

**GOVERNANCE AND AUDIT COMMITTEE**

**Tuesday, 24th September, 2013**

**10.30 am**

**Darent Room, Sessions House, County Hall, Maidstone**

**There will be a training session for Members of the  
Committee at 9.30 am in the Darent Room**







## AGENDA

### GOVERNANCE AND AUDIT COMMITTEE

**Tuesday, 24th September, 2013, at 10.30 am**  
**Darent Room, Sessions House, County Hall, Maidstone**

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

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

#### **Membership (15)**

Conservative (8)      Mr R L H Long, TD (Chairman), Mr R J Parry (Vice-Chairman),  
Miss S J Carey, Mr J A Davies, Mr A J King, MBE, Mr R A Marsh,  
Mr P J Oakford and Mr J E Scholes

UKIP (3)              Mr H Birkby, Mr B Neaves and Mr T L Shonk

Labour (2)            Mr W Scobie and Mr D Smyth

Liberal Democrat (1):      Mr R H Bird

Green (1)             Mr M E Whybrow

#### **Webcasting Notice**

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By entering the meeting room you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If you do not wish to have your image captured then you should make the Clerk of the meeting aware.

#### **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 - 24 July 2013 (Pages 5 - 12)
5. Committee Work and Member Development Programme (Pages 13 - 16)
6. Update on 2013/14 Budget Savings programme (Pages 17 - 18)
7. KCC Annual Customer Feedback Report 2012/13 (Pages 19 - 42)
8. Treasury Management Update (Pages 43 - 50)
9. External Audit Update (Pages 51 - 66)
10. Internal Audit Progress Report (Pages 67 - 84)
11. Internal Audit Benchmarking results (Pages 85 - 92)
12. Anti-Fraud and Corruption Progress Report (Pages 93 - 100)
13. 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, 16 September 2013**

*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

#### *14 Members*

*Conservative: 8; UKIP: 3; Labour: 2; Liberal Democrat: 1; Green: 1.*

The purpose of this Committee is to:

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

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

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

- (i) The Council has a robust counter-fraud culture backed by well designed and implemented controls and procedures which define the roles of management and Internal Audit.

## GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 24 July 2013.

PRESENT: Mr R L H Long, TD (Chairman), Mr R H Bird, Mr H Birkby, Miss S J Carey, Mr A J King, MBE, Mr R A Marsh, Mr B Neaves, Mr P J Oakford, Mr R J Parry, Mr J E Scholes, Mr W Scobie, Mr T L Shonk and Mr D Smyth

ALSO PRESENT: Mr J D Simmonds

OFFICERS: Mr A Wood (Corporate Director of Finance and Procurement), Mr N Vickers (Head of Financial Services), Mrs C Head (Head of Financial Management), Miss E Feakins (Chief Accountant), Mr G Wild (Director of Governance and Law), Mr R Hallett (Head of Business Intelligence), Mr M Scrivener (Corporate Risk Manager), Ms N Major (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr K Abbott (Director - School Resources) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Ms E Olive from Grant Thornton

### UNRESTRICTED ITEMS

#### **23. Membership**

*(Item )*

The Committee noted the appointment of Mr M E Whybrow.

#### **24. Election of Vice-Chairman**

*(Item 4)*

Mr R L H Long moved, seconded by Mr A J King that Mr R J Parry be elected Vice-Chairman of the Committee.

*carried with no opposition.*

#### **25. Minutes**

*(Item 5)*

(1) Mr R A Marsh referred to Minute 7 (2) and reported that the matter in question had now been satisfactorily resolved.

(2) RESOLVED that the Minutes of the meetings held on 11 April 2013 and 23 May 2013 are correctly recorded and that they be signed by the Chairman.

## **26. Terms of Reference for Governance and Audit Committee Trading Activities Sub-Committee (formerly Sub-Group)**

*(Item 6)*

- (1) The Committee considered a report recommending that there should be three members of the Governance and Audit Trading Activities Sub-Committee.
- (2) Mr W Scobie moved, seconded by Mr D Smyth that the recommendations of the Director of Governance and Law be amended by the insertion of a clause that the Opposition Group representative should rotate amongst the three Opposition Groups on an annual basis.
- (3) The Director of Governance and Law advised that, as the motion set out in (2) above would require a variation of the proportionality rules, the County Council would need to ratify the Committee's resolution if it were to be passed.
- (4) The Chairman advised that all Members of the Committee would be informed of the meeting dates, time and venues. They would be entitled to attend, speak and ask questions.
- (5) On being put to the vote, the Motion was defeated by 9 votes to 3 with 1 abstention.
- (6) On being put to the vote, the recommendations of the Director of Governance and Law were carried unanimously.
- (7) RESOLVED that:-
  - (a) the membership of the Trading Activities Sub-Committee will consist of 2 Conservative and 1 UKIP Member of the Committee; and
  - (b) all other Committee Members be informed whenever a meeting is arranged and provided with a link to the full agenda papers and a hard copy on request.

## **27. Committee Work and Member Development Programme**

*(Item 7)*

- (1) The Head of Internal Audit proposed an updated forward committee work and Member development programme.
- (2) RESOLVED that approval be given to the proposed forward work programme and Member Development programme to July 2014.



## **28. External Audit Update**

*(Item 8)*

(1) Mr Darren Wells from Grant Thornton UK LLP reported on the progress of the External Auditor's work over 2012/13 and also on emerging issues and developments.

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

## **29. External Audit Findings Report 2012-13**

*(Item 9)*

(1) Mr Darren Wells from Grant Thornton LLP UK gave a report on audit findings for Kent County Council and the Kent Superannuation Fund. The report included the key messages arising from the audit work undertaken to address the risks identified in the Audit Plans which had been presented to the Committee in April 2013. It also included the results of the work undertaken to assess the County Council's arrangements to secure value for money.

(2) Mr Wells informed the Committee that only three other Local Authorities had been able to produce their draft Statements of Accounts at this point in the year.

(3) RESOLVED that: -

(a) the adjustments to the accounts of the County Council and the Kent Superannuation Fund be noted as set out in the appended reports from Grant Thornton LLP UK; and

(b) approval be given to the management response to the action plans set out in Appendix A to each of the reports from Grant Thornton LLP UK.

## **30. External Audit Financial Resilience Report 2012-13**

*(Item 10)*

(1) Mr Darren Wells from Grant Thornton LLP UK reported the results of the work undertaken to assess the County Council's arrangements to secure value for money. As part of the VFM Conclusion, Grant Thornton had undertaken a review of the County Council's financial resilience in 2012/13, covering four areas: key financial indicators; strategic financial planning; financial governance; and financial control. It had concluded that the arrangements were sound and had given a "green assessment" in most areas, indicating that the arrangements had met or exceeded adequate standards.

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

## **31. Draft Statement of Accounts 2012/13**

*(Item 11)*

(1) The Corporate Director of Finance and Procurement gave a report on the draft Statement of Accounts for 2012/13.

(2) The Letter of Representations in respect of the County Council's Financial Statements had been circulated as a supplement to the agenda papers, together with the Independent Auditor's two reports to Members of the County Council.

(3) RESOLVED that:-

- (a) approval be given to the Statement of Accounts for 2012/13;
- (b) approval be given to the Letters of Representation in respect of the Financial Statements for the County Council and the Kent Superannuation Fund; and
- (c) the recommendations made in the Annual Audit Findings Report be noted.

### **32. Treasury Management Annual Review 2012-13**

*(Item 12)*

(1) The Head of Financial Services gave a summary report of Treasury Management activities in 2012/13. He referred to the Credit Score Analysis table on page 304 of the agenda papers and asked the Committee to note that the Value Weighted Average Credit Rating and the Time Weighted Average Credit Rating for 30 June 2012 should both read "AA-" rather than "A- -".

(2) RESOLVED that, subject to (1) above, approval be given to the Treasury Management Annual Review 2012/13 for submission to the County Council.

### **33. Debt Management**

*(Item 13)*

(1) The Head of Financial Services reported on the County Council's debt position.

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

### **34. Corporate Risk Register**

*(Item 14)*

(1) The Head of Business Intelligence and the Corporate Risk Manager presented the Corporate Risk Register to the Committee, together with an overview of the changes since it had last been presented in December 2012 and an outline of the ongoing process of monitoring and review.

(2) The Corporate Risk Manager was asked by individual Members to consider whether the outbreak of "Bleeding Oaks" should be incorporated within Risk CRR15 "Ash Dieback" and also whether Staff Health should be added as a specific Risk Event to Risk CRR5 "Organisational Transformation."

- (3) RESOLVED to note the assurance provided in relation to the development and maintenance of the Corporate Risk Register.

### **35. Schools Audit Annual Report**

*(Item 15)*

(1) The Director of School Resources summarised the output of the Schools Financial Services audit and compliance programme during 2012/13 and provided an annual opinion on the adequacy and effectiveness of controls at schools. He explained that the report only covered Kent maintained schools, as Academies and Free Schools were not part of the County Council.

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

### **36. Internal Audit Annual Report**

*(Item 16)*

(1) The Head of Internal Audit summarised the content of the Internal Audit Annual Report, provided the opinion on the County Council's system of internal control and provided commentary on the performance of the Internal Audit Section.

- (2) RESOLVED that:-

- (a) the Internal Audit Annual Report for 2012/13 be noted for assurance as set out in Appendix 1 to the report; and
- (b) the change in relevant standards for Internal Audit be noted as set out in Appendix 2 to the report.

### **37. Review of Anti-Fraud and Corruption Strategy**

*(Item 17)*

(1) The Head of Internal Audit reported that the annual review of the County Council's Anti-Fraud and Corruption Strategy had required one minor amendment, which she presented to the Committee for approval.

- (2) RESOLVED that approval be given to the slightly amended Anti-Fraud and Corruption Strategy.

### **38. Anti-Fraud and Corruption Progress Report**

*(Item 18)*

(1) The Head of Internal Audit provided a summary of progress of anti-fraud and corruption activity as well as the outcomes of investigations concluded since the last Committee meeting in April 2013.

- (2) RESOLVED that the progress of anti-fraud and corruption activity be noted together with the assurance provided in relation to anti-fraud culture and fraud prevention/investigation activity.

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

To: Governance and Audit Committee – 24 September 2013

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

Classification: Unrestricted

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**Summary:** This report provides an update on the forward Committee Work and Member Development programme.

## **FOR DECISION**

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### **Introduction and background**

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

### **Current Work Programme**

1. Appendix 1 shows the latest programme of work for the Committee, up to September 2014. 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. This doesn't preclude Members asking for additional items to be added during the course of the year.
2. The programme reflects requests made from previous Committee members for additional reports on specific items of interest.

### **Member Development Programme**

3. Members' training is important to ensure that the Governance and Audit Committee remains effective and delivers against its Terms of Reference.
4. In November 2010, it was agreed that the best time for training would be immediately prior to the start of the formal meeting and that these sessions could be open to all Members. The training could be recorded and added to any induction material given to new committee members or used as a refresher if required by existing Members.
5. In addition, Corporate Finance delivers a learning and development programme on financial management for Members and senior officers that will continue in 2013 -14. This programme is now underway and included a session on the role of internal audit and fraud awareness refresher training.

<b>Description</b>	<b>Timing</b>
Introduction to Finance and how Local Government is funded	Delivered
Business intelligence, Performance and Risk	Delivered
Internal control and its role in preventing and detecting fraud and other risk exposures	Delivered
Interpreting financial information	October 2013
How to scrutinise the budget	October 2013
Treasury Management	October 2013
Kent Pension Fund	November 2013

6. In April 2013 the Committee agreed that some additional briefings would be advisable in the following areas:
- The role and responsibilities of an effective audit committee (delivered)
  - Financial statements – what do they tell us? (delivered)
  - The role and responsibilities of the external auditors
7. Grant Thornton has agreed to provide a briefing about the role and responsibilities of the external auditors before the December 2013 meeting. Members may also ask for additional training if they require.

### **Recommendations**

8. It is recommended that Members approve the forward Committee Work and Member Development programme.

**Appendices**            Committee work programme

**Neeta Major, Head of Internal Audit (X4664)**

Category / Item	Owner	Sep-13	Dec-13	Apr-14	Jul-14	Sep-14
<b>Secretariat</b>						
Minutes of last meeting	AT	✓	✓	✓	✓	✓
Work Programme	NM	✓	✓	✓	✓	✓
Member Development Programme	NM	✓	✓	✓	✓	✓
<b>Risk Management and Internal Control</b>						
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/six monthly review	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			✓		
<b>Corporate Governance</b>						
Progress update on Change to Keep Succeeding	AB	<b>Ad hoc as requested</b>				
Update on development of Management Guides	DW	<b>If significant changes to the approach or purpose of the management guides</b>				
Annual review of Terms of Reference of G&A	NM		✓			
Debt Recovery	NV		✓		✓	
Annual review of the Council's Code of Corporate Governance	GW	<b>If substantial changes to Code</b>				
Review of Bribery Act Policy	GW		✓			
<b>Internal Audit</b>						

Category / Item	Owner	Sep-13	Dec-13	Apr-14	Jul-14	Sep-14
Internal Audit Progress Report	NM	✓	✓	✓		✓
Schools Audit Annual Report	NM				✓	
Internal Audit Annual Report (including review of Charter)	NM				✓	
Internal Audit Strategy and Annual Plan	NM			✓		
<b>External Audit</b>						
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 Plan	NM			✓		
External Audit Pension Fund Plan	NM			✓		
External Audit Fee letter	NM			✓		
External Audit Fraud, Law & Regulations & Going Concern Considerations	AW			✓		
<b>Financial Reporting</b>						
Statement of Accounts & Annual Governance Statement	AW				✓	
Revised Accounting Policies	CH			✓		
Review of Financial Regulations	EF			✓		
<b>Fraud</b>						
Review of the Anti-fraud and anti-corruption Strategy	NM				✓	
Anti-Fraud and Corruption Progress Report	NM	✓	✓	✓	✓	✓



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

To: Governance and Audit Committee – 24 Sep 2013

Subject: Update on 2013-14 Budget Savings Programme

Classification: Unrestricted

Summary: This report asks Members to note the position

## FOR ASSURANCE

### 1. Introduction

- 1.1 As reported in the paper that came to this committee in April, the savings target for the 2013-14 financial year is £95m. This is being continually monitored to ensure that savings targets are met or that alternatives are found.

### 2. Current Position

- 2.1 Progress against savings is best shown against the latest monitoring report for Q1 for 2013-14 which went to Cabinet on the 16<sup>th</sup> September. This forecasts a net underspend (excluding schools) of £2m as detailed below.

