that payments made by the Council's debtors are complete, accurate and timely. This included the recovery of outstanding debts and where applicable the write off of irrecoverable debt.

Overall assessment – Substantial

Substantial assurance was given as there is separation of duties throughout Exchequer Services in relation to raising of invoices, debt collection and accounting for income and recovery of outstanding debts. There were controls in place to ensure that the data transferred from feeder systems was accurate and complete. Invoice requests were processed accurately and coded correctly. Invoices uploaded through the Accounts Receivable Wizard were also transferred correctly.

Action was being taken to recover all debt over 60 days old. Approval for write offs was being obtained from the relevant budget manager or Director.

There was one high priority recommendation raised as a result of this audit, which was implemented during the audit. This recommendation related to a small number of staff having the incorrect access levels to Oracle for their current job role. Other minor recommendations were raised that are procedural in nature and do not pose a significant risk to achievement of the Council's objectives.

Summaries of Completed Audits

Firewalls and Firewall Management**Scope**

The overall objective of this Audit was to provide assurance that the Firewall architecture, configuration and management is adequately maintained. This was done through the evaluation of the controls applied in key Firewall administration and management areas.

Overall assessment – Substantial

A firewall is a device or set of devices designed to permit or deny network transmissions based upon a set of rules. These devices are used to protect networks from unauthorised access at a boundary or perimeter while permitting legitimate communications to pass. As well as firewall architecture, careful administration and management of the firewall is essential in maintaining Network Security.

'Substantial' assurance was given as the Council's network is reasonably protected by the firewalls. The rules configured to prevent unauthorised access to the Council's network are also reasonable to prevent Council staff accessing sites on the internet or conduct business which is deemed not to be appropriate. Logging is also in place to monitor user activity on the Council's network as well as activity on the internet.

There were no high priority recommendations raised as a result of this audit.

Business Continuity (BC) Planning**Scope**

The overall objective of this Audit was to provide assurance that an appropriate corporate Business Continuity Plan exists and that adequate plans have been developed by the directorates. This was done through the evaluation of the controls applied to develop, manage and maintain the Council's Business Continuity arrangements.

Overall assessment – Substantial

Business Continuity (BC) Planning forms an integral part of the Council's contingency arrangements. Effective continuity planning helps organisations improve their resilience and reduce the impact of significant events causing disruptions to services, systems and business processes. Whatever the cause, the consequences of such interruptions and failures should be formally analysed with contingency and recovery plans developed so that the Council's core services, key systems and business processes can be maintained or restored based on the Council's priorities. A formally documented, tested and communicated BC process is essential to provide assurance that continuity procedures are in place, effective and can be relied upon should the need arise.

We noted that considerable work had been undertaken since the last audit of the Council's BC arrangements in December 2009, where it received a limited assurance (Report finalised in April 2010). Since then a framework has been set up and there is clear management commitment to the development of BC plans for the various divisions/service units, directorates and the Council as a whole.

Whilst it is evident that there is still a lot of work required to complete the BC Plans, the 'Substantial' assurance is based on the current state of the framework which has recently been implemented and the momentum of the BC Programme through the collection of data, training being undertaken, and use of information being gathered. It is evident through testing that there is now a real commitment to BC within the Emergency Planning team and the Council, and whilst there are current deficiencies, these are not so much due to inadequacies in the process but the point in the development cycle when

Summaries of Completed Audits

the audit fieldwork was undertaken. Deficiencies identified (e.g. final generation of plans and testing of plans) are scheduled as part of the programme and therefore the risks were seen to be managed. However, should the programme be suspended before completion the assurance level would need to be re-visited.

There were no high priority recommendations raised as a result of this audit.

Freedom Pass Application

Scope

The overall objective of this work was to provide assurance on the adequacy and effectiveness of the key controls being applied over the Council's Freedom Pass Application. This was done through the evaluation of key controls applied to maintain the confidentiality, integrity and availability of data retained and processed within the application.

Overall assessment – Substantial

The Kent Freedom Pass provides young people, who are residents of Kent, free use of public buses within Kent for an annual fee of £100, with some young people and young carers qualifying for a discounted rate. The success of the initial pilot scheme led to the programme being rolled out across the County. There are now in excess of 25,000 passes currently in use, with individuals saving £500 - £600 per year compared to an average season ticket.

To support the countywide roll out, the Council has developed the Online Freedom Pass application to allow customers who are paying the £100 rate to apply and pay for a Freedom Pass online. At present, over 12,000 customers have used the website to apply and pay for the Pass which accounts for 49% of Pass applications.

'Substantial' assurance is based on the fact that the Online Freedom Pass application, in its current state, adequately supports the Council's ability to process Freedom Pass applications in a timely and secure manner. The Controls in place for the Online Freedom Pass application are adequate to allow customers to apply and pay for the Kent Freedom pass through the Council's website and for that data to be securely transferred to the Council's Routewise application. Recommendations raised primarily relate to improvements in documenting standards and strengthening the controls around user accounts.

There were no high priority recommendations raised as a result of this audit.

Summaries of Completed Audits

IT Policy and Policy Framework**Scope**

The overall objective of this work was to provide assurance that the ICT Security Policy framework is robust and provides a foundation for the development of the Council's IT Security Standards, guidelines and procedures.

Overall assessment – Substantial

In today's IT reliant world, it is imperative to have a well thought out ICT Security Policy and Policy Framework. Threats to the Council's data exist from both within the Council as well as external sources such as hackers, the press or even interested members of the public. Policy forms the foundation for developing procedures, guidelines and practices for configuring and managing security, and is essential to allow the Council to consistently manage these threats.

The 'Substantial' assurance is based on the existence of a formal process for the development and maintenance of the ICT Security Policy. It should be noted that an authority wide standard for development of operational procedures is currently being developed and once developed the ICT policy should link into this.

CaRA Registrations Application Audit**Scope**

The overall objective of this work was to provide assurance on the adequacy and effectiveness of the key controls being applied over the Council's CaRA Registration Application.

Overall assessment – Limited

The CaRA application has been developed for the Registration Service in Kent to process appointments made for registering Births, Marriages, Civil Ceremonies and Deaths across the County, as well as recording payments made for these appointments. The application also includes a module for processing new Approved Premises applications for venues within the County. The CaRA application is currently used by about 100 members of staff at Register offices across the County as well as being available online for the public to make appointments for registering births and deaths.

Whilst the CaRA application is not an integral part of the Council's day to day operation its failure could affect the Council's reputation. The 'Limited' assurance is based on the significant issues with the CaRA Registration application that require immediate management attention to help to ensure that the application is able to meet the objectives of the division and maintain security. Particular attention should be paid to improving the current access controls to prevent unauthorised access and/or any flaws being exploited.

Directorates progress with the implementation of agreed recommendations

Where Internal Audit finds control weaknesses, instances of non compliance with existing controls or gaps in internal controls, recommendations are made to improve the control environment. At the draft report stage of an audit, recommendations are discussed with responsible managers who agree actions to implement the recommendations within a specified 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 implemented within one month. The agreed action, date and name of the responsible officer are then included in the final audit report. Internal Audit seek assurance from the relevant responsible manager that the recommendation (or an appropriate alternative) has been implemented as agreed.

The attached table shows the progress with the implementation of agreed recommendations, as reported by the relevant managers.

We have requested progress updates in relation to 51 actions that were due to be implemented by March 2012. An additional 15 actions that were due to be implemented were not followed up as part of this process as they are currently being reviewed as part of the 2011/12 Plan. These relate to the following two audits:-

- Data Protection (9 recommendations)
- Corporate Purchase Cards (6 recommendations).

Of the 51 actions where progress updates were requested, 8 were high priority recommendations. Of these 3 remain outstanding, however in all cases actions are in progress and we have agreed revised implementation dates. At this stage this is not considered to present a significant risk.

**Directorates Progress with the Implementation of Audit Recommendations
(Covers October 2011 to March 2012)**

Audit	Recommendations to be implemented by 31 March 2012		Recommendations outstanding as at 31 March 2012		Comments	Revised implementation date
	H	M	H	M		
Authority Wide						
Handling Information Risk	3	3			All recommendations implemented.	
Data Protection	6	3			2011/12 audit currently in progress.	
Governance of Partnerships		1		1	The recommendation is due to be discussed at Supporting Vulnerable Adults Board meeting on 26 March 2012.	30 April 2012
Databases and Spreadsheets	2				All recommendations implemented.	
Use of Consultants		2		1	The recommendation relating to training consultancies is currently not complete due to the structural budget changes taking place within the Council at the moment.	30 April 2012
KCC Elections		5		5	The audit recommendations are yet to be implemented. A formal response to the audit recommendations will be received after discussion by representatives of the District Electoral Registration Officers.	To be confirmed
Section 151						
Corporate Purchase Cards	1	5			Follow up audit is in progress.	
Chief Executive's Department						
Virus Protection		1		1	The recommendation relating to the identification of unauthorised software is yet to be completed. The IT division is to hire a management system called SNOW license manager for a period of 3 months, in order to implement this recommendation.	30 August 2012
PC End User Controls	2	2	2	2	One of the high priority recommendations relates to Patch Management. Due to a manufacturing fault the roll out of new LAN switches has been delayed and now will be completed by June 2012. The second high priority recommendation relates to Blackberry Logical Access Controls. An upgrade of the Blackberry	30 June 2012 30 August 2012

**Directorates Progress with the Implementation of Audit Recommendations
(Covers October 2011 to March 2012)**

Audit	Recommendations to be implemented by 31 March 2012		Recommendations outstanding as at 31 March 2012		Comments	Revised implementation date
	H	M	H	M		
					<p>infrastructure, which should make it compatible with the password parameters identified within the recommendation, is currently underway. Following the completion of this infrastructure upgrade by the end of April 2012, it is anticipated that the recommendation will be implemented by August 2012.</p> <p>One of the medium priority recommendations relates to User Training and Awareness. Due to technical problems experienced with the integration of the NETconsent software with the HR system (KSSIP) and the Council's user identification and authorisation system, implementation of the recommendation has been delayed. However the problems identified have now been resolved and the date of the pilot's relaunch, implementation and roll out of the NETconsent software is to be discussed and agreed at the next NETconsent Project Board, scheduled for 20th April 2012.</p> <p>The final medium priority recommendation relates to Encrypted USB Data Storage Devices. This recommendation was referred to the Information Governance group and was included in the action plan which is owned by the Senior Information Risk Officer. The ICT division are yet to receive formal instructions relating to this action plan. In the meantime, ICT have approached a number of vendors of encryptable external storage devices to establish an estimated cost for these devices. Medway Council's ICT department have also been approached to explore if the unit cost could be reduced through a joint requirement.</p>	<p>20 April 2012</p> <p>To be confirmed</p>
Data Centre and Data Backup		2			NetBackup Version 7 has been implemented addressing the 2 recommendations.	

**Directorates Progress with the Implementation of Audit Recommendations
(Covers October 2011 to March 2012)**

Audit	Recommendations to be implemented by 31 March 2012		Recommendations outstanding as at 31 March 2012		Comments	Revised implementation date
	H	M	H	M		
Environment, Highways and Waste						
Roadworks Permit		1			Recommendation implemented.	
Communities						
Careworks Application		5		4	One recommendation has been deferred to enable ICT to undertake further work to enhance logical access controls. The recommendation on view only accounts is dependent on new releases due by end of June. The recommendations for Disaster Recover and Business Continuity Planning are also yet to be completed and have been re-scheduled for 30 June.	31 January 2013 30 June 2012 30 June 2012
Fee Income		2		1	The recommendation relating to the CaRA software/booking system is outstanding due to lack of prioritisation by software developer. This is actively being pursued.	30 April 2012
Kent Adult Social Services						
Quality Assurance of Care Homes		7			All recommendations implemented.	
Commercial Services						
Accounts Payable	1	3	1	1	Recommendations relating to duplicate and inactive suppliers are still outstanding. Duplicate suppliers have been identified for action and an inactive supplier report has been created but resulting actions have not been completed. This has been scheduled for completion by 30 April 2012.	30 April 2012
General Ledger		3		2	One recommendation is part implemented as problems have been encountered when trying to reconcile the sales and purchase ledger control account more frequently. This will be further discussed with the manager.	

