

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 25th September, 2012

2.00 pm

Darent Room, Sessions House, County Hall, Maidstone



AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Tuesday, 25th September, 2012, at 2.00 pm
Darent Room, Sessions House, County Hall, Maidstone

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

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

Membership (13)

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

Liberal Democrat (1): Mr T Prater

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UNRESTRICTED ITEMS

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

1. Introduction/Webcasting
2. Substitutes
3. Declarations of Interest in items on the agenda for this meeting
4. Minutes - 26 July 2012 (Pages 1 - 8)
5. Committee Work and Member Development Programme (Pages 9 - 12)
6. Presentation on Risk Management (Pages 13 - 14)
7. Update on Savings Programme (Pages 15 - 16)
8. Review of KCC's Risk Management Policy and Programme (Pages 17 - 32)
9. Treasury Management Update (Pages 33 - 40)

10. KCC Annual Complaints, Comments and Compliments Report (Pages 41 - 64)
11. Internal Audit Progress Report (Pages 65 - 82)
12. Internal Audit Benchmarking Results (Pages 83 - 90)
13. Anti Fraud and Corruption Progress Report (Pages 91 - 96)
14. Review of the Committee Terms of Reference (Pages 97 - 104)
15. Local Audit Bill (Pages 105 - 120)
16. 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

Monday, 17 September 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.

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 26 July 2012.

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

ALSO PRESENT: Mr R W Gough, Mr A J King, MBE and Mr J D Simmonds

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Mrs C Head (Chief Accountant), Miss E Feakins (Directorate Accountant), Mr G Wild (Director of Governance and Law), Mrs A Beer (Corporate Director of Human Resources), Ms N Major (Interim Head of Internal Audit), Mr R Strawson (Trading Standards Manager (West)) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Ms E Olive from the Audit Commission.

UNRESTRICTED ITEMS

18. Membership

(Item 2)

The Committee noted the appointment of Mr J Tansley in place of Ms A Hohler.

19. Minutes

(Item 5)

RESOLVED that:-

- (a) the Minutes of the meeting held on 18 April 2012 are correctly recorded and that they be signed by the Chairman; and
- (b) the draft Minutes of the meeting of the Trading Activities Sub-Group meeting held on 4 July 2012 be noted.

20. Dates of meetings in 2013

(Item 6)

The Committee noted the following meeting dates in 2013:-

Thursday, 11 April 2013;
Wednesday, 24 July 2013;
Tuesday, 24 September 2013; and

Wednesday, 18 December 2013.

21. Committee Work and Member Development Programme

(Item 7)

- (1) The Interim Head of Internal Audit proposed an updated forward committee work and Member development programme. This included training for the Trading Activities Sub-Group in relation to the Local Government Act 2003 Trading Order.
- (2) RESOLVED that approval be given to the forward work programme to July 2013 and to the additional proposed training for 2012/13.

22. External Audit Governance and Audit Committee Update June 2012

(Item 8)

- (1) Ms E Olive from the Audit Commission gave an update against the 2011/12 Audit Plan together with recent updates from the Audit Commission.
- (2) Ms Olive reported in respect of the certification of claims and returns that the two local transport plan claims had been audited in June 2013 and that the school centred initial teacher training claim and the teachers' pensions return would be audited in September and October.
- (3) RESOLVED that the report be noted together with the progress against the 2011/12 Audit Plan.

23. External Audit - Annual Governance Report 2011/12

(Item 9)

- (1) Mr D Wells from the Audit Commission introduced the report. He said that he expected to issue an unqualified audit opinion in respect of the County Council's financial statements and to conclude that it had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. He expected to complete outstanding work by the end of September 2012 and to issue his certificate by 5 October.
- (2) The Committee expressed its appreciation for the work of the Finance and Procurement Group and to everyone else who had enabled the speedy provision of a clean audit in an authority the size of Kent County Council.
- (3) RESOLVED that:-
 - (a) the adjustments to the financial statements be noted as set out in Appendices 2 and 3 of the Annual Governance Report;
 - (b) approval be given to the letter of representation (set out at Appendix 4) on behalf of the County Council before the Audit Commission issues its opinion and conclusions; and

- (c) the proposed action plan be agreed as set out on Appendix 6.

24. Draft Statement of Accounts 2011/12

(Item 10)

(1) The Corporate Director of Finance and Procurement reported the draft Statement of Accounts for 2011/12. He drew particular attention to the local authority accounting requirements which specified that the County Council retained its PFI liabilities for Academies, Voluntary Aided and Foundation Schools but could not count them as an asset.

(2) RESOLVED that approval be given to the Statement of Accounts for 2011/12 and that the recommendations made in the Annual Governance Statement be noted.

25. Treasury Management Annual Review

(Item 11)

(1) This report summarised Treasury Management activities in 2011/12.

(2) RESOLVED that approval be given to the Treasury Management Annual Review 2011/12 for submission to the County Council.

26. Update on Change to Keep Succeeding

(Item 12)

(1) The Cabinet Member for Business Strategy, Performance and Health Reform and the Corporate Director Human Resources reported on the completion of appointments to the senior level of the new operating framework and the changes to staffing across the Authority since April 2011.

(2) RESOLVED that the report be noted for assurance and that future reports be provided on an ad hoc basis, as a result of either significant change in the programme or at the specific request of the Committee.

27. Debt Management

(Item 13)

(1) The Head of Financial Services gave a report on the general direction of travel of the County Council's debt position, concentrating mainly on debt over 6 months old.

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

28. Annual RIPA Report on Surveillance and other activities carried out by KCC between January 2011 and March 2012

(Item 14)

(1) This report outlined the work undertaken in 2011 and the first three months of 2012 by KCC Officers and other activities governed by the Regulation of Investigatory Powers Act 2000 (RIPA).

(2) Approval for a change to agreed policies was sought because Environmental Crime Officers (ECOs) within the Environment, Highways and Waste Directorate had identified a need to be able to seek communications data in the course of their criminal investigations. This need arose as a result of instances when ECOs had found piles of fly tipped rubbish containing telephone numbers but not addresses. Access to details of the owners of these telephone numbers was, therefore, the only means of investigating these crimes. As ECOs were lawfully entitled to the same access to communications data as Trading Standards Officers, it was proposed that the policy should be amended accordingly.

(3) RESOLVED that:-

- (a) the use of the powers under RIPA from January 2011 to March 2012 be noted for assurance; and
- (b) endorsement be given to the minor change in policy set out in paragraph (2) above.

29. Internal Audit Annual and Progress Report

(Item 15)

(1) This report summarised the output of the Internal Audit annual plan, provided the opinion on the County Council's system of internal control and provided commentary on the performance of the Internal Audit section.

(2) The Interim Head of Internal Audit proposed a revised table of five Assurance Levels: High, Substantial, Adequate, Limited, and No Assurance. This was agreed.

(3) RESOLVED that:-

- (a) the Internal Audit Annual be noted for assurance; and
- (b) approval be given to the amendments to assurance levels and definitions for audit and recommendation priorities as set out in Appendix 2 of the report.

30. Anti-Fraud and Corruption Progress Report

(Item 16)

(1) This report provided a summary of progress of anti-fraud and corruption activity since the last meeting of the Committee in April 2012.

(2) RESOLVED that:

- (a) the self assessment against CIPFA's Red Book "Managing the Risk of Fraud" be noted as set out in Appendix A of the report; and
- (b) the summaries of concluded be noted as set out in Appendix B of the report.

31. Anti Fraud and Corruption Strategy

(Item 17)

- (1) This report provided a summary of proposed amendments to the County Council's Anti-Fraud and Corruption Strategy.
- (2) RESOLVED that approval be given to the revised Anti-Fraud and Corruption Strategy set out Appendix A of the report.

32. Protocol relating to companies in which KCC has an interest

(Item 18)

- (1) This report invited the Committee to approve a number of proposed minor amendments to the Protocol, following an officer review and subsequent consideration by the Trading Activities Sub-Group on 4 July 2012.
- (2) In agreeing the recommendations, the Committee expressed the wish that consideration should be given to amending the Protocol to include Limited Liability Partnerships and Joint Arrangements that are Not an Entity (JANEs).
- (3) RESOLVED that approval be given to the minor amendments to the *Protocol relating to Companies in which KCC has an Interest* as set out in paragraphs 4,5,6 and 7 of the report and incorporated in the updated version of the Protocol set out at Appendix 2 of the report.

EXEMPT ITEMS

(Open access to Minutes)

The Committee resolved under Section 100A of the Local Government Act 1972 to exclude the public from the meeting for the following business on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 2,5 and 7 of Part 1 of Schedule 12A of the Act.

33. Update on Kent Cultural Trading (oral report)

(Item 21)

- (1) The Interim Head of Internal Audit reported the ongoing investigation into the activities of Kent Cultural trading Ltd. She explained that the Committee Members

needed to be aware that this work was taking place and that a full report would be presented to the Committee at the earliest opportunity.

(2) RESOLVED that the report be noted.

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

To: Governance and Audit Committee – 25 September 2012

Subject: **COMMITTEE WORK & MEMBER DEVELOPMENT PROGRAMME**

Classification: Unrestricted

Summary: This report provides an updated forward committee work and member development programme.

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.
2. In addition on 18 April 2012, the Committee agreed a training programme for 2012-13 and that a proposed 2013-2014 post election training programme would be presented to the April 2013 Committee for consideration.

Current work programme

3. Annex 1 shows the latest programme of work for the Committee, up to September 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.
4. The programme has been updated to reflect requests made from Committee members for additional reports on specific items of interest.

Member Development programme

5. As agreed on 18 April 2012, for 2012-13 risk management training is being provided at this Committee meeting.
6. In addition Governance & Audit Committee Trading Activities Sub Group will be provided with training on the Local Government Act 2003 Trading Order (including best practice requirements for a robust business case and business plan) on 28 September 2012.

Recommendations

7. It is recommended that Members:
 - approve the forward work programme to September 2013 to meet the Committee's Terms of Reference;

- identify any additional items that members would wish to include.

Appendices

Annex 1 Committee work programme

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Category / Item	Owner	Sep-12	Dec-12	Apr-13	Jul-13	Sep-13
Secretariat						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	NM	✓	✓	✓	✓	✓
Member Development Programme	NM	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	RH		✓		✓	
Review of the Risk Management Strategy, Policy and Programme	RH	✓				✓
Report on Insurance and Risk Activity	NV		✓			
Treasury Management quarterly report	NV	✓	✓	✓		✓
Treasury Management Annual Report	NV				✓	
Ombudsman Complaints	GW	✓				✓
Annual Complaints Report	DC	✓				✓
Update on Savings programme	AW	✓		✓		✓
Annual report on 'surveillance' activities carried out by KCC	MR				✓	
Corporate Governance						
Progress update on Change to Keep Succeeding	AB	Adhoc as requested				
Update on development of Statements of Required Practice.	DW			✓		
Annual review of Terms of Reference	NM	✓				✓
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	Sep-12	Dec-12	Apr-13	Jul-13	Sep-13
Internal Audit						
Internal Audit Progress Report	NM	✓	✓	✓		✓
Internal Audit Annual Report	NM				✓	
Internal Audit Benchmarking Results	NM	✓				✓
Internal Audit Strategy and Annual Plan	NM			✓		
Review of Charter of Internal Audit	NM				✓	
External Audit						
External Audit Update	NM	✓	✓	✓	✓	✓
External Audit Governance Report	NM				✓	
External Audit Annual Audit Letter	NM		✓			
External Audit Certification of Claims and Returns Report	NM			✓		
Effectiveness of Internal and External Audit Liaison	NM		✓			
External Audit Annual Plan & Fee	NM			✓		
External Audit Pension Fund Plan & Fee	NM			✓		
Financial Reporting						
Statement of Accounts & Annual Governance Statement	AW				✓	
Revised Accounting Policies	CH			✓		
Fraud						
Anti-fraud and anti-corruption compliance with CiPFA Red Book	NM				✓	
Review of the Anti-fraud and anti-corruption Strategy	NM				✓	
Anti-Fraud and Corruption Progress Report	NM	✓	✓	✓	✓	✓

By: Richard Hallett – Head of Business Intelligence,
Performance and Risk.

To: Governance and Audit Committee – 25 September 2012

Subject: **RISK MANAGEMENT PRESENTATION**

Classification: Unrestricted

Summary: To receive a presentation from the Head of Business Intelligence, Performance and Risk as part of the agreed Member Development Programme for 2012-13.

For Information

Detail:

1. At the meeting of the Governance and Audit Committee which took place on the 18 April 2012 the Committee discussed the Member Development Programme and sought to identify training needs or areas of particular interest that the committee would wish to receive information on.
2. One of the training areas identified was the role of the Committee in identifying and monitoring risk and it was agreed that a briefing be received in September 2012 focussing on Risk Management and the role of the Committee in the Council's arrangements.
3. The training presentation will be delivered by Mr Richard Hallett, Head of Business Intelligence, Performance and Risk and Mr Mark Scrivener, Corporate Risk Manager. Slides will be available for members at the meeting, and published on the internet after the meeting.
4. This item is for information and training purposes only and requires no decision from the Committee.

Recommendation:

That the Committee notes the information provided in the presentation.

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

To: Governance and Audit Committee - 25 September 2012

Subject: **Update on savings programme**

Classification: Unrestricted

Summary: This report sets out the progress on delivering savings in 2012/13.

FOR ASSURANCE

INTRODUCTION

1. The savings agenda provides both the backdrop to how KCC will develop over the next few years and presents a delivery challenge to the organisation. A report on the budget process to this Committee in June 2011 set out the approach by which savings were developed and monitored, namely:
 - a. the allocation of savings to named Officers;
 - b. the preparation of Project Initiation Documents (PIDs);
 - c. "RAG"¹ rating of the savings and resultant management action;
 - d. Reporting via the Council's well developed revenue budget monitoring processes.

BACKGROUND

2. The success of the savings programme (some £95 Million against a 2011/12 net budget of £909 Million) is evident in the final outturn for 2011/12, which witnessed a revenue underspend of £8.242 Million. It should be noted that many of the PIDS covered multiple financial years, reflecting the effort needed to change business operations while still delivering essential services.

2012/13 Position

3. The MTFP saving target for 2012/13 is £100 Million. The process described above has largely been replicated, including the requirement for all savings over £200k to have a PID. The PID Surgery approach undertaken for 2011/12 was not repeated but

¹ "Red, Amber, Green"

a similar challenge exercise was carried out through the Budget Programme Board. There are currently around 70 PIDs, many of which were established in 2011/12.

- The last report to this Committee on savings progress stressed the importance of monitoring the overall budget to ensure that we deliver against the agreed bottom line target. Consequently progress against savings is now best reflected in the recent Quarter One report to Cabinet on September 17th:

2012-13 REVENUE MONITORING

Portfolio	Budget	Gross Variance	Proposed Management Action	Net Variance
	£k	£k	£k	£k
Education, Learning & Skills	+61,641	+325	-325	0
Specialist Children's Services	+154,358	+5,295	0	+5,295
Adult Social Care & Public Health	+337,025	-3,474	0	-3,474
Environment, Highways & Waste	+155,294	-2,228	0	-2,228
Customer & Communities	+82,199	-462	0	-462
Regeneration & Economic Development	+3,670	0	0	0
Finance & Business Support	+63,567	-3,699	0	-3,699
Business Strategy, Performance & Health Reform	+56,262	+1,020	-946	+74
Democracy & Partnerships	+7,547	-74	0	-74
TOTAL (excl Schools)	+921,563	-3,297	-1,271	-4,568
<i>Schools (ELS portfolio)</i>	<i>0</i>	<i>+1,902</i>	<i>0</i>	<i>+1,902</i>
TOTAL	+921,563	-1,395	-1,271	-2,666

- This shows that the non-schools projected outturn for March 2013 is an underspend of approximately £4.6 Million. From this it is clear that the savings agenda in Specialist Children's Services is currently "Red" although it should be noted that there are a series of management actions in place to address the situation.
- The above also shows that there are significant underspends projected in some Portfolios. Where these do not relate to PIDs – for example waste tonnage or capital financing costs – an exercise is underway to "right size" the 2012/13 budget in order to help reduce future years' savings targets.

SUMMARY

- Members are requested to note the report for Assurance.

Contact Officer:

Paul McCallum, Finance & Procurement

Paul.Mccallum@kent.gov.uk

01622 696783 (x6783)

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

To: Governance and Audit Committee – 25th September
2012

Subject: **Review of KCC's Risk Management Policy and
Programme**

Classification: Unrestricted

Summary:

The Governance and Audit Committee is responsible for the annual review of the Council's Risk Management Policy and Programme of work.

The Governance and Audit Committee is asked to approve the revised Risk Management Policy and note the progress of the programme of work to date.

FOR DECISION

1. Introduction and background

- 1.1 As part of the Governance & Audit Committee's terms of reference, KCC's Risk Management Policy and work programme is reviewed annually to ensure that it remains up to date and relevant.
- 1.2 The recently published audit of risk management arrangements gave opinion that the Risk Management Policy approved in November 2011 was adequate, and that there was a comprehensive risk management strategy in place. Therefore, the revisions made to the attached policy are relatively minor, ensuring alignment to the new KCC governance arrangements. For ease of reference, the changes to the Policy are featured in **bold underline**.

2. Programme of Work 2012/13

- 2.1 The recently published Internal Audit report on risk management highlighted some inconsistencies in the application of formal risk management arrangements. A work plan has been established to address these and key elements are highlighted below.
- 2.2 A small dedicated Risk Management team is now in place to take this agenda forward. A Corporate Risk Manager was appointed in May and both Risk Monitoring Officers have been in post since mid-June. Since the audit, the Risk Management Team has completed the following work:
 - The Corporate Risk Register was updated following the CMT / Cabinet risk workshop in spring 2012, and circulated to CMT, Cabinet members and Governance & Audit Committee members.
 - Risk Management guidance has been reviewed and updated, including production of a Management Guide to Risk Management, replacing the previous Statement of Required Practice. A series of quick reference guides for managers now feature on a revamped KNet site, to complement an updated risk management toolkit.

- Risk Management training has been re-established for Members and Officers. Officer training is now part of the *Kent Manager* programme, with the first of a new set of webinars scheduled for 11th October. An eLearning package will be available from the end of 2012.
 - A Risk Management database has been procured and is being configured for roll-out, with piloting to begin in September. This will facilitate more 'real time' updating of risk information.
 - Risk reporting arrangements have been re-established, to fit with the new governance arrangements;
 - The team has been giving support and advice to Directorate & Divisional Management Teams to facilitate the re-establishment / refresh of divisional & directorate risk registers;
 - A risk management session with Cabinet and Corporate Management Team is scheduled for the autumn, to facilitate review and refresh of the Corporate Risk Register.
 - The team has been liaising with other Local Authorities and public sector bodies to look for best practice.
- 2.4 The Corporate Risk Manager is liaising with other areas of the Council where risk specialisms operate i.e. Business Continuity, Anti-Fraud, Health and Safety etc., to ensure alignment of approach where possible.
- 2.5 Links with Internal Audit will be maintained to share intelligence on risk that will inform the preparation of the Annual Audit Plan.
- 2.6 Cabinet Members have considered the refreshed policy and now seek Governance and Audit Committee approval for its implementation. A copy of the refreshed Risk Management Policy is presented with this covering report.

3. Recommendations

- 3.1 That Members of the Governance and Audit Committee, on behalf of the County Council, APPROVE the Risk Management Policy for the coming year.
- 3.2 That Members NOTE the progress of the risk management programme presented in this report.

Richard Hallett, Head of Business Intelligence, Performance & Risk

Richard.hallett@kent.gov.uk

Tel: 01622 694134

Contact Officer

Mark Scrivener

Corporate Risk Manager

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Risk Management Policy 2012/13

DRAFT – Subject to Governance & Audit Committee approval.

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Policy Owner / Author

Version control

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- 2. Mandate and commitment**
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- 7. Governance of Risk Management**
- 8. Overview of the Risk Management Framework and Process**
- 9. Risk Appetite, Tolerance & Escalation**
- 10. Training on Risk Management**
- 11. Review of this Policy**

Appendix 1: Risk Management Governance Structure

Appendix 2: Roles and Responsibilities

POLICY OWNER:

Richard Hallett
Head of Business Intelligence, Performance & Risk
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Richard.hallett@kent.gov.uk
01622 694134

POLICY AUTHOR:

Mark Scrivener
Corporate Risk Manager
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mark.scrivener@kent.gov.uk
01622 696055

VERSION CONTROL

Version	Revision Date	Issue Date	Comments
1.00	08/11/2011	19/09/2011	Author: David Tonks, reviewed by PAT and Interim senior Risk Manager. Amended to reflect project and programme risk and amended from pure ISO principles to more practical OGC best practice.
2.00	01/06/2012	08/11/11	Issued to CMT and Cabinet Members
2.01		17/09/2012	DRAFT version subject to Governance & Audit Committee approval. Minor revisions to reflect changes in KCC governance structures.