<b>Portfolio</b> + = an overspend - = an underspend	<b>Budget</b> <b>£'000</b>	<b>Net</b> <b>Variance</b> <b>(before</b> <b>mgmt</b> <b>action)</b> <b>£'000</b>	<b>Propo</b> <b>ed</b> <b>Manage</b> <b>ment</b> <b>Action *</b> <b>£'000</b>	<b>Net</b> <b>Variance</b> <b>(after</b> <b>mgmt</b> <b>action)</b> <b>£'000</b>
Education, Learning and Skills	53,430.3	-802	-	-802
Specialist Children's Services	149,202.5	+4,784	-2,100	+2,684
Specialist Children's Services - Asylum	280.0	+380	-	+380
Adult Social Care and Public Health	335,031.7	-415	-	-415
Environment, Highways & Waste	150,523.0	+2,418	-	+2,418
Customer & Communities	75,987.4	-140	-	-140
Regeneration & Economic Development	3,762.6	-1	-	-1
Finance & Business Support	128,053.7	-6,864	-	-6,864

Business Strategy, Performance & Health Reform	56,406.3	+213	-	+213
Democracy & Partnerships	6,619.5	-71	-	-71
<b>TOTAL (excl Schools)</b>	<b>959,297</b>	<b>-498</b>	<b>-2,100</b>	<b>-2,598</b>
<b>Committed roll forward</b>				<b>+592</b>
<b>Underlying position</b>				<b>-2006</b>
<i>Schools (ELS portfolio)</i>	-	+1,504	-	+1,504
<b>TOTAL</b>	<b>959,297</b>	<b>-498</b>	<b>-2,100</b>	<b>-502</b>

\* Management action is where there is potential to reduce an overspend through the implementation of new plans/policies and strategies.

2.2 On the face of it, this would appear to be a positive position. However, there are a number of portfolios that are showing overspends which need to be addressed, particularly within Specialist Children's Services. £5m of the underspend against Finance and Business Support relates to additional unexpected government funding which could be used to fund any shortfall in the savings target for 2013-14 or 2014-15. With the funding outlook for local government in the short and medium term being increasingly concerning, it is vital that we deliver services within budget this year.

2.3 Heads of Service within directorates own the savings and must deliver them (or an alternative). The Finance Business Partners attend Directorate Management Teams and will be closely monitoring the progress and delivery of these savings. Any concerns of non delivery will be raised with the Director and Cabinet Member.

### **3. Recommendation**

3.1 Members are asked to note this report.

**Cath Head**  
**Head of Financial Management**  
**Ext: 1135**

By: Mike Hill - Cabinet Member for Communities  
 Amanda Honey - Corporate Director Customers and Communities

To: Governance and Audit Committee –24 September 2013

Subject: **KCC ANNUAL CUSTOMER FEEDBACK REPORT  
 2012/13**

Classification: Unrestricted

Summary: This report provides a summary of the complaints, comments and compliments received by the Council and also includes Local Ombudsman Complaints and further improvements for 2013/14.

**STATUS FOR ASSURANCE**

## 1. INTRODUCTION

- 1.1 This is the Council's fourth annual report on compliments, comments and complaints. It sets out:
- The Local Government Ombudsman Complaints Statistics
  - A summary of the compliments, comments and complaints received by the Council
  - Progress planned for 2013/14
- 1.2 Kent County Council is committed to improving its services. In 2012 the Council launched its Customer Service Strategy, which seeks to put our customers first. Theme one focuses on 'understanding our customers' and appreciating what is important to them.
- 1.3 The Council wants to listen to its customers views and values their contributions. We are One Council putting people at the heart of everything we do. Customer feedback, whether it is a comment, compliment or complaint, helps us to understand where we are doing well and what we can do improve our services for all our customers.
- 1.4 KCC's Complaints Policy is in place to ensure that Customers receive an acknowledgement to their complaint within 3 working days and a response within 20 working days, with the exception of Children Social Services statutory complaints.

## **2 THE LOCAL GOVERNMENT OMBUDSMAN COMPLAINTS REVIEW 2012/13**

### **Overview of Ombudsman & Changes to Service from the Ombudsman**

- 2.1 In cases where a customer is unhappy with the responses received about their complaint from the Council they can exercise their right to involve the Local Government Ombudsman. The Ombudsman will investigate cases where a customer has exhausted the Council's own complaints policy and feel that their case has not been appropriately heard.
- 2.2 The Ombudsman can look at complaints about things that have gone wrong that has caused problems for the Customer:
- in the way a service has been delivered
  - if a service has not been delivered at all, or
  - the way a decision has been made.
- 2.3 Each year, in June/July, 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.
- 2.4 The changes in way the Local Government Ombudsman handles cases means that there has been a change in the way the Council's performance will now be reported. Appendix A is the letter received this year and details only the number of complaints received by the Ombudsman excluding any enquiries and premature complaints received.
- 2.5 The Local Government Ombudsman has made additional changes to their service and the way they operate including introducing two classifications of queries to the council, the first being an 'enquiry' which they normally ask the Council to respond to within 5 days, these include questions relating to whether a customer has exhausted the Council's own complaints policy.
- 2.6 This is to speed up the handling of potentially 'premature complaints' in which a complainant has not exhausted the Council's procedure or where fault is not likely to be found.
- 2.7 The second classification is a 'complaint' in which the Ombudsman has chosen to fully investigate the claim and will give the council 28 Calendar days or 20 working days to respond to its questions.
- 2.8 Decision statements made in 2013/14 will be published website at [www.lgo.org.uk](http://www.lgo.org.uk) no earlier than three months after the date of the final decision. The information published will not name the complainant or any individual involved with the complaint.

## **KCC Performance**

- 2.9 Despite the change in the way complaints are reported to us we have continued to pull together our own performance statistics against Local Ombudsman standards.
- 2.10 In 2012/13 the average number of calendar days it took KCC to respond was 28.2 days.
- 2.11 In 2012/13 KCC received a total of 202 enquiries and complaints from the Ombudsman. This includes 129 complaints and 40 enquiries, as well as 20 complaints and 13 enquiries that were deemed premature.
- 2.12 The Ombudsman's letter has identified that KCC received 129 complaints in 2012/13 which correlates with our own statistics.
- 2.13 This is a reduction on last years' 228 complaints and enquires received in which 44 were deemed to be premature or advice was given to the complainant.
- 2.14 The Ombudsman's letter notes that the average number of complaints received by County Councils is 54, however this varies hugely between councils based on their population size. Kent is the largest County Council authority, in terms of population, in the UK.
- 2.15 In 2012/13 the Ombudsman was able to give decisions on 137 complaints received about the council during 2012/13. A breakdown of the Local Government Ombudsman Decisions made in 2012/13 can be found in Appendix B - Table One of this report. Table Two shows these in relation to KCC's Directorates.
- 2.16 Of the 137 decisions made, there were four 'Reports' made against the council with evidence of maladministration reported in each. A summary of the findings and recommendations are available in Appendix C. It is important to note that some of these decisions relate to complaints made in 2010–2011. Procedures have been put in place to ensure that these incidents should not happen again.
- 2.17 Of the other complaints investigated by the Ombudsman, 86 of the 137 (63%) received were under the category of Education & Children's Services. 36 related to Education Appeals, the authority statistically has one of the largest volumes of appeals relating to schools admissions. Also a further 10 related to Home to School Transport provision, following a change to policy in the previous year.

## **3 DEVELOPMENTS IN KCC COMPLIMENTS, COMMENTS & COMPLAINTS MANAGEMENT**

- 3.1 During 2013/14 we will continue to work towards launching a corporate complaints system which will enable all customer feedback to be logged in one place. This will help us to identify more easily where improvements can

be made and share best practice amongst services. 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.

- 3.2 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, email 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 four central points (mail, e-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)
- 3.3 This year's work has been focused on understanding system requirements 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.

#### **4 MONITORING**

- 4.1 Throughout the year complaints monitoring has been reported in the Council's Quarterly Performance Report, which has highlighted any issues that have arisen during the previous three months. It is hoped that as we implement a corporate wide feedback system we will be able to report on complaints in real time. This will mean that we will be more responsive and have a greater overview of how KCC is performing at a given point in time.

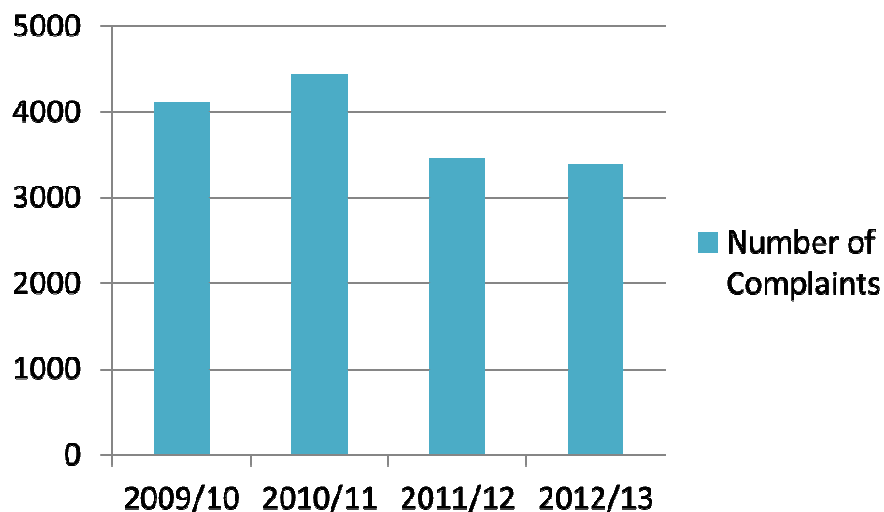
#### **5 NUMBER OF COMPLIMENTS, COMMENTS AND COMPLAINTS**

- 5.1 A **compliment** is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).
- 5.2 Compliments across the council increased with **5456** recorded compliments from April 2012 to March 2013 compared to the same time period in the previous year when **4,092** compliments were recorded.
- 5.3 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.
- 5.4 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.

- 5.5 This year we received **1530** comments compared with **1,143** last year. This is also a reduction on the previous year. The council actively encourages customers to give opinions about services and we are working towards making it easier to make a comment about a council service.
- 5.6 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.
- 5.7 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.
- 5.8 In 2012/13, **3,374** complaints were recorded compared with **3,456** for 2011/12, this equates to a **decrease** of 2.4% in complaints recorded.

**Complaints recorded per annum**



- 5.9 There was however an increase in complaints received about waste management (42%) owing to the new policy which prohibits commercial waste from being deposited at the Household Recycling Centres; Corporate Finance (100%) who received no complaints last year, but received 126 this year; this was largely due to a printer mechanical failure leading to the mislabelling of the Annual Pension Benefit Illustrations. Contact Point (8%) saw an increase due to time customers had to wait for Blue Badges.

- 5.10 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.
- 5.11 A breakdown of complaints and comments by Directorate and Service can be found in Appendix D – Tables 3 - 5

## **6 REASONS FOR COMPLAINTS**

- 6.1 The main grounds for complaints during 2012/13 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
  - Availability of KCC services
  - Staff behaviour
  - Timeliness

## **7 COMPLIANCE WITH STANDARDS**

- 7.1 KCC is committed to acknowledge any complaints received within 3 working days and to provide the customer with a response within 20 working days. As a whole KCC acknowledged 90% and responded to 81% of complaints within corporate timescales.
- 7.2 The percentage of complaints meeting KCC response standards by directorate is shown in Appendix E, Table 5.

### Families & Social Care - Adult Social Care

- 7.3 There is only one statutory timescale for adult social care complaints and this is the acknowledgement of the complaint, which must be provided to the complainant within three working days of receipt. 95% of these complaints were acknowledged within the statutory timescale of three working days, this is an improvement against 86% last year.
- 7.4 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. 70% of complaints were responded to within the timescale agreed with the complainant which is 3% more than the previous year when the Council achieved 67%.
- 7.5 The average response time for statutory complaints set with a complaint plan timeframe of 20 working days is 19 working days. Complex cases that require either an off-line/external investigation or a joint response with health colleagues are identified at the beginning of the complaint and a longer timeframe is negotiated. When these complex lengthy cases are included in



the performance figure, it rises to an average of 21.5 days across the County. Within Adult Social Care there is no statutory response timeframe to be measured against as the legislation allows for the response timescales to be agreed with the complainant.

#### Families & Social Care - Children's Social Services

- 7.6 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.
- 7.7 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 has deteriorated since the previous year. In 2012/13 64% of statutory complaints were completed within 20 working days, this compares against 65% completed within 20 working days in the previous year.
- 7.8 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.

### **8 METHODS OF COMMUNICATION**

- 8.1 Information on how to complain is available on our website and on our Complaints, Comments and Compliments leaflets. The public can give us feedback in a number of ways.
- 8.2 The below is a breakdown of our customer's chosen method of communication for complaints where this was recorded:
- 44% Phone
  - 23% Email
  - 17% Letter
  - 12% Comment Card
  - 2% Online
  - 1% Face to Face
  - 1% Other
- 8.3 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 when they are given face-to-face, but are perhaps more likely to be able to resolve the situation there and then with the complainant.

## 9 COMPENSATION

- 9.1 In 2012/13 KCC has paid £63642.48 in compensation, settlements, changes to the amount we charge and waived charges as a result of complaints to the organisation this includes;
- £30,382.80 which has been paid or waived as part of local resolution and
  - £33,259.68 following Local Government Ombudsman Decisions.
- 9.2 Last year we paid out £45,864.13, however this year's total includes costs where charges were waived as a result of complaints to the organisation or to the Local Ombudsman.