**Directorates Progress with the Implementation of Audit Recommendations
(Covers October 2011 to March 2012)**

Audit	Recommendations to be implemented by 31 March 2012		Recommendations outstanding as at 31 March 2012		Comments	Revised implementation date
	H	M	H	M		
					The recommendation relating to a review of capability and access levels has been deferred to 1 September 2012.	1 September 2012
Core System						
Payroll		6		2	KPIs have been redesigned to produce more detailed information on overpayments and will be reported in April 2012 for March 2012 data. This will be fully in place from April 2012.	30 April 2012
Total	15	51	3	20		

H = High priority
M = Medium priority

Annex C
Progress against the 2011/12 Audit Plan

Directorate/area	Audit	Status of report	Assurance	Date to G&A
Authority Wide				
Kent County Council Elections		Complete	Non-compliant	November 2011
Corporate Governance		Planning		
Schemes of Delegation and Limits on Approval		Draft Report		
Annual Governance Statement		Complete	Substantial - limitation of scope	April 2012
Performance Management Framework		Fieldwork in progress		
Business Continuity Planning		Complete	Substantial	April 2012
Risk Management		Fieldwork complete		
Core Systems				
Commercial Services – Services Tender Costing		Complete	Substantial	November 2011
Transaction Data Matching		Complete	Substantial	November 2011
Quality Assurance of Care Homes		Complete	Substantial	November 2011
Oracle – General Ledger		Fieldwork complete		
Oracle – Accounts Payable and I Procurement		Fieldwork complete		
Oracle – Accounts Receivable		Complete	Substantial	April 2012
Use of Corporate Purchase Cards		Complete	Limited	September 2011
Use of Corporate Purchase Cards: Follow-up		Draft Report		
Payroll		Complete	Substantial	April 2012
East Kent Payroll Follow-Up		Complete	Substantial	April 2012
Treasury Management		Fieldwork complete		
Cash and Bank		Fieldwork complete		
Medium Term Planning		Complete	Substantial	April 2012
Revenue Budget Monitoring		Complete	Substantial	April 2012
Pensions Contributions		Fieldwork complete		
Pensions Investment Income		Fieldwork complete		
Enterprise & Interprise (Property Information database)		Draft Report		
Routewise		Fieldwork complete		
Financial Controls in Schools		Fieldwork in progress		
IT audit				
Firewalls and Firewall Management		Complete	Substantial	April 2012
Exchange Server and e-mail		Draft Report		

Annex C
Progress against the 2011/12 Audit Plan

Directorate/area	Audit	Status of report	Assurance	Date to G&A
IT Support Arrangements (ITL)		In progress		
IT Policy and Policy framework		Complete	Substantial	April 2012
BSS – Sharepoint		Draft Report		
EE – Freedom Pass Application		Complete	Substantial	April 2012
FSC – Business Objects		Draft Report		
CC – CARA Registrations Application		Complete	Limited	April 2012
ELS – CapitaOne Application		Draft Report		
FSC – ICS Implementation		Ongoing – advice and information		
Policies				
Data Protection Act and Freedom of Information		Fieldwork in progress		
Equalities Act		Fieldwork in progress		
Blue Book – Job Evaluation		Draft Report		
Blue Book – Recruitment and Selection		Draft Report		
Blue Book – Total Contribution (TCP)		Complete	Substantial	April 2012
Blue Book – Employment Contracts		Complete	Substantial	April 2012
Blue Book – Equalities Act/Fairness at Work		Draft Report		
Blue Book – Health and Safety at Work		Draft Report		
Blue Book – Performance and Conduct		Complete	Substantial	November 2011
Communications Toolkit		Draft Report		
Procurement		Fieldwork complete		
Managing Change		Fieldwork in progress		
Other				
Carbon Reduction Commitment		Complete	Compliant	November 2011
Implementation of the English National Travel Concessionary Scheme		Complete	Full	September 2011
Unaccompanied Asylum Seeking Children – Grant Fund Data Quality		Fieldwork in progress		
On-Street Parking		Planning		
Direct Payments – Adults		Draft Report		
Direct Payments – Children		Fieldwork complete		
Members Expenses		Complete	Substantial	April 2012

Annex D
Amendments to the 2011/12 Audit Plan

Audit	Comments	Days
ADDITIONS		
East Kent Payroll Follow-Up	Follow-up of limited assurance report	10
Corporate Purchase Cards Follow-Up	Follow-up of limited assurance report	10
Members Expenses	Management Request	20
Direct Payments – Children	Brought forward from 2010/11	20
Direct Payments - Adults	Brought forward from 2010/11	20
On-street Parking	Management Request	15
Total Days		95
AMENDED SCOPE		
Unaccompanied Asylum Seeking Children – Grant Fund Data Quality	Amendment to scope of Capita One – Children’s Social Care System – Management Request	
CARRIED FORWARD		
Complaints	Carried forward to 2012/13 due to proposed re-design and potential centralisation of function	25
Client Billing	Carried forward to 2012/13 due to service review in progress	20
Information Security	Carried forward to 2012/2013 as aspects covered within the scope of other 2011/12 audits.	20
Network Security	Delayed due to server move, therefore carried forward to 2012/13	35
Oracle Modules HR	Carried forward to 2012/13 due to staff availability and assurance from the significant number of audits undertaken in this area in 2011/12	30
Total Days		130

Annex E
Internal Audit Performance

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

Performance Indicator	Target	Actual
<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>100%</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 Opinion 	<p>95%</p> <p>85%</p> <p>90%</p> <p>By March annually</p> <p>To each G&A meeting</p> <p>By May</p>	<p>87%</p> <p>86.25%</p> <p>50%¹</p> <p>Achieved</p> <p>Achieved to date</p> <p>Not due</p>
<p><u>Quality of Service</u></p> <ul style="list-style-type: none"> • Average Client Satisfaction Score 	<p>90%</p>	<p>87%</p>

¹ Corrective action is being taken to issue reports more promptly on completion of fieldwork.

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: Neeta Major, Interim Head of Internal Audit
To: Governance and Audit Committee – 18 April 2012
Subject: **Internal Audit Strategy and Annual Audit Plan 2012 – 2013**
Classification: Unrestricted

Summary: This report details the Internal Audit Strategy and Annual Audit Plan for 2012-13.

FOR DECISION

Introduction

1. This report sets out the Internal Audit Strategy and Annual Audit Plan for 2012/13 detailing a breakdown of audits and an analysis of available days. The Audit Strategy is a requirement of the Code of Practice for Internal Audit in Local Government (2006) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
2. The Audit Strategy sets out the contribution that Internal Audit makes to the Council and includes sections on:
 - Internal Audit objectives and outcomes
 - Annual opinion to support the Annual Governance Statement
 - Addressing Local and National Risks
 - How the service is provided
 - Resources and skills required
3. The annual internal audit plan which supports the strategy has three main components:

The main audit programme – including core assurance (authority wide), financial assurance, risk based assurance and contract compliance reviews.

Fraud work – including pro active fraud work, fraud awareness and reactive work (i.e. investigations of potential irregularities).

Other productive work – such as advice and information, general liaison and following up the implementation of recommendations made.

Development of Audit Plan

4. The annual audit plan for 2012-13 was developed through a risk based planning process that incorporated the following elements:

- work to provide assurance to the Corporate Director of Finance and Procurement that controls are in place and are operating effectively for key financial systems;
 - work to evaluate the Corporate Governance Framework which contributes to the Head of Internal Audit's overall assurance on corporate governance arrangements in the Council which in turn informs the Annual Governance Statement;
 - work to provide assurance that ongoing contract management controls are robust;
 - work to provide assurance over areas identified as priority or high risk based on audit cumulative knowledge and experience, the corporate risk register and directorate interviews;
 - management requests – for assurance over new and developing systems and processes.
5. The draft annual audit plan has been discussed and agreed with Directorates through meetings with Corporate Directors, Portfolio Holders and presentation to CMT.
 6. In March 2012 the specialist IT audit contract was retendered and Deloitte LLP have been awarded the contract. As the contract has only recently been awarded, the IT audit plan presently shows the total number of days with indicative suggestions as to the detailed content of this plan. The detail of the plan will be determined based on:
 - an IT risk assessment
 - discussions with directorates
 - a review of previous audit reports and assurance opinions provided.

Resources

7. The plan is resourced by a mixture of 2600 days from the Internal Audit in house team and an additional 275 days of ICT audit work provided by Deloitte LLP.

Additional Assurance – Schools compliance

8. In many County Councils schools' compliance services fall within the programme of Internal Audit. Members of the Committee should be aware that for 2012/2013 this assurance will continue to be provided by a compliance unit within the Schools Financial Services team. This team carry out compliance visits to schools which cover a number of areas including finance, Health and Safety and pre employment checks.
9. For the year ended 31 March 2012, 116 compliance visits will be completed. A compliance visit takes on average one day to complete.

Recommendation

10. Members are asked to agree the proposed Internal Audit Strategy and Annual Plan for 2012/13 attached to this report.

Neeta Major
Interim Head of Internal Audit
Ext : 4644

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Kent County Council

Internal Audit

Strategy & Annual Audit Plan April 2012 – March 2013

Internal Audit Strategy

Introduction

1. The CiPFA¹ Code of Practice for Internal Audit in Local Government (2006) requires the Head of Audit to produce an audit strategy. The Code defines an Internal Audit Strategy as a:

“high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities.”
2. For the purpose of this strategy the Terms of Reference of the Kent Audit service are specified within its Audit Manual and Internal Audit Charter, which have been approved by the Governance and Audit Committee.
3. The Audit Manual sets out the overall objective of Internal Audit as *“supporting service delivery by providing an independent and objective evaluation of our clients’ ability to accomplish their business objectives and manage their risks”*.

Annual Opinion to support the Annual Governance Statement

4. The Head of Audit will provide the Governance & Audit Committee with an opinion on the overall adequacy and effectiveness of the Council’s risk management, internal Control and governance processes, collectively referred to as “the system of internal control”. The work undertaken will be as shown in the table:

Opinion area	Internal Audit work to support opinion
Governance processes	Annual assessment of Council’s governance arrangements against principles described in the CIPFA/SOLACE Governance Framework (Delivering Good Governance in Local Government, 2007). Bi-annual review of directorates’ governance statements to ensure that issues identified by directorates have appropriate action plans in place and are being implemented.
Risk Management	Annual review of Council’s risk management arrangements, including risk management guidance, risk registers, risk reports and minutes of meetings for key decisions.
Internal Controls	Annual risk-based programme of work undertaken to provide assurance to management and the Council on the operation of the internal control environment. Audits provide recommendations that will, if implemented, further enhance the environment and the operation of the controls in practice. The implementation of these recommendations will also be monitored.

¹ Chartered Institute of Public Finance and Accountancy

5. In addition, Internal Audit's work will be informed by fraud investigations and fraud risk management work. For 2012/13, the audit plan includes a greater emphasis on counter-fraud work following the Council's adoption of a revised Anti Fraud and Corruption Strategy in March 2011, reaffirming its zero tolerance approach to fraud and corruption.
6. 2011/12 was a year of significant change for the Council, including the restructure and centralisation of support services and unprecedented savings requirements due to further reductions to the budget. This level of change, including saving and efficiency requirements, will continue into 2012/2013 and therefore the Internal Audit plan has been developed to take account of these ongoing changes. As well as the work on governance and risk management, we will assess the adequacy of the core aspects of internal control, including the key authority-wide financial systems, IT systems and contract compliance. This work will be supplemented by audits and reviews commissioned in response to priority issues and risks that are identified by senior officers and for which assurance is required. Due to the continuing changes, we have also retained a contingency of our available audit days to be used to provide work in areas which emerge as the year progresses including an advisory role for new and/or developing systems and processes as appropriate.

Addressing Local and National Risks

7. As set out above, the adequacy and outcomes of the Council's risk management framework will be assessed annually. This work is supplemented by discussions throughout the year with senior officers who identify emerging or urgent issues and risks that will require audit attention. Depending on the timing of when these are identified they are either included in the annual plan, or added during the year.

How the service will be provided

8. Currently Internal Audit provision is delivered by a mixture of in house provision supplemented by specialist IT audit and general assurance work from an outside provider. A tendering exercise has been undertaken and a contract will be awarded covering IT audit commencing in April 2012. In addition Internal Audit currently provides audit and assurance services to Kent Fire & Rescue and Parish councils. Resources will be reviewed annually to ensure the current mix represents the most efficient and effective way to provide high quality and professional assurance at a time of reduced financial resources.
9. Evidence to support this will continue to be provided from a variety of sources, including internal KPIs, external benchmarking comparisons, quality reviews, satisfaction surveys from clients and feedback from the external auditors.
10. The Internal Audit service will actively seek opportunities for more effective and efficient ways of working with local partners in the public sector, particularly if this avoids duplication and minimises overall costs.
11. Liaison with the County Council's external auditors will continue, to ensure that they can place reliance on the work of Internal Audit meaning that overall assurance work for the Council is delivered as efficiently, effectively and economically as possible.

Resources and skills required

12. In order to deliver the agreed annual audit plans, the appropriate level of resources will be made available to the audit team, to include the required mix of skills and specialisms. This will include general audit skills in respect of reviews of internal control, risk and governance

arrangements, and appropriate coverage in specialist areas such as computer and contract audit and the investigation of frauds and irregularities. For 2012/13 the internal audit team has a dedicated contract compliance manager who will be responsible for performing detailed compliance reviews of significant contracts.

13. Where audits require access to specialist expertise and knowledge that is not available within the audit team, advice and input will be sought from the wide range of specialists and experts drawn from within the County Council and from outside sources.
14. In 2012/2103 following the Finance restructure it has been decided to locate a compliance team of 3 FTEs responsible for reviewing financial controls throughout the authority within the internal audit team. The total planned days therefore reflects this transfer and the inclusion of a contract compliance manager within the team.
15. A programme of training will be provided to team members to meet training needs identified through the performance appraisal process and feedback from quality reviews etc. This will ensure that team members are able to deliver a professional service in line with current best practice.
16. For 2012/2013 Kent Commercial Services will use a dedicated internal audit resource to conducts its audits due to the higher level of inherent risk within its operations. This resource will remain professionally accountable to the Head of Audit who will retain the direction of the audit programme. The outcomes of the audits carried out will continue to be reported to the Governance and Audit Committee through the Head of Audit.