Review Process:

This Risk Management Policy is mandatory and is subject to approval by the Governance and Audit Committee on behalf of the County Council. It will be reviewed annually by the Policy Owner to check efficient and effective operation – reporting any recommendations for change to the **Corporate Management Team** and Cabinet Members prior to agreement of revisions by the Governance and Audit Committee.

Risk Management Policy

1. Introduction

- 1.1. As an organisation concerned with service provision and the social and economic development of the county it is essential that the risks to achieving our objectives are managed efficiently and effectively.
- 1.2. By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, and achieve better value for money.
- 1.3. Risk management will therefore be at the heart of our good management practice and our corporate governance arrangements. Our risk management arrangements will be proactive and will enable decisions to be based on properly assessed risks, ensuring that right actions are taken at the right time.
- 1.4. Our risk management framework will be based on the Office of Government Commerce publication *Management of Risk: Guidance for Practitioners* which provides a 'best practice' reference point for risk management. It is derived from the HM Treasury 'Orange Book' and is closely aligned and informed by the international standard for risk management ISO: 31000.

2. Mandate and commitment

- 2.1. This policy is supported and endorsed by the **Corporate Management Team** and Cabinet Members who will ensure that:
 - the risk management objectives are aligned with the objectives and strategies of the Council;
 - the Council's culture and risk management policy are aligned;
 - the necessary resources are allocated to risk management; and
 - the framework for managing risk continues to remain appropriate.

3. Applicability

- 3.1. This policy applies to the whole of Kent County Council's (KCC) core functions (except schools). Where KCC enters into partnerships the principles of risk management established by this policy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established through procurement processes.

4. Objectives of risk management

- 4.1. The aims of this policy are to set out how KCC will:
 - manage risks in line with its risk appetite, and thereby enable us to achieve our objectives more effectively;

- apply recognised best practice to manage risk using a balanced, practical and effective approach (Office of Government Commerce publication *Management of Risk: Guidance for Practitioners*)
- embed effective risk management into the culture of the Council;
- integrate the identification and management of risk into policy and operational decisions;
- eliminate or reduce the impact, disruption and loss from current and emerging events, consequently reducing the cost of threat;
- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;
- anticipate and respond in a proactive and timely way to all social, environmental and legislative changes and directives that may impact delivery of our objectives;
- harmonise risk management disciplines across all Council activities;
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; and
- demonstrate increasing confidence in our ability to deal effectively with the uncertainty that internal and external pressures present.

4.2. KCC shall achieve these aims by:

- determining and agreeing roles, responsibilities and reporting lines throughout the Council based on the organisational design principles set out in “*Change to Keep Succeeding, and the Council’s new governance arrangements, agreed at County Council on 29th March 2012.*”
- strengthening the common links between business planning, performance and risk management;
- integrating effective risk management practices into Council’s management, decision making and planning activities;
- exploiting available business technology to store and share risk information and providing the business with access to a repository of risk knowledge and learning;
- increasing the frequency and effectiveness of monitoring of key risks in line with the council’s internal control framework.
- **embedding risk management into the Kent Manager Standard;**
- providing risk management training and awareness sessions **for both Officers and Members of the County Council;**
- ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the council;
- subjecting KCC’s risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.

4.3. The Corporate Risk Manager shall maintain a programme that sets out the delivery of this policy with delivery being assured by the **Corporate**

Management Team and, where necessary, the Performance & Evaluation Board.

5. Principles of risk management

The following principles of risk management have been adopted by KCC from the Office of Government Commerce's (OGC) recognised best practice guidance - *Management of Risk: Guidance for Practitioners*. The eight principles provide the basis on which KCC will manage risk and are informed by both corporate governance principles and the international standard for risk management *ISO: 31000*:

a) Aligns with objectives

Risk Management focuses on and around the achievement of the council's priorities and objectives together with those risks that may impact their successful achievement. In aligning risk management to its objectives the Council will determine the amount of risk it is able to withstand and the amount of risk it is prepared to tolerate.

b) Fits the context

There is clear understanding of how the business operates and its operating environment. It is aware of the changing nature of the internal and external operating environment and the external and internal factors and events that may threaten or impact its stability.

c) Engages stakeholders

The Council has determined, assessed and appropriately engaged all internal and external groups and individuals with a vested interest in its activities. It will understand how stakeholders may influence Council activities and how Council activities affect them.

d) Provides clear guidance

The Council encourages the effective management of its risk through provision of a 'user friendly' and transparent approach, that is suitably resourced and that is consistently applied throughout the organisation to best effect.

e) Informs decision making

The Council harnesses its risk management capability within its decision making and planning processes to objectively inform both the substance for the decision or plans and achievability of desired outcomes. Additionally, the Council will assess approval of its decisions and plans alongside its capacity and appetite for taking risk.

f) Facilitates continual improvement

The Council has the means to gather knowledge and learning from its risk management activities and applies it to continually refine and enhance capability and effectiveness.

g) Creates a supportive culture

Risk management is embedded within the Council's day to day activities with the full support and commitment of Corporate Management and Members. This support will align risk management to the Council's values and culture through encouraging openness, transparency and sharing of risks. It will develop a 'risk aware' culture that increases the value and benefit derived from its investment in risk management.

h) Achieves measurable value

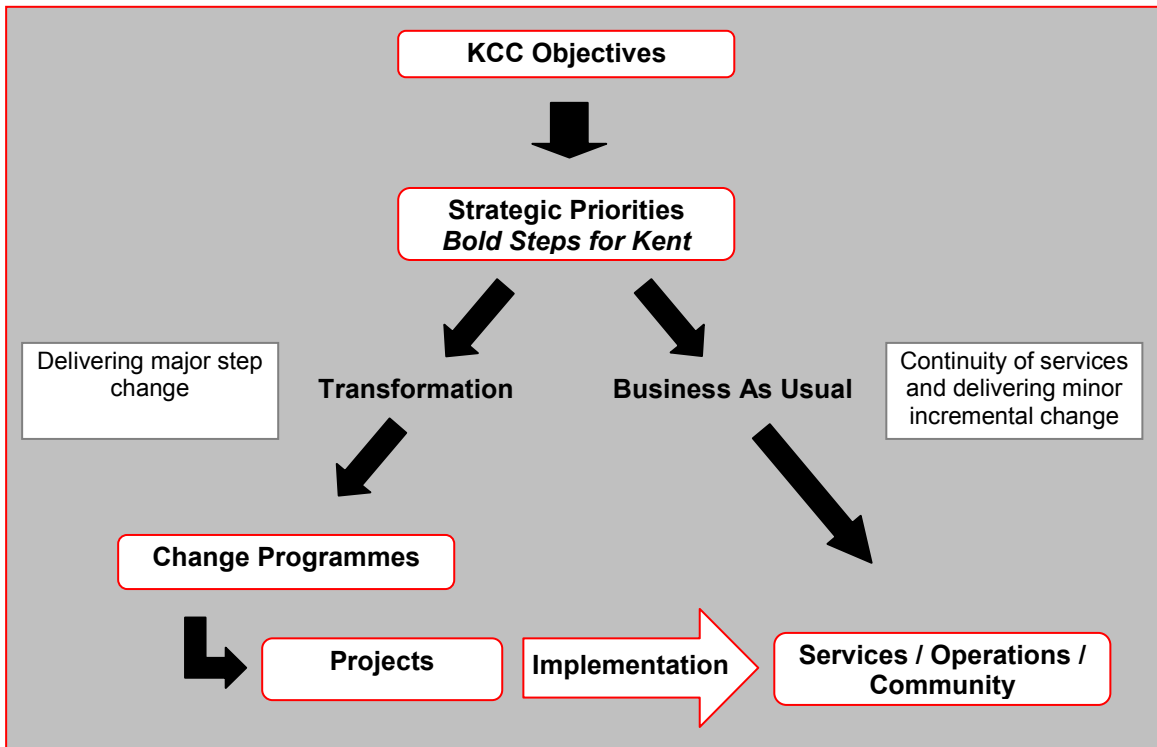
Enabled by the previous seven principles the effective operation of the Council's risk management framework will need to demonstrate that it adds value to the organisation

through helping to protect its current organisational 'value', increase Council and stakeholder confidence and success.

6. Context of risk management

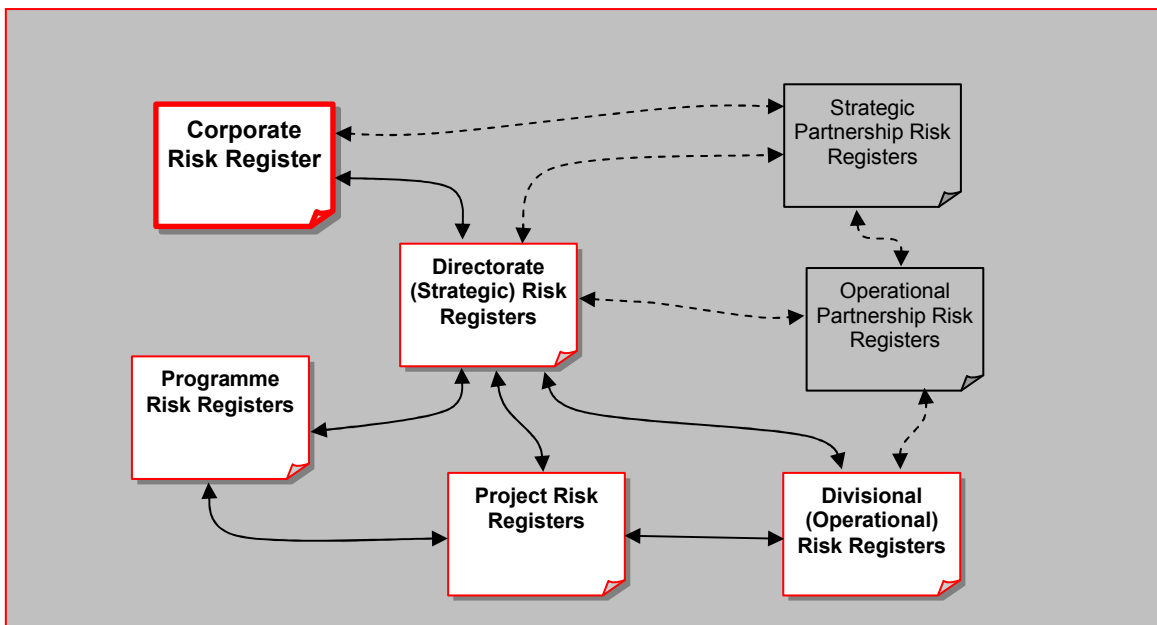
- 6.1. To be effective, risk management must take account of the external and internal environment (or context) within which the Council seeks to achieve its objectives. We are a highly complex organisation delivering multiple services. Our external environment is very dynamic and the changes occurring are not always subject to our control or influence. The external context can impact directly on our internal context, but other internal factors must also be understood, such as our policies and objectives, our governance, the Council's capability and capacity and our culture.
- 6.2. In an organisation as operationally complex and diverse as ours it is important to recognise and understand where risks emerge. There are two main elements to manage;
- 'Business as usual' - the day to day management of operations and services to agreed service levels and performance; and
 - Transformation – managing the development and implementation of key step changes that will deliver our objectives and priorities.
- 6.3. The operational delivery model below provides a visual demonstration of how these two management elements operate in the greater context of organisational direction. They also help to determine where risk occurs providing **five risk perspectives**;
- **Corporate** – where decisions are made that shape our overall mission, strategic priorities and ambitions.
 - **Strategic** - where we are exposed to risks that could affect our ability to successfully achieve our strategic priorities.
 - **Programme** – where we are exposed to risks that could affect our ability to successfully complete the desired transformational outcomes of the Council and the County
 - **Project** – where we are exposed to risks that could affect our ability to successfully deliver predefined outputs that enable us to deliver outcomes and realise benefits.
 - **Operational / Service** – where we are exposed to risks that could affect our control and ability to successfully and continually deliver services to our customers.

Delivery Model



- 6.5 These five perspectives are inherent at different levels across the organisation. They have clear interdependencies for effective management of risk and provide a logical structure of risk registers that inform each other and allow risks to be communicated and if necessary escalated up and down and across the hierarchy. The **Corporate Risk Register** leads this hierarchy and will be a key document through which Council maintains assurance around its most significant risk areas.

Risk Perspectives and Interdependencies



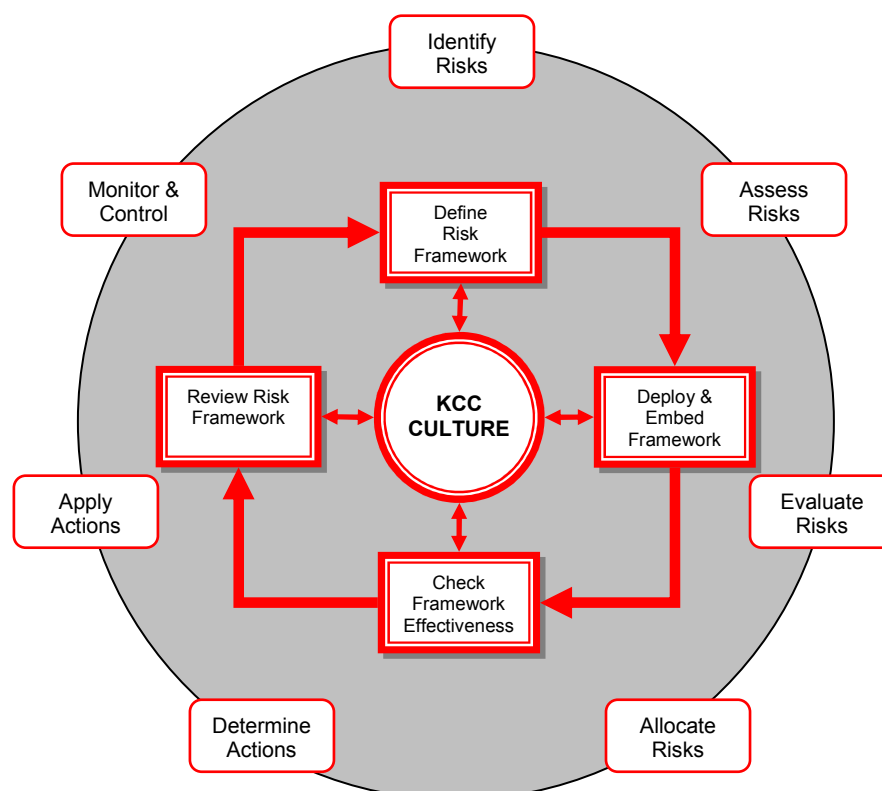
7. Governance of risk management

- 7.1. In December 2010 the Council approved “Change to Keep Succeeding”. The design principles introduced by that document align closely with principles of risk management, particularly those in relation to appropriate decision making. The role of the Kent Manager **also includes reference to managers’ responsibilities for the management of risk.**
- 7.2. Responsibility for risk management runs throughout the Council; everyone has a role to play. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The main individuals and groups and reporting structure for Risk Management are set out below in Appendix 1 and the roles and responsibilities are set out below in Appendix 2.
- 7.3. Other officer groups deal with related risk specialisms such as Health and Safety; Treasury; Emergency Resilience and Business Continuity; Insurance; Information Security etc. These groups are linked into **the governance arrangements of the Council** so that their work is co-ordinated within the Council’s overall risk management framework.

8. Overview of the risk management framework and process

- 8.1. Our risk management framework will align with OGC’s recognised best practice guidance - *Management of Risk: Guidance for Practitioners*, as expressed in diagram 1 below: The framework is an iterative process to enable continuous improvement.

Diagram 1 – The Risk Management Framework



- 8.2. The risk management framework is summarised below and practical detail for managers is set out in the Risk Management guidance and support resources on KNet.
- 8.3. **Risk Management Framework** - The four core elements of the framework development, shown around the Council's culture, highlight the need for its risk management approach and practices to be informed and aligned with its values and 'the way things are done'. They form the basis of the Council's Risk Management Policy:
- **Define risk framework** – The **Head of Business Intelligence, Performance and Risk** determines and recommends policy and practical guidance for the management of the Council's risks in line with its culture and values. Supported by Cabinet Members and Corporate Directors, it will set out the standards and practices that must be used across the Council and will define the activities and practices for assessing and managing risk.
 - **Deploy & embed framework** – Senior management will assign resources to implement risk management throughout the council. This will entail the promotion and communication of the policy supported by the delivery of training in the principles and practices of risk management to Members and appropriate officers.
 - **Check framework effectiveness** – The **Corporate Management Team** will ensure that the council's arrangements for managing risk are regularly reviewed and will report on this to Cabinet Members. The Governance and Audit Committee shall regularly commission its internal auditors to undertake a formal review of the Council's risk management arrangements. The outcomes of the internal review will be presented to the Governance and Audit Committee and be used to inform its review of the policy and framework.
 - **Review risk framework** – All information collated on the effectiveness of the Council's risk management arrangements will be interpreted and used alongside lessons learned to review and strengthen the policy and to provide greater capability and capacity for managing the Council's risks. This in turn will provide greater assurance to stakeholders.
- 8.4 **Risk Management Approach** – Illustrated above, surrounding the four concepts of the risk management framework, are the defined process and practices for assessing and managing risk. Practical details are **outlined within the management guidance and support resources for managers on KNet:**
- **Identify Risk** – Concerns our methodology for establishing an activity's exposure to risks and how they are to be recorded for each of the five risk perspectives.
 - **Assess Risk** – A process through which recorded risks are analysed in readiness for evaluation.
 - **Evaluate Risk** – The evaluation of risks against parameters (Risk appetite and Tolerance) which provides assurance of a consistent approach to the

measurement of risk probability and impact and appropriate management and escalation.

- **Allocate Risk** – Ensuring that identified risks are suitably allocated to stakeholders who are best placed to take ownership of the risk and who have the required level of authority to effectively manage them.
- **Determine Actions** – A logical approach to determining appropriate and viable solutions to eliminating, reducing or controlling threats and enhancing opportunities.
- **Apply Actions** – Our approach for the agreement and deployment of selected actions.
- **Monitor & Control** – Methodology for reviewing risks against factors that could affect their profiles and for exercising control over risk to reduce and maintain them to tolerable levels.

9. Risk Appetite, Tolerance & Escalation

Principle e) in Section 5.1 makes reference to Risk Appetite – our willingness to tolerate a particular level of exposure to specific risks or risk groups. Understanding risk appetite is a vital aspect in supporting effective risk management. It follows that this appetite reflects the Council’s capacity to bear risk and may vary by risk type and perspective. Our appetite for risk is implicitly defined within our standard for determining risk levels **(below)**. Risks rated as “High” will be deemed to have exceeded tolerance levels and will be subject to escalation to the next management level for review and action.