## 10 LEARNING THE LESSONS AND SERVICE IMPROVEMENTS

- 10.1 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;
- 10.2 Improved communications
- Following increased levels of complaints to Highways and Transportation about the changes to the drainage service, KCC updated the website and messages on the telephone line to inform customers about how we carry out cleansing. This is part of a wider review of all highway and transportation content on KCC's website. The service is also actively tackling customer dissatisfaction due to lack of communication by making more call backs to our customers once their enquiries have been investigated.
- 10.3 Improvements to service experience and quality
- In Adult Social Care, a commitment has been made to ensure that when a patient has been discharged from hospital and referred to Social Services that they are contacted by telephone now rather than by letter. This is to help ascertain how they are and to arrange services if necessary. Letters will only be sent as a last resort when all other attempts have failed.
- 10.4 Improvements made following Customer Feedback
- Following feedback (from customers) about the height of the kerbs and safety of the road next to the Kent Library and History Centre, the service has been working with Property and Highways to drop the kerbs outside the centre, introduce traffic calming measures and make changes to the main road outside to make the journey safer and clearer for walkers

## **11 LEVELS OF COMPLAINTS TO THE STANDARDS COMMITTEE (MEMBER COMPLAINTS)**

- 11.1 Under the Localism Act 2011 the existing Standards regime ceased to operate from Midnight on 30 June 2012. The Act puts in place a system of requiring elected members to notify the Monitoring Officer of a new category of interests (Disclosable Pecuniary Interests "DPI") and requires him to maintain a public register of those interests.
- 11.2 With effect from 1 July 2012 the Council was required to adopt a new Code of conduct for members and put in place arrangements for investigating allegations of failure to comply with the Code and for making decisions in respect of those allegations.
- 11.3 For the first time, all Kent Districts worked closely with the County Council and the Kent and Medway Fire Authority to create a single code, with some localised amendments, which applies to all four tiers of local authority in the county.
- 11.4 As enacted, the Localism Act 2011 puts in place a standards regime which includes the following features and requirements:
- (a) A duty to promote and maintain high standards of conduct by elected and co-opted members of the authority.
  - (b) A requirement to have a Code of Conduct dealing with the conduct that is expected of members when they are acting in that capacity
  - (c) A requirement for the Code of Conduct, when viewed as a whole, to be consistent with the principles of selflessness; integrity; objectivity; accountability; openness; honesty and leadership
  - (d) A requirement to have in place arrangements under which allegations that a Member has failed to comply with the Code can be investigated and also under which decisions relating to those allegations can be made.
  - (e) A requirement for the authority to appoint an 'independent person' whose views must be sought and taken into account by the authority before it makes its decision on an allegation that it has decided to investigate. Additionally, the views of the independent person may be sought by the authority and by a Member in other limited circumstances specified in the Act.
  - (f) A regime for requiring the notification to the Monitoring Officer of Disclosable Pecuniary Interests (DPIs) to enable him to establish and maintain a register of interests, backed by criminal sanctions. Under the new regime it is not only the interests of the Member that must be notified and registered, but also those of a spouse or civil partner; a person with whom the Member is living as husband or wife, or as civil partners.
  - (g) The authority must also secure that its Code of Conduct includes appropriate provisions in respect of the registration of DPIs and interests other than DPIs.
  - (h) As with the former regime, the new provisions allow for the withholding of sensitive information from the register where the Member concerned and the Monitoring Officer consider that the disclosure of details of the interest could lead to violence or intimidation.

- (i) As with the former regime there are provisions for obtaining dispensations to allow a Member to speak and vote notwithstanding an interest

#### **Former Standards Regime – 1/4/12 to 30/6/12**

<b>Number of Complaints</b>	<b>Outcome</b>
2	No Action

#### **New Standards Regime – 1/7/12 – 31/03/12**

<b>Number of Complaints</b>	<b>Outcome</b>
9	No action – Dismissed by the Monitoring Officer

## **12 RECOMMENDATION**

**12.1** Governance and Audit is asked to note the contents of this report.

Pascale Blackburn-Clarke  
Quality and Assurance Manager  
[Pascale.blackburn-clarke@kent.gov.uk](mailto:Pascale.blackburn-clarke@kent.gov.uk)  
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

## Appendix A – Letter from the Ombudsman

# Local Government OMBUDSMAN

16 July 2013

*By email*

Mr David Cockburn  
Head of Paid Service  
Kent County Council

Dear Mr Cockburn

### **Annual Review Letter**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 129 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

### ***Future development of annual review letters***

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to [www.surveymonkey.com/s/annualletters](http://www.surveymonkey.com/s/annualletters)

### ***LGO governance arrangements***

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

### ***Publishing decisions***

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

### ***Assessment Code***

Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

[www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code](http://www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code)

### ***Annual Report and Accounts***

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at [www.lgo.org.uk](http://www.lgo.org.uk)

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

Appendix B - Table One - Ombudsman Complaints – Decisions Made using Ombudsman Categories in 2012/13

Decisions received for Complaints	Adult Social Services	Education & Children's Services	Corporate & Other Services	Highways & Transport	Planning & Development	Environmental Services & Public Protection & Regulation	Housing	Total KCC
Premature	4	13		1	1	1		20
Investigation Discontinued	4	38	1	3			1	47
Investigation Complete	7	1						8
Investigation complete and satisfied with authority actions	7	4						11
Investigation Discontinued Injustice Remedied As A Result of Investigation	1	4						5
Investigation Discontinued Injustice remedied		7						7
Not in jurisdiction & no discretion		6	1	1	1			9
Out of jurisdiction		2	3	1				6
Not to initiate investigation	6	23	3	2		6		40
Maladministration/Report	3	1						4
<b>Totals</b>	<b>32</b>	<b>99</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>157</b>

**Table Two - Decisions made by the Ombudsman in 2012/13 mapped against KCC Directorates**

<b>Decisions received for Complaints</b>	<b>Adult Social Services</b>	<b>Children Social Services</b>	<b>Education Learning and Skills</b>	<b>Environment and Enterprise</b>	<b>Customer &amp; Communities</b>	<b>Business Support and Solutions</b>	<b>Total KCC</b>
<b>Premature</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>3</b>			<b>20</b>
<b>Investigation Discontinued</b>	<b>4</b>	<b>14</b>	<b>24</b>	<b>4</b>	<b>1</b>		<b>47</b>
<b>Investigation Complete</b>	<b>7</b>		<b>1</b>				<b>8</b>
<b>Investigation complete and satisfied with authority actions</b>	<b>7</b>		<b>4</b>				<b>11</b>
<b>Investigation Discontinued Injustice Remedied As A Result of Investigation</b>	<b>1</b>		<b>4</b>				<b>5</b>
<b>Investigation Discontinued Injustice remedied</b>		<b>2</b>	<b>5</b>				<b>7</b>
<b>Not in jurisdiction &amp; no discretion</b>		<b>5</b>	<b>2</b>	<b>2</b>			<b>9</b>
<b>Out of jurisdiction</b>		<b>1</b>	<b>2</b>	<b>2</b>		<b>1</b>	<b>6</b>
<b>Not to initiate investigation</b>	<b>6</b>	<b>8</b>	<b>15</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>40</b>
<b>Maladministration/Report</b>	<b>3</b>	<b>1</b>					<b>4</b>
<b>Totals</b>	<b>32</b>	<b>43</b>	<b>58</b>	<b>18</b>	<b>3</b>	<b>3</b>	<b>157</b>



## Appendix C – Ombudsman Report Findings & Recommendations 2012/13

Report Findings	Link to report
<p>The Ombudsman found maladministration because:</p> <ul style="list-style-type: none"> <li>• Kent County Council failed to respond to being told about J and failed to fulfil its duties to him under the Children Act 1989, and</li> <li>• Dover District Council failed to fulfil its duties to J under the Housing Act 1996 and failed to follow its joint protocol with Kent.</li> </ul> <p>To remedy the injustice, the Ombudsman recommends that the Councils should apologise in writing to J and pay him:</p> <ul style="list-style-type: none"> <li>• £3,800 as the estimated value of the housing he should have had for 38 weeks</li> <li>• £3,800 which is the equivalent of £100 for each week that he was homeless to reflect the distress and inconvenience of having no home and selling or giving away his belongings, and</li> <li>• £2,500 to mark their regret for their failures.</li> </ul> <p><b><i>Complaint submitted May 2010</i></b></p>	<p><a href="http://www.lgo.org.uk/complaint-outcomes/childrens-services/childrens-services-archive-2008-to-date/dover-district-council-09-017-512-kent-county/">http://www.lgo.org.uk/complaint-outcomes/childrens-services/childrens-services-archive-2008-to-date/dover-district-council-09-017-512-kent-county/</a></p>
<p>The Ombudsman found maladministration by the Council in:</p> <ul style="list-style-type: none"> <li>• not assessing Miss B until four months after she was 18</li> <li>• not producing a support plan for another four months</li> <li>• not including Miss B's assessed needs that were eligible for services in that support plan</li> <li>• poor and confusing communication with Miss B and her family</li> <li>• not offering Miss B's mother a carer's assessment</li> <li>• not offering Miss B direct payments so she could arrange her own care, and</li> <li>• restricting respite care for Miss B to its own residential care homes.</li> </ul> <p>The Council's officers have agreed that it will remedy the injustice caused to Miss B and her family. It will pay the value of the services Miss B lost between becoming 18 and them eventually being provided and £250 to reflect her mother's time and trouble in pursuing the complaint. It will also amend the form it uses for support plans and tell everyone entitled to respite care of their</p>	<p><a href="http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-10-012-742/">http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-10-012-742/</a></p>

<p>right to have direct payments.</p>	
<p><b>Complaint submitted December 2010</b></p> <p>The Ombudsman found the instructions from senior managers were contrary to the 1992 Choice of Accommodation Directions. The Directions say a person can choose a permanent or temporary residential care home (if certain conditions are met as they were in this case). She found maladministration by the Council for:</p> <ul style="list-style-type: none"> <li>• refusing to fund the first four weeks of the place in the residential home</li> <li>• issuing instructions to staff that were contrary to Government directions, and</li> <li>• not realising that the instructions were wrong when the daughter complained, and not correcting them.</li> </ul> <p>The Council has agreed to remedy the injustice by:</p> <ul style="list-style-type: none"> <li>• apologising to the woman's daughter</li> <li>• refunding the cost of the first four weeks' residential care (£1,560)</li> <li>• withdrawing the incorrect instructions, and</li> <li>• identifying other people who may have been adversely affected by them.</li> </ul>	<p><a href="http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-11-001-504/">http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-11-001-504/</a></p>
<p><b>Complaint submitted May 2011</b></p> <p>The Ombudsman recommends that the Council should:</p> <ul style="list-style-type: none"> <li>• pay Mrs B £5,000 to recognise the injustice of her justified feeling that her father's death could have been avoided, and distress caused during the year she waited for a credible investigation</li> <li>• pay her a further £1,000 to recognise that it was her efforts that enabled it to identify systemic weaknesses in parts of its adult care service, and</li> <li>• provide up to £1,500 for Mrs B to choose a memorial to her father.</li> </ul> <p>The Council has begun to review and improve the way it monitors the quality of care when it has arranged for people to have residential care. The Ombudsman recommends that elected councillors should monitor the reviews and system developments.</p> <p><b>Complaint submitted September 2011</b></p>	<p><a href="http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-11-009-473/">http://www.lgo.org.uk/complaint-outcomes/adult-social-care/adult-social-care-archive-2012-13/kent-county-council-11-009-473/</a></p>

<b>Appendix D - Table Three: Complaints Summary by Directorate 2012/13</b>		
<b>BUSINESS STRATEGY &amp; SUPPORT</b>	<b>225</b>	Finance complaints arose from a malfunction in packaging pension illustrations, which resulted in a delay of them being distributed or in some cases, resulted in them being sent to the wrong addresses.
<b>CUSTOMER &amp; COMMUNITIES</b>	<b>712</b>	<p>Library complaints relate to a range of issues including IT, customer behaviour and general complaints regarding reservations and facilities.</p> <p>It should be noted that, along with Contact Point, Libraries, Registration and Archives deal with the largest volume of transactions in the directorate and actively promote the opportunity to provide feedback via customer comment cards and numerous customer satisfaction surveys for example.</p> <p>Complaints in Contact Point were largely due to Blue Badges and the time taken to process applications. We have reviewed the process to issue badges and as a result processing time is down from 12 weeks to 6 weeks. (This is now in line with the Department of Transport's guidelines for Blue Badge application timescales)</p> <p>Public Rights of Way (Countryside Access) complaints related to issues regarding obstructions and delays in clearing public access routes and being unable to discuss issues with a member of staff.</p>
<b>EDUCATION, LEARNING &amp; SKILLS</b>	<b>40</b>	<p>Since April 2010 the process for managing complaints has been managed by the Families and Social Care Children's team.</p> <p>The number of complaints received about the Local Authority's education service is very low when viewed against the context of the number of children in education however the department does not deal with initial complaints relating to schools as these are dealt with directly by the school, however parents can contact the authority if they have exhausted the Schools' complaints procedure.</p> <p>Complaints escalated to the Ombudsman relate to parents who are unhappy at the result of an admissions appeal which are recorded as part of a separate process.</p>
<b>ENTERPRISE &amp; ENVIRONMENT</b>	<b>1586</b>	There was an increase in complaints received in Waste Management due to the change in operating policy at Household Waste Sites. Customers were unhappy at the restrictions that have been put in place to prohibit commercial waste. Some of these complaints have been referred to the Ombudsman who have not found fault with the Council. The level of complaints has now returned to previous levels.