Following up the implementation of agreed recommendations

17. At the end of the fieldwork for each audit, a draft report is produced which will include recommendations (when relevant) where improvements in the design or application of controls are required. A priority rating will be applied to each recommendation - high, medium or low. For high priority recommendations, immediate management action is required and we will follow up all high priority recommendations. For medium priority recommendations we will seek assurance from the accountable manager that the required action has been implemented and may follow up a sample. We will not actively follow up low priority recommendations. Where agreed recommendations with a high priority rating have not been implemented in the agreed timescale, the accountable manager will be required to explain the reason to the Governance and Audit Committee.
18. Each audit is given an assurance - full, substantial, limited or none. We will follow up all audits, usually within six months of the original final report being issued, where limited or no assurance has been given

1. Core Assurance

To provide assurance on core aspects of internal control authority wide

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CA012013	Corporate Governance	To support the Annual Governance Statement	25	A review of the Council's Corporate Governance Framework overall with a cyclical detailed assessment of two of the six themes of governance. In 2012/13 this will include providing assurance on the revised governance structure.	Geoff Wild Director of Governance and Law	Quarter 4
CA022013	Annual Governance Statement	To support the Annual Governance statement	20	A review of directorates' mid-year and annual governance statements to ensure that issues are identified, have appropriate action plans in place and are being addressed.	Geoff Wild Director of Governance and Law	Quarter 2/4
CA032013	Schemes of Delegation	To support the Annual Governance Statement .	20	To provide assurance that controls are in place to ensure decisions are made in line with the Council's intended scheme of delegation and ensure that schemes of delegation reflect the Council's new structure. This will include a review to provide assurance that all <u>key</u> tasks previously undertaken are not omitted within the new structure.	Geoff Wild Director of Governance and Law Andy Wood Corporate Director of Finance and Procurement	Quarter 4
CA042013	Risk Management	To support the Annual Governance Statement.	20	A review of the Council's risk management arrangements.	Michael Hardie Interim Corporate Risk Manager	Quarter 4

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CA052013	Business continuity and resilience planning	To provide assurance that continuity and resilience plans are adequate and effective.	15	A review of plans in place to ensure that they are regularly tested and updated where necessary, and that plans are disseminated to relevant and appropriate staff.	David Cloake Head of Emergency Planning	Quarter 4
CA062013	Performance Management Framework	To support the Annual governance Statement	25	A review of the Council's performance management arrangements to ensure arrangements are fit for purpose. This will include a review of data quality over performance indicators to ensure performance reporting is based on accurate information allowing robust decision making.	Richard Hallett Interim Head of Business Intelligence, Performance and Risk	Quarter 4
CA072013	Information Governance	To provide assurance on compliance with information governance standards including risk of data loss.	20	Cyclical reviews of key areas of information governance will be undertaken including a follow up of 2011/12 Data Protection Act and Freedom of Information Act audits. For 2012/13 this will include a review of IG Toolkit Compliance including assurance as to whether this is the best approach to achieve the objectives of information governance.	Geoff Wild Director of Governance and Law	Quarter 2
CA082013	Data Quality	To support the Annual Governance Statement in relation to information governance	25	Cyclical review of key systems to provide assurance on the completeness, accuracy and timeliness of data.	Authority Wide	Quarter 2
CA092013	Procurement	To provide assurance that the Council has in place an appropriate procurement model to ensure VfM is achieved.	15	A review of the central Strategic Sourcing and Procurement function, including assurance on the development and implementation of planned actions and VfM objectives. This audit will link to the proactive fraud work to be undertaken. In addition the review will provide assurance regarding directorate support after contracts are let.	Henry Swan Head of Strategic Sourcing and Procurement	Quarter 4

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CA102013	Business and Financial Planning	To provide assurance that the business planning process is fully embedded and integrated within the performance management framework.	20	A review of the business planning to process to ensure that there are demonstrable links between financial plans, risk registers and business plans and that achievement of objectives including required savings is monitored and reported.	David Whittle Head of Policy and Strategic relationships	Quarter TBC
CA112013	Partnerships	To provide assurance on governance arrangements for a selection of partnerships.	25	To provide assurance on adequacy of processes in a sample of major/significant partnerships to monitor and ensure that KCC objectives are being met.	Authority wide	Quarter 3
CA122013	Managing Absence	To provide assurance that absence is managed in accordance with the Blue Book.	20	A review of the reporting and monitoring of sickness absence to provide assurance that managers take appropriate action to manage the impact of sickness, including evidence of actions taken when trigger points are reached.	Amanda Beer Corporate Director of HR	Quarter 2
CA132013	Learning and Development	To provide assurance that L&D activity is conducted in accordance with the Blue Book.	15	A compliance review of L&D activity including authorisation of training, and evidence that identified training needs are met.	Amanda Beer Corporate Director of HR	Quarter 3
CA142013	Leave	To provide assurance that leave is managed in accordance with the Blue Book.	15	A compliance review of leave arrangements including authorisation and monitoring of 'other' leave.	Amanda Beer Corporate Director of HR	Quarter 2
CA152013	Leaving the organisation	To provide assurance that controls over leavers are adequate and effective.	10	A review of procedures in place to ensure that leavers are notified to appropriate services, all KCC equipment is recovered and any leave deficit/surplus is correctly dealt with.	Amanda Beer Corporate Director of HR	Quarter 1

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CA16 2013	Workforce Planning	To provide assurance that the new restructured organisation is fit for purpose.	20	Cyclical assurance of the key areas in KCC's Organisational Development & People Plan. 2012/13 focus will be on Resourcing and Retention.	Amanda Beer Corporate Director of HR	Quarter 4
	Total days		310			

DRAFT

2. Core Financial assurance

To provide assurance on core aspects of financial internal control

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CS01 2013	General Ledger	Key Financial Systems audit	20	A review of controls over general ledger transactions, including journals, virements, suspense accounts and reconciliations.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 4
CS02 2013	Accounts Payable	Key Financial Systems audit	15	A review of the accounts payable system including controls over ordering and payments.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 4
CS03 2013	Accounts Receivable	Key Financial Systems audit	15	A review of the accounts receivable system including debtor accounts, debt recovery and monitoring of aged debt. In particular the audit will provide assurance in relation to the process for debt recovery in relation to adult social care.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 2
CS04 2013	iProcurement	Key Financial Systems audit	15	A review of the i-Proc system including controls over ordering and payments.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 4
CS05 2013	Corporate Purchase Cards	Key Financial Systems audit	15	A review to ensure that the requirements in relation to the use of procurement cards are complied with to ensure payments are appropriate and bona fide.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 4
CS06 2013	Capital Programme - Planning and Monitoring	Key Financial Systems audit	15	A review to provide assurance on the planning, monitoring and delivery of the Capital Programme. This will include reviewing a sample of three capital projects and will include reviewing the monitoring procedures within Finance and the directorates.	Andy Wood <i>Corporate Director of Finance & Procurement</i>	Quarter 3

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CS07 2013	Revenue Budget Monitoring	Key Financial Systems audit	20	A review of the central finance function's monitoring including assurance on the risk assessment used as a basis for support together with guidance, training and other support provided.	Andy Wood Corporate Director of Finance & Procurement	Quarter 3
CS08 2013	Treasury Management and Pension Investments	Key Financial Systems audit	15	A review of the key financial controls including controls to ensure that investments and borrowing are in accordance with agreed policy and are appropriately authorised and monitored.	Andy Wood Corporate Director of Finance & Procurement	Quarter 4
CS09 2013	Pension Contributions	Key Financial Systems audit	10	A review of key financial controls over pension contributions to provide assurance on the accuracy of contributions in line with defined percentages including a review of key controls e.g. reconciliations undertaken.	Andy Wood Corporate Director of Finance & Procurement	Quarter 4
CS10 2013	Fixed Assets	Key Financial Systems audit	15	A review of key financial controls in relation to the fixed asset register. In particular the review will follow up the 2011/12 audit of Enterprise (KCC's property database).	Andy Wood Corporate Director of Finance & Procurement Rebecca Spore Director of Property	Quarter 4
CS11 2013	Payroll	Key Financial Systems audit	20	A review of key financial controls in the payroll system including controls over starters, leavers, changes and the payrun.	Amanda Beer Corporate Director of HR	Quarter 3
CS12 2013	East Kent Payroll	Key Financial Systems audit	10	A review of key financial controls in the payroll system provided to East Kent clients including controls over starters, leavers, changes and the payrun.	Amanda Beer Corporate Director of Finance	Quarter 3
CS13 2013	Social Care Client Billing	Key Financial Systems audit	15	A review of key financial controls including provision of assurance on the implementation of actions arising from the service review and ERP project.	Michelle Vickery Assessment and Income Manager	Quarter 3
CS14 2013	Foster Care Payments	Key Financial control audit	15	A review of key financial controls in place to ensure the accuracy, appropriateness and completeness of payments made focusing on controls over the payruns undertaken.	Deanna Bradley Principal Officer Payments	Quarter 1

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CS15 2013	Schools Financial Compliance- advisory	Key Financial Control audit	20	Provision of ongoing advice, support and, training to the Schools Financial Compliance team. Particular areas of support will include approach to testing, and controls to reduce the risk of fraud.	Yvonne King <i>Head of Schools Financial Services</i>	Quarter 1-4
CS16 2013	Schools Financial Compliance	Key Financial Control Audit	25	Annual review to ensure the work undertaken by the School Financial Compliance Team is adequate and effective to support the Head of Audit's annual opinion on internal controls.	Yvonne King <i>Head of Schools Financial Services</i>	Quarter 3
CS17 2013	Local budgetary control reviews	Key Financial Control Audit	25	A cross directorate review to provide assurance that the reduction in financial support does not adversely impact on the financial control environment.	Authority Wide	Quarter 3
CS18 2013	Financial Control Audits	Key Financial Control Audit	255*	A risk based rolling programme of establishment reviews to incorporate both financial controls and care standards. Establishments will include remaining older people homes, respite units and day centres as well as Childrens' Centres.	Andrew Ireland <i>Director Families and Social Care</i>	Quarter 1-4
	Total days		540			

3. Risk / Priority Based

To provide assurance on areas identified as being high priority or exposed to greater risk

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
Business Strategy and Support						
RB01 2013	Service Re-design	Requirement for key services to redesign applying "make, buy, sell" concept.	20	To provide annual assurance that service redesign has not detrimentally impacted on controls, performance or service delivery through review of KPIs, complaints, customer satisfaction, SLA Performance, etc. In 2012/13 this will include a review of the impact on customers of Ashford Gateway and service redesign for libraries.	Authority wide	Quarter TBC
RB02 2013	Locality Boards	Introduction of Locality Boards following introduction of Localism Act.	20	To provide assurance on the adequacy and effectiveness of governance arrangements in relation to Locality Boards.	Angela Slaven Director of Service Improvement	Quarter TBC
RB03 2013	Regeneration and Economy	Award of grants from Regional Growth fund to stimulate economy in East Kent. Award of no use empty grants to stimulate use of empty property.	20	Review of key initiatives and grant funding to include governance processes around awards from: <ul style="list-style-type: none"> • Regional Growth Fund • "No use empty" grants To provide assurance on governance, decision making and outcomes.	Barbara Cooper Director of Economic and Spatial Development	Quarter TBC
RB04 2013	Property Disposals	Area for development due to changing property market.	25	Key area for development due to the changing property market. The time will initially be utilised to provide ad hoc advice in relation to the development of policies and procedures. In addition there will be a review to subsequently provide assurance on compliance with these policies.	Rebecca Spore Director of Property	Quarter 1 & 4

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
RB05 2013	Developer Contributions (s106)	Ongoing risk that developer contributions are not used appropriately. Transition to community levy.	20	A review to provide assurance that developer contributions are monitored to ensure effective and appropriate utilisation and minimise the risks of missed opportunities. In addition we will aim to establish the impact of and provide assurance on the transition to community levy.	Nigel Smith <i>Head of Development Investment</i>	Quarter 1
Families and Social Care						
RB06 2013	Safeguarding Adults	Recognised as ongoing key risk area.	20	Adults - This process based review will be provided in conjunction with the peer practice based review in order to provide assurance on compliance with adult safeguarding procedures (e.g. closure of cases, independent sector training, completion of key documentary evidence etc). Children – assurance from external inspections and ongoing detailed reviews from the Member Panel and Safeguarding Panel will be used as a basis for assurance.	Andrew Ireland <i>Corporate Director of Families and Social Care</i>	Quarter 2
RB07 2013	Personal Budgets	Government commitment to use of personal budgets and related financial implications and risks.	15	To provide assurance on the controls in place to ensure Personal Budgets are appropriately administered (in accordance with Council's objectives) and that Direct Payments are awarded in line with agreed eligibility criteria. This review will utilise the Audit Commission's recommendations and Checklist for Councils as a framework for financial management and governance. This audit will be performed in conjunction with the proactive fraud work to be undertaken.	Anna Tidmarsh/ Penny Southern <i>Directors of Families and Social Care</i>	Quarter TBC
RB08 2013	Strategic Commissioning	New approach to strategic commissioning in FSC.	25	A review to provide assurance on the development and implementation of the key stages of a strategic commissioning cycle.	Mark Lobban <i>Director of Strategic Commissioning</i>	Quarter TBC
RB09	Case File Audit process	Assurance on the	15	To review the robustness of the system in place to self-audit	Andrew Ireland	Quarter 1

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
2013		current self-audit process		social care case files and provide assurance that reliance can be placed on this process.	<i>Corporate Director of Families and Social Care</i>	
RB10 2013	Data quality	Recent OFSTED adoption inspection findings and Directorate request	40	Improvement in this area is key to the Council's ability to react to data analysis, take appropriate actions, implement policy (e.g. phase 2 charging policy for adults) and also to manage demand in the future. This review will provide assurance on data quality across all relevant systems and data sources within Families and Social Care	Andrew Ireland <i>Corporate Director of Families and Social Care</i>	Quarter 1-2
RB11 2013	Financial Management	Risk of lapses in financial management as focus on safeguarding dominates activity.	20	To provide assurance on robustness of financial management across Directorate focusing on forecasting activity and comparison to actual expenditure.	Michelle Goldsmith Business Partner	Quarter TBC
RB12 2013	Management of complaints	Risk of lapses in handling of complaints as focus on safeguarding dominates activity.	20	A review to provide assurance that complaints, comments and compliments are recorded and reported appropriately, that concerns are responded to in a timely manner and that root cause analysis and lessons learnt, both positive and negative, are used to improve services measured through demonstrable outcomes	Andrew Ireland <i>Corporate Director of Families and Social Care</i>	Quarter TBC
RB13 2013	Establishment Visits	Risk of non compliance with CQC standards.	Note	Individual establishment level reviews to provide assurance on compliance with CQC Essential Standards and other key quality of care areas. Note : No time is shown at this line as these reviews will be undertaken in conjunction with the Financial Control Audits shown earlier in the Plan.	Andrew Ireland <i>Corporate Director of Families and Social Care</i>	Quarters 1-4