KCC’s Standard for determining risk levels

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

10. Training on risk management

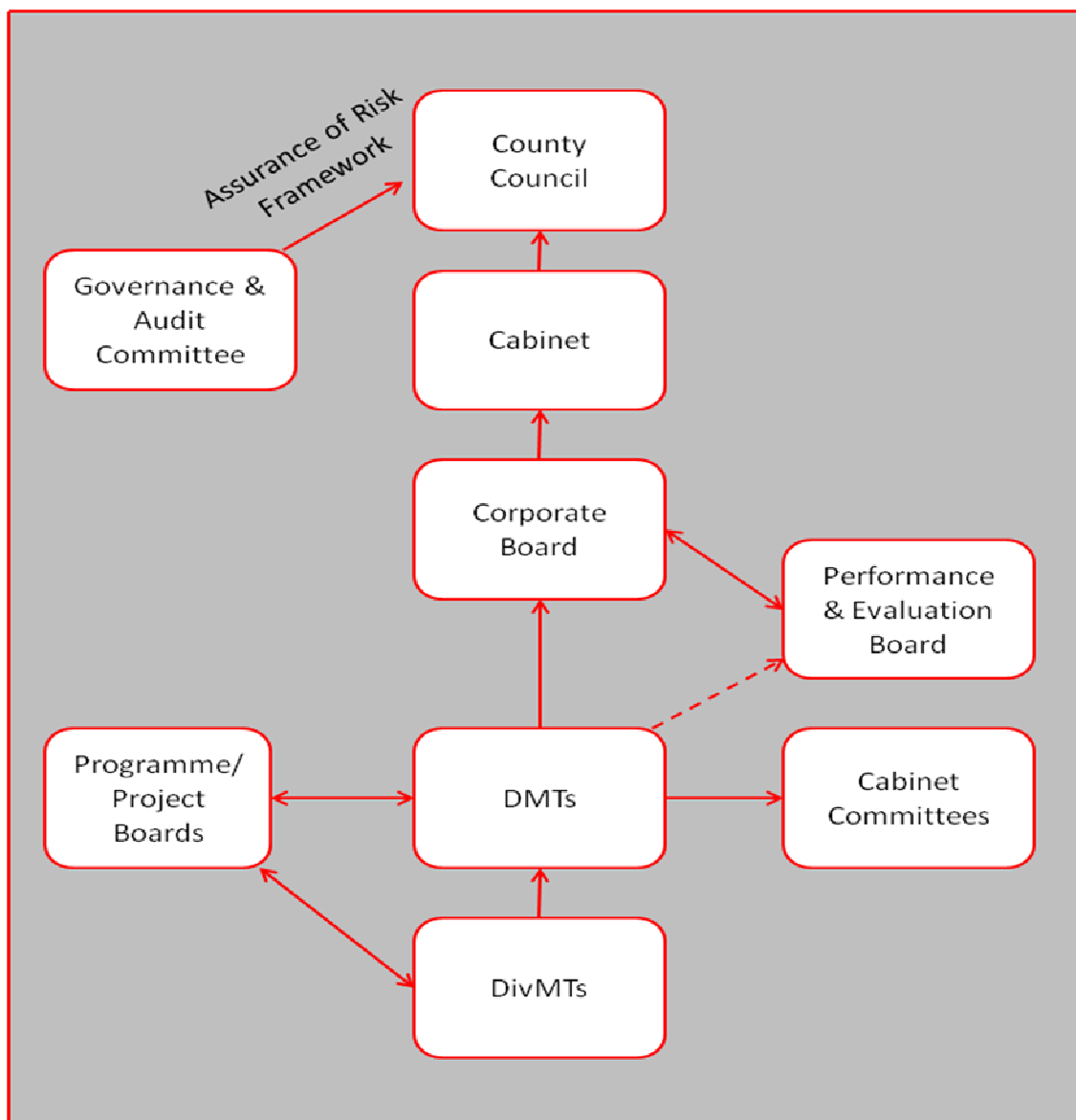
- 10.1. The Corporate Risk Team will develop and deliver appropriate training to support the implementation of this policy for Members and Officers. Officer training will **be linked to the Kent Manager Standard** and approved by the **Corporate Management Team** to ensure that the requirements of the various staff groups within the Council are met. Supplementary training will also be delivered to directorates and business units if requested and where capacity allows.
- 10.2. The attendance at training sessions will be monitored to ensure that no one group of staff is excluded; thereby ensuring that risk management capability is fully and consistently embedded across all areas of the Council. **Training will also be evaluated by attendees to facilitate continual improvement.**

11. Review of this policy

- 11.1. It is the responsibility of the Governance and Audit Committee to: *'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.'* Internal Audit will support their role in assuring its effectiveness and adequacy.
- 11.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the policy and framework at least annually. Any changes will be presented to the Governance and Audit Committee for approval before publication.

Appendix 1

Risk Management Governance Structure



Group or Individual	Responsibilities
County Council	Ensure that an effective system of risk management is in place.
Governance & Audit Committee	On behalf of the Council ensure that risk management and internal control systems are in place that are adequate for purpose, and are effectively and efficiently operated.
Cabinet	Responsibility for the operation of the risk management system, including the establishment of the Council's risk appetite.
Cabinet Member for Business Strategy, Performance & Health Reform	On behalf of Cabinet ensure effective risk management arrangements are put in place
Cabinet Portfolio Holders	Responsibility for the effective management of risk within their portfolio areas and ensuring that they consider risks in all decisions they make
<u>Cabinet Committees</u>	To provide scrutiny <u>pre-decision</u> to ensure that due consideration is given to associated risks.
Section 151 Officer	Active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	To ensure the Council manages risks effectively through the Risk Management Policy and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register. <u>Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme</u>
<u>Performance & Evaluation Board</u>	On behalf of the Executive monitor the Corporate Risk Register to ensure that actions are being implemented to mitigate risk within the Council's risk appetite and report on exceptions and key changes to risk impact or immediacy. Obtain assurance from those responsible for the delivery of the council's priorities and major change programmes that the associated risks are effectively identified and managed and report by exception.
Programme / Project Boards	To ensure that programme and project risks are effectively identified and managed and that any impacts on the business that may follow implementation are reported and managed.
Corporate Programme Office	To develop and ensure implementation of programme and project governance, controls and risk management arrangements to successfully deliver outputs and secure desired outcomes and benefits.
Directorate Management Teams (DMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Performance & Evaluation Board and Corporate Management Team as appropriate.
Divisional Management Teams (DivMT)	Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.
<u>Corporate Director Business Strategy & Support (Head of Paid Service)</u>	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.

<u>Head of Business Intelligence Performance & Risk</u>	Establish the organisational context and objectives for risk management and map the external and internal risk environment. Develop and maintain the risk management Policy, Strategy, management guidance and support resources.
Corporate Risk Manager	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and continuing to develop and embed an effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team. Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.
Corporate Risk Team	Day to day responsibility for developing and co-ordinating risk management across the Council and providing advice, support and training, and contributing to ongoing regular reporting on risk management
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk
Directors and Kent Managers	Ensure that effective risk management arrangements are in place <u>in their areas of responsibility</u> to minimise the Council's exposure to risk and uncertainty.
<u>All staff members</u>	<u>Understand, accept and implement risk management processes. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents</u>

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

To: Governance and Audit Committee –25 September 2012

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

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

INTRODUCTION

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

BACKGROUND

2. The Treasury Management Strategy for 2012/13 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
3. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
4. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
5. In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Council to report on any financial instruments entered into to manage treasury risks.

STATEMENT OF DEPOSITS

6. A statement of deposits as at 31 August is attached in Appendix 1. This statement is circulated to members of Treasury Advisory Group every Friday.

MONTHLY PERFORMANCE REPORT

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

SUMMARY OF DEVELOPMENTS

8. Security of capital has remained the Council's main investment objective and this has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. During the quarter the use of its approved counterparties and the maximum duration of the Council's investments have taken account of changes to ratings and growing concern over economic developments in Europe.
9. In May Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three notches. The banks on the Council's lending list which were affected by the rating downgrades were Barclays, HSBC and Royal Bank of Scotland. Separately, the agency also downgraded the ratings of Lloyds Bank, Bank of Scotland, NatWest Bank and Santander UK plc. None of the long-term ratings of the banks on the Council's lending list were downgraded to below the Council's minimum A- credit rating threshold.
10. In June, as a precaution, both Royal Bank of Scotland and NatWest were temporarily suspended for new lending as Moody's also downgraded these banks' short-term ratings. New investments with Bank of Scotland and Lloyds TSB Bank were restricted to a maximum period of overnight. Use of Santander UK had been recommenced on 10 April and was suspended on 19 April (the Head of Financial Services' answer on Santander UK at the last meeting referred to it being suspended from July 2010 through to the end of the period of the report which was 31 March 2012). The Council also decided to invest in alternative instruments purchasing £50million of Treasury Bills with maturities ranging from 1 to 6 months, and £50million of 6 month Certificates of Deposit from Standard Chartered.
11. The Treasury Advisory Group met with Arlingclose on 23 July and the focus of attention was the counterparty list. The group agreed to immediately reinstate Royal Bank of Scotland and NatWest, and that Santander UK should be reinstated for overnight deposits with the final decision on timing and amount of this investment being taken by the Cabinet Member for Finance and the Corporate Director of Finance and Procurement. They also agreed that a recommendation go to Cabinet to add to the counterparty list certain Australian and Canadian banks.
12. In early August it was decided that £25million should be placed in a Santander UK business reserve account-this money is placed overnight

and is well within the Arlingclose recommended maximum duration of 35 days. Following advice from Arlingclose regarding increased maximum durations it was agreed that a 3 month £25million deposit should be placed with Lloyds TSB.

13. For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. In August the Council used £55million of its cash reserves to fund the repayment of a maturing PWLB loan. This has lowered overall treasury risk by reducing both external debt and temporary investments. A further £20million loan is due to mature in November and at the present time the intention is to fund this from cash.
14. Current recoveries from Icelandic banks are £32.5m consisting of:
 - Heritable dividends totalling 74.56p in £ or £13.7m
 - Landsbanki - 3 dividends of £7.0m, 41% of the total due
 - Glitnir – in March 2012 a full recovery was made. UK local Council representatives continue to pursue a resolution of the kroner held in an escrow account in Iceland.

RECOMMENDATION

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

Alison Mings
Treasury and Investments Manager
Ext: 7000 6294

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Kent County Council deposits at 31 August 2012

Appendix 1

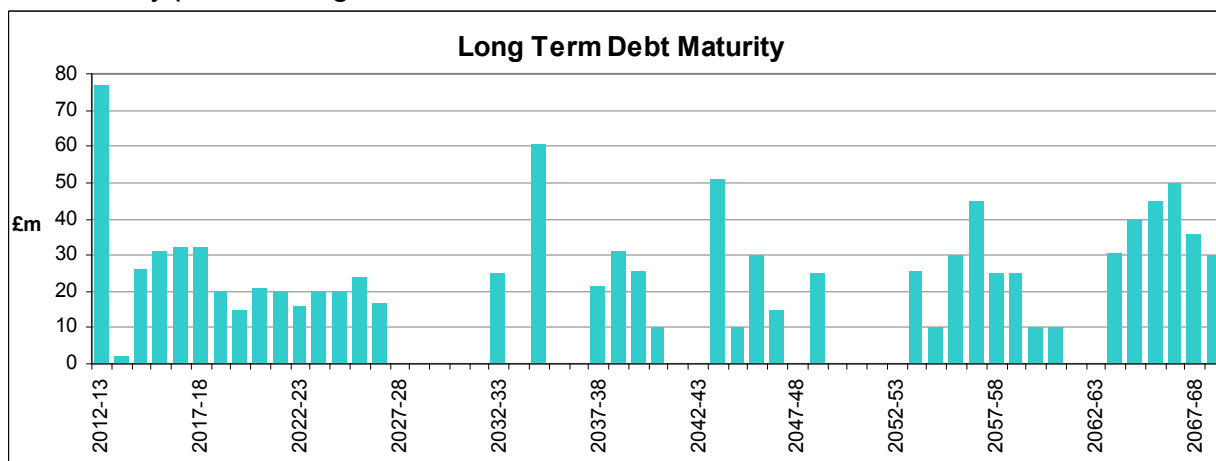
Instrument Type	Counterparty	Principal Amount	Start Date	End Date	Interest Rate	Territory
Same Day Call Deposit	Bank of Scotland	£19,150,000	01/03/2012	n/a	0.75	UK Bank
Fixed Deposit	Barclays Bank	£5,000,000	02/06/2008	31/05/2013	6.8	UK Bank
Same Day Call Deposit	Barclays Bank	£1,240,000	05/11/2009	n/a	0.5	UK Bank
Fixed Deposit	Lloyds TSB	£25,000,000	08/08/2012	12/11/2012	1.35	UK Bank
Same Day Call Deposit	Lloyds TSB	£6,400,000	26/07/2012	n/a	0.75	UK bank
Same Day Call Deposit	NatWest	£25,000,000	24/07/2012	n/a	1.15	UK Bank
LIBOR Fixed Deposit	Royal Bank of Scotland	£5,000,000	20/10/2008	18/10/2013	1.40775	UK Bank
Same Day Call Deposit	Royal Bank of Scotland	£45,000,000	24/07/2012	n/a	1.25	UK Bank
Same Day Call Deposit	Santander UK	£25,000,000	08/08/2012	n/a	0.8	UK Bank
CD	Standard Chartered	£10,000,000	22/05/2012	22/11/2012	0.85	UK Bank
CD	Standard Chartered	£10,000,000	30/05/2012	30/11/2012	0.92	UK Bank
CD	Standard Chartered	£20,000,000	01/06/2012	03/12/2012	0.92	UK Bank
CD	Standard Chartered	£10,000,000	12/06/2012	12/12/2012	0.92	UK Bank
	Total UK Bank Deposits	£206,790,000				
Treasury Bill	Debt Management Office	£20,000,000	06/06/2012	03/12/2012	0.338	UK Govt.
	Total UK Govt. Deposits	£20,000,000				
	Total Icelandic Bank Deposits	£17,833,614				
	Grand Total of All Deposits	£244,623,614				

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Treasury Management Report for the month of June 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 £1,089million, with the maturity profile being as follows.



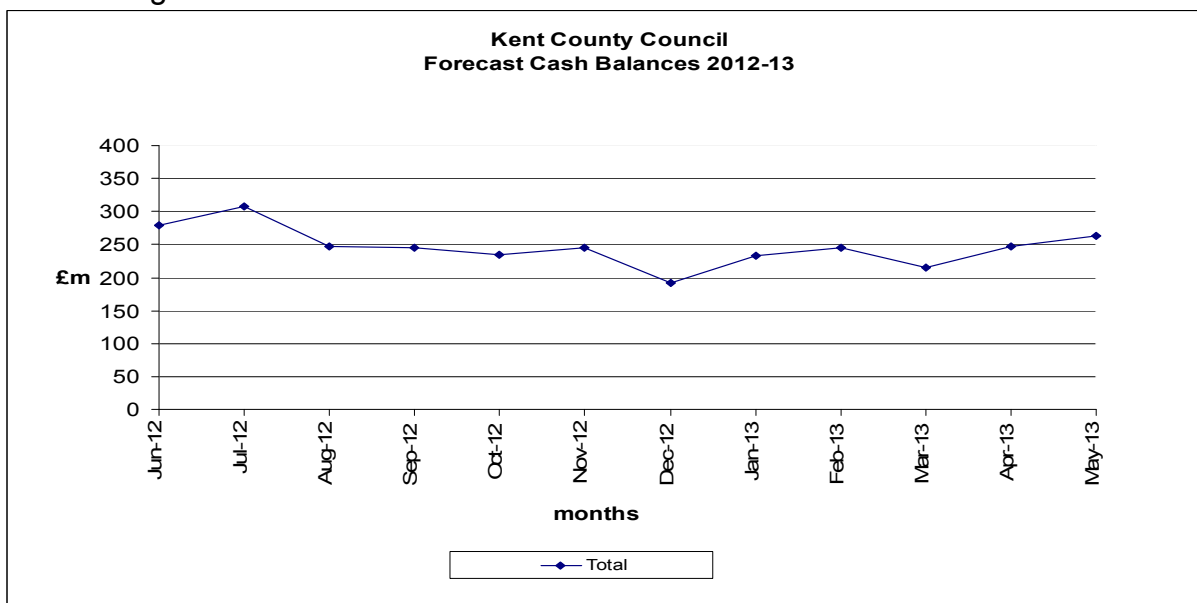
Total external debt managed by KCC includes £44.81m pre-LGR debt managed by KCC on behalf of Medway Council, pre-1990 debt managed on behalf of Further Education Funding Council (£1.76m), Magistrates Courts (£0.827m) and the Probation Service (£0.131m).

2. Investments

2.1 Cash Balances

During June the total value of cash under management fell by £30.8m to £298.36m.

Cash balances are expected to rise in July then fall in August and again in December as maturing loans are financed from cash.

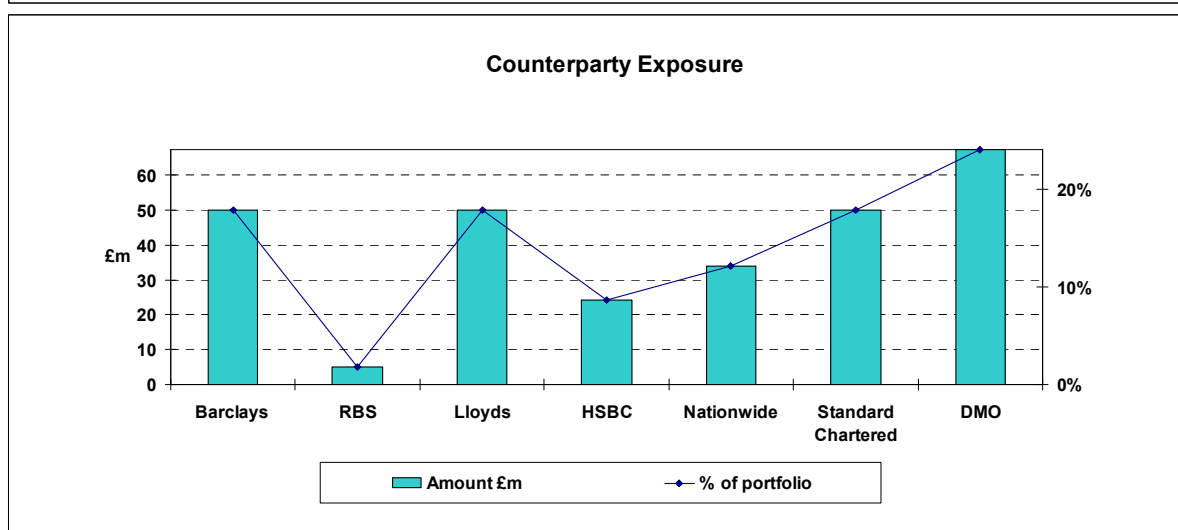
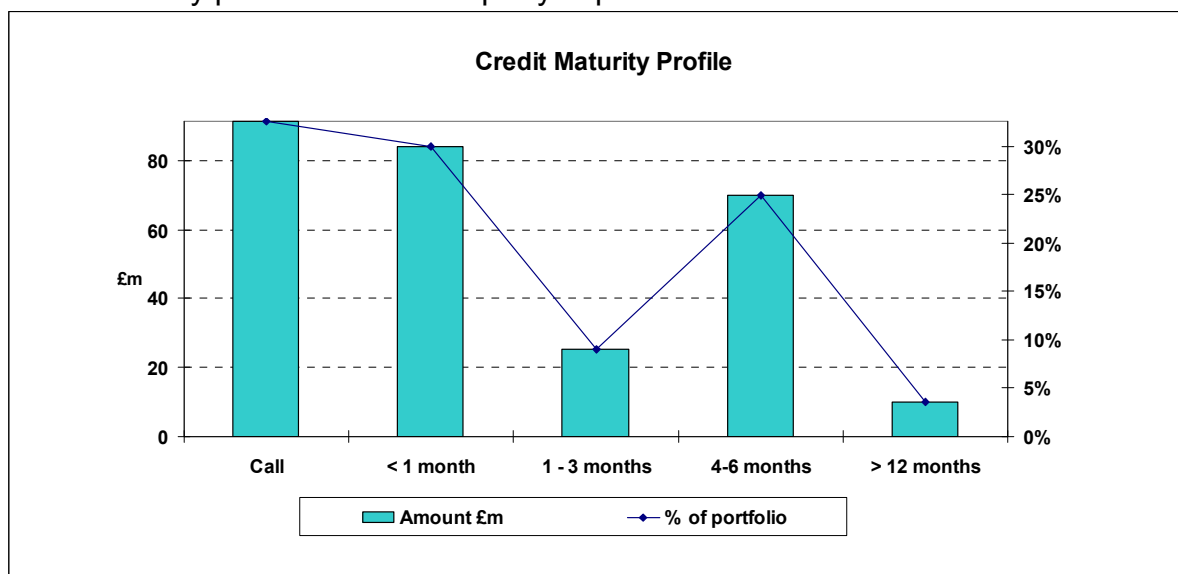


2.2 Average return on new deposits

The average return on new deposits in June was 0.784% vs 7 day LIBID 0.4423%.

2.3 Credit maturity profile and counterparty exposure

During June the RBS group was suspended and £70m held in the RBS and NatWest call accounts withdrawn. At the end of June £50m had been invested in 6 month Standard Chartered CDs and £20m in 6 month Tbills. The following charts show the credit maturity profile and counterparty exposure as at the month end.