		<p>Highways and Transportation had a difficult year weather wise, with the wet summer which created the perfect growing conditions for vegetation; due to the wet grass Highways were unable to cut the vegetation as normal. In the winter, the service was hit by continuous bad weather, with several bouts of snow and icy conditions. Whilst complaints increased during these times, the service also received lots of compliments from customers who were happy to see the roads being gritted.</p> <p>NB: Although the highest number of complaints we receive relate to Highways and Transportation, as a proportion of Highways maintenance jobs completed, this represents only a small percentage (about 1%).</p>
<p><b>FAMILIES &amp; SOCIAL CARE</b></p>	<p><b>811</b></p>	<p>Some common themes include staff behaviour and poor communication and disputes with decisions made. Families and Social Care staff have been reminded to ensure that their correct details are on KNet to facilitate better communication and returning of calls and messages. Disputed decisions are usually related to funding decisions and reductions to support plans.</p>

## Appendix E – Directorate Breakdown

**Table Four - Comparison of complaints numbers for, 2009/10, 2010/11, 2011/12 and 2012/13**

### BUSINESS STRATEGY AND SUPPORT

Service	2009/10	2010/11	2011/12	2012/13
Business Solutions & Policy	2	5	7	0
Finance	2	4	0	126
Insurance	203	416	89	52
HR (Employee Services & Schools HR Services)	27	29	17	17
Property	6	23	4	21
Commercial Services	144	75	-*	-*
Strategic Procurement	1	0	0	-**
Other including IT	-	-	-	9
<b>TOTAL</b>	<b>385</b>	<b>552</b>	<b>117</b>	<b>225</b>

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

\*\*Now reported with Finance figures

### FAMILIES & SOCIAL CARE - ADULT SOCIAL SERVICES

Service	2009/10	2010/11	2011/12	2012/13
<b>Strategic Commissioning Unit / Support Services</b>	130	23	-	9
<b>Learning Disability:</b>	111	104	75	75
<b>Mental Health</b>	4	26	1	2
<b>Older People:</b>	375	351	253	245
<b>Phys Disability:</b>	54	44	53	54
<b>Other (including Finance)</b>		49	43	31
<b>Total</b>	<b>697</b>	<b>597</b>	<b>425</b>	<b>416</b>

(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	2012/13
<b>Children &amp; Families non-statutory</b>	98	139	198	169
<b>Children &amp; Families statutory</b>	200	267	305	226
<b>TOTAL</b>	<b>298</b>	<b>406</b>	<b>503</b>	<b>395</b>

### CUSTOMER AND COMMUNITIES

Service	2009/10	2010/11	2011/12	2012/13
Arts Development	3	0	0	0
Community Engagement	13	7	-	-

Managers				
Community Learning & Skills *	118	151	117	90
Community Safety	8	2	8	5
Emergency Planning	0	0	0	0
KDAAT	11	4	0	1
Contact Centre & Gateways	38	61	66	72
Communication & Media Centre	12	34	4	3
Kent Scientific Services	31	22	10	14
Key Training	0	-	-	-
Libraries & Archives	542	116	676	473
Registration (& Coroners)	11	17	46	***
Sport, Leisure & Olympics	-	5	2	4
SIP *	2	4	4	0
Supporting People	19	32	17	5
Trading Standards	22	11	11	7
Turner Contemporary	7	-	-	-
Youth Offending Service	2	8	3	****
Youth Services	87	43	16	16
Country Parks	109	102	96	16
Countryside Access	9	8	9	6
<b>TOTAL</b>	<b>1,044</b>	<b>627</b>	<b>1083</b>	<b>712</b>

\* New unit for Kent Adult Education and Key Training

\*\* Transferred from Chief Executives Dept 2008/09

\*\*\* This is now part of the Libraries and Archives reporting as the unit is now Libraries, Registrations and Archives

\*\*\*\* Youth services and Youth Offending services are now one unit Integrated Youth Services

## EDUCATION, LEARNING & SKILLS

Service	2009/10	2010/11	2011/12	2012/13
Education	173	88	44	40

## ENTERPRISE & ENVIRONMENT

Service	2009/10	2010/11	2011/12	2012/13
Waste Resource Management	262	210	193	455
Highways & Transportation	1,259	1,959	939	1109
Planning and Environment	2	4	-	-
Commercial Services	-	-	152*	22**
<b>TOTAL</b>	<b>1523</b>	<b>2173</b>	<b>1284</b>	<b>1586</b>

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

\*\* Service now independent from KCC complaints data only reflects quarters 1 & 2

**Table Five - Acknowledgement and Response Times against standards**

	COMPLAINTS	COMPLIMENTS	COMMENTS	% answered within our standards	
				ACKNOWLEDGEMENT	RESPONSE
<b>COMMUNITIES</b>					
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%
2012/13	712	3,542	878	85%	85%
<b>EDUCATION</b>					
2009/10	173	15	146	Not available	
2010/11	88	5	178	78%	84%
2011/12	44	137	74	63%	64%
2012/13	40	5	109	86%	63%
<b>ENTERPRISE AND ENVIRONMENT</b>					
2009/10	1,667	605	-	95%	98%
2010/11	2,248	551	16	98%	91%
2011/12	1,284	916	3	97.1%	89.2%
2012/13	1,586	902	0	95%	92%
<b>FAMILIES &amp; SOCIAL CARE - CHILDRENS SOCIAL SERVICES</b>					
2009/10	298	66	126	Not available	
2010/11	406	54	166	94%	79%
2011/12	503	59	159	71%	65%
2012/13	395	61	148	95%	56%
<b>FAMILIES &amp; SOCIAL CARE - ADULT SOCIAL SERVICES</b>					
2009/10	436	502	213	89%	90%
2010/11	527	598	266	88%	73%
2011/12	425	388	290	86%	67%
2012/13	416	716	297	93%	81%
<b>BUSINESS STRATEGY &amp; SUPPORT</b>					
2009/10	385	237	116	98%	96%

	COMPLAINTS	COMPLIMENTS	COMMENTS	% answered within our standards	
				ACKNOWLEDGEMENT	RESPONSE
2010/11	552	228	72	78% **	83% **
2011/12	117	95	35	77%**	93%**
2012/13	225	230	98	91%	97%

\* 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.







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

To: Governance and Audit Committee –24 September 2013

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

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Summary: To report a summary of Treasury Management activity

**STATUS FOR ASSURANCE**

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## INTRODUCTION

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

## BACKGROUND

2. The Treasury Management Strategy for 2013/14 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.

## MONTHLY PERFORMANCE REPORT

6. The Treasury & Investments Manager produces a monthly report for all members of the Treasury Advisory Group. The June report is attached in Appendix 1.

## **STATEMENT OF DEPOSITS**

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

## **INVESTMENT ACTIVITY**

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 2013/14. 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. Our current policy is:
  - (1) Cash deposits, call accounts and Certificates of Deposit (CDs) with the following:
    - Barclays Bank Plc
    - HSBC bank Plc
    - Lloyds Banking Group – Lloyds TSB / HBOS
    - RBS Group – Royal Bank of Scotland / NatWest
    - Santander UK Plc
    - Nationwide Building Society
    - Standard Chartered Bank Plc
  - (2) T-Bills and cash deposits with the Debt Management Office.
  - (3) Deposits in a number of Australian and Canadian banks are permitted but none have been made.
  - (4) The maximum permitted duration of deposits is 12 months.

## **COUNTERPARTY UPDATE**

9. Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Authority's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms / potential support from a well-resourced parent institution; share price.
10. In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1).
11. The proposed sale of 632 Lloyds' branches to the Co-op Bank fell through in April and Lloyds now instead plans to sell the branches in an Initial Public Offering (IPO) later this year.
12. In the Chancellor's Mansion House speech on 19<sup>th</sup> June he signalled his intention to sell the government's stake in the Lloyds Banking Group. UKFI, the

body responsible for managing the government's holdings in Lloyds, has recently appointed a range of investment banks and advisors to manage the re-privatisation of the bank and speculation is mounting that the government could sell off up to a quarter of its 39% stake in the bank sometime in September 2013.

13. Moody's placed Royal Bank of Scotland plc's and National Westminster Bank plc's long-term and standalone bank financial strength ratings on review for downgrade. This followed the announcement by the Chancellor on 19th June of the commencement of a cost-benefit review to evaluate the merit of breaking up RBS in order to achieve the government's goals of (1) promoting economic growth; (2) maximizing value for taxpayers; and (3) accelerating RBS's return to the private sector.
14. Following advice from Arlingclose the maximum duration of term deposits has been reduced to 3 months with Lloyds and restricted to overnight call accounts with RBS and NatWest.
15. Standard Chartered is a UK bank which generates more than three-quarters of its earnings in Asia and in June its CDS rose some 62% in price peaking on 24 June. This movement was more pronounced than that of its peers including HSBC and a number of Australian banks. The bank's share price has also fallen since March. These movements were mainly due to the bank being one of 20 censured for attempting to manipulate a selection of key benchmark interest rates, including SIBOR (Singapore InterBank Offered Rate). Singapore regulators have ordered Standard Chartered to set aside approximately £250m. Taking account of Arlingclose's advice KCC suspended the bank from its approved counterparty list for 3 weeks, recently reinstating them but maintaining a maximum duration of 6 months for purchases of CDs.
16. The Treasury Advisory Group met with Arlingclose on 31 July. The meeting received a presentation on the current economic situation which was of particular benefit to new members of the group and agreed that a recommendation for diversifying the Council's investment portfolio should go to Cabinet at its September meeting.
17. 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.
18. Following the receipt of a substantial dividend from Heritable in August (16.7p in the pound, £3.1m), and a 4<sup>th</sup> dividend from Landsbanki in early September (5.02p in the pound, £0.9m), the total recovery to date from Icelandic banks including interest is now £42m. Details as follows:
  - Heritable – dividends received are equal to 94p in the pound, £17.3million. The recovery is now predicted to be close to 100%.
  - Landsbanki - 4 dividends received totalling £8.8million. The forecast recovery is 100%
  - Glitnir - paid in full in March 2012

## **RECOMMENDATION**

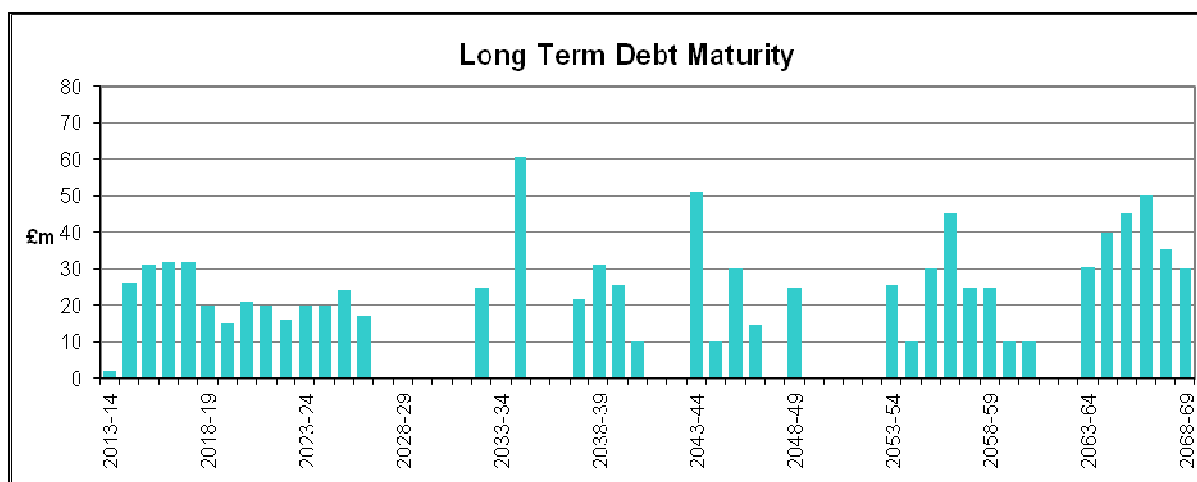
19. Members are asked to note this report for assurance.

**Alison Mings**  
**Treasury and Investments Manager**  
**Ext: 7000 6294**

## Treasury Management Report for the month of June 2013

### 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 June was unchanged at £1,012.29 million, with the maturity profile being as follows.

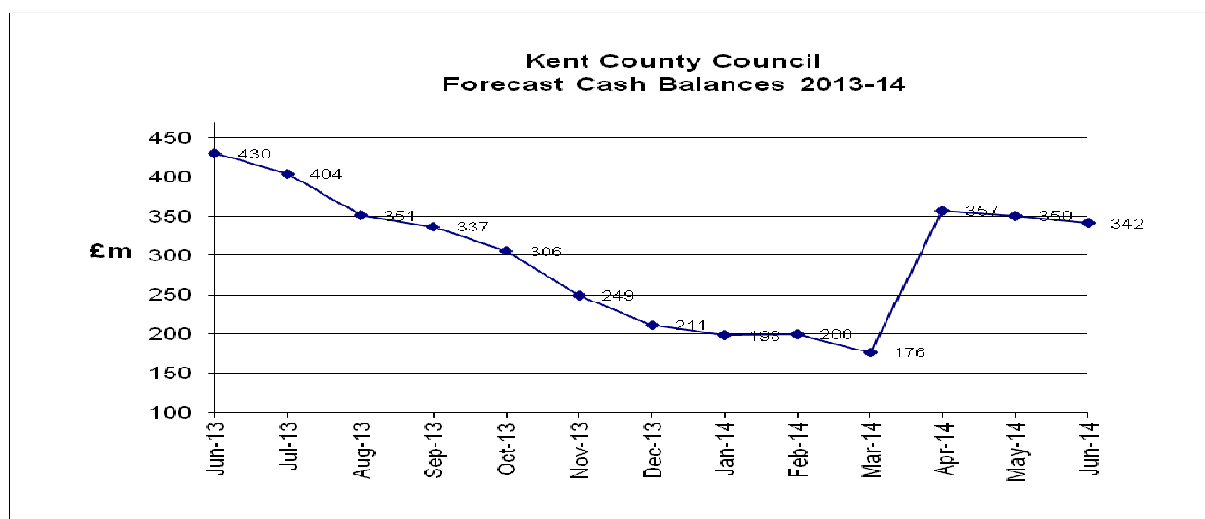


Total external debt includes £43.13m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of the Further Education Funding Council (£1.76m) and Magistrates Courts (£0.745m).

### 2. Investments

#### 2.1 Cash Balances

During June the total value of cash under management fell as expected by £18.5m to £430.1m. Balances are expected to continue to fall through 2013-14 and rise again next April.