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
Public Health						
RB14 2013	Public Health responsibilities	Transfer of Public Health responsibilities to KCC over two years.	20	To provide assurance on a cyclical basis in relation to achievement of key public health outcomes. In 2012/13 this will focus on smoking cessation. In particular the audit will focus on data quality issues.	Meradin Peachey <i>Director of Public Health</i>	Quarter 1 / 2
Education & Learning Services						
RB15 2013	Special Education Needs	Directorate request	20	To provide assurance regarding resource allocation for SEN. This may include assurance over the SEN referral and assessment process. Work will be scoped following internal Directorate review currently underway.	Patrick Leeson <i>Director of Education, Learning and Skills</i>	Quarter 1
RB16 2013	Kent Connexions	Directorate request	Note	To provide assurance on data quality used to support the assessment of performance under the contract. Note: The days for this audit have been included within the contract compliance section of the plan as this work will be conducted in conjunction with an overall contract management review.	Sue Dunn <i>Education, Learning and Skills</i>	Quarter 1
Customer and Communities						
RB17 2013	Consultation	Recent judicial reviews against other Councils have found that consultation on decisions taken was not adequate.	15	Given the need to take bold decisions in light of financial pressures and the right to challenge under the Localism Act this review will provide assurance on the adequacy of stakeholder consultation processes.	Matt Burrows <i>Director of Communications and Engagement</i>	Quarter 1

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
RB18 2013	Complaints, Comments and Compliments	Recent centralisation of the complaints function.	15	A review to provide assurance that complaints, comments and compliments are recorded and reported appropriately, that concerns are responded to in a timely manner and that root cause analysis and lessons learnt, both positive and negative, are used to improve services measured through demonstrable outcomes	Des Crilley <i>Director of Community and Culture Services</i>	Quarter 3
RB19 2013	Communication Strategy	Request from Directorate	15	Following the 2011/12 review of Communications this review will provide assurance on progress to implement the revised communications strategy.	Matt Burrows <i>Director of Communities and Engagement</i>	Quarter 3
Enterprise and Environment						
RB20 2013	Commercial Services	KCS are recruiting a dedicated IA function during early 2012/13.	20	Advice and support to agree transition arrangements and provide assurance in the interim	David Jackson <i>Interim Director of Commercial Services</i>	Quarter 1
	Total – Risk Based /Priority Audits		365			

4. ICT audit

To provide assurance that risks in relation to ICT are being managed appropriately

Ref.	Audit	Days	Audit Details		
			Comments	Audit Owner	Timing
	Indicative reviews shown below:	200	The ICT Audit Plan will be finalised and agreed on completion of a comprehensive risk based analysis by the successful contractor.	Peter Bole <i>Director of ICT</i>	Quarters to be confirmed
	Application Reviews		Indicative areas are shown on the left with days allocated on a cyclical/risk basis over a three year period.		
	Post implementation review (e.g. ICS/Oracle/ERP)				
	Telecommunications				
	Network Controls				
	Infrastructure & operating platform reviews				
	Infrastructure, server, desktop hardware/software support				
	IT Infrastructure Library – IT Service Management				
	Information Security (including website)				
	Website publishing controls and content management				
	Internet and Email/Anti virus controls				
	Software licensing				
	Contingency	75			
	Total days	275			

5. Contract compliance

To provide assurance that successful outcomes and value for money is achieved from contracts

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CC01 2013	Kent Public Service Network	High profile service working with partners across Kent. KCC acting as hub for the contract and roll out across public sector partners.	20	Review of £43m 5 year contract. Review will include contract management and partnering arrangements.	Terry Hazelwood <i>Business Strategy & Support</i>	Quarter 3
CC02 2013	Ashford Gateway plus	Flagship service involving partnership with Ashford District Council to build a gateway building which is fully operational.	20	Post build review of £7.5m contract including: <ul style="list-style-type: none"> • procurement • ongoing contract management Aim to learn lessons from this project to inform future similar projects.	Lesley Spencer & Jane Kendall <i>Customer & Communities</i>	Quarter 3
CC03 2104	Supporting People	Size of budget and complexity involved with many small providers of services.	20	A contract management review focusing on performance management arrangements of suppliers of services.	Lesley Andrews <i>Customer & Communities</i>	Quarter 4
CC04 2013	Longfield Academy	New £27m school build under the Partnership for School – Academy programme.	20	Post build review of contract management arrangements. Aim to learn lessons from this project to inform future similar projects.	Karen Millar <i>Business Strategy & support</i>	Quarter 4
CC05 2013	Professional and Highway Consultancy contract (including tree management)	Open book contract approaching closure with new tender to go out in summer. Lessons learnt will aid this tender process.	30	Review of approx. £10m per annum contract. Will include review of: <ul style="list-style-type: none"> • how targets are set and managed to ensure no overpayments • personnel, contractor and supplier records • overheads and expenses recharged • contractor productivity 	David Beaver <i>Enterprise & Environment</i>	Quarter 1

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CC06 2013	Network Management Term Maintenance	Contract commenced in September 2011 following previous problematic open book contract. Early review of the contract will facilitate improvements to be made early in the contract's life.	20	Contract management review of £60m per annum contract In particular the review will ensure that lessons learnt from previous contract have been implemented.	David Beaver Enterprise & Environment	Quarter 4
CC07 2013	East Kent waste partnership	Joint contract between contractor and Dover DC, Shepway DC and KCC which commenced in January 2011. Risk that insufficient income is generated through recyclelets and volumes of waste and streams are not monitored and that not possible to	20	Contract management review of £71m contract for 10 years. Contract for KCC involves waste processing and transfer for four East Kent Waste Collection authorities. The review will be performed in conjunction with the East Kent Audit partnership.	Caroline Arnold <i>Enterprise & Environment</i>	Quarter 2
CC08 2013	Biffa Household Waste Recycling Centre	Biffa manage three contracts two of which were originally with another contractor before takeover. Contract expires in August 2013. Therefore lessons learnt from this contract will facilitate the future re-tender process.	20	Review of £14m contract (approx. £4.1m per annum). Review will include: <ul style="list-style-type: none"> • Procurement • Contract management • Value for money 	Caroline Arnold <i>Enterprise and Environment</i>	Quarter 2
CC09 2013	Paper and card	Risk that KCC budget holders do not use KCS despite mandate resulting in increased costs for the Council.	20	Review of £10m per annum contract including: <ul style="list-style-type: none"> • Contract management • Mandated use 	Ian Day/Jacquie Smith <i>Enterprise and Environment</i>	Quarter 3

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CC10 2013	Kent Connexions	Concerns raised by Directorate about achievement of outcomes from this contract.	20	Review of £37m contract including: <ul style="list-style-type: none"> contract management contract variations to terms data quality to support outputs/outcomes & resulting payments 	Sue Dunn <i>Education & Learning</i>	Quarter 1
CC11 2013	Leaving care service	Contract expires in September 2012 but may be extended. Lessons learnt from this audit will facilitate the future re-tender process	20	Catch 22 provide this service for young people leaving care providing advice, support, and practical assistance. Contract management review of £7m contract focusing on key deliverables and resulting outcomes and actual spend vs expected.	Michelle Hall <i>Families and Social Care</i>	Quarter 4
	Total Days		230			

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6. Work to Prevent and Pursue Fraud and Corruption

To provide assurance that fraud risks are being adequately and effectively managed

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
Anti fraud work – to raise awareness						
CF01 2013	Fraud awareness training	To raise the level of fraud awareness and create a zero tolerance culture towards fraud and corruption (therefore deterring fraud before it is committed and encouraging staff to report their concerns).	50	A programme of fraud awareness training based on an authority wide training needs analysis targeting groups in high risk areas first eg, schools, procurement and social care. This will include an e-learning fraud awareness module (10 days), bespoke fraud awareness presentations (30 days), and a multi-media awareness campaign (10 days). The outcome of this work will be measured through fraud awareness surveys.	Authority wide	Quarters 1-4
Fraud prevention work – to remove weaknesses that could be exploited						
CF02 2013	Grants	The NFA indicate that fraud across grant spending ranges from 1%-3.5%. Fraud risks within grant spending depend on various factors such as the type of grant recipient, the purpose of the grant, the nature of the scheme and the scale of the award.	25	This work will initially focus on high priority areas such as the Regional Growth Fund but also include a sample of other grants awarded by KCC.	David Cockburn/ Andy Wood Corporate Directors of Business Strategy and Support/ Finance and Procurement	Quarter 2
CF03 2013	Personalised Budgets.	KCC is increasing its use of personal budgets to manage and deliver care; the direct access to funds afforded by direct payments is likely to be more attractive to potential fraudsters.	15	This work will include a review of controls in place to prevent fraud including false claims for care; fraud by the person managing the personal budget for the client and fraud by the organisation providing care for the client.	Andrew Ireland <i>Corporate Director of Families and Social Care</i>	Quarter TBC

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
CF04 2013	Blue Badge	Government data indicates that misuse of this scheme results in parking revenue losses from 4-70% depending on the location of use, with an average of 20% of all blue badges in circulation being misused in some way. The financial losses are unlikely to affect KCC directly; however, as administrators of the scheme, the reputational impact could be significant.	15	This work will review the application and renewal processes ensuring the risk of fraud is minimised. We will also support the district councils in undertaking enforcement days to highlight misuse and create a deterrent affect. These exercises will be part of a multi-agency approach and involve KCC, District Councils, The Police, DWP and any other interested parties.	Amanda Honey <i>Corporate Director of Customer and Communities</i>	Quarter 4
CF05 2013	Procurement	Procurement fraud is any fraud relating to the purchasing of goods and services; it covers the entire procure-to-pay lifecycle. Potential fraud risks include cartel activity; use of inferior goods or services; false/inflated or duplicate invoices, bribery and overstated performance figures.	15	The work will involve a review of the key policies and procedures that are closely linked to the prevention of procurement fraud, bribery, corruption; recruitment fraud and fraud by abuse of position.	Henry Swan Head of strategic sourcing and Procurement	Quarter 3

Ref.	Audit	Reason for Audit	Days	Audit Details		
				Comments	Audit Owner	Timing
Detection work – to detect fraud in high risk areas or systems that may be vulnerable						
CF06 2013	Grants	To detect fraud in high risk areas or systems that may be vulnerable	15	Using data analytics and sample testing review a significant sample of grant applications and supporting evidence.	Authority wide	Quarter 2
CF07 2013	Blue Badge		20	Undertake 'Enforcement days' working with Districts and the Police to prosecute and deter blue badge abuse.	N/A	Quarter 1-4
	Declarations of Interests.		15	Review a significant sample of declarations of interest from both staff and Members and compare against external databases such as Companies House.	Andy Wood Corporate Director of Finance & Procurement	Quarter 3
	Expenses		15	Review a significant sample of expense claims (authority wide). We will seek to rely on controls in place within the authority.	Andy Wood Corporate Director of Finance & Procurement	Quarter 4
Investigation, sanction and redress.						
	Authority wide Investigations	To ensure allegations of fraud are properly investigated and appropriate sanctions applied.	200	Investigate suspected fraud in a timely, professional, and cost effective manner ensuring that all appropriate sanctions are applied and any losses are recovered.	Authority wide	As required
	Total Days		385			

7. Summary

Audit	2012/2013
	Days
Core Assurance	310
Core Financial Assurance	540
IT audit plan	275
Risk/Priority Based	365
Proactive and Reactive Counter fraud work	385
Contract compliance reviews	230
Follow up of audits with no/limited assurance and recommendations with high priority rating	100
Liaison, advice and information and support for system/service development	185
Potential emerging issues (contingency)	200
Parishes	40
KFRA	95
Grant claims	150
Total Days	2875

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By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 18 April 2012

Subject: **Audit Commission: Certification of claims and returns – annual report**

Classification: Unrestricted

Summary: The attached report from the Audit Commission summarises their work on the certification of funding from government grant-paying departments.

FOR ASSURANCE

Introduction

1. Each year the Council makes claims for specific funding from a range of central government departments. Where these claims exceed £125,000 the Audit Commission provides various levels of certification that conditions attached to the funding received by the Council from government grant-paying bodies have been met.

Purpose of this report

2. The report provides a summary of the work completed in relation to the certification of claims for funding for the 2010/11 financial year. The report relates to five claims reviewed by the Audit Commission totalling £201m.
3. The report makes one recommendation to improve the control environment in relation to claims submitted for certification which has been agreed by officers.
5. The report provides details of one qualification letter issued in relation to a grant from the Training and Development Agency (TDA) for School Centred Initial Teacher Training – SCITT where there was a minor incorrect entry which the Council was unable to amend before certification. As a result the Audit Commission was required to report this anomaly to the TDA in a qualification letter.
6. Although this report is very operational in nature and designed to support officers to improve arrangements, it is the Audit Commission's policy to present the report to the Governance and Audit Committee annually.

Recommendation

7. Members of the Committee are asked to note the attached report for assurance.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

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Certification of claims and returns - annual report

Kent County Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

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Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements;
- for claims and returns between £125,000 and £500,000, limited tests to agree form entries to underlying records are undertaken; and
- for claims and returns over £500,000, auditors assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, further testing is undertaken to underlying records and to test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

My work amended one of the five claims and returns the Council was required to submit for certification in 2010/11. However, on one of the claims, I did have to issue a qualification letter accompanying my certificate.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total number of claims and returns certified	5
Value of claims and returns certified	£201,047,784
Number of claims and returns amended due to errors	1
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£10,933

Table 2 gives a snapshot of the key finding for each claim or return audited during the year. Detailed findings and conclusions to support the summary information is set out for the relevant claims and returns below.

All five of the claims and returns presented by the Authority for certification were above the Audit Commission's testing threshold of £500,000.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£)	Was reliance placed on the control environment?	Value of any amendments made (£)	Was a qualification letter issued?
Teachers' pensions return (PEN05)	84,941,499	No	57,986	No
Sure start, early years and childcare grant and aiming high for disabled children grant (EYC02)	59,199,900	Yes	0	No
School centred initial teacher training (EDU06)	765,100	No	0	Yes
Local transport plan: major projects (TRA1) – East Kent Access Phase 2 scheme	44,008,147	No	0	No
Local transport plan: major projects (TRA1) – Sittingbourne Northern Relief Road scheme	7,133,138	No	0	No

Teachers' Pensions Return (PEN05)

I did not place reliance on the control environment because:

- Previous audits identified errors in the compilation of the return and weaknesses in the evidence maintained to support the entries.