2.4 Credit Score matrix

	May 2012		June 2012	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
Value Weighted Average	A+	4.99	A+	4.52
Time Weighted Average	A+	5.07	A+	4.76

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

3. Interest Rate Forecast

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

Alison Mings, 19 July 2012

By: Mike Hill – Cabinet Member for Customer & Communities
Amanda Honey – Corporate Director Customer & Communities

To: Governance & Audit Committee

Subject: KCC Annual Complaints, Comments and Compliments Report 2011/12

Classification: Unrestricted

Summary: This report provides information about, The Local Government Ombudsman Letter & Annual Review 2011/12, a summary of the complaints, comments and compliments received by the Council and further improvements for 2012/13

STATUS FOR INFORMATION & ASSURANCE

1. INTRODUCTION

1.1 This is the Council's third annual report on compliments, comments and complaints. It sets out:

- The Local Government Ombudsman Letter & Annual Review 2011/12
- A summary of the compliments, comments and complaints received by the Council
- Further improvements for 2012/13

1.2 Kent County Council aims to deliver high quality services where the customer is at the heart of everything it does. The Customer Service Strategy was launched in January 2012 and places an emphasis on 'Understanding your Customers'. Compliments and complaints are vital in understanding where we are doing well and what we can do better. By striking the right balance we can improve customer experience whilst reducing the cost to serve.

1.3 The Council wants to listen to its customers' views and values their contributions. We learn from good practice as well as any mistakes and build upon past experiences to help improve our future service. We are **One Council** putting people at the heart of everything we do. KCC champions public service within Kent and our values and behaviours demonstrate staff commitment to serving the people of Kent. Our work is guided by our values - they are not just words, they underpin the decisions we take and are critical to how we approach what we do and the way we do it.

1.4 Compliments, comments and complaints tell the Council what services look like from the customers' points of view and what their experiences of accessing our services are. They are an important aspect in 'Understanding Our Customers' and can help us to shape future service delivery and improve customer experience.

2. THE LOCAL GOVERNMENT OMBUDSMAN LETTER & ANNUAL REVIEW 2011/12

2.1 Each year, in June, the Local Government Ombudsman issues an annual review to each local authority. In her letter and the summary of statistics to accompany this, she sets out the number of complaints about that authority that her office has dealt with. The purpose of the Annual Review is to:

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

2.2 The Ombudsman's letter to the Head of Paid Service plus the Annual Review for 2011/2012 is attached as Appendix 1 to this report. The response from the Head of Paid Service can be found in Appendix 2.

2.3 This year, the Council has had great difficulty reconciling its own statistics on Ombudsman complaints received with those provided by the Ombudsman. There are several reasons for this.

2.4 Analysis of the provisional statistics provided by the Ombudsman in April, which includes a detailed list of all complaints forwarded to KCC by the Ombudsman, indicated that:

- 6 complaints (and the Ombudsman's subsequent decisions on these complaints) had never been forwarded to KCC so KCC was unaware of them.
- 4 complaints had been closed by the Ombudsman as "not valid". No notification would therefore be sent to KCC about these, but they had not been removed from the Ombudsman's database to reflect this and had still been counted as a complaint against KCC.
- 2 appearing on KCC's database but missing from the Ombudsman's list had been registered against a different authority by the Ombudsman by mistake.

2.5 During the year, the Ombudsman also changed their headings for decision groups in accordance with their new recording system, so the decision category recorded on many of their final decision letters to KCC and used by KCC in the compilation of KCC's statistics, did not correspond with the Ombudsman's year end detailed list of decisions.

2.6 When issuing the final statistics to accompany the June review letter, the Ombudsman admitted that there was an error in the summary decisions table in the provisional complaint statistics issued in April. Complaints with the decision 'no or insufficient evidence of mal/service failure' were accidentally counted in the 'Investigated: No or minor injustice & Other' group when they should have been counted as 'Investigated: Not enough evidence of fault'.

2.7 The Ombudsman also analyses KCC's response times to first enquiries and had incorrectly recorded that it had taken 200 days to respond to one complaint when in actual fact KCC had replied on day 36.

This reduced our average response time from 33.6 days to 32 days although this was still outside their expected target of a reply within 28 calendar days.

2.8 However, it is the figures provided with the June letter that are published by the Ombudsman as "the official ones"

<http://www.lgo.org.uk/documents/annualreview/2012/kent.pdf> so it is these that have been used for the purpose of this report.

2.9 The Ombudsman received 228 complaints about KCC in 2011/12 (including 47 where advice was given to the complainant and 36 that were deemed premature). This is an increase on previous year's figures:

- 194 complaints in 2010/11 (including 44 where advice was given to the complainant and 21 that were deemed premature)
- 161 complaints in 2009/10 (including 43 that were deemed premature)

2.10 Of the 145 complaints that the Ombudsman investigated in 2011/12, 101 of them (69.6%) related to Education & Children's Services and over half of these (55) related Education Appeal Panels, a process that is not unique to Kent but is not an issue that majority of other councils have to contend with. This is one reason why Kent & Buckinghamshire CC (who also has a similar appeals process) seem to have disproportionately more complaints than other county and unitary authorities.

2.11 Of the 147 decisions issued, there was one report of maladministration. The Ombudsman considered that the conduct of admission appeals organised by Kent County Council on behalf of Tunbridge Wells Girls Grammar School was seriously flawed because the Council had:

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

The 25-page report together with KCC's reply and comments to the responses are available from the Local Government Ombudsman's website

<http://www.lgo.org.uk/complaint-outcomes/education/education-archive-2011-12/kent-county-council-amp-tunbridge-wells-girls-gram/> or from the Information Resilience & Transparency Team.

2.12 For 17 of the 45 complaints categorised as "injustice remedied during enquiries" (formally known as "local settlement"), Kent County Council agreed to pay a total of £26,604.81 in compensation to resolve these complaints. For other complaints in this category, the settlement would have been either a formal letter of apology or an agreement to rehear the complainant's Education Appeal.

2.13 To conclude on a positive note, the remaining 100 complaints that the Ombudsman issued a decision on couldn't have been avoided. KCC had done nothing wrong; the complainant was simply unhappy with a decision or policy that went against them.

3. Changes to the Local Government Ombudsman's Service

3.1 The main change to the Local Government Ombudsman's service that will affect Kent County Council is the launch of an open publication scheme. This means that the LGO will be publishing on their website the final decision statements on all complaints.

3.2 Making more information publicly available will increase openness and transparency, and enhance accountability for both the LGO and the Council.

3.3 This will also facilitate the provision of a comprehensive picture of complaint decisions and reasons for councils and the public. This will help inform citizens about local services and create a new source of information on maladministration, service failure and injustice.

4 DEVELOPMENTS IN KCC COMPLIMENTS, COMMENTS & COMPLAINTS MANAGEMENT

4.1 KCC continues to have a devolved approach to compliments, comments and complaints management. Work over the next 12 months will focus on making a corporate complaints system a reality. This system will enable all staff to log complaints and compliments on one system, the data will then be available for directorates to pull off reports to assess performance, reducing the need for manual reporting which currently takes place. This means we will be able to understand how we are performing in real time as opposed to three months behind. For the first time we will have the ability to have an organisation overview which can be used to understand the customer experience of our services.

We are looking at how to make the KCC complaints handling approach more responsive to customer needs. This will include:

- One contact telephone number, postal address and e-form
- One leaflet for the council informing the public how to contact us regarding their feedback
- One initial complaints response team based in the Contact Centre; this team will:
 - Log complaints arriving via the three central points (mail, web and phone)
 - Acknowledge receipt of complaint meeting 3 day requirements
 - Answer 'simple' enquiries
 - Divert complex complaints to 'specialist' directorate leads to answer within 20 days (with exception of statutory children's complaints)

4.2 This year work has been focused on understanding the customer journey and capturing the experience of customers with the intention of improving services and reducing complaints. By improving reporting we can help the authority to take action earlier and put in changes that can make a difference.

5. MONITORING

5.1 As part of our move towards changing the way in which we log customer feedback, we will also be changing how we log and monitor complaints. The new system will enable us to report on feedback including complaints in real time. This will mean that staff will no longer need to fill in secondary excel spreadsheets or local databases on a quarterly basis; the information will be available via a web platform for designated staff to track progress and run reports for their directorate or service. We will be able to be more responsive and have a greater overview of how KCC is performing at a given point in time.

6. NUMBER OF COMPLIMENTS, COMMENTS AND COMPLAINTS

6.1 A **compliment** is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).

6.2 Compliments across the council decreased with **4,092** recorded compliments from April 2011 to March 2012 compared to the same time period in the previous year when **5,513** compliments were recorded.

6.3 Compliments are equally important to record and have provided a valuable source of learning and can act as an indicator to reveal best practice or areas where we are getting things right across the Council.

6.4 A **comment** is a general statement about policies, practices or a service as a whole, which have an impact on everyone and not just one individual. A comment can be positive or negative in nature. Comments may question policies and practices, make suggestions for new services or for improving existing services.

6.5 This year we received **1,143** comments compared with **2,080** last year. This is also a reduction on the previous year. The council actively encourages customers to give opinions about services and we are making it easier to make a comment about a council service. A new e-form will be launched in the autumn enabling more people to offer us feedback. This will help us to understand the customer experience of our services and enable us to pin point where and how to improve our services.

6.6 A **complaint** is an expression of dissatisfaction, whether justified or not and however made, about the standard of or the delivery of service, the actions or lack of action by the Council or its staff which affects an individual service user or group of users. This is consistent with the definitions used by other local authorities.

6.7 The emphasis in the complaints procedure is to ensure that staff are equipped and empowered to act decisively to resolve complaints at a local level. The aim is that we work harder to resolve issues at the first point of contact. By recording accurately where things went wrong, we can use that information to improve service delivery and ensure that customers receive consistently good service regardless of how they choose to access them.

6.8 In 2011/12, **3,456** complaints were recorded compared with **4,373** for 2010/11, this equates to a **decrease** of 21% in complaints recorded.

6.9 There was however an increase in complaints received in Libraries & Archives (483%), Commercial Services (76%) Children Services (12%) and Gateways/Contact

Centre (8%). The increase in library complaints related to a number of key changes in service delivery including availability of stock due to the refurbishment and opening of new libraries including Beaney Centre in Canterbury, Broadstairs, Gravesham and the Kent Library and History Centre in Maidstone, the Registration Service moving into Library operations and the introduction of the self-serve Library machines which offers customers the opportunity to return book more quickly and efficiently within Libraries. Whilst this initially generated complaints it has since received numerous compliments and has a take-up rate across the county of 83.6%.

6.10 It is important to be able to identify where there is an increase in the number of complaints received for a particular service, and investigate trends. This will help us to identify areas for improvement and learn from previous complaints to ensure that mistakes are not repeated.

6.11 A breakdown of complaints and comments by Directorate can be found in Appendix 3.

7. REASONS FOR COMPLAINTS

7.1 The main grounds for complaints during 2011/12 tend to fall under one of the following themes (not in order of prevalence):

- Quality of service
- Delivery of service
- Poor communications
- Changes to service delivery due to cost saving measures
- Policy decisions
- Opening time of KCC services
- Staff behaviour
- Timeliness

8. COMPLIANCE WITH STANDARDS

8.1 New corporate standards for complaints handling were introduced from April 2009 as follows: 3 working days to acknowledge a complaint (reduced from 5 days) and 20 working days to give a formal response (reduced from 25 - 28 days).

8.2 The percentage of complaints meeting KCC response standards is shown in Table 6, Appendix 1.

8.3 Families & Social Care - Adult Social Care

8.4 There is only one statutory timescale for adult social care complaints within the new complaints process and this is the acknowledgement of the complaint, which must be provided to the complainant within three working days of receipt. The period for responding to the complaint is agreed with the complainant on a case by case basis depending on the nature and complexity of the complaint and the desired outcome. This can be anything from 5 to 65 days.

8.5 The legislation allows for the timescales to be agreed with the complainant, however in 2011- 2012 the Divisional Management Team took a decision to set an

internal target of 20 working days for straightforward complaints that do not require off-line investigation or work with health colleagues. The average response time for statutory complaints regarding Adult Social Care for the County is 17 working days, for these straightforward complaints.

8.6 The current legislation allows the revision of timescales, if the complainant is in agreement the Customer Care Teams liaise with the complainant if the need arises. This requires communication from the operational staff investigating the complaint.

8.7 **366** (85.9%) were acknowledged within the statutory time scale and **287** (67.4%) were responded to within the time scale agreed with the complainant.

8.8 Families & Social Care - Children's Social Services

8.9 The Local Authority must consider and try to resolve Stage One complaints within 10 working days of the start date for Children's Social Services complaints. This can be extended by a further 10 working days where the complaint is considered to be complex.

8.10 Timescales have been extended for particularly difficult or complex cases, for example when more than one agency or service is involved or when complaints are bound up with other processes such as court proceedings and safeguarding procedures.

Timescales have been extended for particularly difficult or complex cases, for example when more than one agency or service is involved or when cases are involved in other processes such as court proceedings and safeguarding procedures. Performance against timescales deteriorated very slightly since the previous year when 80% of statutory complaints were completed within 20 working days.

- 71% of stage 1 acknowledgements were sent out within three working days.
- 44% of stage 1 responses met the 10 day timescale.
- 53% of stage 1 responses met the 20 day (extended) timescale.
- Overall 65% of stage 1 complaints were completed within 20 working days.

8.11 The Local Authority should consider Stage Two complaints within 25 working days of the start date (the date upon which a written record of the complaints to be investigated has been agreed) but this can be extended to 65 working days where this is not possible. The complexity of the complaints made a 25 day target unachievable, all were extended and only one Stage Two process was fully completed within 65 working days.

9. METHODS OF COMMUNICATION

9.1 Information on how to complain is available on our website and various 'Have your Say' and Complaints, Comments and Compliments leaflets. The public can give us feedback in a wide number of ways.

9.2 It is important to ensure that all channels remain open and effective so customers can choose how they contact us. It should be noted, however, that it can be more difficult for staff to record comments, compliments and complaints given face-to-face but are perhaps more likely to be able to resolve the situation there and then with the complainant.

- 24% of complaints were received by letter, 23% via email, 18% were recorded by the Contact Centre, 17% by comment card, 16% by phone and the remaining 2% by online forms, fax or face to face.
- 59% of highways complaints were recorded via the contact centre.
- The majority of FSC complaints were received by letter 52%

9.3 In 2012/13 we will be putting in place a new online e-form to capture complaints, compliments and comments from customers. We will be streamlining the current numerous methods of making complaints to one single number, one postal address and one online form. Where feedback is received directly we will be asking staff to log this using a new web system enabling us to capture and report on feedback no matter how it is received.

10. COMPENSATION

10.1 Goodwill payments of £19259.32 have been paid as part of local resolution not including payments relating to Local Ombudsman Complaints which can be found in section 2.12.

11. LEARNING THE LESSONS AND SERVICE IMPROVEMENTS

11.1 Complaints are a valuable resource helping us to understand where improvements could be made to improve the customer experience. These improvements can be changes to procedures or processes, improvements in communications or improvements to the quality of service. The text below outlines examples of where improvements have been made as a result of a complaint being received;

11.2 Improved communications

In Children Social Services, some complaints were received regarding the quality of written communications, specifically about the wrong standard letters being sent. Work is being carried out to identify good and bad practice in resolution letter-writing to help inform the content and targeting for training workshops for those staff wanting guidance.

11.3 Improvements to service experience and quality

Complaints were received following the move of Registration service to Libraries. Customers were unhappy at the lack of suitable facilities available over the transitional period. Works have now been completed to address these issues. The majority of complaints were concerning facilities available in Maidstone, which has now moved into the new Kent Library and History Centre and has a dedicated pod for Registration.

11.4 Improvements to customer feedback processes

All complaints received by Highways & Transportation are analysed with additional monitoring carried out to determine whether the complaint related directly to KCC services or has been caused by other services outside of KCC i.e. Gas companies. Monthly reporting of complaints to teams has enabled trends to be identified and direct action taken where appropriate. This analysis has enabled Highways & Transportation to focus service improvement on specific areas and has resulted in a decreasing numbers of complaints being received.

12. LEVELS OF COMPLAINTS TO THE STANDARDS COMMITTEE

12.1 The Committee will be aware that responsibility for dealing with alleged breaches of the Code of Conduct by elected and co-opted Members of the Council passed from Standards for England to the local authority on 8 May 2008.

12.2 At its meeting on 22 May 2008, the Standards Committee agreed to set up two Sub Committees; one to make an initial assessment of a complaint that a Member had breached the Code of Conduct and one to review any decision by the Assessment Sub Committee to take no action, if so requested by the complainant.

12.3 The Assessment and Review Sub Committees were charged with deciding whether, on the basis of the information presented, a Member had breached the Code of Conduct and whether the matter merited investigation. Specifically, either Sub Committee could reach one of the following three decisions:

- (a) Refer the allegation to the Monitoring Officer of the Authority for investigation or some other action such as mediation or training
- (b) In exceptional cases, refer the allegation to Standards for England
- (c) Decide that no action should be taken in respect of the allegation

Decision	2008/09	2009/10	2010/11	2011/12
No action	4	1	2	3
Monitoring Officer for other action	2	1	0	2
Monitoring Officer for formal investigation (*)	0	2	0	1
Standards for England	0	0	0	0
Not Determined	0	0	0	0

(*) None of the three cases referred to the Monitoring Officer for formal investigation in the last four years have resulted in the subject Members being found to be in breach of the Code of Conduct.

12.4 Under the Localism Act 2011, arrangements for the administration of the ethical standards regime have changed again. At its meeting on 19 July 2012, the County Council adopted a revised code of conduct and a revised process for the receipt, assessment and investigation of complaints that a Member or co-opted Member was in breach of the code. Standards for England have been disbanded and now all decisions relating to complaints about the conduct of Members are made by the Council's Standards Committee, having considered the advice of the Independent Person appointed to assist the Council in this process.

13. CONCLUSION

14.1 The latest Annual Review letter reflects the generally good working relationship which exists between the County Council and the Ombudsman's office. Please see appendix 2 for the Head of Paid Service's reply to the Local Government Ombudsman.

14.2 The focus in 2012/13 will be to put in place robust reporting measures, ensuring that complaints are logged on a common system countywide. Customers will find it easier to give us feedback via a single number, e-form and postal address.

14.3 We have recognised where improvements can be made to improve customer experience and have taken steps to resolve these issues.

15. RECOMMENDATIONS

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

Pascale Blackburn-Clarke
Quality and Assurance Manager
01622 696838

Useful information:

It is a statutory requirement under the following items of legislation for local authorities to have in place a complaints and representations procedure:

- Children Act 1989 Representations Procedure (England) Regulations 2006
- The Local Authority Social Services and National Health Service Complaints (England) Regulations were published in February 2009 and came into force with effect from 1 April 2009. This procedure introduced a single approach to dealing with complaints for both the National Health Service and Adult Social Care.
- NHS & Community Care Act 1990 (section 50)
- Health & Social Care Act 2000
- Local Government Act 2000.

Local Government
OMBUDSMAN

22 June 2012

By email

Mr David Cockburn
Head of Paid Service
Kent County Council
County Hall
Maidstone
ME14 1XQ

Dear Mr Cockburn

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ended 31 March 2012. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number forwarded by the Advice Team to my office and decisions made on complaints about your authority. The decision descriptions have been changed to more closely follow the wording in our legislation and to give greater precision. Our guidance on statistics provides further explanation ([see our website](#)).

The statistics also show the time taken by your authority to respond to written enquiries.

I am pleased to say that I have no concerns about your authority's response times.

I recently met with officers to discuss concerns about the way the Council was dealing with the report I issued about its coordination of school admission appeals. It was a constructive meeting and the Council has since considered the report and I am satisfied with its response. There are no other issues arising from the complaints that I need to mention but there are a number of draft reports currently under discussion.

Complaints about schools

For the year 2011/12, we received 235 complaints about schools in 14 pilot areas. This included 113 complaints about schools in your area. Of these, the main complaints were about bullying issues (27) curriculum and teaching concerns (18) teacher conduct (11) and special educational need issues (11). We also investigated complaints about behaviour and discipline; pupils being banned from the school site; governance; attendance; pupil safety, exam delivery; exclusions; uniform; medical issues; staffing issues; extracurricular activities and other issues.

In this period we closed 202 complaints of which 88 of these complaints were about schools in your area. Your authority agreed to investigate 48 of these complaints. Six complaints were outside my jurisdiction and nine complaints were closed at my discretion during the investigation. We found no fault in nine complaints and your authority agreed to remedy injustice during our investigation in six cases. We referred the remaining 15 cases to another agency.

Changes to our role

I am also pleased to have this opportunity to update you on changes to our role. Since April 2010 we have been exercising jurisdiction over the internal management of schools on a pilot basis in 14 local authority areas. This includes your area so you will be aware that this was repealed in the Education Act 2011 and the power restored to the Secretary of State for Education. During the short period of the pilot we believe we have had a positive impact on the way in which schools handle complaints. This was endorsed by independent research commissioned by the Department for Education which is available [on their website](#).

Our jurisdiction will end in July 2012 and all complaints about internal school matters will be completed by 31 January 2013. We intend to produce a report on the common themes and lessons that have emerged from our work in this area.