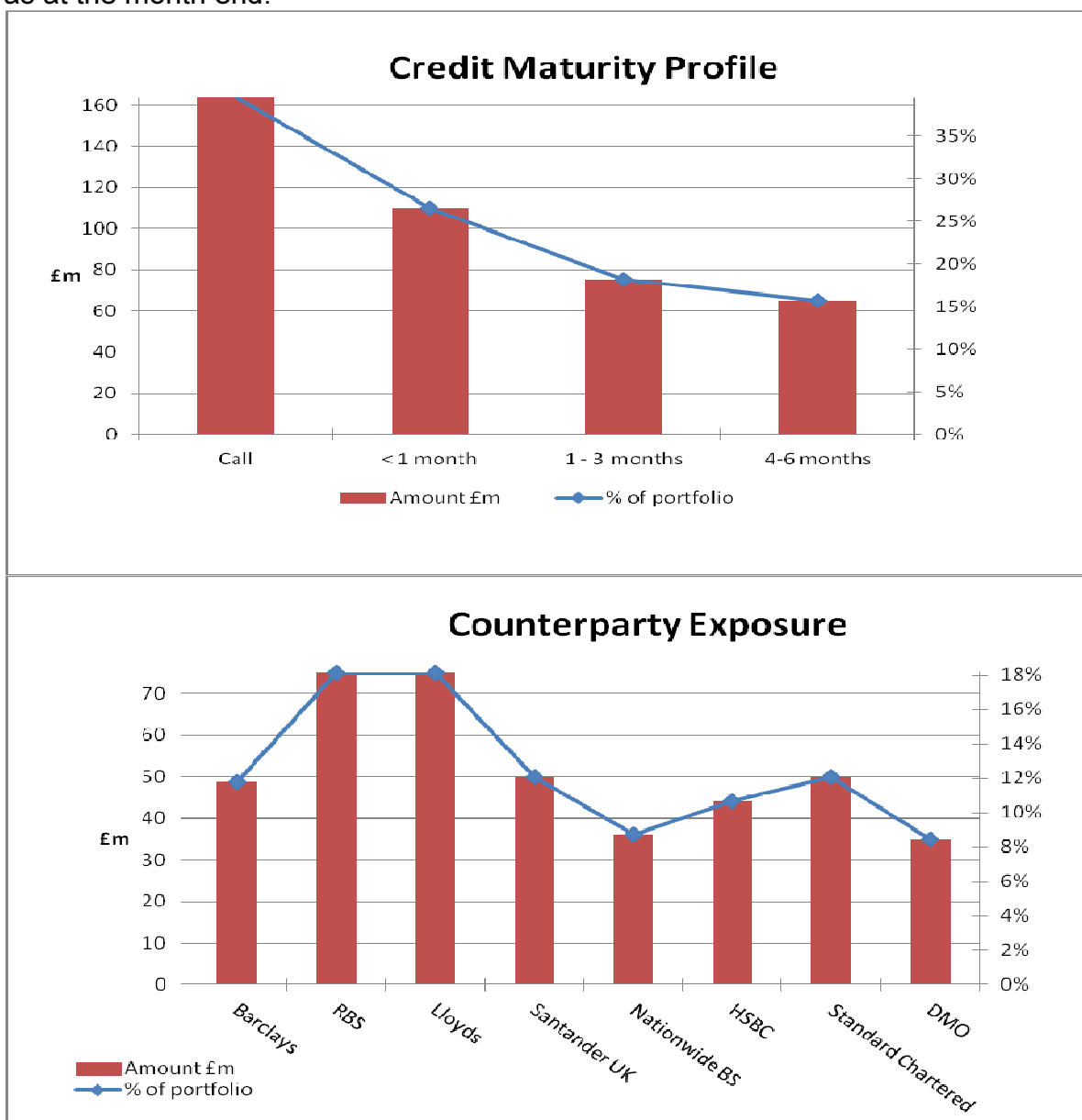


#### 2.2 Average return on new deposits

The average return on new deposits in June was 0.5633 % vs 7 day LIBID 0.3613%. Interest rates on call accounts and short term deposits have continued to fall as banks have access to cheaper sources of finance.

### 2.3 Credit maturity profile and counterparty exposure

The following charts show the credit maturity profile and counterparty exposure as at the month end.



### 2.4 Credit Score matrix

	May 2013		June 2013	
	Credit Rating	Credit Risk Score	Credit Rating	Credit Risk Score
<b>Value Weighted Average</b>	<b>A+</b>	<b>5.06</b>	<b>A+</b>	<b>5.22</b>
<b>Time Weighted Average</b>	<b>A+</b>	<b>4.81</b>	<b>A+</b>	<b>4.66</b>

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

Alison Mings, 15 July 2013



## Statement of Deposits at 30 August 2013

Counterparty	Principal Amount	End Date	Interest Rate	Territory
Bank of Scotland	£10,000,000	n/a	0.4	UK Bank
Bank of Scotland	£5,000,000	30/09/2013	0.8	UK Bank
Bank of Scotland	£5,000,000	07/11/2013	0.8	UK Bank
Bank of Scotland	£5,000,000	22/10/2013	0.7	UK Bank
Lloyds TSB	£10,000,000	n/a	0.4	UK Bank
Lloyds TSB	£5,000,000	27/09/2013	0.8	UK Bank
Lloyds TSB	£5,000,000	22/10/2013	0.8	UK Bank
Lloyds TSB	£5,000,000	04/11/2013	0.8	UK Bank
Lloyds TSB	£5,000,000	15/11/2013	0.8	UK Bank
Lloyds TSB	£5,000,000	27/09/2013	0.7	UK Bank
Lloyds TSB	£5,000,000	15/11/2013	0.7	UK Bank
Lloyds TSB	£5,000,000	19/11/2013	0.7	UK Bank
Lloyds TSB	£5,000,000	21/11/2013	0.7	UK Bank
Barclays Bank	£1,030,000	n/a	0.35	UK Bank
Barclays FIBCA	£40,000,000	n/a	0.7	UK Bank
HSBC	£3,290,000	25/09/2013	0.35	UK Bank
HSBC	£23,400,000	25/09/2013	0.35	UK Bank
NatWest	£25,000,000	n/a	0.6	UK Bank
Royal Bank of Scotland	£5,000,000	18/10/2013	1.1096	UK Bank
Royal Bank of Scotland	£20,000,000	n/a	0.85	UK Bank
Royal Bank of Scotland Notice Acc	£25,000,000	14/10/2013	1.05	UK Bank
Santander UK	£50,000,000	n/a	0.8	UK Bank
Standard Chartered	£10,000,000	02/10/2013	0.5	UK Bank
Standard Chartered	£10,000,000	02/01/2014	0.53	UK Bank
Standard Chartered	£10,000,000	06/01/2014	0.54	UK Bank
Standard Chartered	£10,000,000	05/02/2014	0.56	UK Bank
Standard Chartered	£10,000,000	12/02/2014	0.56	UK Bank
<b>Total UK Bank Deposits</b>	<b>£317,720,000</b>			
Debt Management Office	£10,000,000	21/10/2013	0.29	UK Govt.
Debt Management Office	£10,000,000	11/11/2013	0.3	UK Govt.
Debt Management Office	£5,000,000	02/09/2013	0.29	UK Govt.
Debt Management Office	£5,000,000	25/11/2013	0.305	UK Govt.
Debt Management Office	£10,000,000	21/10/2013	0.278	UK Govt.
<b>Total UK Govt. Deposits</b>	<b>£40,000,000</b>			
<b>Total Icelandic Bank Deposits</b>	<b>£13,270,880</b>			
<b>Grand Total of All Deposits</b>	<b>£370,990,880</b>			

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

To: Governance and Audit Committee – 24 September 2013

Subject: **External Audit Update September 2013**

Classification: Unrestricted

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**Summary:** This paper provides recent updates and information from the External Auditor, Grant Thornton UK LLP

## **FOR ASSURANCE**

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### **Introduction and background**

1. In order that the Governance and Audit Committee is kept up to date with the work of Grant Thornton UK LLP, progress reports are written by the external auditor as appropriate.
2. The attached report covers the following areas:
  - Progress over 12/13 and the planned audits for 2013/14
  - Emerging issues and developments

### **Recommendation**

3. Members are asked to note the report.

**Neeta Major**  
**Head of Internal Audit**  
**Ext: 4664**

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# Governance and Audit Committee Update for Kent County Council

**Year ended 31 March 2013**

02 September 2013

Page 53

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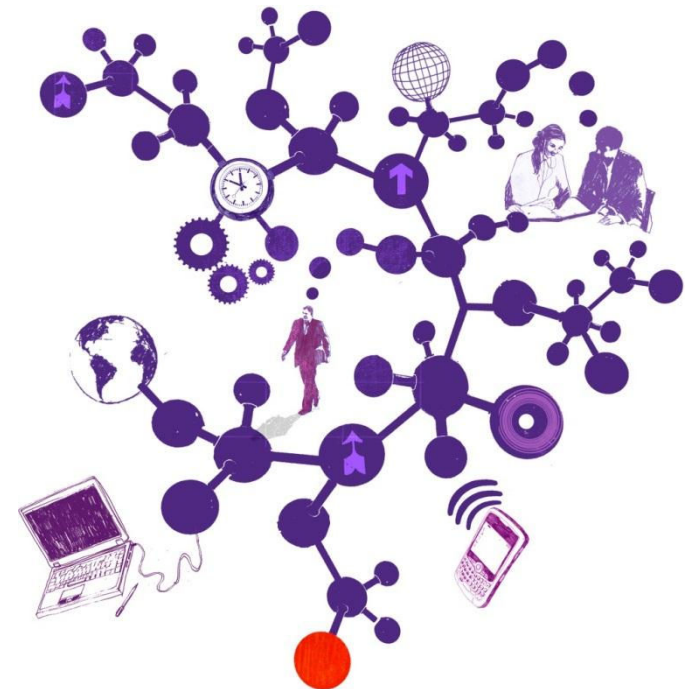
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Contents

<b>Section</b>	<b>Page</b>
Introduction	3
Progress at 2 September 2013	5
Emerging issues and developments	
Local government guidance	8
Grant Thornton	10
Accounting and audit issues	12

Page 55

# Introduction

This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Governance and Audit Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', and 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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# Progress at 2 September 2013

2012/13 Work	Planned date	Complete?	Comments
<p><b>Whole of Government Accounts (WGA)</b>            We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.</p>	September 2013	No	The Council submitted the WGA return to the DCLG by the deadline of 14 August 2013. The audit is planned for completion in September to ensure the certification by 4 October 2013.
<p><b>Other areas of work – grants certification</b>            We will be required to certify the following return for the Council in 2012/13:</p> <ul style="list-style-type: none"> <li>Teachers' Pensions Return</li> </ul>	October 2013	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.

Page 57

# Progress at 2 September 2013

2013-14 Work	Planned date	Complete?	Comments
<p><b>2013-14 Audit Fee Letter</b> We prepare a fee letter annually setting out the audit and grants certification work fee for the year.</p>	March 2013	Yes	We issued the 2013/14 audit fee letter to management on 22 March 2013 and presented it to this committee in April 2013.
<p><b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	April 2014	No	We will issue separate audit plans for the Council and Pension Fund audits following the interim accounts audit.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	October 2013 and January 2014	No	We have had an initial planning meeting with finance officers and will undertake the risk assessment work for 2013/14 in October 2013.

# Progress at 2 September 2013

Work	Planned date	Complete?	Comments
<p><b>2013-14 final accounts audit</b></p> <ul style="list-style-type: none"> <li>audit of the 2013-14 financial statements; and</li> <li>proposed opinion on the Council's accounts.</li> </ul>	June – July 2014	No	We have monthly meetings with the Head of Financial Management and Chief Accountant, and will attend the monthly closedown champions meetings to ensure that potential accounting issues are identified early.
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2013-14 VfM conclusion is based on the reporting criteria specified by the Audit Commission.</p> <p>The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>securing financial resilience</li> <li>challenging how it secures economy, efficiency and effectiveness in its use of resources.</li> </ul> <p>Our review will focus on arrangements relating to financial governance, strategic financial planning and financial control.</p>	January – April 2014	No	We will plan the value for money conclusion work by completing the initial risk assessment in the October 2013 interim audit visit.
<p><b>Whole of Government Accounts (WGA)</b></p> <p>We are required to audit the Whole of Government Accounts return on behalf of the National Audit Office.</p>	September 2014	No	We will undertake the audit of the WGA return once the accounts audit is complete.
<p><b>Other areas of work – grants certification</b></p> <p>We will be required to certify the following return for the Council in 2013-14:</p> <ul style="list-style-type: none"> <li>Teachers' Pensions Return</li> </ul>	October 2014	No	We will liaise with officers to agree dates for audit certification once claims are submitted for audit.

# Emerging issues and developments

## Local government guidance

### Social care for older people

In July, the Audit Commission released 'Social care for older people: Using data from the VFM Profiles'. This briefing has been drawn from the Commission's Value for Money (VFM) Profiles and show councils spend on different services and how their costs and performance compare with other similar organisations.

Challenge questions:

- Has your Head of Financial Management reviewed the costs and performance of your authority against similar organisations?

Page 69

### Confidentiality clauses and special severance payments

In June, the National Audit Office published '[Confidentiality clauses and special severance payments](#)'.

The report concludes that 'there is a lack of transparency, consistency and accountability in how the public sector uses compromise agreements, and little is being done to change this situation. This is unacceptable for three reasons: the imbalance of power between the employer and employee leaves the system open to abuse; poor performance or working practices can be hidden from view, meaning lessons are not learned; and significant sums of public money are at stake.'

Challenge questions:

- Has the Council considered the findings of the report and identified any changes to its HR procedures?

# Emerging issues and developments

## Local government guidance

### Local Government Pension Scheme

The Department for Communities and Local Government has launched a 'Call for evidence on the future structure of the Local Government Pension Scheme'. The consultation is asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

The consultation closes on 27 September 2013.

Challenge question:

- Has the Head of Financial Services reviewed the consultation and assessed the potential impact?

# Emerging issues and developments

## Grant Thornton

### 'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: Future Councillors – where next for local politics? Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

# Emerging issues and developments

## Grant Thornton

### Spending Round 2013

It was announced in the June spending round that the local government resource budget will be reduced by 10 percent in 2015/16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on [informationdaily.com](http://informationdaily.com), the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014/15, and a £3.8bn pooled budget in 2015/16. In addition, £35m is to be made available to local authorities in 2015/16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

Challenge question:

- Has your authority reviewed your medium term financial plan in light of the Spending Round announcement and considered the action to be taken?
- How is your authority planning to work with other organisations in the public sector?

# Emerging issues and developments

## Accounting and audit issues

### 2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- Other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013/14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*
- Local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies
- options for the "dry run" for the move to depreciated replacement cost for local authority transport infrastructure assets as set out in the CIPFA Code of Practice on Transport Infrastructure Assets to the (Local Authority Accounting) Code.

CIPFA/LASAAC have also launched a consultation on simplifying and streamlining the presentation of local authority financial statements. The Council de-cluttered its 2012/13 financial statements so has already streamlined the presentation.

Both consultations close on Friday 11 October 2013.

Challenge questions:

- Has your authority considered whether it wishes to respond to the consultation?





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By: Neeta Major – Head of Internal Audit  
To: Governance and Audit Committee – 24 September 2013  
Subject: **Internal Audit Progress Report**  
Classification: Unrestricted

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**Summary:** This report summarises the outcomes of Internal Audit activity for the 2013/14 financial year to date.

## **FOR ASSURANCE**

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### **Introduction**

1. This report summarises:
  - the key findings from completed Internal Audit reviews;
  - progress against, and any amendments to, the 2013/14 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 for the financial year to date. 4 assurance/advisory reviews have been finalised and 15 draft reports have been issued and are in the process of being finalised. Fieldwork is in progress for a further 18 audits.
3. Progress against the Audit Plan for 2013/14 is 28% complete at end of August 2013. This is compared to a prorated target of 29% (based on the annual target to achieve 90% of the Audit Plan). Progress against Plan is slightly below target however this reflects the usual profiling of audit activity towards the second half of the financial year. In addition a number of vacancies within the team have had some impact and we face challenges in recruiting and retaining experienced staff due to the current market.
4. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2013/14 year are detailed within Appendix 1.