I consider the return to be complex as there is a large volume of transactions within the return.

I assessed the claim as being medium risk and carried out detailed testing in compliance with Certification Instruction PEN05. An amendment was made to the 2010/11 return. An officer at Capita identified contributions were made in October 2010 for a school that transferred to Academy status in the previous month. Academy schools should not be included within the return as the Council is not responsible for these teachers' salary or pension contributions. The officer correctly identified the error as part of the internal checks she completes and informed me of the need to amend the return before the certification deadline.

School Centred Initial Teacher Training - SCITT (EDU06)

There is a strong control environment in place for this claim, and I had relied on the control environment in the previous two years. In accordance with the General Certification Instructions (CI A01) auditors are required to complete full testing of a claim or return every three years. Therefore, I was required to test the effectiveness of the control environment in 2010/11.

Audit testing identified that the entry in the Statement of Income and Expenditure and Note 3 to the SCITT in relation to staff costs did not agree. They were stated as £271,068 and £274,739 respectively. My review of the supporting evidence, and discussion with the provider responsible for compiling the claim, confirmed that the entry in Note 3 to the SCITT of £274,739 was the correct expenditure in the year. The incorrect entry in the Statement of Income and Expenditure is auto-populated so the Council was unable to amend before certification. As a result, the issue was reported to the grant paying body, the Training and Development Agency, in a qualification letter.

Local Transport Plan: Major Projects (TRA11)

I did not place reliance on the control environment for either of the TRA11 schemes audited in 2010/11. The projects were in the second year of completion and the expenditure had significantly increased from the previous year for one of the schemes. The nature of capital works and projects is historically a risky area and assurance was required over the large value transactions. The control environment and officer responsible for compiling the

claim is the same for both schemes. I assessed both the schemes as being low risk for the detailed sample testing as the claims comprise a low volume of transactions.

My testing of the expenditure in the East Kent Access Phase 2 and Sittingbourne Northern Relief Road projects confirmed that the claims are fairly stated.

Recommendation
R1 The Council should check the internal consistency and arithmetic of all claims and returns before submitting to audit.

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

The Council has implemented the recommendations made in the 2009/10 annual certification of claims and returns report.

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
The officer responsible for certifying the claim should ensure that it is submitted to audit before the deadline set by the grant paying body.	High	1 April 2011	Keith Abbott and Richard Hallett	Implemented	The Council submitted all claims by the authority deadline set by the relevant grant paying body.
The Council should ensure that key contacts are available for all grant claims to provide supporting documentation and respond to auditor queries.	Medium	1 April 2011	Keith Abbott and Richard Hallett	Implemented	Key contacts were identified for all grant claims and this enabled auditor queries to be resolved in a timely manner in 2010/11.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
The Council should check the internal consistency and arithmetic of all claims and returns before submitting to audit.	Medium	Officers responsible for certifying claims and returns will carry out internal consistency and arithmetic checks.	1 April 2012	All officers responsible for compiling and certifying claims and returns

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Teachers' pensions return	£7,268.00	£8,731.00	The Council improved its liaison with Capita and the schools who run their own payroll systems so supporting documentation required to complete audit testing was provided in a timely manner.
Sure start, early years and childcare grant and aiming high for disabled children grant	£521.50	£1,948.50	The audit could place reliance on the strong control environment so only Part A testing carried out in 2010/11 whereas full detailed testing completed in the previous year.
School centred initial teacher training	£1,418.00	£2,997.00	Officers responsible for liaising with the auditor were extremely helpful and provided supporting documentation in a timely manner which reduced the amount of work the auditor had to

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Local transport plan: major projects – East Kent Access Phase 2 scheme	£788.00	£1,255.00	complete directly themselves. This is the second year of audit so the level of risk for the claim was reduced from high to low. A smaller sample size was reviewed to gain the required assurance. The officer responsible for the claim had comprehensive supporting documents for all entries in the claim.
Local transport plan: major projects – Sittingbourne Northern Relief Road scheme	£788.00	£1,255.00	As above for the East Kent Access Phase 2 scheme.
Claims and returns reporting	£149.00	£149.00	
Total	£10,932.50	£16,341.00	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 18 April 2012

Subject: **Audit Commission: External audit report on objection to 2010/2011 Accounts**

Classification: Unrestricted

Summary: The attached report from the Audit Commission details their conclusions in relation to an objection to the Council's accounts for the year ended 31 March 2011.

FOR INFORMATION

Introduction

1. The Audit Commission received an objection to the Council's Accounts for the year ended 31 March 2011 relating to the payment of travelling expenses and other associated travelling costs to Members. The objector asked the District Auditor to issue a public interest report.
2. The District Auditor has now determined the objection and communicated the decision and the reasons for it to the Objector and the Council.

Purpose of this report

3. The attached report provides a summary of the Audit Commission's findings and the Council's response to the issues identified. The report details the scope of work undertaken, the audit approach followed and the conclusions reached.

Conclusions reached by the Audit Commission

4. In summary, the Audit Commission has not found any evidence of fraud or deliberate abuse by any Member, nor evidence of deliberate circumvention of the Council's policies for personal gain.
5. The report does conclude that the review has highlighted some weaknesses in the Council's arrangements for Members' allowances and expenses, including the operation of the County Car Scheme. The Audit Commission has confirmed that the Council has responded quickly to the weaknesses identified.
6. Paragraphs 6 and 7 of the attached report confirm these conclusions.

7. The cost to the Council of this objection is £27k, plus KCC officer time.

Recommendation

8. Members of the Committee are asked to note the findings in the attached report.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Members' expenses and other travelling costs

Kent County Council

Audit 2010/11

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Summary report

Introduction

1 I have received and considered an objection to the Council's accounts for the year ended 31 March 2011 relating to the payment of travelling expenses and other associated travelling costs to Members. The objector asked me to issue a report in the public interest and to apply to the courts for a declaration that an item of account is unlawful.

2 I have now determined the objection and communicated my decision and the reasons for it to the Objector and the Council. Whilst I have decided not to issue a report in the public interest or make an application to the courts, I believe that my findings are relevant to Members' governance responsibilities. I am therefore reporting a summary of my findings and the Council's response to the issues identified, to the Council's Governance & Audit Committee.

3 In undertaking my work, I considered:

- reimbursements of expenses for use of councillors' private cars;
- the authorisation of Members' expense claims;
- whether the Council's County Cars had been used for private journeys;
- the provision by the Council of transport and paid expenses for Members from their homes to County Hall;
- receipts for journeys made by taxis;
- information published regarding the total payments to Members;
- payments made for Members attending party political conferences; and
- the overall costs of the County Cars service and the costs incurred in providing transport for Members.

Audit approach

4 In considering the objection I, or members of the audit engagement team, have:

- considered the arguments advanced and supporting material provided by the Objector;
- sought and considered the Council's response to the objection;
- reviewed the information provided by the Council; and
- met with, and had telephone conversations with, the Council's relevant officers and Members to explore the issues identified in the objection.

5 My remit relates to the arrangements and actions of the Council and does not extend to monitoring and reviewing the standards of behaviour of individual Members.

Main conclusions

6 I have not found any evidence of fraud or deliberate abuse by any Member. And I have seen no evidence of a deliberate circumvention of the Council's policies for personal gain.

7 However, my review did identify some weaknesses in the Council's arrangements for Members' allowances and expenses, including the operation of the County Car Scheme. The Council has responded quickly to the weaknesses identified.

Reimbursements of expenses for use of Members' private cars

8 On some occasions 'duplicate payments' have been made for the reimbursement of expenses. Some Members have had transport provided by taxi (funded by the Council) and claimed travelling expenses for the same journeys. In total, these duplicate payments amounted to £430.80 in 2010/11. The Council has stated that these are administrative errors and I have no evidence to suggest otherwise. All the Members who received such duplicate payments in 2010/11 have repaid them to the Council.

9 The Council has recognised that its internal checking and control procedures should be more robust to detect or prevent these duplicate payments. The Council has now introduced improved control arrangements to prevent and detect such duplicate payments arising in future.

The authorisation of Members' expense claims

10 Claims are completed on a monthly basis and certain stated checks have to be completed for each claim by officers. I considered a small sample of claims that were drawn to my attention by the Objector and concluded that the claims had not been checked as they should have been. I did not identify any evidence to suggest that these lapses resulted in any payments which had no legitimate basis. Internal Audit has recently undertaken a wider review of member expenses and agreed with this conclusion. Internal Audit has made some recommendations to strengthen procedures with which I concur.

The use of the Council's County Cars by Members for private journeys

11 The Council's County Cars Service is provided for the use of Members on Council business. The use of County Cars is set out in an agreed policy. A Member has stated that on rare occasions, following the completion of Council business whilst using the County Car service, he used the car for minor diversions in connection with his private business.

12 The Members' office made arrangements with Democratic Services to reimburse the Council for the private use of the County Cars, with a record maintained of the time that the car was being used for private purposes. I understand officers of Democratic Services did not raise any concerns with the reimbursement system. The Member estimated what he believed to be a reasonable amount to cover the salary costs of the driver and other costs of the car for each hour the car was being used for his private purposes.

13 However, due to an administrative and communication misunderstanding between officers of different teams these payments were not initially recovered as intended. The Member believed that the amounts were being routinely deducted by officers from his monthly expense claims. In fact they were not, and it was only realised that the required deductions were not being made when an internal review (prompted by the objection and other external enquiries) revealed this. The Member promptly repaid approximately £600, covering the period from 9 July 2009 to 10 March 2011. Senior officers have advised me that they have satisfied themselves that this represents a small overpayment of the amount due.

14 The use of the County Cars for private purposes raises a risk that the taxation basis on which the County Cars are used could be affected for all journeys. The question arises whether there could be a taxable benefit to be declared by the Council or by individual Members. The Council is seeking advice on this aspect.

15 The Council has acknowledged that the use of the County Cars for private purposes was outside the scope of the agreed policy. Officers have advised me that this practice is suspended until (a) Members have considered whether or not to include provision for such journeys in the County Car policy and (b) the views of HMRC on the taxation status have been received.

The provision by the Council of transport and paid expenses for Members from their homes to County Hall

16 The current Council's policy on the use of the County Cars only permits their use for official Council business. The County Cars have been used by two Members to provide transport from home to County Hall. When a car has not been available a taxi has been provided by the Council.

17 The Council has recently reviewed whether such journeys fall within its approved policy for the use of County Cars. It has concluded that it is not clear that journeys from Members' homes to County Hall represents official business and has therefore taken the precaution of suspending both the provision of the County Cars for this purpose and the consideration of whether to seek reimbursement of costs from the Members concerned for any of these journeys already made until (a) Members have considered whether or not to include provision for such journeys in the County Car policy and (b) the views of HMRC on the taxation status have been received.

18 There is a wider issue in relation to the payment of expenses to Members for travelling between their homes and County Hall in their own cars. The Council has quite properly allowed such expenses to be claimed. However, there is some uncertainty whether this should be identified as a taxable benefit. The Council has sought external advice on this point, which hinges on whether Members' homes can be designated as a 'second office'. The position is not clear cut although the initial advice is that it would be unusual for a member's home not to be a workplace and therefore no taxable benefit exists. The Council is pursuing this with HMRC.

Receipts for journeys made by taxis

19 I considered some instances drawn to my attention where receipts for journeys by taxi were not provided with expense claims. These were where taxis were booked by the driver/administrator when one of the official County Cars was not available. I do not consider there are any breaches of the Council Constitution in respect of these payments and can understand how these occasional taxi bookings by the Council provides a common-sense solution to the sometimes unpredictable nature of elected Members' travel needs. Officers state that consideration of specific provision for this will form part of the review of the County Car policy by Members.

Information regarding the total payments to councillors

20 The Council's usual practice over many years has been to publish the total costs of payments to Members without reference to the costs of the County Cars. That is the basis of the figure currently shown on its website and in its annual Statement of Accounts.

21 Having considered the relevant Regulations (the Local Authorities (Members' Allowances) (England) Regulations 2003), I am satisfied that the Council is not required to include the cost of the County Cars within the total costs of Member allowances. The Regulations refer to travelling and subsistence allowances, which imply a reimbursement of costs directly to Members. It is my opinion that the cost of the County Cars represents a corporate expense for the Council, rather than payments to individual Members.

22 However, I can see that it is possible to interpret this differently and, in the spirit of openness, the Council may wish to consider including the additional information in future.

Payments made for Members attending party political conferences

23 On two occasions the costs of a Member attending political conferences were incurred by the Council with the intention that they would be reimbursed. There was some delay in the Council seeking reimbursement of these costs, due to an administrative oversight, and it was only recently identified that this reimbursement had not been fully made. These costs have now been repaid to the Council. The Council has recognised that its procedures should be improved and I am assured that in future it will not make such bookings on behalf of any Member.

The overall costs of the County Cars service, and the costs incurred in providing transport for one named Member

24 The Objector raised concerns that payments appear in total to be excessive. In particular the Objector believed that many of the journeys could have been undertaken more cost effectively through public transport, for instance.

25 It is not the auditor's role to question the merits of the policies of the Council. It is the Council's responsibility to ensure proper consideration is given to spending public money and to ensure adequate controls are put in place. I have recommended that the Council gives proper and full consideration to costs when it undertakes its planned review of the County Car Service and policy.

Way forward

26 The Council has already taken action in relation to a number of the above issues.

- Any identified inappropriate payments have been repaid by the relevant Members.
- The Council has suspended the use of the County Cars for private purposes.
- The arrangements for booking and recording the use of County Cars have been improved.

27 Action is in hand for the remaining issues and in particular:

- the Council is seeking clarification of the tax position in respect of journeys from Members' homes to County Hall from HMRC;
- the Council is undertaking a full review of the County Car scheme which will include a consideration of costs; and
- Internal Audit's recommendations are being implemented.