From April 2013, as a result of the Localism Act 2011, local authority tenants will take complaints about their landlord to the Independent Housing Ombudsman (IHO). We are working with the IHO to ensure a smooth transition that will include information for local authority officers and members.

Supporting good local public administration

We launched a new series of Focus reports during 2011/12 to develop our role in supporting good local public administration and service improvement. They draw on the learning arising from our casework in specific service areas. Subjects have included school admissions, children out of school, homelessness and use of bankruptcy powers. The reports describe good practice and highlight what can go wrong and the injustice caused. They also make recommendations on priority areas for improvement.

We were pleased that a survey of local government revenue officers provided positive feedback on the bankruptcy focus report. Some 85% said they found it useful.

In July 2011, we also published a report with the Centre for Public Scrutiny about how complaints can feed into local authority scrutiny and business planning arrangements.

We support local complaint resolution as the most speedy route to remedy. Our training programme on effective complaint handling is an important part of our work in this area. In 2011/12 we delivered 76 courses to councils, reaching 1,230 individual learners.

We have developed our course evaluation to measure the impact of our training more effectively. It has shown that 87% of learners gained new skills and knowledge to help them improve complaint-handling practice, 83% made changes to complaint-handling practice after training, and 73% said the improvements they made resulted in greater efficiency.

Further details of publications and training opportunities are on our [website](#).

Publishing decisions

Following consultation with councils, we are planning to launch an open publication scheme during the next year where we will be publishing on our website the final decision statements on all complaints. Making more information publicly available will increase our openness and transparency, and enhance our accountability.

Our aim is to provide a comprehensive picture of complaint decisions and reasons for councils and the public. This will help inform citizens about local services and create a new source of information on maladministration, service failure and injustice.

We will publish a copy of this annual review with those of all other English local authorities on our website on 12 July 2012. This will be the same day as publication of our Annual Report 2011/12 where you will find further information about our work.

We always welcome feedback from councils and would be pleased to receive your views. If it would be helpful, I should be pleased to arrange a meeting for myself or a senior manager to discuss our work in more detail.

Yours sincerely



Anne Seex
Local Government Ombudsman

Local authority report - Kent CC

for the period - 01/04/2011 to 31/03/2012

LGO advice team

Enquiries and complaints received	Adult Care Services	Benefits & Tax	Corporate & Other Services	Education & Childrens Services	Environmental Services & Public Protection & Regulation	Highways & Transport	Planning & Development	Total
Advice given	6	0	3	36	0	1	1	47
Premature complaints	11	1	2	18	2	2	0	36
Forwarded to Investigative team (resubmitted)	1	0	1	2	0	4	0	8
Forwarded to Investigative team (new)	28	0	2	99	1	6	1	137
Total	46	1	8	155	3	13	2	228

Investigative team - Decisions

Not investigated			Investigated			Report	Total
No power to investigate	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries		
8	11	18	45	18	46	1	147

Response times to first enquiries	No of first enquiries	Avg no of days to respond
	79	32.0



Ms A Seex
Local Government Ombudsman
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Seesions House
County Hall
Maidstone
Kent ME14 1XQ

Fax: (01822) 694060
Tel: (01822) 694386

email: David.cockburn@kent.gov.uk
Date: 13th July 2012

Dear Ms Seex

Annual Review Letter

Thank you very much for your Annual Review Letter.

I am pleased that the meeting you had with Council officers regarding school admission appeals was a constructive one. Certainly the feedback I received from my officers was very positive and that your advice and the agreed outcomes will certainly assist us in the future.

I am also very pleased that you have no concerns about Kent County Council's response times to your initial enquiries. As you may or may not be aware, KCC has undergone a major reorganisation with resources stretched to the limit. As a result, Caroline Dodge, KCC's LGO Link Officer, has had to devolve her responsibilities of responding to some of your enquiries to the dedicated complaint handling teams in Adults & Children's Social Services. It is very encouraging that this has not adversely affected our performance so far. I am currently in discussions with my corporate management team regarding the creation of a centralised complaints team based within the Contact Centre. I firmly believe that this will not only streamline our complaint handling process and will facilitate the monitoring of complaints authority-wide, but will also improve service delivery not only for our customers but also for clients like yourself.

My only observation is that your final complaint statistics differ from the provisional statistics issued in April, even taking into account the adjustments that were applied following discussions between Caroline and Lesley Pettigrew. (Our own figures concurred with your provisional statistics following alterations to both our database and yours, now they don't!). Therefore it would be helpful in future if your annual review letter also included a (revised) detailed list in addition to the one page statistics summary, so we can reconcile year end figures.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Cockburn', written in a cursive style.

David Cockburn
Corporate Director Business Strategy and Support

Table 5 – 2011/12 Complaint Summary		
BUSINESS STRATEGY & SUPPORT	117	The majority of complaints received related to insurance claims with a total of 89. However this is a significant decrease on the year before when 416 complaints were received.
CUSTOMER & COMMUNITIES	1083	<p>The majority of complaints received in Customer & Communities are for Libraries. 676 complaints were received about a wide range of issues but many relating to the huge changes made in the service this year. Complaints related to the availability of stock due to the refurbishment and opening of new libraries including Ashford, Beaney Centre in Canterbury, Broadstairs, Gravesham and the Kent Library and History Centre in Maidstone. The introduction of the self-serve machines offering customers the opportunity to return books more quickly and efficiently within libraries (whilst saw initial complaints the service has received numerous compliments and has a take-up rate 83.6%).</p> <p>During 2011/12, 92.8% of complaints were acknowledged within the standard and 94.6% were responded to within the standard.</p>
EDUCATION, LEARNING & SKILLS	44	<p>Complaints data before 2010/11 is not comparable as complaints, enquiries and compliments were not recorded consistently. Since April 2010 the process has been managed by the former CFE Customer Care Team currently managed by the Families and Social Care Directorate.</p> <p>In previous years some enquiries from MPs were recorded as complaints. The higher figures in previous years appear to be mainly because a number of other issues such as statutory appeals and complaints about schools were recorded as complaints against the Local Authority.</p> <p>The number of complaints received about the Local Authority's education services is very low when viewed in the context of the number of children receiving an education in Kent however the department does not deal with complaints relating to schools which are traditionally dealt with by the schools directly.</p>
ENTERPRISE & ENVIRONMENT	1284	<p>939 of the complaints related to Highways & Transportation, complaints for this service relate to a range of issues including service delivery particularly relating to seasonal issues i.e. Winter Maintenance; poor communication and lack of information available; and about staff behaviour, including behaviour of contractors.</p> <p>Highways have seen a significant decrease in the number of complaints following a change in process of dealing with complaints and a proactive approach to resolving issues.</p> <p>In addition, 152 complaints were received relating to Commercial Service services. Commercial Services deliver a wide range of services including Kent Fleet, Landscape services, Energy Supply through LASER and Kent Top Temps.</p>

		<p>The number of complaints in each department was low, with Transport Integration receiving the majority of complaints mostly relating to policy changes to Home to School Transport provision.</p> <p>The remaining 193 complaints are mostly focused on waste management, including complaints relating to opening hours, the height barrier, restrictions on waste entering the sites and contractors' site management.</p>
<p>FAMILIES & SOCIAL CARE Adult Social Services</p>	<p>425</p>	<p>This represents decrease from the previous year when 597 complaints were recorded.</p> <p>Analysis of statutory complaints for 2010/11 shows the following breakdown by service: 60% regarding Older People's services (253) 18% regarding Learning Disability (75) 12% regarding Physical Disability (53)</p> <p>Some people complain about more than one issue covering more than one Business Unit. These issues are recorded separately and therefore the total issues add up to more than the total number of complaints. (Appendix 2, Table 1)</p> <p>Analysis of the statutory complaints indicates that 37% of the complaints received were attributed to poor communication and behaviour of staff. This is a consistent pattern each year. A separate piece of work is ongoing which details the complaints made about behaviour of KCC staff and poor communication and makes recommendations for improvement.</p>
<p>FAMILIES & SOCIAL CARE Children's Social Services</p>	<p>503</p>	<p>198 Non-Statutory complaints and 305 Statutory complaints were received.</p> <p>Despite the increase in the number of complaints from last year (406), efforts to resolve complaints early have continued and this is reflected in the data which shows a continuation in the trend of a reduction in the proportion of complaints escalating beyond the first stage. The number of Stage Two investigations carried out in 2010/11 represents 8.5% of the total number of statutory complaints received (cf 24% in 2007/8).</p> <p>KCC has a contract with Action for Children to fulfil the statutory requirement for an Independent Person to be involved in Stage Two investigations. As local staff successfully resolve complaints at an early stage, those that do escalate tend to be complaints which are more complex and difficult to resolve quickly.</p> <p>Of the investigations completed in 2011/12, seven complaints were fully upheld, six were partially upheld and one was not upheld. Six complaints were withdrawn after the process began.</p>

Table 5 - Comparison of complaints numbers for, 2009/10, 2010/11 and 2011/12

BUSINESS STRATEGY AND SUPPORT

Service	2009/10	2010/11	2011/12
Business Solutions & Policy	2	5	7
Finance	2	4	0
Insurance	203	416	89
Personnel (Employee Services & Schools Personnel Services)	27	29	17
Property	6	23	4
Commercial Services	144	75	-*
Strategic Procurement	1	0	0
TOTAL	385	552	117

*Commercial services moved from Business Strategy & Support in to Enterprise & Environment in April 2011.

FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES

Service	2009/10	2010/11	2011/12
Support Services	130	23	-
Learning Disability:	111	104	75
Mental Health	4	26	1
Older People:	375	351	253
OT and Sensory Loss:	16	-	-
Phys Disability:	54	44	53
Specialist Services:		-	-
Adults	1	-	-
Social Economy/ Kent Supported Employment	1	-	-
Telecare	2	-	-
Telehealth	1	-	-
Training and Development	1	-	-
Voluntary Escorts	1	-	-
Other		49	43
Total	697	597	425

(Some people complain about more than one issue, therefore the total adds up to more than the total number of complaints)

FAMILIES & SOCIAL CARE - CHILDREN SOCIAL SERVICES

Service	2009/10	2010/11	2011/12
Children & Families non-statutory	98	139	198
Children & Families statutory	200	267	305
TOTAL	298	406	503

CUSTOMER AND COMMUNITIES

Service	2009/10	2010/11	2011/12
Arts Development	3	0	0
Community Engagement Managers	13	7	-
Community Learning & Skills *	118	151	117
Community Safety	8	2	8
Emergency Planning	0	0	0
KDAAT	11	4	0
Contact Centre & Gateways	38	61	66
Communication & Media Centre	12	34	4
Kent Scientific Services	31	22	10
Key Training	0	-	-
Libraries & Archives	542	116	676
Registration (& Coroners)	11	17	46
Sport, Leisure & Olympics	-	5	2
SIP *	2	4	4
Supporting People	19	32	17
Trading Standards	22	11	11
Turner Contemporary	7	-	-
Youth Offending Service	2	8	3
Youth Service	87	43	16
Country Parks	109	102	96
Countryside Access	9	8	9
TOTAL	1,044	627	1083

* New unit for Kent Adult Education and Key Training

** Transferred from Chief Executives Dept 2008/09

EDUCATION, LEARNING & SKILLS

Service	2009/10	2010/11	2011/12
Education	173	88	44

ENTERPRISE & ENVIRONMENT

Service	2009/10	2010/11	2011/12
Environment & Waste	262	210	193
Kent Highway Services	1,259	1,959	939
Strategy & Planning	2	-	-
Commercial Services	-	-	152*
Regeneration Project Delivery	0	4	0
TOTAL	1523	2173	1284

*Commercial services moved from Business Strategy & Support in to Enterprise & Environment in April 2011.

Table 6 Acknowledgement and Response Times against standards

	COMPLAINTS	COMPLIMENTS	COMMENTS	% answered within our standards	
				ACKNOWLEDGEMENT	RESPONSE
COMMUNITIES					
2009/10	1,044	2,270	1,692	87%	96%
2010/11	627	4,077	1,382	98%	96%
2011/12	1,083	2,497	582	91%	92%
EDUCATION					
2009/10	173	15	146	Not available	
2010/11	88	5	178	78%	84%
2011/12	44	137	74	55%	64%
ENTERPRISE AND ENVIRONMENT					
2009/10	1,667	605	-	95%	98%
2010/11	2,248	551	16	98%	91%
2011/12	1284	916	3	97.1%	89.2%
FAMILIES & SOCIAL CARE - CHILDRENS SOCIAL SERVICES					
2009/10	298	66	126	Not available	
2010/11	406	54	166	94%	79%
2011/12	503	59	159	71%	65%
FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES					
2009/10	436	502	213	89%	90%
2010/11	527	598	266	88%	73%
2011/12	425	388	290	86%	67%
BUSINESS STRATEGY & SUPPORT					
2009/10	385	237	116	98%	96%
2010/11	552	228	72	78% **	83% **
2011/12	117	95	35	77%**	93%**

* The low compliance level found in Libraries has been investigated by senior managers and was traced to inconsistencies in how the complaints are recorded and reported by some front line members of staff. ** Time taken to deal with Insurance claims.

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By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 25 September 2012
Subject: **Internal Audit Progress Report**
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity since the July 2012 Governance and Audit Committee.

FOR ASSURANCE

Introduction

1. This report summarises:
 - the key findings from completed Internal Audit reviews;
 - progress against, and any amendments to, the 2012/13 Internal Audit Plan since the last report to the Governance and Audit Committee;
 - achievement against Internal Audit's Key Performance Indicators; and
 - organisational progress on implementation of agreed recommendations.

Overview of Progress

2. Appendix 1 details the outcome of Internal Audit work completed, at draft report stage or in progress for July 2012 to September 2012. During this period 7 audits were finalised and 13 draft reports were issued or are in the process of being finalised.
3. Progress against the Audit Plan for 2012/13 is 33% complete at 1 September 2012 (compared to prorated target of 40%). This reflects a number of 2011/12 audits being completed in the 2012/13 financial year, the profiling of the audit plan to the latter part of the year due to major changes within auditee areas and the use of resources in the last six months to perform other work such as grant claim certification and the internal audit of parishes.
4. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2012/13 year are detailed within Appendix 1.
5. Progress of Directorates in the implementation of agreed recommendations arising from our audit reports shows that of 36 recommendations due in the reporting period 16 have been implemented while 20 remain outstanding; 3 of these are high priority and revised implementation dates have been agreed. Delay in implementation has been reviewed and is not considered to represent a significant risk to the Council at this time.

Implications for Governance

7. Summaries of findings from completed work have been included within Appendix 1. Audits completed in the financial year to date have not identified any significant authority wide control weaknesses, where management action has not been agreed. All audits are allocated one of five assurance levels, for which definitions are included within the attached report .

Recommendation

8. Members are asked to note:
- progress against the 2012/13 Audit Plan and proposed additions.
 - the assurance provided in relation to the Council's control environment as a result of the outcome of Internal Audit work completed to date.

Appendices

Appendix 1 Internal Audit Progress Report September 2012

Neeta Major
Interim Head of Internal Audit
Ext. 4664

Appendix 1



Kent County Council

Internal Audit Progress Report September 2012

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I Introduction

1.1 Purpose of this report

Internal Audit is an assurance function that provides an independent and objective opinion on the adequacy of the Council's control environment.

This report summarises the work that the Council's Internal Audit service has undertaken in 2012/13 to date. It also highlights any key issues with respect to internal control, risk and governance arising from that work.

1.2 Overview of work done

The Internal Audit Plan for 2012/13 includes a total of 66 projects at September 2012. We communicate closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

As a result of this liaison, changes to the Plan may be made during the year. Details of the changes to the Audit Plan are reported to the Governance and Audit Committee throughout the year.

The following additions are proposed:

An audit of Troubled Families has been added; this is due to a requirement for Internal Audit to agree the Council's self-declared results in relation to the Troubled Families Programme.

An audit of VAT has been added as this has not been reviewed by Internal Audit in the last 5 years.

At the time of preparing this report the reporting position for 2012/13 was as follows:

- 7 final reports/assurance work completed (2 relating to 11/12)
- 13 draft reports issued or in the process of being finalised

Summaries of all final reports issued since the last Committee meeting, including those relating to 2011/12 which were in progress when the Annual Report was issued in July 2012, can be found at Appendix A.

Overall progress on the 2012/13 Plan can be found at Appendix B.

1.3 Objectives

The majority of reviews internal audit undertake are designed to provide assurance to management on the operation of the Council's internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. These are followed up as they fall due and implementation progress is reported in Appendix E.

Other work undertaken includes the provision of specific advice and support to management, attendance at key working groups, internal audit of parishes and the certification of grant claims. Details are provided in Appendix C.

II Internal audit performance

Internal Audit's performance against our targets at 1 September 2012 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted	98%	99%
Efficiency		
% of plan delivered (Note 1)	95% (40% prorated)	33%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork (Note 2)	90%	76%
Preparation of annual plan	By April	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
Quality of Service		
Average Client satisfaction score	90%	81%

Note 1

Internal Audit's progress against plan is below the prorated target for the following reasons:

- there was a significant level of audits relating to 2011/12 that were completed in the first six months of the 2012/2013 financial year due to the restructuring of the section and the restructuring of many directorates being audited.
- due to the ongoing transformation programme, several auditees have requested that 2012/2013 audits be performed in the latter part of the year. We have tried to accommodate this wherever appropriate.
- Internal audit perform other work e.g. parish internal audits, grant certifications and the fire internal audit service which require input during the first half of the year. More detail is provided in Appendix C.

Note 2

For 2011/12 we achieved a rate of 50% achievement against this target. The improvement to 76% is through focusing more effort on this target and identifying where problems may be occurring and implementing corrective action wherever appropriate. It should be noted that all draft reports relating to the 2012/13 Plan have been issued within the 10 day target and that the actual performance shown is currently impacted by residual 2011/12 reporting.

Note 3

The issue of several limited assurance opinions in the last six months has impacted on this metric. This is unavoidable for a service which by its very nature relies on feedback from the teams it has to review and challenge. No performance concerns have been highlighted from the client feedback responses.

Appendix A - Summary of individual internal audit projects issued since July 2012

Recruitment & Selection

Scope

The overall objective of this work was to provide assurance on the application of and compliance with the Council's policies and procedures contained in the Blue Book on Recruitment and Selection. These policies are designed to ensure that the Council's recruitment process is suitable to achieve the strategic aim of employing the most appropriate candidate.

Testing was limited to recruitment of permanent staff in the financial years 2010/11 and 2011/12.

Overall Assessment – Substantial

It was confirmed that controls over how the Blue Book is updated, communicated and made available to staff are well designed. It was noted that there are good communication links between Human Resources (HR) and the content owner from each directorate and there are processes in place to ensure that the Blue Book is kept up to date with relevant legislation. In addition, identification and Right to Work checks had been completed for all new staff tested.

There were some issues identified during the audit, including gaps in documentation in relation to shortlisting and interviews. Three recommendations were made to address this, none of which were high priority.

Data Protection and Freedom of Information

Scope

The main objective of the audit was to provide an assurance on the policies and procedures in place to satisfy the legislative requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000. In relation to the Data Protection (DP) element, the audit followed up on the DP audit undertaken in 2010/11 and reviewed some additional areas, for example, responses to information security breaches.

Overall Assessment – Limited

In March 2011 a notice to improve was issued by the Information Commissioner's Office (ICO), in relation to the timeliness of responses to Freedom of Information (FoI) requests and in January 2012 KCC signed an undertaking with the ICO to improve timeliness and to ensure appropriate training is provided to relevant members of staff, effective from the date of the undertaking.

The 'Limited' assurance is based on sample testing carried out in relation to the adequacy and effectiveness of controls in place to satisfy KCC's statutory obligations under the Acts. However we recognise the progress made in relation to Freedom of Information requests and the limited assurance is due predominantly to Data Protection rather than Freedom of Information. We have made seven recommendations to further improve controls, four of which are high priority. These include, improving authority wide training and awareness, monitoring and responses to Subject Access Requests and FoI internal reviews, handling of Information Security Breaches and compliance with Records Management and Disposal procedures.

Leaving the organisation

Scope

The overall objective of the audit was to provide assurance that controls over leavers were adequate and effective.

Overall Assessment – Substantial

The audit confirmed controls were operating adequately and effectively in a number of areas. There is an established policy in place for staff leaving the organisation through the Blue Book and in terms of the requirement for managers to complete the HR Business Centre Leaving Employment form. There is also an established policy in place within ICT in terms of managers completing the Account Deletion Request on Supportworks.