### **Follow up of agreed recommendations**

5. Progress of Directorates in the implementation of agreed recommendations arising from our audit reports shows that of 45 recommendations due in the reporting period 22 are complete. Revised implementation dates have been agreed for all outstanding recommendations; 7 of these are high priority. Delay in implementation has been reviewed and is not considered to represent a significant risk to the Council at this time. However we continue to

monitor implementation and will review whether escalation is appropriate should further delays occur

### **Implications for Governance**

6. Summaries of findings from completed work have been included within Appendix 1. Where audits completed in the year have identified areas for improvement management action has been agreed. All audits are allocated one of five assurance levels, for which definitions are included within the attached report.

### **Recommendation**

7. Members are asked to note:
  - progress against the 2013/14 Audit Plan and proposed amendments.
  - the assurances 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 2013***

**Neeta Major**  
**Interim Head of Internal Audit**  
**Ext. 4664**



# Kent County Council

## Internal Audit Progress Report September 2013

# Contents

<b>Section</b>	<b>Page</b>
1. Introduction	3
2. Internal Audit Performance	5
Appendix A - Summary of individual Internal Audits issued since April 2013	6
Appendix B - Detailed Analysis of IA Progress Against 2013/14 Plan	8
Appendix C - Other 2013/2014 Work Undertaken by Internal Audit	13
Appendix D - Definition of Internal Audit Assurance Levels	14
Appendix E - Progress with Implementation of Recommendations	15

# 1. 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 2013/14 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 2013/14 includes a total of 89 projects at September 2013. 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 deletions/deferrals are proposed:

### ***Deletions***

Locality Boards – limited value in undertaking audit work at this time.

E-Payments - arrangements are being changed and a new process will be implemented in early 13/14. We are maintaining a watching brief on the change programme and will consider including audit of the new arrangements when we prepare the 14/15 audit plan.

Schools Deficit Budgets – to minimise duplication reliance will be placed on the processes in relation to budget deficits undertaken by Schools Financial Services

Haulage and Transfer Stations – a member of staff from Internal Audit has been seconded to this area to review current process and as such we will place reliance on that work

Waste – Contract Management Process – as Haulage and Transfer Stations above

Half-year Journal and AP IDEA testing – being covered elsewhere by External Audit and by other relevant financial audits in the Internal Audit Plan.

### ***Deferral***

Total Facilities Management – due to timing of the contract award there is little value in auditing this area in 2013/14, therefore we have deferred to 2014/15 when the new contract is implemented.

The following work has been undertaken year to date:

- 4 final reports/assurance/advisory work completed
- 15 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 18 audits

Summaries of all final reports issued since the last Committee meeting can be found at Appendix A.

Overall progress on the 2013/14 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, internal audit of Kent Fire and Rescue and the certification of grant claims. Details are provided in Appendix C.



## 2. Internal Audit Performance

Internal Audit's performance against our targets at August 2013 is shown below:

Performance Indicator	Target	Actual
<b>Effectiveness</b>		
% of recommendations accepted	98%	100%
<b>Efficiency</b>		
% of plan delivered (Note 1)	90% by year end	28%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork	90%	90%
Preparation of annual plan	By April	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
<b>Quality of Service</b>		
Average Client satisfaction score (Note 2)	90%	84%

### Note 1

The % of Plan delivered to date is behind target, although broadly in line with the usual profiling of audit activity towards the second half of the financial year. A number of vacancies within the team have had considerable impact. We are facing challenges in recruiting and retaining experienced staff due to competition for internal auditors in the market. We have recently recruited two new auditors who commence in September. However while finalising this report a further two members of staff have handed in their notice and we will be advertising again. In addition all residual 2012/13 work is now complete with reports finalised; as such progress is gathering pace and we aim to achieve our 90% target by year-end.

### Note 2

The issue of several adequate and limited assurance opinions in recent 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 2013/14 Internal Audits issued since April 2013

### Business Planning

#### Scope

The overall objective of the audit was to give assurance on the implementation of the new business planning framework. This included an assessment of the integration of business planning with performance management, risk management and financial management processes.

#### **Overall assessment - Substantial**

The purpose of business and financial planning is to develop and deliver effective plans that ensure the Council meets the needs and demands of local people and communities living in Kent in a financially stable way.

The Substantial assurance is based on there being a process in place for compiling Business Plans across all directorates along with quality assurance procedures; this has helped to ensure relevant information was included. Business Plans were reviewed at all levels before formal approval by Cabinet. Varying levels of input were requested from Finance, Performance and Risk Managers by Directorates; however the final Business Plans all included reference to these key areas.

We have made four recommendations, none of which are high priority. These include ensuring clarity in relation to the link between Business Plans and decision making processes, discussion of cross-divisional and cross-directorate issues and enhancements to the guidance to ensure all approved Business Plans taken for formal approval are complete and accurate.

### Annual Governance Statement

#### Scope

The overall objective of the audit was to give assurance on directorates' governance returns to support the Council's 2012/13 Annual Governance Statement (AGS).

#### **Overall assessment - Substantial**

The Accounts and Audit Regulations 2011 require the Council to produce an AGS. The purpose of the AGS, as stated in the Framework, is to 'provide a brief communication regarding the review of governance that has taken place and the role of the governance structures involved. It should be high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money and relate to the authority's vision for the area.'

The Substantial assurance is based on sample testing that showed in most areas controls are in place and operating as intended. There were effective controls in place to ensure issues from 2011/12 were being monitored and had been resolved or were in the process of being resolved. Also, issues identified as part of the 2012/13 process were being appropriately monitored and all directorate returns had been signed off by Corporate Directors.

We have made six recommendations to further improve controls, one of which is high priority. These include ensuring any potential risk of fraud is mentioned in Directorate returns as relevant, consistency between Directorates in how they complete their returns and ensuring the AGS is discussed regularly at Directorate Management Teams.

## **Payroll - Schools**

### **Scope**

The overall objective of the audit was to provide assurance that the arrangements for processing schools payroll are managed accurately and effectively, including the associated bank account operations, payments and reconciliations at the HR Business Centre (HRBC).

### **Overall assessment - Adequate**

The audit was primarily concerned with the payroll process operated by HRBC as a payroll provider; it did not examine documentation or information received from schools or located at schools. The payroll processes adopted for schools and academies are modelled on those used for the main Kent County Council payroll, particularly the Oracle payroll system.

The 'Adequate' assurance is based on payroll production routines, checklists, controls and separation of duties being embedded. Individual summaries and reports for exceptions and gross to net calculations are prepared to support each of the payrolls. All stages of the payroll production were properly authorised, secure and reconciled to management reports with final approval being made by senior management.

We have made three recommendations to improve control, one of which is high priority. These include ensuring the bank reconciliation is timely and appropriately authorised, rotating responsibility for the reconciliation and completing the procedure manuals following the current management review.

## **Establishments**

### **Scope and Progress**

A programme of compliance audits is undertaken ongoing throughout the financial year; this includes, but is not limited to, Children's Centres, Adult Day Care, outdoor education centres, country parks, youth hubs and libraries. To date we have completed five audits at two Children's Centres, two outdoor education centres and one country park. The audits review financial controls as well as quality/performance elements and safety and security controls. All five are at draft report stage.

### **Summary of findings**

At this stage of the financial year, with five draft reports issued, there is limited opportunity to identify common themes and trends. In addition the programme of work for 2013/14 has been extended to include a variety of establishment types not included last year, this includes outdoor education centres, country parks and youth hubs. Given the differing nature of the establishments now reviewed there will be a variety of systems, particularly in relation to income. As such more detail on findings will be provided to the December Governance and Audit Committee when more meaningful results are available. In the interim no key risks have been identified that require escalation at this time.

# Appendix B

## Detailed Analysis of Internal Audit Progress on 2013/2014 Plan

Project	Progress at September 2013	Date to G&A	Overall Assessment	Project	Progress at September 2013	Date to G&A	Overall Assessment
<b>Core Assurance</b>							
Corporate Governance							
Annual Governance Statement	Complete	September 2013	Substantial				
Schemes of Delegation	Fieldwork in progress						
Risk Management							
Business continuity and resilience planning	Planning						
Performance Management Framework inc data quality							
Information Governance	Planning						
Records Management	Planning						
Procurement							
Business Planning	Complete	September 2013	Substantial				
Recruitment and Selection	Fieldwork in progress						
Appraisal Process	Planning						
Workforce Planning	Planning						
Completeness of contracts	Planning						
Contract compliance (below £50k)	Planning						
Company Governance	Planning						

Project	Progress at September 2013	Date to G&A	Overall Assessment	Project	Progress at September 2013	Date to G&A	Overall Assessment
<b>Core Financial Assurance</b>							
Accounts Payable inc iProcurement (Payments process)	Planning			Local budgetary reviews	Fieldwork in progress		
Debt Recovery				Compliance programme*	Ongoing*	Update in each paper	Various
Cash and Bank (inc reconciliations)				Half year journal and AP IDEA testing	Cancelled	N/a	N/a
Treasury Management follow-up							
Pension Contributions follow-up							
Pension Fund Investments follow-up							
Foster Care Payments	Fieldwork in progress						
Social Care Client Billing							
Transaction Data Matching							
Client Financial Affairs/CMS							
Payroll Schools	Complete	September 2013	Adequate				
Payroll – starters, leavers and overpayments follow-up	Planning						
Schools Financial Services	Planning						
Revenue Budget Monitoring follow-up	Planning						
Corporate Purchase Cards – follow-up	Planning						

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

Project	Progress at September 2013	Date to G&A	Overall Assessment	Project	Progress at September 2013	Date to G&A	Overall Assessment
<b>Risk/Priority Based Audit</b>							
Broadband Delivery UK	Fieldwork in progress			Schools themes review – Procurement	Planning		
Regional Growth Fund	Planning			ELS Capital Projects			
Property – statutory compliance	Planning			Community Learning Services	Draft Report		
Enterprise replacement – watching brief	Ongoing	N/a	N/a	Locality Boards	Cancelled	N/a	N/a
Total Facilities Management	Deferred to 14/15	N/a	N/a	Complaints, comments and compliments	Fieldwork in progress		
Public Health Outcomes	Planning			Troubled families	Planning		
Public Health Governance	Planning			Integrated Youth Services	Planning		
Public Health Operational Arrangements	Planning			Communications	Fieldwork complete		
Good Day Programme	Fieldwork in progress			Grant funding – Turner and Big Society	Fieldwork in progress		
Supervisions	Planning			Highways – Customer claims handling	Draft Report		
Enablement Service	Planning			Coastal Protection Loans			
Direct Payments follow-up	Fieldwork in Progress			Haulage and Transfer Stations	Cancelled	N/a	N/a
UASM Budget	Draft Report			Waste – Contract Management Process	Cancelled	N/a	N/a
Children’s Services Improvement Programme	Draft Report			Transport Contracts – Cyclical Review			
Strategic Commissioning- Operational Frameworks	Fieldwork in progress			Adverse Weather, winter service delivery	Draft Report		

Project	Progress at September 2013	Date to G&A	Overall Assessment	Project	Progress at September 2013	Date to G&A	Overall Assessment
Strategic Commissioning – Quality Assurance Framework watching brief	Ongoing			BACS/CHAPS Review – Commercial Services	Fieldwork in progress		
Contract letting and compliance Adult's	Fieldwork in progress			Carbon Reduction Commitment	Fieldwork in progress		
Contract letting and compliance Children's				Kent Support and Assistance Service	Fieldwork in progress		
Adult Social Care Transformation Programme				Culture and Sports	Planning		
Early Years	Fieldwork in progress			Schools Deficit Budgets	Cancelled	N/a	N/a
Conversions to Academy	Planning			Member Grants	Planning		
EduKent	Fieldwork complete			Member Highways Fund	Planning		
KIASS	Fieldwork complete			Section 17 Payments			
				Declaration of Interests*	Complete	September 2013	N/a – Fraud Prevention Review

\*For detail please see fraud progress report

Project	Progress at September 2013	Date to G&A	Overall Assessment	Project	Progress at September 2013	Date to G&A	Overall Assessment
<b>IT Audit</b>							
Website	Planning						
E-Payments	Cancelled	N/a	N/a				
Laptops, Notebooks and PCs	Planning						
User Remote Access	Fieldwork in progress						
ICT Governance	Planning						
User IT Literacy							
User equipment asset management	Draft Report						
Oracle General Ledger – application	Planning						
Oracle Accounts Receivable – application	Planning						
Oracle Payroll – application	Planning						
SWIFT application	Fieldwork complete						
WAMS application	Draft Report						
ICS Watching Brief	Ongoing						
CRM Watching Brief	Ongoing						
Unified Comms – pre-implementation	Planning						



# 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. This year to date the total value verified is approximately £1.18m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £405,000 and £187,000 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 12 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.

In 2013/14 to date we have undertaken 14 visits to date to sign off 2012/13 annual returns.

### 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; 10 such irregularities have been reported in 2013/14.

Other significant ad hoc/advisory work undertaken includes ongoing advice and support in relation to a number of areas of service change/improvement. Internal audit have also attended, or are virtual members of, the following groups in an advisory capacity:

- ERP Programme Board
- Business Continuity Management
- Information Governance Cross Directorate Group
- Procurement standard working papers working group
- Kent Support and Assistance Service

# 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 with some controls that may put system/service objectives 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 July 2013		Recommendations outstanding as at 31 July 2013		Comments	Revised implementation date
	H	M	H	M		
<b>Core Systems</b>						
Cashiering and Bank reconciliations	0	1	0	0	Recommendation implemented	
General Ledger	1	0	0	0	Recommendation implemented	
VAT	1	1	1	1	Recommendations are in progress but not formally completed as yet.	31/10/2013
Financial Controls in Schools	2	0	1	0	School compliance visit have been delayed, however the programme will be rolled out from September onwards and so the recommendation will be implemented then.	30/09/2013
Accounts Payable	0	2	0	0	Recommendations implemented	
<b>Policy</b>						
Procurement	1	1	1	1	An external facing strategy will be written after issues arising from a review of procurement have been resolved.	31/12/2013
<b>Risk Based</b>						
Developer Contributions (s106)	3	2	3	1	The service is being brought back in house and there are papers going to CMT relating to resourcing issues which means that the recommendations will not be in place until these issues have been resolved.	31/10/2013
Consultation	2	3	0	0	Recommendations implemented	
Special Educational Needs	1	5	1	2	A new system of monitoring funding has been introduced and will be implemented once the schools return in September; this will address the high priority recommendation. The medium	31/12/2013

Audit	Recommendations to be implemented by 31 July 2013		Recommendations outstanding as at 31 July 2013		Comments	Revised implementation date
	H	M	H	M		
					recommendations will be addressed by the forth coming restructure.	
No Use Empty Homes	0	2	0	0	Recommendations implemented	
<b>Core Assurance</b>						
Corporate Governance	0	2	0	0	Recommendations implemented or superseded	
Performance Management Framework	0	3	0	2	Implementation of the outstanding recommendations is in progress but not fully completed as yet.	31/10/2013
Managing Absence	0	3	0	2	Recommendations are to be presented to Corporate Directors as responsible officers on 16/09/13 therefore implementation will be confirmed in final papers	
<b>IT Audits</b>						
Business Continuity and Resilience Planning	0	2	0	1	The remaining recommendation around risk assessments has been partly implemented. A template has been developed and is being used by services, they are currently linking with senior management to ensure progress is made	October 2013
Oracle	0	1	0	0	Evidence cannot be provided supporting implementation until 03/09/2013 –diarised reminder for 04/09/13	
Registrations	0	6	0	6	The service is currently reviewing KCC's LRA IT systems and has a contractor meeting in September which should provide further information.	30/12/2013
<b>Total</b>	<b>11</b>	<b>34</b>	<b>7</b>	<b>16</b>		

H = High risk

M = Medium risk

By: Neeta Major – Head of Internal Audit  
To: Governance and Audit Committee – 24 September 2013  
Subject: **INTERNAL AUDIT BENCH MARKING RESULTS**  
Classification: Unrestricted

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**Summary:** This report summarises the 2012/13 Internal Audit Benchmarking Results.