28 I will consider the progress made by the Council as part of my 2011/12 audit.

Recommendations

- R1** Review the County Cars policy to consider and clarify 'private use' and journeys from 'home to County Hall' taking into account advice from HMRC.
 - R2** Consider including the cost of the County Cars within the total costs of Member allowances published on the Council website and within its annual statement of accounts.
-

Appendix 1 Action plan

Recommendations

Recommendation 1

Review the County Cars policy to consider and clarify 'private use' and journeys from 'home to County Hall' taking into account advice from HMRC.

Responsibility	Director of Governance and Law
Priority	High
Date	Immediately upon receipt of HMRC advice.

Comments

Recommendation 2

Consider including the cost of the County Cars within the total costs of Member allowances published on the Council website and within its annual statement of accounts.

Responsibility	Corporate Director of Finance and Procurement
Priority	Medium
Date	30 April 2012

Comments

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



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April 2012

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By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 18 April 2012

Subject: **Audit Commission: Audit Opinion Plans 2011/2012**
Kent County Council and Kent Superannuation Fund

Classification: Unrestricted

Summary: The attached plans set out the proposed work of the Audit Commission to enable them to give an audit opinion on the Council's 2011/12 financial statements including the Kent Superannuation fund.

FOR DECISION

Introduction

1. The Audit Commission are required to provide the Committee (defined as "Those Charged with Governance" under International Standards of Auditing) with an audit opinion plan covering proposed work in relation to the Council's financial statements (which includes Kent Superannuation Fund). The reports attached set out the results of the Audit Commission's latest risk assessment in relation to their audit of the financial statements including Kent Superannuation Fund and provides information on:
 - Assumptions underpinning the fee for the audit
 - Identification of risks that impact the work that the Audit Commission propose
 - The audit testing strategy and timetable.

Issues for the Committee to note

2. The fee for the audit of the financial statements (including Kent Superannuation Fund) reflects the Audit Commission's decision not to increase fees in line with inflation and a reduction following the one-off work associated with the first time adoption of International Financial Reporting Standards.
3. The proposed fee for the audit of financial statements and value for money conclusion is £346,500 (2010/2011 - £385,000). The proposed fee for the audit of the Kent Superannuation Fund is £49,170 (2010/2011- £50,000). These fees are set at the "scale" (the average fee that the Audit Commission has set centrally for a County Council of Kent's size) and were approved at Committee on 30 June 2011.

4. The Kent County Council and Kent Superannuation Fund Audit Plan reports emphasise the respective responsibilities of the Auditors and the Audited Body and set out the results of a risk assessment in relation to their opinion on the financial statements and the Council's arrangements for value for money. Tables 1 and 2 in both reports set out significant and specific risks to the audit opinion and the work proposed to mitigate these. Table 4 of the Kent County Council Audit Plan report outlines the risks in relation to the value for money conclusion and the audit response.
5. Both reports set out the proposed timetable for the opinion audit including reporting to Committee.

Recommendation

6. Members of the Committee are asked to:
 - Review the outcomes of the Audit Commission's updated risk assessment.
 - Approve the Audit Plans for Kent County Council and the Superannuation Fund for 2011/2012.

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Audit plan

Kent County Council

Audit 2011/12



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Introduction

This plan sets out my work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

I am pleased to present to you our Audit Plan. This includes our analysis of key risks (for the financial statements audit and the value for money conclusion) based on discussions with management and a review of key documents of the Council; our audit strategy; and planned reporting timetable. Discussion of this plan with you ensures that we understand your concerns and you are clear on the intended scope of the audit, two key elements to ensure that we provide you with a high quality audit service.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Governance and Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

^P Auditors issue audit reports giving an opinion on whether the accounting statements give a true and fair view. International Standards of Auditing require auditors to undertake sufficient testing to be satisfied for all material classes of transactions and balances that the following assertions are met.

Occurrence	Transactions and events that have been recorded have occurred and relate to the Council.
Completeness	All transactions and events that should have been recorded have been recorded.
Accuracy	Amounts and other information relating to recorded transactions and events have been recorded appropriately.
Cut off	Transactions and events have been recorded in the correct accounting period.
Classification	Transactions and events have been appropriately presented and categorised in the proper accounts.
Existence	Assets and liabilities exist.
Rights and obligations	The Council holds or controls the rights to assets and liabilities are the obligations of the Council.
Valuation and allocation	Assets and liabilities are included at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion. Materiality can be defined as:

‘information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or the error judged in the particular circumstances of its omission or misstatement.’

At the planning stage of the audit, I have calculated materiality as £27 million. I will use this to identify the material financial systems that produce the accounting entries in the 2011/12 financial statements and will reassess materiality on receipt of the draft financial statements in June 2012.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying your business risks, including assessing your risk management arrangements;
- considering your financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within your information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements. A significant risk is a risk that requires special audit consideration, on the grounds that it is highly likely that the risk will be realised, and will result in a material misstatement in the financial statements. I have set these out below.

Table 1: Significant risks

Potential risk	Audit response
Valuation of property, plant and equipment (PPE) The Council is required to value PPE at fair value (with some exceptions such as infrastructure assets and assets under construction which are	I will review management controls over establishing the estimates, including arrangements for instructing the Council’s Valuer and controls

Potential risk

valued at historical cost). There is a risk that the valuation reported in the financial statements will be materially misstated due to:

- valuation of operational land and buildings is an estimate and even small changes in the estimation techniques employed by your Valuer can have a material impact on the value of PPE disclosed in the financial statements;
- misclassification of assets leading to incorrect valuation basis;
- failure to update valuations between formal revaluation dates;
- valuation of leasehold properties reflects an interest in the property rather than in the lease;
- misstatement of depreciation due to inappropriate asset lives;
- failure to apply the code requirements or your own policy on componentisation;
- inappropriate capitalisation of revenue expenditure;
- failure to consider impairments; and
- the accounting entries required to deal with property valuations in accordance with the Code are complex and flow through all the core statements and many of the disclosure notes in the financial statements.

Accounting for pension assets and liabilities

The Council is required to account for post retirement benefits under International Accounting Standard (IAS) 19 and the entries in the financial statements relating to your share of the Kent Pension Fund assets and liabilities are among the largest in those statements.

The entries are based on assumptions determined by the Council in consultation with the Fund's actuary and on the information provided to

Audit response

over information provided to the Valuer. I will also review the classification of your property assets to ensure that valuations are on the correct basis.

I will seek to rely on the work of your Valuer after carrying out necessary audit procedures and I will review the reasonableness of the carrying value of assets including those that have not been subject to formal revaluations in the year. I will do this with the help of my own expert Valuer.

I will undertake tests of detail on valuations and associated depreciation calculations and on the internal consistency of the financial statements in respect of PPE.

I will review capital expenditure generally and assess the risk of material error arising from failure to apply the Code requirements and your own accounting policies.

I will consider the Council's approach to identifying any impairments of assets.

I will review the management controls you have in place and undertake audit procedures, including the use of my own expert actuary, to evaluate the reasonableness of the assumptions used by your actuary and the estimates that result.

I will also undertake audit procedures to check that information provided to the actuary is complete and accurate.

Potential risk

the actuary regarding staff numbers, contributions, retirements and early retirements and investment performance during 2011/12.

There is a risk that inappropriate changes to the assumptions used by the actuary or errors in the information provided to him will result in your share of the assets and liabilities being materially misstated. The accounting entries in respect of pension assets and liabilities are complex and flow through the core statements and several disclosure notes.

Management override of controls

International Standards on Auditing (UK and Ireland) 240 presumes that a risk of management override of controls is present in all entities and requires us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.

I will test the appropriateness of accounting journals and other adjustments to the financial statements, review accounting estimates for possible bias and obtain an understanding of the business rationale of significant transactions that appear to be unusual.

Identification of specific risks

I have also considered the specific risks that are relevant to the audit of the accounting statements. A specific risk occurs where I identify a specific issue related to a particular item in the financial statements. I have set these out below.

Audit response

Table 2: Specific risks

Potential risk	Audit response
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. Heritage assets include tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.</p> <p>There is a risk that the Council may be unable to identify and account for all such assets.</p>	<p>I will evaluate the management controls you have in place to recognise and value heritage assets. I will also undertake testing to check that the Council has accounted for and disclosed its heritage assets in accordance with FRS 30 and the Code.</p>
<p>Accounting for schools</p> <p>Schools are managed through a variety of governance arrangements and differences in those arrangements have implications for the accounting treatment. You account for academies, foundation and voluntary aided schools in accordance with IAS16 which means these schools are not on your balance sheet.</p> <p>Many schools seek to become Academies and there is a risk that you do not give sufficient consideration to schools that change status during the year. This could result in Schools being included or omitted from your balance sheet incorrectly. Because the value of schools is significant and there have been many changes of status in the year, the effect on the balance sheet is material.</p>	<p>I will review the management controls you have in place to recognise changes in status and the effective date of such changes.</p> <p>I will review the Council's consideration of schools and the IAS 16 recognition criteria and consistency with the accounting policy.</p> <p>I will also undertake tests of detail on the accounting treatment of a sample of schools held on the balance sheet and a sample of schools not recognised on the balance sheet against the IAS 16 recognition criteria.</p>
<p>Existing PFI schemes: Material adjustments</p> <p>At the inception of a PFI scheme, the expected accounting entries for the duration of the contract were modelled. There are four common events that require the accounting model (and accounting entries derived from</p>	<p>I will review the management controls you have in place to monitor events that may have an impact on the accounting entries for your PFI schemes</p>

Potential risk

the model) to be updated. These adjustments may be material to the Council.

Audit response

and conduct tests of detail (as appropriate) on:

- Contract variations;
- Payment deductions;
- Asset revaluation/ Impairment; and
- Refinancing.

Provisions

The Council had nearly £50 million of long and short term provisions at 31 March 2011. Provisions are by their nature estimates of future liabilities and are charged against the General Fund which means they have an immediate effect on the outturn in the year. There is a risk that if the estimates that underlie provisions are unreasonable, the general fund will be materially misstated. Provisions are accounted for in accordance with IAS37.

I will review the management controls you have in place to review the creation of provisions at the year end both centrally and in the directorates. I will also undertake tests of detail to satisfy myself that the provisions are reasonable estimates of future liabilities meet the requirements of the Code and IAS37 and have been accounted for correctly.

Capital grants used to fund Revenue Expenditure Funded form Capital Under Statute (REFCUS)

We noted an error in the 2010/11 statements in respect of the treatment of capital grants used to fund REFUCS. Capital grants used to fund REFUCS had been aggregated with other capital grants in the taxation and non specific grants line in the Comprehensive Income and Expenditure Statement (CIES) rather than being treated as revenue grants and taken to the relevant service line. REFUCS expenditure amounted to £145m in 2011/12 and much of it was grant funded. Therefore, the CIES service lines were materially mis stated as was the taxation and non specific grant income line. The bottom line of the CIES, however, is unaffected by this.

I will review the management controls that you have put in place to avoid the recurrence of this error.

I will also undertake tests of detail to check that the requirements of IAS8 have been applied in correcting the prior year error.

Potential risk

We have discussed with officers the 2011/12 statements and the arrangements in place this year to ensure that capital grants used to fund REFUCUS are treated as revenue grants. The error in the comparatives will need to be amended and there is a risk to the opinion that officers will fail to apply the requirements of IAS 8 and the Code in correcting the prior year error.

Audit response

Foster care and adoption payments system

Last year, I identified weaknesses in the operation of key controls within foster care and adoption payments systems. These systems are designed to control expenditure of some £40 million per year.

My documentation and walkthrough of the foster care and adoption payments system this year has shown that there has been no improvement in operating controls that can be audited. This does not necessarily mean that there are no controls operating at all, but it does mean that there are no controls that I can vouch to provide audit assurance.

I will undertake tests of detail to check that payments made accord with the underlying documentation and are based on the correct rates and an up to date financial assessment of the recipient.

Testing strategy

My audit involves:

- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and

- maximise the work that can be undertaken before you prepare your accounting statements.
- The nature and timing of my proposed work is as follows.

Table 3: **Proposed work**

	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	<p>Evaluation of the effective design of the material financial systems used to produce the entries in the financial statements. Walkthrough testing of 18 systems and testing of controls of the following systems per the cyclical strategy:</p> <ul style="list-style-type: none"> ■ General Ledger; ■ Accounts Payable; ■ Accounts Receivable; ■ Payroll; and ■ Cash and Bank. 	Potential reliance on Internal Audit for the controls testing.	None	Substantive testing is to be completed for all material balances and disclosures in the financial statements.
Final visit	<p>School returns Year end system reconciliations</p>	None	<p>Pensions liabilities and assets – your actuary, Barnett Waddingham and my consulting actuary, PwC</p> <p>Valuation of property, plant and equipment – your</p>	<p>Audit work programme at directorates.</p> <p>Testing of all material accounts balances; the income and expenditure statement and forward balances and</p>

Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
		Valuer, Jones Lang LaSalle and my consulting Valuer, Gerald Eye	comparatives. All material disclosure notes. Internal consistency of the financial statements.

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts (WGA)

Alongside my work on the accounting statements, I will report to the National Audit Office on your WGA return for the year ended 31 March 2012. The National Audit Office specifies the work I undertake and the target date for submission of my report is 28 September 2012.

Value for money

I am required to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Council's arrangements is based on two criteria, specified by the Audit Commission. These relate to the Council's arrangements for:

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

I also have to consider 'proper practices' as defined in the Code of Audit Practice that all local authorities should have in place. There are ten areas of expected proper practices including arrangements for good governance; performance management; risk management and data quality. Auditors are required to assess any material changes in the proper practices if matters come to their attention.

Identification of risks

I have considered the risks that are relevant to my value for money conclusion. I do not consider any of the risks identified below as significant. I have identified risk areas that need to be considered to reach a conclusion and I will address each of these through my work.