However, the audit highlighted certain areas where improvements would enhance the control environment. There were two recommendations made to address this, neither of which were high priority. These included the introduction of a standard checklist to be made available to and completed by all managers and for the ICT Supportworks reference number to be recorded on the HR Business Centre Leaving Employment form.

Annual Governance Statement

Scope

The overall objective of the audit was to provide assurance that the Council's year end Annual Governance Statement (AGS) process is adequate and effective.

Overall Assessment – Substantial

The Accounts and Audit Regulations 2011 require the Council to produce an Annual Governance Statement, which should be included in the Council's annual accounts. This was approved by the Governance and Audit Committee on 26th July 2012. The purpose of the Statement is to confirm how the Council has discharged its responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

The "Substantial" assurance is based on sample testing of directorate returns which showed that there are processes within directorates for identifying governance issues which are judged to be significant. These are escalated to the Corporate Management Team. There is also a central process in place to ensure returns are made by directorates in sufficient time for compiling the Council's AGS.

We have made seven recommendations to improve controls, one of which is high priority. These include guidance to support directorates in their understanding of the AGS process, the use of last year's returns to inform this year's submissions, clearer documentation of identification and assessment of risks within directorate management teams and the use of other information sources such as risk registers to inform the AGS.

No Use Empty

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the administration of the No Use Empty (NUE) loan scheme to ensure that targets are met whilst minimising the risk of financial or reputational damage to KCC.

Overall Assessment – Adequate

The NUE initiative is run in partnership with nine District Councils in Kent to bring empty properties back into use. The target is 200 units per annum. Within the initiative is a recyclable capital fund of £6.5M (£2.2M for 2012-13) which is allocated in the form of loans to empty property owners to carry out remedial works on properties to make them habitable. Homes may either then be sold or let by the owners. Loan recipients are required to repay loans in accordance with a loan agreement issued by KCC.

The 'Adequate' assurance is based on sample testing which showed that the controls in place were all being followed by staff and there is an effective partnership in place between KCC and the District Councils. However additional controls would help to identify potential high risk projects and therefore enable more informed decisions to be made.

We have made 7 recommendations to further improve controls, none of which are high priority. These include additional credit checks to be carried out on applicants, a review of the risk assessment, formal agreements in place with all District Councils, robust records of monitoring and a clear escalation procedure for defaults or for works not completed.

Corporate Governance (Phase 1)

Scope

The main objective of the audit was to provide initial assurance on the new governance arrangements in relation to establishment of the revised governance structure and clarity of roles and responsibilities.

Overall Assessment – Substantial

The revised Officer/Member structure including the Corporate Board was agreed at County Council in April 2012. Interviews undertaken with Cabinet Members and Senior Officers established that all were clear on the purpose/objective of the new structure and felt it to be efficient and effective with an open culture and good level of challenge.

It was recognised by all individuals interviewed that at this early stage there are some areas for development, however no major issues were identified. Document review confirmed that a robust structure is in place overall and, again, any issues are developmental and to be expected in the transition period.

We have made four recommendations to address the developmental issues identified, none of which are high priority.

Professional and Highway consultancy review

Scope

The overall objective of this work was to provide assurance on the Council's compliance with the above contract in relation to the setting and management of targets, the monitoring of costs prior to payment, the management of productivity and the adequacy and effectiveness of contract monitoring controls to ensure achievement of key outcomes from the contract.

Overall Assessment – Limited

The audit recognised that when the contract was awarded, Highways achieved significant savings in the hourly rates and overhead multipliers when compared to the previous contract and still compare favourably to those available now in the market place.

The audit has confirmed that applying the current open book style of contract has been challenging. Despite a number of reviews and improvement initiatives, over the contract's life the complexities of such a contract have been too difficult for many staff to deal with effectively and efficiently, given existing workloads and resource constraints.

However, the introduction of a Contact Compliance team with a commercial focus in April 2011 has seen improvements in the monitoring of the contract. But the ongoing difficulties have been recognised by senior management and the contract is to be re-tendered rather than take up further extensions available to them.

We have made seven recommendations split between the future solution and what needs to be undertaken for the current contract which finishes in March 2013. The key recommendations in relation to the existing contract relate to the proactive monitoring and management of consultant utilisation rates, the performance of an overhead review and improvements to ensure better profiling of consultants and more consistent challenge of targets.

We agree that Highway's decision to re-tender the service using a different style of contract is appropriate.

Establishments

Scope

A programme of compliance audits began in late June, mainly focusing on Children's Centres, but including a day centre for adults following a customer complaint. To date fieldwork has been completed at 8 Centres as well as reviewing financial controls in 2 districts where this activity is centralised. The audits focus on financial controls, performance management, inspection standards, and safety and security. Five draft reports are pending issue.

Summary of findings

In general Centres are able to demonstrate that they are engaging with Centre users and partner organisations, including hard to reach groups, promoting diversity and using evaluation tools positively to identify areas for improvement. Training plans are in place and relate to personal action plans and service priorities. We have made a number of specific recommendations to individual centres.

Compliance with safety and security policy and procedures is more varied. Accident and incident forms are being completed but are often not numbered, increasing the risk of loss or unauthorised removal. Not all Centres could evidence recent health and safety inspections. Fire safety standards were generally good although some Centres had experienced difficulties with other users in shared premises. Recommendations have been made to deal with these issues.

The picture is more variable for financial controls. Overall, controls over income generation are far weaker than in other parts of the Council. Although the sums involved are relatively small there is an avoidable risk of financial loss and reputational damage. Also the commitment budgeting system, though well designed, is not being used as intended, leading to inaccurate forecasting and overspends. We have also identified instances of misuse of purchase cards and personal loyalty cards. In some localities there is a lack of awareness of the need for staff to complete declarations of business interests. Some asset registers are not up to date and the £200 lower limit for inclusion increases the risk of loss of attractive portable items. Recommendations have been made to deal with these issues.

Appendix B - Detailed Analysis of internal audit progress on 2012/2013 Plan

Project	Progress at September 2012	Date to G&A	Overall Assessment	Project	Progress at September 2012	Date to G&A	Overall Assessment
Core Assurance							
Corporate Governance	Phase 1 Complete	Sept 2012	Substantial				
Annual Governance Statement	Complete	Sept 2012	Substantial				
Schemes of Delegation							
Risk Management	Planning						
Business continuity and resilience planning							
Performance Management Framework							
Information Governance							
Data Quality – Authority wide	Planning						
Procurement	Planning						
Business and Financial Planning	Planning						
Partnerships	Planning						
Managing Absence	Fieldwork in progress						
Learning and Development							
Leave	Draft Report						
Leaving the organisation	Complete	Sept 2012	Substantial				
Workforce Planning							

Project	Progress at September 2012	Date to G&A	Overall Assessment	Project	Progress at September 2012	Date to G&A	Overall Assessment
Core Financial Assurance							
General Ledger				Financial Control Audits	In progress*		
Accounts Payable				VAT	Planning		
Accounts Receivable	Draft Report						
iProcurement							
Corporate Purchase Cards	Planning						
Capital Programme - Planning and Monitoring							
Revenue Budget Monitoring	Planning						
Treasury Management and Pension Investments							
Pension Contributions							
Fixed Assets	Planning						
Payroll	Planning						
East Kent Payroll	Planning						
Social Care Client Billing	Planning						
Foster Care Payments	Draft Report						
Schools Financial Compliance- advisory	In progress – ongoing						
Schools Financial Compliance	Planning						
Local budgetary control reviews	Planning						

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at September 2012	Date to G&A	Overall Assessment	Project	Progress at September 2012	Date to G&A	Overall Assessment
Risk/Priority Based Audit							
Service Re-design	Fieldwork in progress			No Use Empty Property	Complete	September 2012	Adequate
Locality Boards	Planning			Troubled Families	Planning		
Regeneration and Economy - RGF	Draft report stage 1			Broadband Delivery UK	Fieldwork in progress		
Property Disposals	Fieldwork in progress			Communication Strategy			
Developer Contributions (s106)	Draft Report			Commercial Services	Draft Report		
Safeguarding Adults							
Personal Budgets							
Strategic Commissioning	Draft Report-stage 1						
Case File Audit process	Draft Report						
FSC Data quality	Draft Report						
Financial Management - FSC	Incorporated into financial control audits						
Management of complaints	Incorporated into Corporate review						
Establishment Visits	In progress*						
Public Health responsibilities	Planning						
Special Education Needs	Draft Report						
Kent Connexions	See Contract Compliance						
Consultation	Draft Report						

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at September 2012	Date to G&A	Overall Assessment	Project	Progress at September 2012	Date to G&A	Overall Assessment
Contract Compliance							
Kent Public Service Network							
Ashford Gateway Plus							
Supporting People							
Longfield Academy							
Professional and Highway Consultancy contract	Complete	September 2012	Limited				
Network Management Term Maintenance							
East Kent Waste Partnership	Planning						
Biffa Household Waste Recycling Centre	Draft Report						
Paper and card							
Kent Connexions	Draft Report						
Leaving care service							

Appendix C – Other 2012/2013 work undertaken by Internal Audit

Grants

The Internal Audit team is responsible for auditing and signing off grant claims, to enable the Council to recover money from a number of sources, in particular Interreg projects. In July and August this year, a 100% check of relevant evidence including invoices, payroll details and contracts have been checked for over 19 Interreg projects, with a total value verified of £1,238,918. With a 50% grant recovery rate, this relates to grant income to the Council of approximately £500,000 and £125,000 for other bodies including Visit Kent, Locate in Kent and Kent Fire and Rescue Service. Time spent on verifying and signing off grant claims is chargeable.

Parishes

Kent County Council Internal Audit currently offers a comprehensive internal audit service for Local Councils and other bodies. We are the appointed auditor for 13 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre.

From April 2012 to August 2012 we have undertaken 16 audits for these bodies, with a further 19 audits scheduled to be completed in the remainder of 2012/13.

Significant ad hoc/advisory work and attendance at key working groups

Internal Audit continues to monitor and act on reported Direct Payment irregularities, which were identified by the Audit Commission as a major area of risk for local authorities. So far 13 such irregularities have been reported in 2012-13, around half the number for the same period in 2011-12, over which time the number of clients receiving Direct Payments has remained broadly constant. There is a concern that this represents an under-reporting of such incidents rather than a genuine fall, and a meeting recently took place with the FSC Finance Business Partner to address this. The majority of cases are resolved within the Directorate on the basis of Internal Audit advice and guidance to managers and practitioners.

Internal audit have also attended the following groups in an advisory capacity:

- ERP Programme Board
- Business Continuity Management
- Information Governance Cross Directorate Group

Appendix D – Internal Audit Assurance Levels

Key	
High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level of non compliance were noted during the audit that may put a system/service objective at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant of error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.
Not Applicable	Internal audit advice/guidance no overall opinion provided.

Appendix E – Progress with implementation of recommendations

Audit	Recommendations to be implemented by 31 August 2012		Recommendations outstanding as at 31 August 2012		Comments	Revised implementation date
	H	M	H	M		
Authority Wide						
Risk Management	1	3	1	0	Three recommendations implemented. The high priority recommendation has a revised implementation date.	30/09/2012
Annual Governance Statement	0	3	0	0	Recommendations implemented	
Core Systems						
Treasury Management	0	1	0	0	Recommendation implemented	
Pensions Contributions	0	2	0	0	Recommendations implemented	
Firewalls and Firewall Management	0	5	0	4	One recommendation implemented, four have revised implementation dates due to budget restrictions and cheaper alternatives being sought.	31/10/2012 – 31/03/2013
Exchange Server and e-mail	0	2	0	1	One recommendation implemented. For the remaining recommendation it has been reported to us that this is implemented and we await evidence to confirm this.	
Freedom Pass	0	1	0	1	Revised implementation date set.	31/12/2012
Registrations	1	6	0	5	Five medium priority recommendations have revised implementation dates due to service restructure.	30/09/2012 – 01/04/2013
Business Objectives	0	1	0	1	Recommendation due to be implemented 12/09/2012	12/09/2012
Capita One	1	1	1	1	Revised implementation date for both recommendations, as the changes have been implemented but are currently undergoing	31/12/2012

Audit	Recommendations to be implemented by 31 August 2012		Recommendations outstanding as at 31 August 2012		Comments	Revised implementation date
	H	M	H	M		
					testing.	
Oracle	0	1	0	1	Revised implementation date for the business continuity plan testing due to restructures and further software development.	31/03/2013
Direct Payments	1	0	1	0	Revised implementation date set.	30/09/2012
Policy						
Blue Book – Equality Act/Fairness at Work	0	1	0	0	Recommendation implemented	
Blue Book – Employment Contracts	0	1	0	0	Recommendation implemented	
Blue Book – TCP	0	1	0	0	Recommendation implemented	
Communities						
CareWorks Application	0	3	0	3	Revised implementation dates as recommendations are in the process of being implemented.	31/12/2012 – 30/09/2013
Total	4	32	3	17		

H = High risk

M = Medium risk

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 25 September 2012
Subject: **INTERNAL AUDIT BENCH MARKING RESULTS**
Classification: Unrestricted

Summary: This report summarises the 2011/12 Internal Audit Benchmarking Results.

FOR DECISION

Introduction

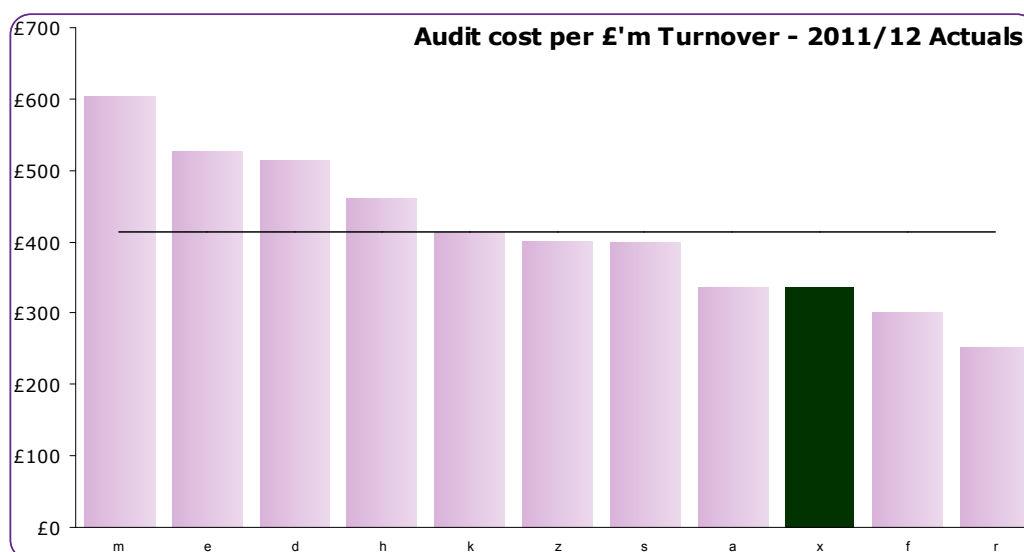
1. Internal Audit is a member of the CIPFA/IPF Audit Benchmarking Club. Through this club, information about Internal Audit's costs and productivity is compared against other county councils. We also compare our costs and productivity to the previous years to establish if we are improving and/or areas where we need to improve.
2. The number of county councils who participated in the 2011/2012 benchmarking exercise, including Kent, was 12 compared to 13 in the previous year and 21 that participated in 2009/10. Appendix A lists the county councils who participated. Many of the counties are significantly smaller than Kent County Council and the reduction in participants and the comparability of results is calling into question the usefulness of the survey as a measure of effectiveness going forward.
3. In addition it is apparent that some comparisons are distorted by the way in which authorities treat different costs e.g. for 2011/12 KCC has included significant costs in relation to the redundancy of staff following restructure whereas our closest comparator has excluded these costs.
4. To assist Members understand the context of the comparator group, Appendix A details the population and gross turnover of each of the comparator authorities to provide appropriate context for the review of the analysis within this report.
5. Table 1 below provides the main headlines from the benchmarking exercise

Table 1: Summary of 2011- 2012 position (The figures in brackets shows data for 2010/11).

	Kent	Average
Cost per £'m	322 (321)	409 (556)
Chargeable days per £'m	0.9 (1.0)	1.5 (1.8)
Cost per auditor (including on-costs and allocation of overheads) £'k	61 (53)	51 (51)
Chargeable days per auditor	172 (179)	172 (178)
Cost per day £	351 (318)	299 (282)

Comparative spend on audit

6. Kent County Council continues to spend well below average on its audit service per £m gross turnover than other county councils in the survey (shown in black shade). This is consistent with previous years' results and to a degree reflects that Kent's Internal Audit does not carry out school audits or compliance visits which is the norm in many other County areas. For 2012-13 with the inclusion of costs of four new staff to perform and support compliance visits in Internal Audit following the finance structure it is anticipated that this metric will become more in line with the average.

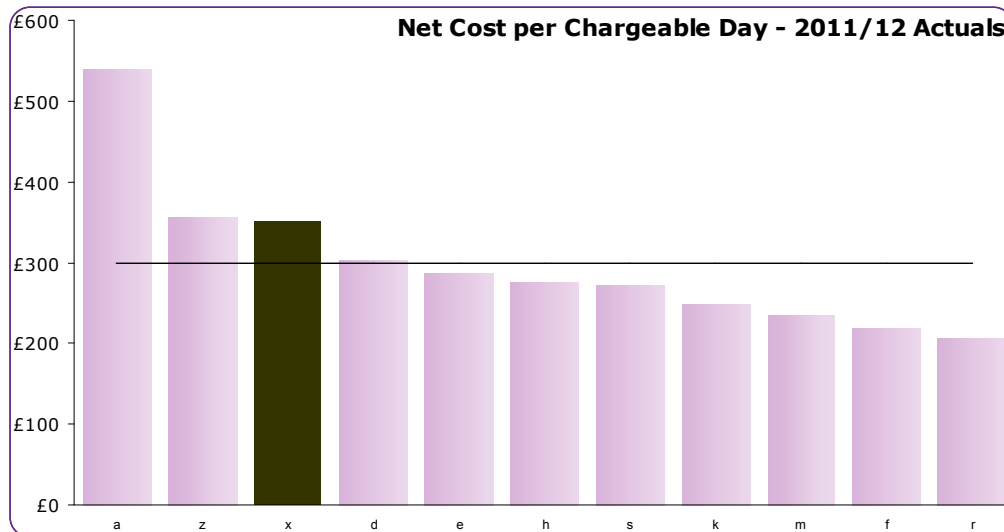


Source : CIPFA

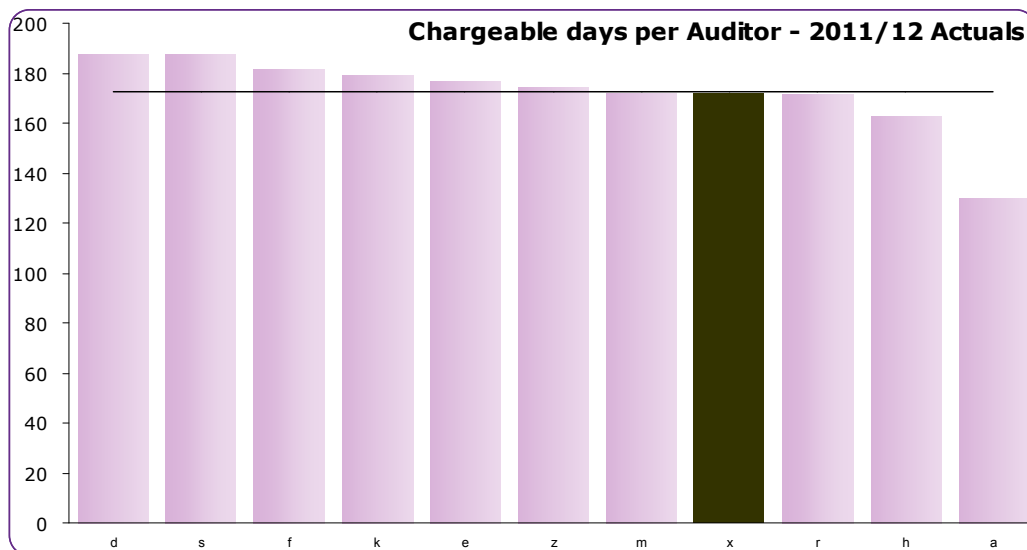
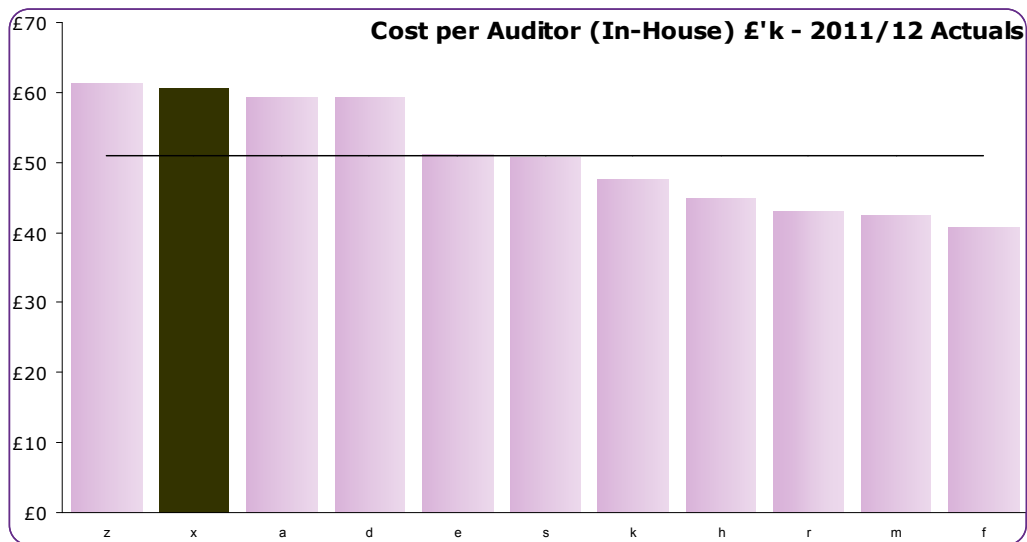
Productivity

7. Our cost per chargeable day has risen this year to £351 (from £318) largely due to the inclusion within 2011-12 of significant costs associated with redundancy and also due to the appointment of a counter fraud manager, two audit managers and the transfer of a contract compliance manager to the team during 2011-12. The inclusion of a fraud and contract compliance manager is not the norm at other authorities though it is increasingly becoming recognised as essential at a time when fraud is on the increase and delivery through contracts is such a significant part of a County's expenditure. The aim of both of these senior posts is to prevent loss through fraud or poor contract management practices.