## **FOR DECISION**

---

### **Introduction**

1. Internal Audit is a member of the CIPFA 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 2012/2013 benchmarking exercise has continued to significantly decline. Including Kent, there were 8 participating counties compared to 12 in the previous year and 21 that participated in 2009/10. In particular two of the larger usual comparator authorities Surrey and Hertfordshire have not participated this year. Appendix A lists the county councils who participated.
3. 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.
4. In addition it is apparent that some comparisons are distorted by the way in which authorities treat different costs, their differing risk profiles and the approach adopted to fraud, IT and compliance. To assist Members understand the context of the comparator group, Appendix A details the population and gross turnover of each of the comparator authorities.
5. Following comments received at the September 2012's meeting, there have been discussions at the County Council Area Network - a forum of Heads of Audit from all Counties to discuss the problems around being able to benchmark effectively going forward. There is a will to create a

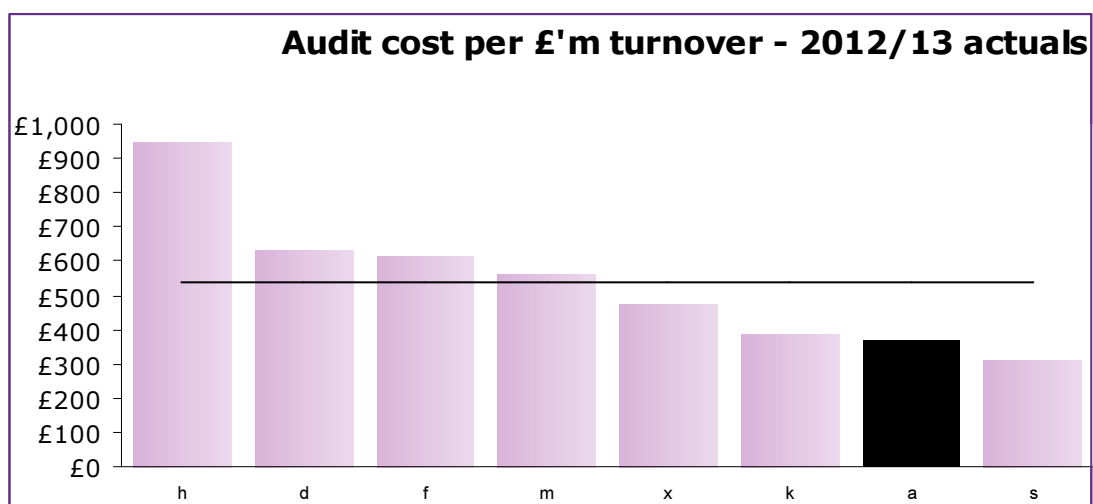
benchmarking group using this forum, but this has not been established as yet.

- Table 1 below provides the main headlines from the benchmarking exercise.

**Table 1: Summary of 2012 - 2013 position** (The figures in brackets shows data for 2011/12).

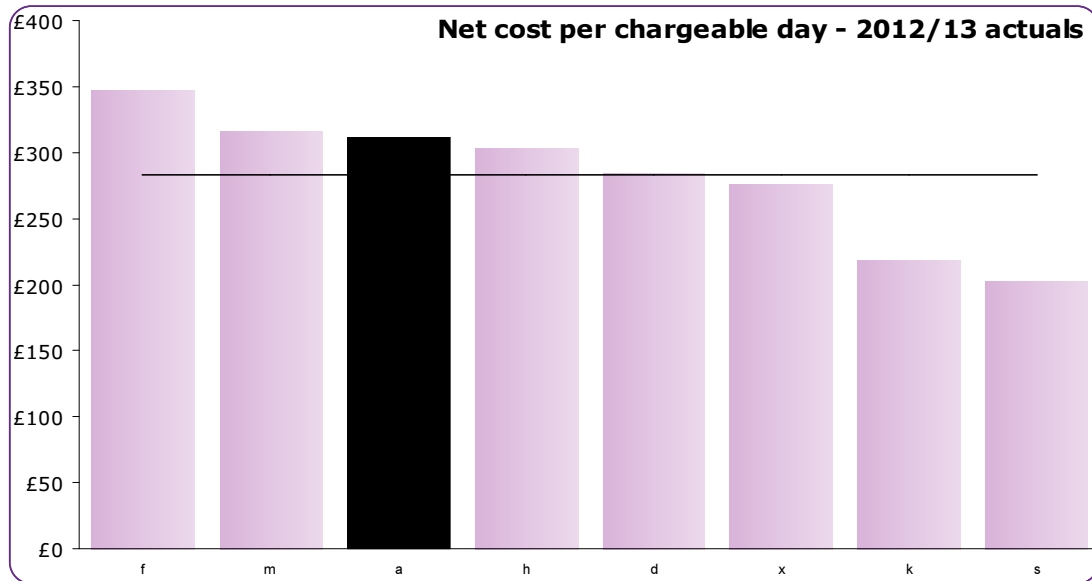
	Kent	Average
<b>Cost per £'m</b>	371 (322)	537 (409)
<b>Cost per auditor (including on-costs and allocation of overheads) £'k</b>	51 (61)	49 (51)
<b>Chargeable days per auditor</b>	164 (172)	169 (172)
<b>Cost per chargeable day £</b>	312 (351)	283 (299)

### Comparative spend on audit

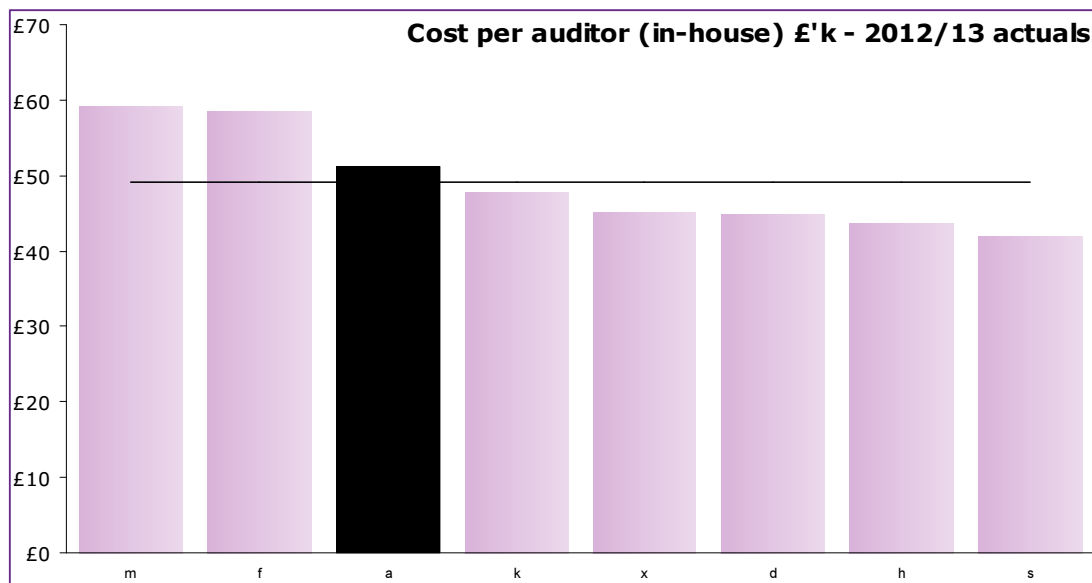


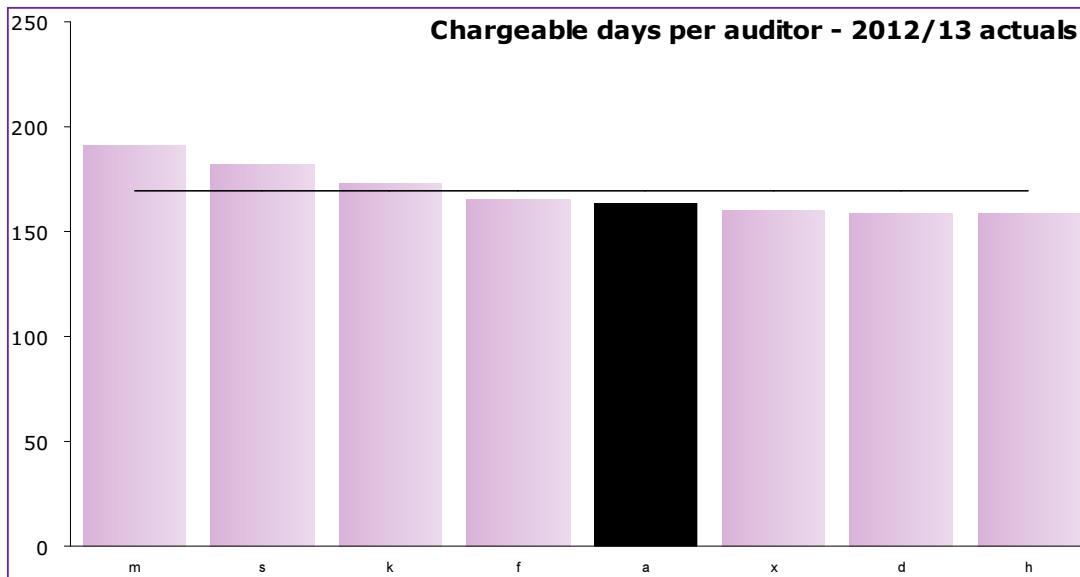
- Kent County Council continues to spend well below average on its audit service per £m gross turnover than other county councils in the survey (shown in black shade). This is consistent with previous years' results and to a degree reflects that Kent's Internal Audit does not carry out school audits which is the norm in many other County areas. (In Kent, the Schools Compliance team within Finance undertake these). It also reflects the number of vacancies that were carried within the section during 2012/13.

## Productivity



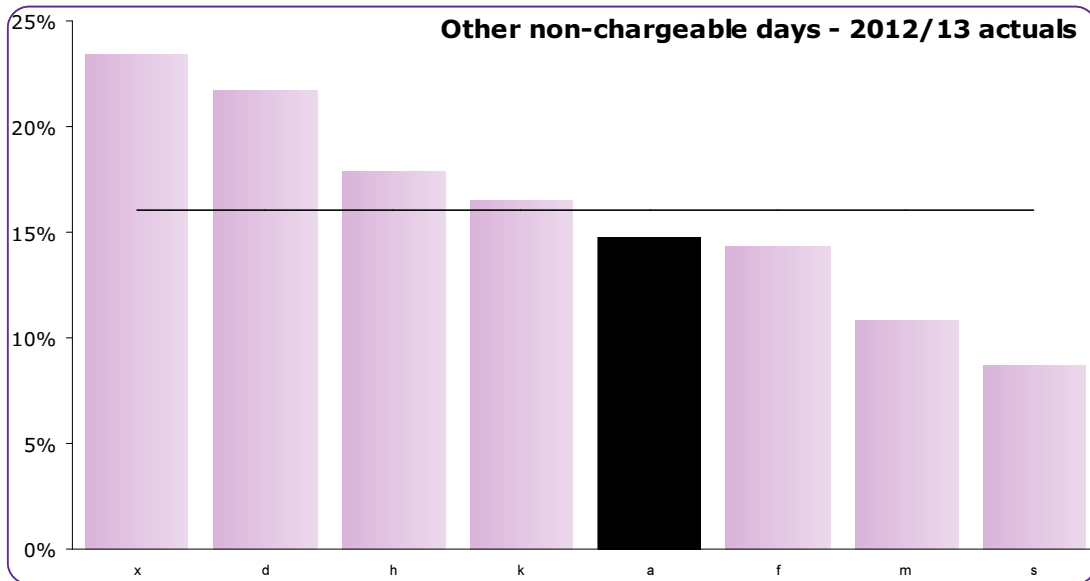
8. Our cost per chargeable day has fallen this year to £312 (from £351 in 2011-12) largely due to the inclusion within 2011-12 of significant costs associated with redundancy.
9. As in previous years costs per chargeable day remain higher than average. This can be explained by further analysing this metric.
10. 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:





11. This analysis confirms that the cause of the higher than average net cost per chargeable day is the result of both of these metrics i.e. a slightly higher than average cost per auditor and a slightly lower than average number of chargeable days per auditor.
12. The cost per auditor is slightly higher than average (£51k vs average £49k). This reflects the market in Kent due to its proximity to London and our continued emphasis on maintaining a mix of qualified accountants and/or Members of the Chartered Institute of Internal Auditors. Of the three Southern counties, Kent has the lowest average cost per auditor. It should be noted that in the last three months, there have been several internal and external adverts offering jobs at considerably higher salaries to Kent for a lower level of competence and qualification. Hence it is unlikely that this metric will improve and we will need to review the number and mix of staff further within our existing budget.
13. The chargeable days per auditor remains slightly lower than average (164 days compared to an average of 169) due to the number of internal audit trainees studying towards a professional qualification as well as one secondment and one team member who was critically ill. Carrying this level of trainee resource will continue to be a pressure on chargeable days available until these trainees qualify.
14. It is useful to note in the graph below the number of days “lost” to non audit and assurance work still remains close to average (15% compared to an average of 16%). 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.