I will report all my findings in the 2011/12 annual governance report. I do not consider any risks to require a separate audit report.

Table 4: Value for money risks

Risk	Audit response
Financial challenge The external financial environment remains a very challenging one with the savings targets continuing to increase in future years. The Council is	I will review key financial information to ensure the Council is well placed

Risk	Audit response
<p>on track to successfully deliver £95m of savings in its 2011/12 budget but is facing increasingly difficult tasks in reducing areas of spending. Members and officers will need to consider new ways of working and delivering services to meet the financial challenge.</p>	<p>to meet the continuing financial challenges it is facing. This will include:</p> <ul style="list-style-type: none"> • whether the assumptions set for the medium and long term financial planning are robust; • monitoring of its savings plans and whether these are sufficient to achieve £100 million saving required in 2012/13; • reviewing the work of the Budget Programme Board; and • reviewing equality impact assessment process used to support budget decisions.
<p>Changing public services agenda</p> <p>The government plans a number of significant changes to public services to which the Council will need to respond whilst maintaining and improving current service delivery.</p> <p>The Council's Medium Term Plan, Bold Steps for Kent, identifies some of the most significant of these changes on the Council's corporate financial and performance management arrangements including:</p> <ul style="list-style-type: none"> • the increased role in health and relationships with General Practitioners; • increased use of personal budgets; • mutualisation of service provision; • the establishment of the Kent and Greater Essex Local Enterprise Partnership; • the piloting of community budgets; and • the operation of the big society fund. 	<p>I will monitor any significant changes to the Council's operating environment and any impact on the Council's financial plans.</p>
<p>Value for Money probe</p> <p>In the challenging financial environment described above, the Council must ensure that it achieves value for money in all areas of service</p>	<p>Following a planning meeting with the Corporate Director of Finance and Procurement, I will review the arrangements within children's services to</p>

Risk	Audit response
<p>provision. The Corporate Director of Finance and Procurement has discussed with the Corporate Management Team potential areas where the Council might benefit from a more in-depth consideration of value for money. In considering these, I have identified two potential areas of significant expenditure which would be relevant to my VFM conclusion :</p> <ul style="list-style-type: none"> • preventative children's services and the impact of the cost on placements; or • reactive and proactive highways maintenance. <p>The Council is undertaking work in both these areas, as a result of the OFSTED inspection and re-letting of the Highway maintenance contract respectively.</p>	<p>understand how value for money is achieved.</p>
<p>New corporate governance arrangements</p> <p>The Council has adopted a new corporate governance structure during 2011/12 including the introduction of a hybrid model of governance, and a realignment of the officer structure.</p>	<p>Internal Audit's 2012/13 plan proposes a review of corporate governance. Subject to the scope and the timing of its work, I will seek to rely on this work for my VFM conclusion, supplemented as appropriate by;</p> <ul style="list-style-type: none"> • Interviews with members of corporate management and the Cabinet; • Review minutes of the joint corporate board meetings; and • Review of the process by which the Council has established its new structure and governance arrangements.
<p>Performance management</p> <p>The Council published 'Bold Steps for Kent' in December 2010. This is its medium term plan for the four years to 2014/15. In July 2011, the Council published a delivery framework for 'Bold Steps', setting out key priorities, milestones and key performance measures. Work is in progress to develop a rounded, robust performance monitoring suite to</p>	<p>Internal Audit's 2012/13 plan proposes a review of performance management. Subject to the scope and the timing of its work, I will seek to rely on this for my VFM conclusion, supplemented as appropriate by my own review of the developing performance management arrangements.</p>

Risk	Audit response
<p>track progress against the key priorities.</p> <p>Data quality and workforce</p> <p>In 2010/11 the Council's arrangements for safeguarding children was inspected. This raised concerns about operational practice (which is outside 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:</p> <ul style="list-style-type: none"> ■ 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 <p>Risk management</p> <p>The Council has refreshed its approach to risk management. Managerially, the responsibility for risk management has been assigned to a newly created post of Head of Risk. This area is being covered on an interim basis.</p>	<p>In the event that Ofsted reinspect the Council before I issue my VFM conclusion, I will consider their latest findings that are relevant to my responsibilities.</p>
<p>Risk management</p> <p>The Council has refreshed its approach to risk management. Managerially, the responsibility for risk management has been assigned to a newly created post of Head of Risk. This area is being covered on an interim basis.</p>	<p>Internal Audit's 2012/13 plan proposes a review of risk management. Subject to the timing of its work, I will seek to rely on this for my VFM conclusion, supplemented as appropriate by my own review of the Council's revised risk management arrangements.</p>

Key milestones and deadlines

The Council is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 31 July 2012.

Table 5: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	January to March 2012	Audit plan
Opinion: audit of directorate packs	May 2012	None
Opinion: receipt of accounts and supporting working papers	08 June 2012	None
Opinion: substantive testing	June 2012	Annual Governance Report
Value for money conclusion review	April - June 2012	Annual Governance Report
Present Annual Governance Report to the Governance and Audit Committee	26 July 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 31 July 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 6: **Audit team**

Name	Contact details	Responsibilities
Darren Wells District Auditor	d-wells@audit-commission.gov.uk 0844 798 6110	I am responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with senior officers and members of the Governance and Audit Committee.
Elizabeth Olive Audit Manager	e-olive@audit-commission.gov.uk 0844 798 1377	Manages and coordinates the different elements of the audit work. She is the key point of contact for the Corporate Director of Finance and Procurement.
Jeremy Jacobs Team Leader	j-jacobs@audit-commission.gov.uk 0844 798 6121	Leads the audit team on site in delivering the opinion audit.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationships that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguards to reduce the threat.

Table 1: Threats and safeguards

Threat	Safeguard
The mother of Ellie Dunnet, a Trainee Auditor, is a retired Head Teacher and governor at a Kent County Council school. She is currently Acting Head Teacher within an LA maintained school.	Ellie will not undertake or review any work relating to education or payroll in this area.
The wife of Daniel Woodcock, a Trainee Auditor, used to work within the estates team monitoring rental income. She left the Council in October 2011. In addition, Daniel's mother, currently works at Oakwood House.	Daniel will not undertake or review any work relating to rental income, Oakwood House or payroll of these areas.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £346,500, as set out in my letter of 28 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £346,500 which represents a 10 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

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Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Corporate Director of Finance and Procurement and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 2: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	346,500	385,000	(38,500)
Certification of claims and returns	20,865 ⁱ	10,933	9,932
Advice and Assistance – Review of Gateway	2,500	0	0
Total	369,865	398,433	(28,568)

ⁱ The 2011/12 claims fee is a proposed fee based on historical fee data and was set at the fee planning stage in April 2011. The fee in 2010/11 is less than anticipated as the number of claims and returns I audited has reduced. Therefore, the fee is likely to reduce for 2011/12 claims.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 3: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.
	The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively;
 - the accounting statements are complete when presented for audit; and
 - working papers supporting the statements are complete and provided to my audit team with the draft accounting statements
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely. The systems to be tested by Internal Audit were set out in the Audit Fee letter dated 28 April 2011.
- The Authority provides:
 - other information requested within agreed timescales; and
 - prompt responses to queries and draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

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

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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

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



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Audit plan

Any pension fund

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

I am pleased to present to you my Audit Plan. It includes my analysis of the key risks for the financial statements audit, my audit strategy and planned reporting timetable. Discussion of this plan with you ensures that I understand your concerns and you are clear on the intended scope of the audit, two key elements to ensure that I provide you with a high quality audit service. I will also share this plan with members of the Governance and Audit Committee at its meeting in April 2012.

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Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

My audit of the accounting statements does not relieve officers or members of the Superannuation Fund committee and the Governance and Audit Committee, of their responsibilities.

Accounting statements and Pension Fund Annual Report

I will carry out the audit of the pension fund accounting statements included within the Council's Statement of Accounts in accordance with International Standards on Auditing (UK and Ireland). I also report on the accounting statements included in the Pension Fund Annual Report.

Auditors issue audit reports giving an opinion on whether the accounting statements give a true and fair view. International Standards of Auditing require auditors to undertake sufficient testing to be satisfied for all material classes of transactions and balances that the following assertions are met.

Occurrence	Transactions and events that have been recorded have occurred and relate to the Pension Fund.
Completeness	All transactions and events that should have been recorded have been recorded.
Accuracy	Amounts and other information relating to recorded transactions and events have been recorded appropriately.
Cut off	Transactions and events have been recorded in the correct accounting period.
Classification	Transactions and events have been appropriately presented and categorised in the proper accounts.
Existence	Assets and liabilities exist.
Rights and obligations	The Pension Fund holds or controls the rights to assets and liabilities are the obligations of the Pension Fund.
Valuation and allocation	Assets and liabilities are included at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion. Materiality can be defined as:

‘information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.’

At the planning stage of the audit, I have calculated materiality as £16 million. I will use this to identify the material financial systems that produce the accounting entries in the 2011/12 financial statements and will reassess materiality on receipt of the draft financial statements in June 2012.

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Identifying audit risks

I need to understand the Pension Fund to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Fund, including assessing your own risk management arrangements;
- considering the financial performance of the Fund;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Fund’s information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements. A significant risk is a risk that requires special audit consideration, on the grounds that it is highly likely that the risk will be realised, and will result in a material misstatement in the financial statements. I have set these out below.

Table 1: **Significant risks**

Risk	Audit response
<p>Actuarial present value of retirement benefits</p> <p>The present value of retirement benefits is a material item in your financial statements. The complexities involved in the valuation means that there is a risk that the financial statements may be materially misstated.</p>	<p>Review of management arrangements for instructing the actuary and controls over information provided to the actuary.</p> <p>Procedures for reliance on the work of the actuary as an expert.</p> <p>Tests of detail on accounting entries and the IAS 26 valuation report.</p>
<p>Actuarial valuation of pension liability</p> <p>The actuarial valuation of the pension fund liability is a material accounting estimate in the financial statements. The actuary uses a number of assumptions to calculate this highly complex valuation. In addition, the valuation reports in 2010/11 were materially inconsistent for a small number of admitted bodies and revised valuations were provided by the actuary.</p>	<p>Review of management arrangements for instructing the actuary and controls over information provided to the actuary.</p> <p>Procedures for reliance on the work of the actuary as an expert.</p> <p>Tests of detail on accounting entries and the IAS 19 valuation report.</p>

Identification of specific risks

I have also considered the specific risks that are relevant to the audit of the accounting statements. A specific risk occurs where I identify a specific issue related to a particular item in the financial statements. I have set these out below.

Table 2: **Specific risks**

Risk	Audit response
<p>Valuation of freehold property</p> <p>The accounting for freehold property is a material accounting estimate. The portfolio is managed by DTZ and was valued by Colliers CRE at 31</p>	<p>Procedures for reliance on the work of the valuer as an expert.</p> <p>Tests of detail on accounting entries and the valuation report.</p>

Risk

March 2011 at £191 million.

Investment commitments

The pension fund has committed money to four private equity investments. These are equity securities in operating companies that are not publicly traded on a stock exchange.

Audit response

Procedures for reliance on the work of the expert in valuing the investments.

Tests of detail on accounting entries against the year end investment commitment reports.

Testing strategy

My audit involves:

- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

The nature and timing of my proposed work is as follows.

Table 3: Testing

	Review of internal audit	Reliance on the work of other auditors	Reliance on work of experts	Controls testing	Substantive testing
Interim visit	None	Pensions contributions – sample of auditors of admitted bodies	None	General ledger and AXISe pensions database.	None
Final visit	None	None	Pensions liabilities – Barnett Waddingham, and my consulting actuary, PwC; Valuation of direct property investments – DTZ and Colliers CRE, and my consulting valuer, Gerard Eve;	None	All material accounts balances and amounts Year-end feeder system reconciliations Investments
			Valuation of unquoted investments.		

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Pension Fund Annual Report

I will also review and report on the accounting statements included in the Pension Fund's Annual Report prepared under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

Key milestones and deadlines

Kent County Council as the administering authority is required to prepare the accounting statements by 8 June 2012. I aim to complete my work and issue my opinions on the accounting statements included in the Statement of Accounts and the Pension Fund Annual Report by end July 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February and April 2012	
Opinion: receipt of accounts and supporting working papers	8 June 2012	
Opinion: substantive testing	11 – 29 June 2012	
Present Annual Governance Report at the Governance and Audit Committee	26 July 2012	Annual Governance Report
Issue opinion on accounting statements included in the Statement of Accounts	By end July 2012	Auditor's report
Present Annual Governance Report at the Kent Superannuation Fund Committee	31 August 2012	Annual Governance Report
Issue opinion on accounting statements included in the Pension Fund Annual Report	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Darren Wells District Auditor	d-wells@audit-commission.gov.uk 07748 760569	Responsible for the overall delivery of the audit including quality of reports, signing the opinion and reporting the outcomes to members.
Elizabeth Olive Audit Manager	e-olive@audit-commission.gov.uk 07779 338056	Manages and coordinates the different elements of the audit work. Key point of contact for the Corporate Director of Finance and Procurement and Head of Financial Services.
Harpal Singh Pensions Team Leader	h-singh@audit-commission.gov.uk 07791 022119	Manages the day to day delivery of audit work from the team during the audit visits. Key point of contact for the Treasury and Investments Manager.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £49,170 as set out in my letter of 27 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £49,170 and this fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the following assumptions. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee:

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively; and
 - I secure the co-operation of other auditors.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 8 June 2012;
 - the full text of the Pension Fund Annual Report by 1 August 2012;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

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Table 6: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Glossary

Accounting statements

The Pension Fund accounts included within the annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Fund in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Governance Statement

The annual report on the Fund's systems of internal control that supports the achievement of the Fund's policies aims and objectives.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to the Governance and Audit Committee before the auditor issues their opinion.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

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Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Internal control

The whole system of controls, financial and otherwise, that the Pension Fund establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

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

Pension Fund Annual Report

The annual report, including accounting statements, that the Pension Fund must publish under Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

Those charged with governance

Those entrusted with the supervision, control and direction of the Pension Fund. This term includes the members of the Council, the Kent Superannuation Fund Committee and the Governance and Audit Committee.