8. As in previous years costs per chargeable day remains higher than average but despite the increase from last year due to redundancy expenses etc it is still lower than the next two biggest Councils within the comparator group.



9. The cost per chargeable day is affected by two variables – the **costs per auditor** (including pay, on costs and overheads) and the **chargeable days per auditor** shown in the next two graphs:

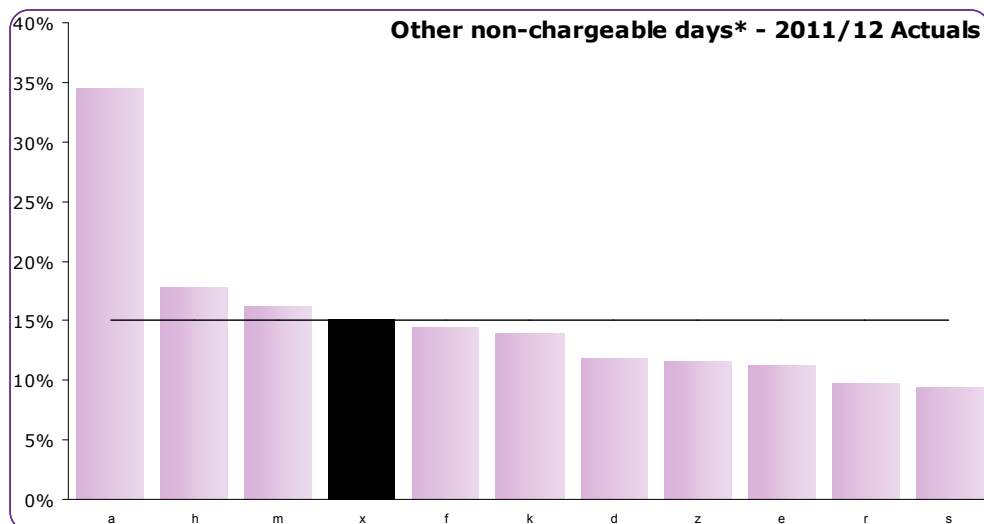


10. This analysis confirms that the cause of the higher than average net cost per chargeable day is the cost per auditor rather than the chargeable days per auditor, the reasons for which have been explained in paragraph 7.

11 The chargeable days per auditor remains in line with the average comparator group though this has reduced from the previous year (179 to 172). This reduction is due to the number of new appointments made in 11/12 with associated induction requirements and the training time required to service four internal audit trainees appointed as part of the previous Head of Internal Audit's restructuring of the section. Carrying this level of trainee resource will continue to be a pressure on chargeable days available until these trainees qualify.

12. It is useful to note in the graph below that the number of days "lost" to non audit and assurance work still remains in line with average. Non chargeable time relates to bank holidays, leave, training, sickness, administration, team meetings and other tasks not directly related to specific

audit work. This time is closely monitored on a weekly basis by Internal Audit management to ensure that all team members maximise time spent on actual audit and assurance related work.



Way forward

13. During 2011-2012, the Internal Audit section was restructured by the previous Head of Internal Audit. In addition as a result of the Finance restructure a number of financial compliance posts have been repositioned within Internal Audit. By 1 April 2012, the following key changes had been made:

- Increase in full time equivalents (by 1 April 2012 there were 20 F.T.E's – including two vacancies)
- Appointment of a counter fraud manager and senior investigations officer to deliver a corporate programme of fraud work including proactive and reactive fraud investigation
- Transfer of a contract compliance manager to deliver a series of reviews over significant Council let contracts including achievement of value for money
- The introduction of a new programme of compliance visits including childrens' centres, establishments, pupil referral units, limited companies (in process of being introduced) and budget manager reviews

14. 2012-2013 will be the first year where it will be possible to analyse the impact and effectiveness of these changes. The CiPFA benchmarking exercise and the reducing number of comparator Counties may not be the best method of assessing the effectiveness of these changes particularly as the current comparison does not take into account the degree of assurance required by different authorities and the split of

costs between advisory, audit, fraud, contract compliance and compliance visits. Such analysis would help differentiate between Councils where other work (e.g. compliance) is undertaken elsewhere or not at all. Further analysis is available from the benchmarking tool but at present this is largely based on time spent on specific types of audits which of course will vary dependent on the types of risks each individual Council is exposed to.

15. Despite these concerns, the exercise is a useful way to formally consider these metrics and to investigate questions that may arise. Currently there is no other mechanism by which these metrics in relation to internal audit in other authorities are collated.

Recommendations

16. Members are asked to:
 - note the content of this report in relation to 2011-12.
 - approve the participation in the benchmarking club for 2012-13, the results of which to be presented in September 2013
 - review ongoing participation in the benchmarking club in September 2013.

Neeta Major
Interim Head of Internal Audit
Ext: 4664
September 2012

	Gross Turnover (£m) ¹	Population '000 ²
Cambridgeshire	915.7	621
Cumbria	856.2	499
East Sussex	916.6	527
Hertfordshire	1,865.6	1,116
Kent	2,596.9	1,463
Norfolk	1,586.1	862
Northamptonshire	1,110.1	692
Nottinghamshire	1,252.4	785
Suffolk	1,209.0	728
Surrey	1,778.3	1127
Warwickshire	880.3	544

¹ Per CIPFA statistics

² Per census/Wikipedia/website

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By: Neeta Major – Interim Head of Internal Audit
 To: Governance and Audit Committee - 25 September 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 investigations concluded since the last Governance and Audit Committee meeting in July 2012.

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.

Anti-Fraud and Corruption Activity

Procurement

2. In response to a management request and in keeping with the 2012/13 Internal Audit Plan for proactive fraud work, the counter fraud team undertook a brief review of the new supplier process to identify potential fraud risks.
3. Key fraud risks in this area include fraudulent attempts to add or amend supplier details (including bank details) thus re-directing payments away from the intended recipients. A number of public sector organisations have been the victim of successful attempts in recent months, some incurring significant losses.
4. Based on the findings and the recent audit of Oracle Accounts Payable and iProcurement (CS02-2012) we made two medium priority recommendations to improve controls in relation to the authorisation and verification of new supplier requests. These have both been agreed by management.

National Fraud Initiative

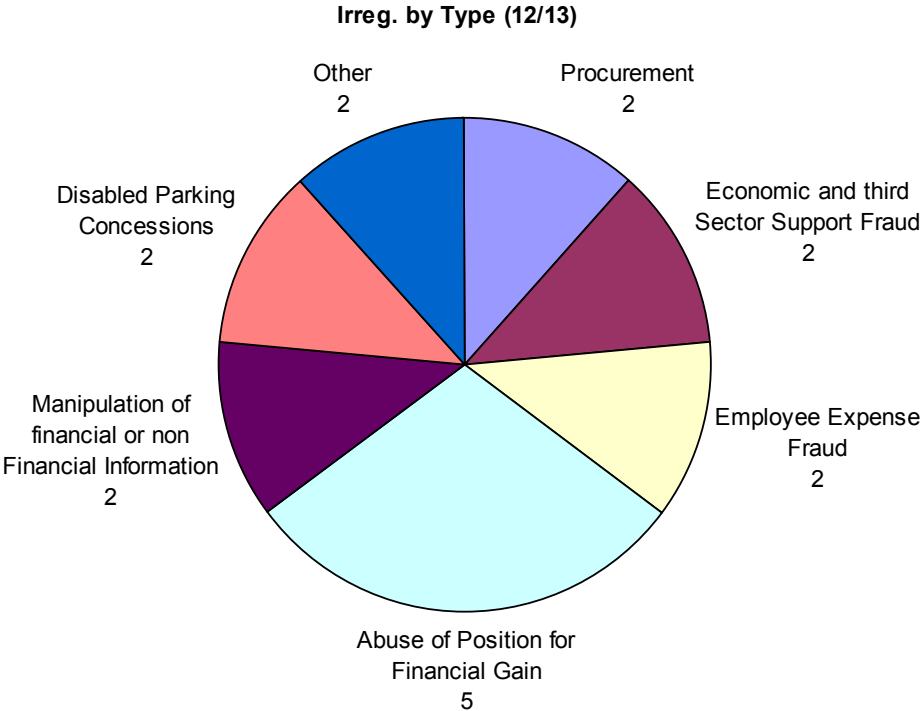
5. Work has begun in preparation for the Audit Commission's National Fraud Initiative (NFI). The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The exercise requires KCC to submit data sets for payroll, creditors, pensions, insurance and concessionary fares. The subsequent data matches will be made available in January 2013.

Fraud Awareness

- 6. We continue to highlight fraud risks across the Council via KMail and KNet and have provided fraud awareness presentations to the School’s Financial Service team, Employment Support Coordinators (FSC) and have confirmed a series of presentations with School Bursars in October.

Irregularities

- 7. Since April 2012 we have recorded seventeen new irregularities and two cases were carried forward from 2011/12. In addition there are a number of ongoing preliminary and supportive enquires that may reveal further fraud/irregularities. A summary of the concluded cases since July 2012 is set out in appendix A.
- 8. We have completed some analysis of the types of irregularities that have been recorded for 2012/13. The most common type of irregularity has been identified as “Abuse of position for financial gain.” This category involves the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers and includes financial gain for the person or another.
- 9. This type of fraud is best prevented though sound financial procedures that are adhered to by staff and supported by a strong anti-fraud culture. With this in mind we will be reviewing financial regulations and procedures and continue to promote a strong anti-fraud culture throughout the Council. The following chart provides a breakdown of irregularities by type:



Recommendations

10. 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.

Appendices

Appendix A *Concluded cases since July 2012*

Paul Rock
Counter Fraud Manager
Ext: 4694

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Ref	Allegation	Outcome	Recommendations
840	A member of the public made numerous allegations to the Chair of Governance and Audit Committee in relation to the operation and governance arrangements of two companies trading on behalf of KCC.	<ul style="list-style-type: none"> The investigation identified that a member of staff had misrepresented facts concerning ownership and directorship, failed to declare conflicts of interest and misappropriated KCC funds. A member of staff was dismissed for gross misconduct (subject to appeal). 	<ul style="list-style-type: none"> Recommendations were made to strengthen governance arrangements. An extensive exercise is planned to test declarations of interest across the Council.
841	A school cheque was intercepted, altered and presented for payment. A replacement cheque to the same supplier subsequently went missing.	<ul style="list-style-type: none"> The bank was contacted and agreed to refund the money. The second cheque was misplaced by the bank and not the supplier. The bank is continuing with the investigation and no further action is required by KCC. 	<ul style="list-style-type: none"> Alternative payment arrangements were agreed with the supplier.
844	A member of the public applied for a Blue Badge from two separate authorities.	<ul style="list-style-type: none"> The application to KCC was made in error and has been cancelled. 	<ul style="list-style-type: none"> No recommendations were required.
845	Anonymous information was received indicating a Blue Badge holder had obtained their badge fraudulently and was not in any way incapacitated.	<ul style="list-style-type: none"> The application was reviewed and supporting medical evidence was confirmed. Without additional evidence KCC are unable to pursue this allegation. 	<ul style="list-style-type: none"> No recommendations were required.
846	A counterfeit invoice was received requesting payment for an Internet domain name unrelated (but similar) to KCC's no use empty property initiative.	<ul style="list-style-type: none"> The invoice was confirmed as spurious however the sender was based in the USA and therefore we were unable to pursue the allegations further. No payment was made. 	<ul style="list-style-type: none"> An alert was issued via KMail reminding staff to remain vigilant when approving invoices for payment.

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By: Richard Long, Chairman of Governance & Audit Committee
 Neeta Major, Interim Head of Internal Audit

To: Governance and Audit Committee – 25 September 2012

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

Classification: Unrestricted

Summary: This paper reviews and updates the Committee’s Terms of Reference.

FOR DECISION

Introduction and Background

1. In September 2011 Members reviewed and approved the revised Committee Terms of Reference. This has been included at Annex 1 for ease of reference. It was agreed at the meeting that the Terms of Reference would be reviewed in September 2012. Annual review of an Audit Committee’s terms of reference is good practice.

Suggested Changes

2. There are a small number of minor amendments suggested to the Terms of Reference at Annex 1 which take account of known changes over the last year. These are shown in bold underline within the Annex. No major changes are suggested from this review, however the Committee may wish to determine whether more fundamental changes are required.
3. The Council has reviewed and developed its arrangements for governance over the last few months. These developments may impact on the role of the Committee, and it is therefore appropriate that the Terms of Reference be reviewed regularly in September of each year to ensure they remain “fit for purpose”.
4. Going forward if the proposed Local Bill becomes statute, the current terms of reference will need to change to reflect the requirement for an independent panel to make recommendations in relation to the appointment of the external auditor.

Recommendations

4. Members of the Committee are asked to:
 - Recommend to full Council that the amended Terms of Reference at Annex 1 be approved;

- Agree that the Committee Terms of Reference be reviewed in September 2013.

Appendices

Annex 1 Proposed Terms of Reference

Neeta Major
Interim Head of Internal Audit
Ext: 4664

Governance and Audit Committee

Terms of Reference

Overarching Purpose

The purpose of the Governance and Audit Committee is to:

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

Objectives of the Committee

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

- Risk Management and Internal Control systems are in place that are adequate for purpose and effectively and efficiently operated.
- The Council's Corporate Governance framework meets recommended **best** practice, is embedded across the whole Council and is operating throughout the year with no significant lapses.
- The Council's Internal Audit function is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- The appointment and remuneration of the external auditors is approved in accordance with relevant legislation and guidance, and the function is independent and objective.
- The external audit process is effective, taking into account relevant professional and regulatory requirements, and is undertaken in liaison with Internal Audit.
- The Council's financial statements (including the Pension Fund Accounts) comply with relevant legislation and guidance and the associated financial reporting processes are effective.
- Any public statements in relation to the Council's financial performance are accurate and the financial judgements contained within those statements are sound.
- Accounting policies are appropriately applied across the Council.
- The Council has a robust counter fraud culture backed by well designed and implemented controls and procedures, which define the roles of management and Internal Audit.

Responsibilities

Risk Management and Internal Control

The Committee should:

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

Corporate Governance

The Committee should:

- Ensure that the Annual Governance Statement (including the list of significant issues for action in the ensuing year) is prepared in accordance with the statutory requirements and guidance, properly reflects the risk environment, and monitor progress on the significant issues and actions identified in the Statement;
- Review the Council's key financial governance procedures i.e., Financial Regulations, Schemes of Delegation, the Procurement Policy and the Treasury Management Policies, and recommend any necessary amendments;
- Review the Council's Code of Corporate Governance and make recommendations to Council to ensure that it remains relevant to the Council's work and remains in compliance with best practice and legislation;
- Consider issues referred by the **Head of Paid Service**, Corporate Director of Finance and Procurement, Monitoring Officer, any Council body or appropriate external party within the remit of these Terms of Reference;
- Monitor the Council's compliance with its own published standards and controls;
- Make recommendations to the Council on amendments to the Constitution to ensure compliance with standards of financial probity and stewardship;

- Consider arrangements made by the Superannuation Fund Committee for effective governance of the Kent Pension Fund.

Internal Audit

The Committee should:

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

External Audit

The Committee should:

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

Financial Reporting

The Committee should:

- Approve the Statement of Accounts on behalf of the Council, specifically considering the suitability of accounting policies and treatments and any changes to these; areas of major judgement; and any significant issues or amendments resulting from the audit;

- Ensure that the Kent Pension Fund Accounts, and summary extracts in the Council's Accounts, have been prepared in accordance with recommended practice, and statutory requirements.

Fraud

The Committee should:

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

Membership

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

Reporting

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

Rights and Access

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

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

Meetings

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

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

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

Attendees

The Committee will normally be attended by the Corporate Director of Finance and Procurement, the Director of Governance and Law, the Head **of Internal** Audit, the **Head of Performance, Business Intelligence and Risk /Corporate Risk Manager** and a representative of External Audit.

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

Work of other Committees

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

- the Standards Committee with regard to matters of ethical governance;

- the **Scrutiny Committee** – to complement but not to duplicate the exercise of their role in checking compliance with Council processes and policies in reviewing decisions and actions;
- Cabinet Members, in particular those whose portfolios include executive functions related to the matters covered by these Terms of Reference;
- the Council, especially when developing the Council's Code of Corporate Governance.

Training and Development

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

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

To: Governance and Audit Committee – 25 September 2012

Subject: **Local Audit Bill**

Classification: Unrestricted

Summary: An update on the Local Audit Bill consultation

FOR INFORMATION

Introduction

1. In January 2012 the Government published its response to the consultation carried out in 2011 on the future of local public audit. A draft Bill was published in July 2012 for further consultation with a closing date of 31 August (over the Summer recess).
2. The key principles have not changed significantly since the Government's response in January 2012 and a number of areas will be subject to further regulations from the Secretary of State.
3. Annex 1 includes a briefing prepared by the CIPFA Better Governance Forum providing information in relation to the draft Bill. The consultation to the draft has closed but a response was provided expressing the following key comments.

Issues for Committee to note

4. *Independent Audit Appointment Panel*
 The draft Bill proposes that an Independent Audit Appointment Panel should be independently chaired with a majority of independent members. Its function would be:
 - To advise the authority on the selection and appointment of an auditor to audit its accounts
 - To advise the authority on the maintenance of an independent relationship with its external auditor;
5. This would mean the Governance & Audit Committee in its current format would not be able to fulfil this role due to its membership structure. We have responded that we believe that this will pose practical difficulties and unnecessary costs. In particular it would be very difficult to appoint independents with the right qualifications and experience to fill this role as well as all other aspects of being an Audit Committee member. The only

concession in the latest Bill is that it now allows the Panel to be appointed jointly with other authorities and for authorities to undertake joint appointment of external auditors. This is likely to be the only realistic solution for the Council if the Bill becomes statute i.e. the Council could continue to benefit from a Governance & Audit Committee with the current structure for all business except appointment of the external auditors. This role would fall to an independently constituted smaller audit panel with representation from a number of authorities, charged with recommending a joint appointment for all the public bodies represented.

Regulations of appointed audit firms

6. The draft Bill proposes that The Financial Reporting Council should be the overall regulator of appointed audit firms with all local public auditors placed on a register kept by professional accountancy bodies who would act as Recognised supervisory bodies. The FRC will have responsibility for monitoring the quality of major audits though this has still to be defined.
7. The move to use the FRC as the regulator seems entirely sensible and in line with the regulation of private company auditors.

Objection to accounts

8. The Bill proposes to retain the right to object to the accounts but to provide a power to give the auditor discretion to reject vexatious, repeated or frivolous objections.

Grant certification

9. The intention has been restated to phase out existing grant certification requirements which would mean that if there was a requirement for external certification this would need to be identified and procured separately.