### Cost of participating

15. The cost of participating in the CIPFA benchmarking exercise has risen to £600 for 2012-13 together with the costs of collation, submission and review. However there are no further costs of collection of data as Internal Audit routinely captures all the necessary data as part of its own performance management.

### Way forward

16. During 2012-2013 we have already appointed a Senior Counter Fraud officer and Auditor (fraud) to support the Counter Fraud Manager deliver the range of proactive and reactive fraud work planned. However on the audit and assurance side, there have been a number of pressures due to the secondment of the Contract Compliance Manager to the Enterprise and Environment Directorate, the transfer/secondment of three staff to higher grade positions within the authority, and the improved job market for skilled internal auditors. For this reason we will be further reviewing the Internal Audit structure. Any change in structure will need to ensure that we can retain key members of staff who progress through their professional and on the job training but have no career structure that encourages them to use these more advanced skills to the benefit of the Council
17. The CIPFA benchmarking club and the reducing number of comparator Counties may not be the best method of assessing the effectiveness of Internal Audit going forward 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.

18. For this reason the Head of Internal Audit will further contribute to the discussions within CCAN regarding the opportunity to create a benchmarking club through this forum to address the declining number of participants in the CIPFA exercise.
19. Despite these concerns, the Committee may wish for Internal Audit to continue to participate in the exercise for the time being until there is another mechanism to replace it. It could still be regarded as a useful way to formally consider these metrics and to investigate questions that may arise.

### **Recommendations**

16. Members are asked to:
  - note the content of this report in relation to 2012-13.
  - consider whether they wish Internal Audit to continue participating in the CIPFA benchmarking club given the dramatic reduction in comparators

**Neeta Major**  
**Head of Internal Audit**  
Ext: 4664  
September 2013

	Gross Turnover (£m) <sup>1</sup>	Population '000 <sup>2</sup>
Cumbria	778	494
East Sussex	907	516
Gloucestershire	740	597
<b>Kent</b>	<b>2,300</b>	<b>1,427</b>
Norfolk	1,343	862
Nottinghamshire	1,093	780
Suffolk	1,077	720
Warwickshire	762	536

<sup>1</sup> Per CIPFA benchmarking statistics

<sup>2</sup> Per CIPFA website

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By: Neeta Major – Head of Internal Audit  
 To: Governance and Audit Committee – 24 September 2013  
 Subject: **ANTI-FRAUD AND CORRUPTION  
 PROGRESS REPORT**  
 Classification: Unrestricted

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**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 2013.

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## **FOR ASSURANCE**

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### **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**

#### *Fraud Awareness*

2. We continue to highlight fraud risks across the Council, including schools, and have provided fraud awareness presentations to staff in Libraries and Archives, and Business Partner Support. We will continue to raise the level of fraud awareness across the Council.

#### *Proactive Fraud*

3. We have completed a review of the policies and procedures related to declarations of interest for both officers and Members. Appendix A details the outcome of the review. Progress in relation to the implementation of the agreed recommendations will be reported within the Internal Audit Progress Report.
4. In addition, KCC has recently detected and successfully prevented an attempted 'Mandate Fraud.' This fraud involves fraudulently redirecting payments intended for legitimate suppliers. In response to an increasing risk across the public sector to this type of fraud, Internal Audit previously recommended new procedures for verifying requests from suppliers to amend their banking details. This was implemented with responsibility given to the Finance Business Partner Support team. Following implementation, the new procedures identified a fraudulent request to change the account details of one of KCC's suppliers, which could have resulted in legitimate payments being made to an unknown third party. The attempted fraud has now been reported to the police.

## Irregularities

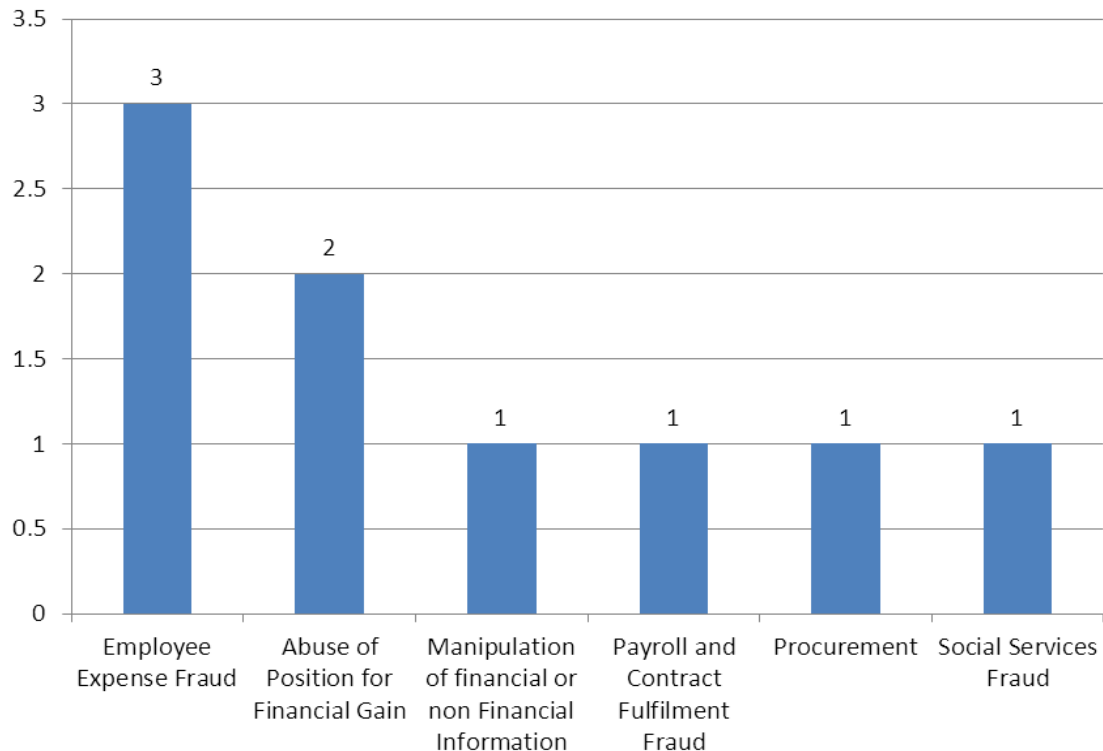
5. The following table summarises the irregularities under investigation since the last progress report in July 2013. Summaries of the concluded irregularities are set out in Appendix A.

**Table 1 - Irregularities Received**

	<b>Number of Irregularities</b>
Brought forward at 27 June 2013	20
New referrals	5
Concluded in period	5
Carried forward at 19 August 2013	20

6. Internal Audit has recorded 9 new irregularities in 2013/14. The most common types of fraud reported have been employee expense fraud (3) and fraud by abuse of position (2). The definition of each fraud type is detailed in Appendix B. A full breakdown is shown below.

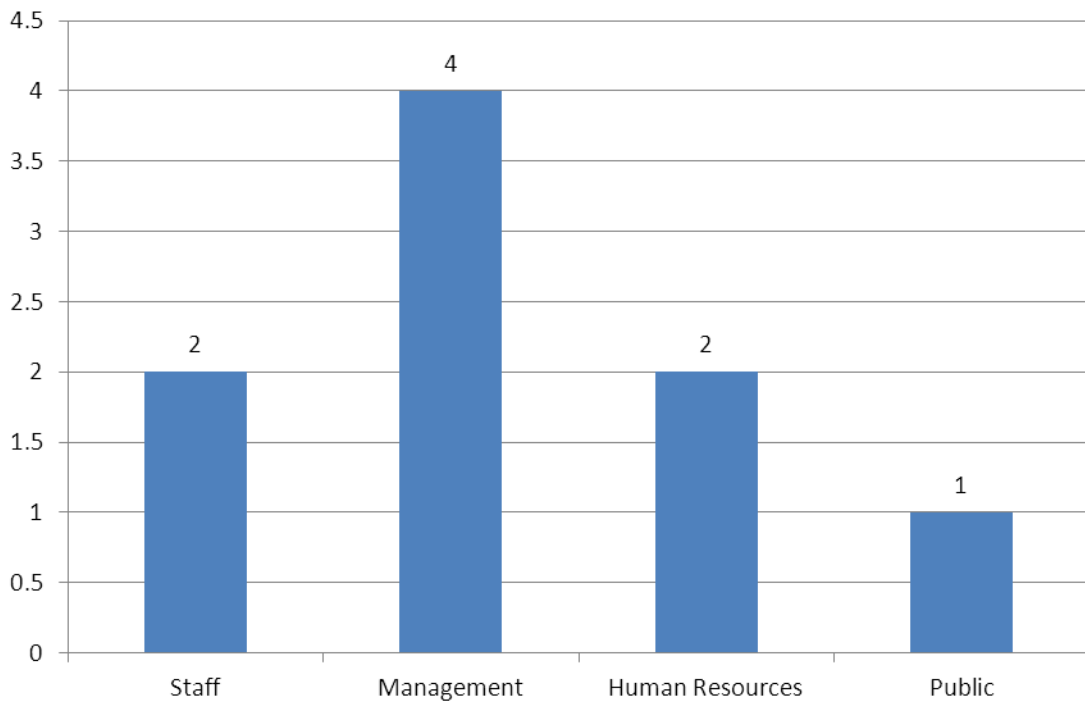
**Chart 1 - Irregularities by Type**



7. In relation to employee expense fraud, we are in the process of concluding a review of the associated policies and procedures and anticipate reporting the outcome at the Governance and Audit Committee meeting in December 2013.
8. The most common sources of referral were management (4) followed by staff (2) and Human Resources (2) which indicates a good level of fraud awareness but

we will continue to promote an anti-fraud culture and encourage management and staff to report any concerns. A full breakdown is shown below:

**Chart 2: Irregularities by Source**



### **Recommendations**

9. Members are asked to note for assurance:

- the progress of prevention and investigation anti-fraud and corruption activity

### **Appendices**

Appendix A      Summary of Proactive Fraud Reviews and Concluded Irregularities

Appendix B      Definitions of Fraud Types

**Paul Rock**  
**Counter Fraud Manager**  
**Ext: 4694**

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### Summary of Concluded Irregularities

Ref	Directorate	Allegation	Outcome
861	FSC	The parent of a child in receipt of a Direct Payment was alleged to have inappropriately used the funds.	<ul style="list-style-type: none"> <li>• Some evidence of inappropriate expenditure was identified.</li> <li>• The misused funds (£3,271) will be recovered. The facility to withdraw cash has been removed from the Kent Card and arrangements have now been put in place for a managed service.</li> </ul>
867	C&C	A Blue Badge application was received from a person reported to have died in 2008.	<ul style="list-style-type: none"> <li>• The investigation identified that the applicant was alive and the application for a Blue Badge has now been processed.</li> </ul>
880	BSS	A member of the public alleged that a third party unrelated to KCC had falsified a letter purporting to come from KCC to avoid payment in relation to the private purchase of a taxi business.	<ul style="list-style-type: none"> <li>• The letter was confirmed as false and the member of the public was advised.</li> <li>• Kent police are not investigating the matter further. The member of the public is seeking civil recovery of their losses.</li> <li>• No further action is required by KCC.</li> </ul>
885	FSC	Anonymous information was received suggesting a member of staff was failing to fulfil her contracted hours and was taking unauthorised leave.	<ul style="list-style-type: none"> <li>• The member of staff retired on the 22 August 2013. There was no evidence to support the allegation.</li> </ul>
897	BSS	Fraudulent request to change a supplier's bank details detected by Finance Business Partner Support.	<ul style="list-style-type: none"> <li>• Request confirmed as false with the supplier. Attempted fraud reported to the police.</li> </ul>

## Summary of Proactive Fraud Reviews

### Declarations of Interest

Directorate	Scope	Overall Findings
<b>Authority Wide</b>	<p>Preventing fraud through design or redesign of policy and procedures is a key element of the Council's Anti-Fraud and Corruption Strategy. The purpose of the review was to highlight potential weaknesses or risks in existing controls, policies or procedures in relation to declarations of interest for both officers and Members.</p>	<p>The review was completed using payroll and accounts payable records from KCC which were compared with data supplied by Companies House in relation to company directors and company secretaries for all limited companies in England, Scotland and Northern Ireland.</p> <p>In our view, while the process for recording declarations of interest for Members, Corporate Directors and Directors is generally sound, the process for officers may be susceptible to fraud or error. The data matching identified many instances of officers omitting to make a declaration of interest. Our testing suggested there was a general lack of awareness of declarations of interest requirements and that there were no clear processes in place to brief and remind officers of their obligations.</p> <p>Six recommendations were made to strengthen procedures of which none are high priority.</p>

## Definitions of Fraud Types

Procurement	This is any fraud linked to the false procurement of goods and services for the organisation either by internal or external persons or companies including, but not limited to: violation of procedures; manipulation of accounts; records or methods of payment; failure to supply; failure to supply to contractual standard
Fraudulent Insurance Claims	This is any insurance claim against your organisation or your organisation's insurers that proves to be false.
Social Services Fraud	This is any fraud linked to social services provision including, but not limited to: false payments to contractors for house modifications; personalised budgets for the purchase of care; failing to declare capital and assets; care provision by contractors or a non governmental organisation which are not for the benefit of the person being cared for.
Economic & Third Sector Support Fraud	This is any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non governmental organisation including, but not limited to: grants paid to landlords for property regeneration; donations to local sports clubs; loans or grants made to a charity.
Debt Fraud	This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to: council tax liabilities; rent arrears; false declarations; false instruments of payment or documentation.
Pension Fraud	This is any fraud relating to pension payments including, but not limited to: failure to declare changes of circumstances; false documentation; or continued payment acceptance after the death of the pensioner.
Investment Fraud	This is any fraud relating to investments including, but not limited to: the fraudulent misappropriation of assets; or loss through breach of procedures
Payroll & Contract Fulfilment Fraud	This includes, but is not limited to: the creation of non existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.
Employee Expense Fraud	This includes, but is not limited to: false declarations of mileage; false documentation to support allowances; breaches of authorisation and payment procedures.

## Definitions of Fraud Types

Abuse of Position for Financial Gain	This could include frauds not reported elsewhere (the financial gain could be for the fraudster or other) including, but not limited to: the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers; or fraudulently securing a job for a friend or relative.
Manipulation of Financial or Non-Financial Information	This includes, but is not limited to: the falsifying of statistics to ensure performance targets are met; or the adjustment of accounts to remain within set financial limits for the benefit of an individual or the organisation.
Disabled Parking Concessions	Blue Badges
Recruitment	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.