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

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



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

To: Governance and Audit Committee – 18 April 2012

Subject: Revised Accounting Policies

Classification: Unrestricted

Summary: This report asks Members to approve the revised accounting policies.

FOR DECISION

1. The CIPFA Code of Practice requires authorities to follow International Accounting Standard 8 (IAS 8) - *Accounting Policies, Changes in Accounting Estimates and Errors*. Accounting policies are defined as "... the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements".
2. Last year, as a result of moving to IFRS, the majority of our accounting policies had to be rewritten. This year, amendments and revisions are needed in respect of accounting for Heritage Assets and the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. These are new requirements for the 2011/12 statement of accounts and therefore new accounting policies have been drafted, derived from the Code of Practice Guidance Notes prepared by the Chartered Institute of Public Finance Accountants.

3. Recommendation

Members are asked to approve the additions and amendments to the accounting policies as presented.

Cath Head
Head of Financial Management
Ext: 1135

Emma Feakins
Chief Accountant
Ext: 4634

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Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets above our de minimus of £10k are recognised in the balance sheet wherever possible at valuation or cost. In most cases, insurance valuations are used. However, the unique nature of many heritage assets makes valuation complex and so where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, they are not recognised in the balance sheet but comprehensive descriptive disclosures are included in the statement of accounts.

Depreciation

Depreciation is calculated on a straight-line basis over each asset's useful economic life and is charged to the relevant service revenue account in the year following completion of the asset.

The periods over which assets are depreciated are as follows:

Land	- nil
Buildings	-useful life as determined by the valuer
Vehicles, plant and equipment	- 3 - 15 years
Roads & other highways infrastructure	- 20 years
Community assets	- nil
Assets under construction	- nil
Investment properties, Assets Held for Sale	- nil
Heritage Assets	- nil

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Property will be split into five components:

Land
Structure
Mechanical and Electrical
Fixtures and Furnishings
Temporary Buildings

These components are a significant value of the asset as a whole and have significantly different useful lives.

In determining the extent to which we apply componentisation we have taken into consideration the material impact of not componentising assets within individual asset classes below a certain threshold. More detail on this can be found under the estimation techniques note on page x.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which

will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide as energy is used. As carbon dioxide is emitted a liability and an expense is recognised. The liability will be discharged by surrendering allowances. The liability is measured as the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the cost of the Authority's services and is apportioned to services on the basis of energy consumption.

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 18th April 2012
Subject: ANTI-FRAUD AND CORRUPTION
PROGRESS REPORT
Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity as well as the outcome of irregularity investigations concluded since the last Governance and Audit Committee meeting in November 2011.

FOR ASSURANCE

Introduction and Background

1. Within Kent County Council the responsibility for anti-fraud and corruption 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.

Overview of Progress

2. In January 2012 a temporary Counter Fraud Officer was recruited and this has allowed Internal Audit to further develop the anti-fraud and corruption programme. The following activity has been completed since November 2011:
 - The whistleblowing and expense procedures have been reviewed and recommendations have been made to assist in the interpretation of these policies during investigations. In addition, we are working with Human Resources to review the managing attendance, disciplinary and salary overpayment procedures.
 - A Training Needs Analysis has been completed and a programme of activity to strengthen the anti-fraud culture and deterrent affect has been prepared.
 - Internal Audit continues to co-ordinate the review of matches produced by the Audit Commission's National Fraud Initiative.
 - Initial planning for blue badge enforcement opportunities has been completed which included consulting with the Parking Managers from this council and the district councils to gauge their support.
 - Fraud awareness presentations have been provided to staff involved in the administration of personal budgets.
 - The January edition of KMag featured an interview with the Counter Fraud Manager and the Intranet has been updated with useful information to combat fraud.

- General advice has been provided in relation to laptop thefts, counterfeit blue badges, supported living care providers, false invoices and Direct Payment irregularities.
3. In relation to future counter fraud activity we have compiled a fraud risk universe and considered the highest areas of risk for a County Council. This risk assessment has included research, analysis of previous irregularities, and discussion with neighbouring authorities around current and emerging fraud risks. Based on this work we have identified that procurement, personalised budgets, grants, blue badges, declarations of interest and expenses are areas susceptible to fraud and therefore we will be undertaking work in 2012/13 to review these areas and where possible minimise any fraud risks. This activity is detailed in the 2012-13 internal audit plan.

Irregularities

4. Since the last Governance and Audit Committee nine irregularities remain open and twelve have been concluded. A summary of the concluded cases is set out in appendix A.
5. Emerging themes for these allegations include staff continuing in outside employment while reporting unfit for work and on this basis we are working with Human Resources to review the Managing Attendance policy. We have attempted to investigate several pension overpayments where the scheme member has died but payments have continued to be paid and withdrawn by a third party. We have been unable to progress these investigations because we have no authority to compel the banks to provide information. We have recommended that the pensions team seek legal advice on civil recovery options and will continue to pursue similar incidents with other agencies. Finally, there has been an increase in instances where staff have reported potential misuse of Blue Badges. Whilst this is not directly the responsibility of KCC we are exploring multi-agency enforcement activity to support the district councils.

Recommendations

6. Members are asked to note:
 - the progress of anti-fraud and corruption activity; and
 - the assurance provided in relation to anti-fraud culture and fraud prevention / investigation activity.

Paul Rock
Counter Fraud Manager
Ext: 4649

Details of Irregularity Investigations Concluded between November 2011 and March 2012

Ref	Directorate	Allegation	Outcome	Recommendations
826	BSS	The National Fraud Initiative identified that a scheme member's pension had incorrectly continued after the death of the scheme member and the monies had been withdrawn from the account. The total overpayment was £3359.56. The next of kin was identified by the Pensions Team however they refused to cooperate and stated they were unable to repay the money.	<ul style="list-style-type: none"> • Unable to progress this matter further because the bank refused to cooperate and provide details of the account withdrawals. • Due to a lack of legal power we are unable to compel the banks to cooperate. 	We have recommended that the Pension Team seek legal advice regarding civil recovery options. We will continue to work with Pensions to pursue allegations via other agencies.
831	BSS	The National Fraud Initiative identified that a scheme member's pension had incorrectly continued after the death of the scheme member and the monies had been withdrawn from the account. The total overpayment was £3399.01	<ul style="list-style-type: none"> • Unable to progress this matter further because the bank refused to cooperate and provide details of the account withdrawals. • Due to a lack of legal power we are unable to compel the banks to cooperate. 	We have recommended that the Pension Team seek legal advice regarding civil recovery options. We will continue to work with Pensions to pursue these allegations via other agencies.
825	BSS	A member of staff was alleged to have continued with her self employment while absent from work due to illness.	<ul style="list-style-type: none"> • Investigation substantiated some supporting evidence of a breach of KCC policy. • Member of staff was interviewed. • Subsequently the member of staff resigned prior to any further action. 	We are working with Human Resources to review the Managing Attendance policy.
827	C&C	A member of library staff was alleged to be securing business for his own IT company while acting in an official capacity as a library assistant. Furthermore, it was alleged he was continuing with his self employment while absent from work due to illness.	<ul style="list-style-type: none"> • Only very limited evidence was discovered. • Referred to management to consider informal management action, which they agreed and have completed. 	We are working with Human Resources to review the Managing Attendance policy.

Ref	Directorate	Allegation	Outcome	Recommendations
830	C&C	Allegations were received from Maidstone Borough Council (MBC) that a Blue Badge user had produced copies of his badge and distributed them to members of his family for their own use.	<ul style="list-style-type: none"> Investigation substantiated that on the balance of probabilities a copy of a badge issued to the user had been displayed in a vehicle owned by a family member. A Penalty Charge Notice was issued by MBC. A warning letter was issued by KCC to the Blue Badge user. 	The counter fraud team will be reviewing the application process for Blue Badges and will be exploring multi-agency enforcement exercises to support district councils in minimising Blue Badge scheme abuse.
832	FSC	Information received that a Direct Payment client was not as severely incapacitated as he had claimed. The client was injured as a result of a Road Traffic Accident involving an uninsured driver in 2005. Subsequent action by the Motor Insurance Bureau in the High Court had proven that the injuries sustained and the degree of ongoing incapacitation had been exaggerated.	<ul style="list-style-type: none"> Evidence of actual level of physical ability was provided by the Motor Insurance Bureau. Client's care package was reviewed and a reduced care package was awarded. The new care package is a substantial reduction in payments from £15,765 to £5,921 per annum, a saving of £9,844.p.a. Both criminal sanctions and civil recovery of any losses were considered but due to the burden of proof and the client's financial situation neither appeared viable. 	The counter fraud team will be reviewing the application and assessment processes for personal budgets in 2012/13 and we will consider what (if any) changes could be made to reduce the risk of fraud in the future.
815	BSS	Allegations that a member of staff had exaggerated their expense claims and record of hours worked.	<ul style="list-style-type: none"> Investigation identified some supporting evidence. Member of staff was interviewed. Disciplinary hearing held and a final written warning was issued with a requirement to repay the money. 	In response to this and other similar investigations we reviewed the expenses procedures and have made recommendations to support the investigation of similar incidents.
818	FSC	A Community Support Worker was alleged to have been regularly absent	<ul style="list-style-type: none"> Limited evidence of incorrect mileage claims. 	In response to this and other similar investigations we reviewed the

Ref	Directorate	Allegation	Outcome	Recommendations
		from duty without authority and was submitting false claims for expenses.	<ul style="list-style-type: none"> Poor time keeping and inaccurate work records were identified Member of staff interviewed. Disciplinary hearing held and a 2nd level warning letter issued. 	expenses procedures and have made recommendations to support the investigation of similar incidents.
821	ELS	Allegations were received indicating that a Head Teacher had been using the school's purchase card and other school funds for personal items. The individual was also alleged to have paid a member of their family for voluntary services and submitted false claims for expenses.	<ul style="list-style-type: none"> Investigation identified some evidence to support the allegation. Referred to the police who were unable to progress the case. At this stage of the investigation the employee had left KCC employment. In accordance with KCC policy, the individual was informed of the allegations and invited to attend a number of meetings to discuss the allegations, which they failed to attend. Without police input the options to pursue these allegations was limited. We recommended that KCC inform the appropriate professional body. 	Internal Audit is working with the Schools Financial Service to improve financial standards in schools and to address areas susceptible to fraud which will include closer monitoring of purchase cards, order and receipting procedures and asset registers.
836	FSC	Internal Audit was alerted to a small purchase card expenditure that had no corresponding order or receipt and we were asked to investigate the circumstances.	<ul style="list-style-type: none"> Prior to the conclusion of the investigation the reason for the purchase was identified and validated. No evidence of fraud. Briefly reviewed the controls in place which were adequate but unfortunately not followed in this isolated instance. 	The controls appeared adequate and we were unable to recommend any further changes to minimise the risk of similar incidents.
833	FSC	£400 was reported missing from an imprest fund and the counter fraud team were requested to investigate the	<ul style="list-style-type: none"> Investigation was unable to substantiate the identity of the perpetrator. 	Prior to the conclusion of the investigation the local procedures had been changed and the counter fraud

Ref	Directorate	Allegation	Outcome	Recommendations
		circumstances.		team were satisfied that all reasonable steps had been taken to minimise future risks.
824	C&C	A member of staff was alleged to have used the KCC postal service (external) to post items sold privately via an auction website.	<ul style="list-style-type: none"> • The preliminary investigation confirmed one incident. • Evidence was referred to the management to pursue a disciplinary. • Disciplinary hearing was held and the member of staff was dismissed for gross misconduct (with notice). 	No recommendations were required.

By: John Simmonds, Cabinet Member for Finance and Business Support
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 18 April 2012

Subject: **Audit Commission: Progress report on appointment of external auditor**

Classification: Unrestricted

Summary: An update on the outsourcing of audit services by the Audit Commission.

FOR INFORMATION

Introduction

1. The Audit Commission Act 1998 requires the Audit Commission (“Commission”) to appoint auditors to local public bodies. In August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission and the intention to transfer the Commission’s in house Audit Practice to the private sector. In due course the residual element of the Commission would be abolished.
2. 70% of the audits of principal bodies currently delivered by the Commission’s in house audit practice were put out to tender for 2012/2013 and ongoing audits. This work was offered in ten lots covering all types of audited body in defined geographical contract areas.

Issues for Committee to note

3. On 6 March 2012, the Commission wrote to the Corporate Director of Finance and Procurement confirming the award of the ten geographical area contracts to four firms. For the London (South), Surrey and Kent area the contract was awarded to Grant Thornton LLP.
4. The contract has been awarded for a period of five years following consultation by the Commission with key stakeholders in different sectors and across government.
5. The Commission will write to us shortly after 23 April 2012 to formalise the appointment of our permanent auditor for 2012/13 and subsequent years. As the Commission’s in house Audit Practice currently undertake the Council’s audit, Grant Thornton LLP will be proposed as the appointed auditor for Kent County Council.

6. The Commission is arranging a series of introductory meetings in each contract area in early May to give audited bodies an opportunity to meet the new firm proposed and its senior partners and hear how the new firm plans to manage its new portfolio and its approach to the audits. Audited bodies will have the opportunity to object to the proposed appointment by 25 May 2012 providing good reasons why the appointment should not be made.
7. Grant Thornton LLP is a well established audit practice that audits over 6000 entities annually. It is likely that many staff will transfer from the Commission's existing audit practice to Grant Thornton. At this stage, prior to the provision of more information and the commencement of the consultation process, there is no reason to raise an objection to the appointment of Grant Thornton as the auditors of Kent County Council.

Recommendations

8. Members of the Committee are asked to note the Commission's award of the audit contract for the London (South), Surrey and Kent region to Grant Thornton LLP.

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