NFI

10. The draft Bill confirms support for the continuation of the NFI and consults on the best provider to serve as the operational provider of the service. We believe that the National Fraud Authority will be best placed to undertake this role due to publication of the local government strategy "Fighting Fraud Locally" and their continued engagement with local authorities.

VFM studies

11. The draft Bill provides new powers to the National Audit Office to undertake studies regarding the economy, efficiency and effectiveness with which local government uses its resources in undertaking functions. The intention of this work is to enhance the assurance that NAO provides to Parliament and support learning across the sector. We have responded that it is important that the NAO works together with sectors involved in improvement e.g. LGA and the inspectorates to ensure that there is no duplication and that the process does not become unnecessarily burdensome.

Recommendations

12. Members of the Committee are asked to note the update provided in this paper in relation to the Local Audit Bill.

Appendices

Appendix 1 CIPFA Better Governance Forum summary of Draft Bill and points to note

Neeta Major
Interim Head of Internal Audit
Ext: 4664

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CIPFA Better Governance Forum

The Draft Local Audit Bill - comparison to the key statements in the published Government Response (January)

In January 2012 the Government published its response to the consultation carried out in 2011 on the future of local public audit. DCLG also held regional engagement workshops to explore key issues with local government practitioners. The draft Bill was published on 6 July for further consultation, with a closing date of 31 August.

The aim of this analysis is to trace how the key areas outlined by the Government in its response published in January 2012 have been developed into the draft Bill. The draft Bill was published along with explanatory notes and a policy overview to explain the Government's intentions in the draft Bill.

The analysis does not aim to be a comprehensive summary of the entire draft Bill but features the main areas of interest. Some clauses vary according to organisation type and this analysis focuses on the main provisions rather than listing all variations in application.

As a general comment the key principles have not significantly changed since the Government's response in January. It should also be noted that a significant number of areas will be subject to further regulations from the Secretary of State. Until these are published the detailed application of the new legislation may not be fully apparent.

This briefing has been produced by the CIPFA Better Governance Forum to help inform its subscribers in their reading of the draft Bill. It does not constitute any part of CIPFA's formal response to the consultation.

If you have any queries arising from this analysis please contact Diana.Melville@cipfa.org.uk

Key Area	Government Response	Draft Bill	Points to note
Regulation			
Code of Practice	<p>Government intention was for the National Audit Office to produce the Code of Practice.</p> <p>NAO provide annual and in-year guidance to achieve consistency.</p> <p>Guidance should be principles based and not prescriptive.</p>	<p>The Comptroller & Auditor General will prepare a code or codes if more than 1 is required for different bodies.</p> <p>There will be a requirement to consult representatives of the bodies being audited, the auditors and professional accountancy bodies.</p> <p>A new code must be produced at least once every 5 years.</p>	
Regulation of auditors	<p>The Financial Reporting Council to be the overall regulator.</p> <p>The Secretary of State to have powers to authorise professional accountancy bodies to act as Recognised Supervisory Bodies for local public audit. In practice, the Secretary of State will delegate these powers to the Financial Reporting Council.</p> <p>For monitoring and enforcement the response recommended that Responsible Supervisory Bodies would be mainly responsible. With Audit Inspection Unit of FRC playing a role for bodies of Significant Public Interest.</p> <p>All eligible local public auditors will be placed on a register, which will be kept by the Recognised Supervisory Bodies.</p> <p>No specific regulations mentioned to ensure that firms registered for local audit work would meet specific criteria e.g. experience.</p>	<p>The Draft Bill provides for the delegation of functions from the Secretary of State to a new or existing body. Schedule 4 of the Bill requires an annual report on the discharge of its functions to be made to the Secretary of state and published to Parliament.</p> <p>Using their delegated powers the FRC will be able to authorise professional accountancy bodies to be recognised supervisory bodies in respect of local public audit.</p> <p>The draft Bill creates an offence of acting as a local auditor when not eligible to do so.</p> <p>The draft Bill sets out independence requirements so that an officer or member of an authority cannot be appointed as its auditor. This also applies to holders of corporations sole such as Police & Crime Commissioners. Partners and employees of officers & members are also proscribed from acting as</p>	<p>The overview of the Bill makes plain the Government's intentions to delegate overall regulation to the Financial Reporting Council.</p> <p>Auditors need to be seen as independent so the content of the regulations will be interesting.</p> <p>In particular will the independence requirement apply solely to the nominated auditor responsible for the audit</p>

		<p>auditor. The Secretary of State will have powers to make regulations that may define other 'connections' that could be deemed to compromise independence.</p> <p>The Register of those individuals and firms eligible to act as local auditors will be based on the possession of a recognised qualification. Schedule 3 to the Bill outlines the requirements on the Recognised Supervisory Bodies to ensure that those registered are competent to undertake local audit and are fit and proper persons to do so. The Bill does allow for the register to contain other information - to be specified in regulations.</p> <p>The Secretary of State will also have power to make regulations over the disclosure of controls over the quality and independence of local audit work.</p> <p>Arrangements for monitoring and enforcement are set out in Schedule 3 also. These include an inspection at least once every 6 years of their local audit work. An annual report on inspections is to be provided to the Secretary of State. Inspections of a firm with a quality assurance policy will cover all the eligible auditors employed by that firm.</p> <p>The policy overview accompanying the bill states that the FRC will have responsibility for monitoring the quality of 'major audits'. Which bodies will have their audits defined as 'major audits' will be defined by regulations by the Secretary of State.</p>	<p>or will it also apply to all audit staff engaged on the contract?</p> <p>Apart from ensuring professional competence through qualification and professional membership, Recognised Supervisory Bodies will need to have regard to the regulations.</p> <p>The definition of what constitutes a major audit is one of the specific questions in the consultation.</p>
<p>Scope of the audit</p>	<p>The Government proposed keeping the current requirements for auditors to satisfy themselves that:-</p> <ul style="list-style-type: none"> the accounts have been prepared in accordance with the necessary directions or regulations and comply 	<p>The draft Bill stipulates the continuation of the following 3 requirements of the audit scope.</p> <ul style="list-style-type: none"> It requires the auditor to be satisfied that the relevant authority's statement of accounts have been prepared in accordance with the relevant legislative requirements; 	<p>The draft bill does not show any change to the Government's thinking about the scope of the audit but it does not set out how the assessment of value for money in a 'risk based and proportionate approach' will be</p>

	<p>with relevant statutory requirements;</p> <ul style="list-style-type: none"> proper practices have been observed in the compilation of the accounts; and the body has made proper arrangements for securing economy efficiency and effectiveness (value for money) in its use of resources. <p>The Government commented that it considered that the value for money component of the audit could be delivered in a more risk based and proportionate way. This would have the potential for a consequent decrease or increase on the level of audit work some local public bodies might see as a result. This issue was explored further by the National Audit Office at the Engagement Workshops hosted by DCLG in the Spring.</p>	<ul style="list-style-type: none"> that proper practices have been observed in the compilation of the statement of accounts; and that the relevant authority has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources. <p>In the Policy Overview published alongside the draft Bill the Government states that the National Audit Office will set out more detailed requirements within the code of audit practice and related guidance.</p>	<p>achieved in practice.</p> <p>Clearly every public body should be ensuring that it does have proper arrangements for securing value for money, the issue is how the auditors will be able to satisfy themselves that this is the case in order to give an opinion in accordance with the code.</p> <p>This is an area where further detail will emerge as the National Audit Office start to prepare the code.</p>
Commissioning Local Audit Services			
<p>Duty to appoint, rotation of auditors and failure to appoint</p>	<p>The Government proposed that all local public bodies with income/expenditure over a threshold (currently £6.5m) will be under a duty to appoint an auditor from the register of local auditors.</p> <p>The original consultation included a proposal to limit the appointment to a maximum of 10 years. This did receive majority support although some concerns were raised that it would be a barrier to new entrants. The Government therefore proposed not to introduce this requirement.</p> <p>The proposals suggested that authorities</p>	<p>The appointment must be made by 31 December the preceding year to which the audit relates.</p> <p>The appointment may be for more than 1 year but a further appointment must be made at least once every 5 years. The authority may re-appoint the auditor.</p> <p>The relevant authority must publish a notice within</p>	<p>The FRC is currently consulting on changes to the UK Code of Corporate Governance. This includes a new requirement that FTSE350 companies should put the external audit contract out to tender at least every 10 years.</p> <p>The merits and issues around the rotation of auditors is</p>

	<p>should publish details of their appointment of an auditor and also the recommendations of the panel. If the local public body did not follow the advice of the Panel in making its appointment, it would be required to publish on its website a statement setting out the reasons why it had chosen not to follow that advice.</p> <p>The Government proposed that an authority would be required to advise the Secretary of State where they have failed to appoint an auditor and the Secretary of State would then have powers to either direct them to make the appointment or to appoint an auditor for them. The response also suggested that there might be a sanction for failing to appoint.</p>	<p>28 days of the appointment that it has made the appointment, identifies the appointed auditor, the advice given by the Panel and reasons if the authority has not followed the advice. The notice is to be published on the website.</p> <p>The draft Bill gives the Secretary of State the power to direct and authority to appoint or to make an appointment if the body has failed to do so.</p>	<p>currently a hot topic so it will be worth following developments in this area as changes in the UK code may influence future legislation.</p> <p>There is no provision for a sanction in the bill.</p>
<p>Auditor Panels - role</p>	<p>The Government proposed that authorities would appoint their auditor through Full Council taking into account the advice of an Auditor Appointment Panel.</p> <p>The Government proposal was to provide for a limited set of functions on the Independent Audit Appointment Panel in legislation, around advising on auditor appointment, independence, removal and resignation, and in relation to public interest reports.</p> <p>The Government also proposed to allow flexibility for local public bodies to suit their own circumstances, and facilitate joint working and joint commissioning between local public bodies.</p>	<p>The Bill requires each relevant authority to have an auditor panel to exercise the functions of an auditor panel under the Bill.</p> <p>The functions of the Panel are:</p> <ul style="list-style-type: none"> • To advise the authority on the maintenance of an independent relationship with its auditor; • To advise the authority on the selection and appointment of an auditor to audit its accounts. <p>Both of these duties must be carried out when requested by the authority or if the Panel itself chooses to make the advice.</p> <p>In addition the Panel can be requested by the auditor to advise on the authority's proposal to enter into a liability limitation agreement or a proposal to make a public interest report.</p> <p>Advice from the Panel should be published locally.</p>	<p>Guidance / regulations will support their interpretation of the statutory functions and also determine how they can be combined with other functions required by the authority.</p> <p>The bill does not specifically refer to the role of the panel in the removal or resignation of the auditor but this may fall within the broad responsibility to advise on the maintenance of an independent relationship.</p> <p>The policy overview states that the draft Bill does not replicate the Company's Act requirements around the rotation of the key</p>

		<p>The Secretary of State will have powers to make regulations on the role of the Panels and authorities and Panels will be required to follow it.</p>	<p>audit partner or the provision for the auditor to report on issues surrounding their independence to the body's audit committee. The Government envisage the Panel undertaking this role through its duty to advise on the maintenance of an independent relationship. Further details will be set out in regulations.</p> <p>The Bill allows a reasonable amount of flexibility in the use of Panels including joint arrangements. There are also minimum safeguards in the independence of its membership.</p>
<p>Auditor Panels – appointment & powers</p>	<p>The Government proposed that the Independent Audit Appointment Panel should be independently chaired, with a majority of independent members. Where the body already has an independent audit committee, they may wish to use that committee to meet this requirement.</p>	<p>A suitable Auditor Panel can be appointed by an authority or appointed jointly with other authorities. It may also be a committee of the authority if it complies with the requirements of the Panel. It may also be a committee of another authority if that committee fulfils the requirements of a Panel.</p> <p>The Panel must have a majority of independent members and must be chaired by an independent member.</p> <p>The definition of independent is:</p> <ul style="list-style-type: none"> • not been a member or officer of the authority within the period of 5 years; • not at that time a relative or close friend of a member or officer of the authority; <p>Further details of the makeup of the panel and provisions for appointment, term of office, remuneration etc. may be set out in regulations by</p>	<p>In taking forward the establishment of a Panel then the authority will need to ensure not just compliance with the legislation and any subsequent regulations but also how to ensure the Panel is effective in fulfilling its functions and how it will operate alongside other governance arrangements – notably existing audit committee arrangements.</p> <p>Another factor will be whether the Panel is seen to be sufficiently independent by the public and stakeholders.</p>

		<p>the Secretary of State.</p> <p>The draft Bill also sets out some of the powers of the panel. These include:</p> <ul style="list-style-type: none"> • The authority must provide to the panel any documents or information the panel requires to exercise its functions. • The panel can require any member or officer to come to its meetings to answer questions • The member or officer should comply with the panel requirement except where they would be entitled to refuse to answer in a court of law. 	
<p>Resignation and removal of auditors</p>	<p>The government proposals for either the resignation or removal of the auditor were:</p> <ul style="list-style-type: none"> • Issue of 28 days' notice (by authority for removal or by auditor for resignation) to the other party and to the Panel. • Preparation of a written response which would also be sent to the Panel. • The Panel would have a role to investigate the response and in the case of proposed removal to advise the authority. • The resigning auditor's statement would be published on the website and the regulatory bodies informed. • Removal of auditors would require consideration of the Panel's comments and a decision by Full Council. • The decision would need to be published on the website. 	<p>The draft Bill states that the Secretary of State may make regulations about the resignation or removal of the auditor.</p> <p>The regulations may cover the:</p> <ul style="list-style-type: none"> • The steps to be taken • Timescales • Role of the panel or for recognised Supervisory Body <p>The regulations will also cover steps that need to be taken before a new auditor is appointed.</p>	<p>More regulations are required to set out the detail of the process to follow.</p> <p>However, in the policy overview the Government does say in the case of resignation, the auditor would need to make a statement to the authority, the panel and its supervisory body. The authority would then need to publish its response to that statement.</p> <p>In respect of removal the authority would need to give the auditor and the panel the notice including a statement of reasons. The auditor's response would also be considered by the panel. The body's decision to terminate would be subject to the advice of the panel.</p> <p>As the bill does not contain full details it is not clear if the</p>

				regulations will require the removal to be by Full Council as originally proposed.
Auditor Liability	The Government considers that auditor liability should be an issue to be dealt with in the contractual negotiations between the auditor and audited body. The Government will also consider the feasibility and necessity of a supporting statutory framework for agreeing liability limitation agreements.	The Secretary of State will make regulations to cover the terms of Liability Limitation Agreements and any agreement negotiated must comply with the regulations. A relevant authority must consult and take into account the views of its auditor panel before entering into an agreement.		Although the advice of the panel is to the authority, section 13.5 seems to suggest that only the auditor can request that the panel gives advice in respect of the LLA.
Public Reporting & Transparency				
Public Interest Reporting and other recommendations	Government intends to retain the duty for auditors of all local public bodies to undertake Public Interest Reporting under the new framework.	Key points to note are: <ul style="list-style-type: none"> The auditor must consult the auditor panel before making the public interest report. Auditors making public interest reports on connected entities will supply them to the 'parent' body for consideration. The auditor will need to send a copy of the report to the Secretary of State. A new requirement to publish the report on the website along with details of a meeting held to consider the report. A copy of the public interest report (PIR) must be sent to the audit panel. Note this responsibility lies with the body receiving the report not the auditor making it. The audited body must advise the auditor of decisions taken in relation to the report and also to publicise them. Section 64 refers to written recommendations by the auditor following the completion of audit. Such recommendations have to be reported to the Secretary of State also and considered at a meeting of the authority within 1 month of the date of receipt.	Although the panel must be consulted by the auditor before issuing the PIR and the authority must inform the panel of the PIR, the panel itself does not have any decision making role in relation to the PIR or direction of action to take in response to the PIR.	
				The Secretary of State has powers to make regulations in this area and this may provide some clarification of the auditor recommendations this clause

			Clause 69 prevents the delegation of functions in relation to PIR or written auditor recommendations to an executive or other committee.	relates to. For example would it apply to all recommendations contained in the ISA260 report?
Non audit services	The Government considers that the current ethical standards provide sufficient safeguards for auditor independence. We therefore propose to enable auditors to provide non-audit services to the audited body, subject to adhering to the ethical standards produced by the Auditing Practices Board and gaining approval to undertake the work from the Independent Auditor Appointment Panel.		The draft Bill does not specifically mention non-audit services and appropriate safeguards.	Regulations to be issued by the Secretary of State may include guidance on non-audit services as part of the Panel's responsibility to advise on the maintenance of an independent relationship.
Public Interest Disclosure	The Government envisaged transferring the Audit Commission's PIDA responsibilities as designated persons to the appointed auditor and the panel.			There is no mention of this in the draft Bill. This may come through in further bills or in other legislation.
Transparency and inspection of accounts	The Government proposed to retain the right to object to the accounts but to provide a power to give the auditor discretion to reject vexatious, repeated or frivolous objections.		The draft Bill retains the right to inspect the accounts and auditor reports in the form of a new duty on the local authority to make them available. During the audit any interested person has the right to inspect supporting accounting records and documents. A local elector will be able to raise objections to the account in relation to a matter that could lead to public interest disclosure or lead to an auditor notice. The local auditor can consider whether to take action in response to the objection but will have the power to not consider the objection if it is frivolous, vexatious or repeats an objection previously made	

			& considered by the auditor.	
Freedom of Information	Following on from its consultation the Government said it would not be including auditors within the remit of the FOIA.		There is no provision to include auditors within the remit of FOIA but in delegating powers to regulate the supervision of auditors the Secretary of State brings the delegated body within the remit of FOIA.	This would apply for powers delegated to the FRC.
Other functions of the Audit Commission				
Grant certification	The response document stated that 'Following the Audit Commission's closure, grant paying bodies for new grants will need to develop separate arrangements, either in the form of free-standing tripartite agreements (between the grant paying body, the payee and its auditor) or self-certification.'		There are no provisions in the draft Bill but the Government has repeated their intention to phase out existing certification requirements.	Where there is a need to procure external audit assurance requirements of a grant then this will need to be identified and procured as an external audit service.
National Fraud Initiative	The Government confirmed its support for the continuation of the NFI and stated it would develop proposals for delivery.		The draft Bill transfers the Audit Commission's data-matching powers to the Secretary of State who will then delegate them to an operational provider. Three candidates are identified in the policy overview: <ul style="list-style-type: none"> • National Fraud Authority • Department for Work & Pensions • Cabinet Office. Local public bodies will continue to be required to provide data for data matching purposes through a new duty. The policy overview states that it will be up to individual bodies to follow up their matches. The Secretary of State will be required to draw up a code of data matching practice.	The draft Bill does not contain any sanctions for failure to follow up the data matches. Question 14 in the consultation response form asks for views on who the owners of the NFI should be.

<p>Inspections & national studies</p>	<p>The government response commented: 'We consider that there is scope for rationalisation in the number of value for money studies published relating to the local public sector compared to the number previously undertaken. We would like to see a coherent and complementary programme of offerings across providers including the National Audit Office, central Government and the Local Government Association.'</p>	<p>The draft Bill contains an amendment to the Local Government Act 1999 giving the power to the Secretary of State to appoint an inspector for an inspection of compliance with best value duties. The policy overview comments 'We envisage that this power would be rarely used, only where there are concerns about significant governance failure in a local authority.'</p> <p>Part 7 clause 93 amends the National Audit Act 1983 to provide a new power to the Comptroller and Auditor General to undertake studies regarding the economy, efficiency and effectiveness with which the English local government sector has used resources in undertaking its functions.</p>	<p>The explanatory notes say that the intention of thematic reviews across local authorities is to enhance the assurance work the NAO provides to Parliament and support learning across the sector.</p>
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Additional matters:

Matters not included in the Government's response document published in January but included in the draft Bill, include the following:

- Right of access to information. The draft Bill retains the right of auditors to access document and information, including rights of access to connected entities. It will be a criminal offence to prevent the local auditor from having access to any information required. Set out in Part 5 clauses 61-62.
- Auditor's power to issue Advisory Notices & have an item of account declared unlawful. Auditors will retain the right to apply to the court if they believe an item in the accounts is unlawful. The auditor can also issue an advisory notice if the auditor thinks the body is making a decision or taking a course of action that is unlawful. Full details are in Part 5 clauses 76-80.

Key areas that will be covered by regulations from the Secretary of State:

- Role, make up and appointment of the auditor panel;
- Independence in the appointment of auditors;
- Resignation & removal of auditors;
- Liability Limitation Agreements
- Definition of 'major audits' for enhanced monitoring by the regulator;
- Public interest reports and auditor recommendations.

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