

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 1st November, 2017

10.30 am

Darent Room, Sessions House, County Hall, Maidstone

There will be a training session on Internal Audit and Counter-Fraud for Members of the Committee at 10.00 am.





AGENDA

GOVERNANCE AND AUDIT COMMITTEE

Wednesday, 1st November, 2017, at 10.30 am Ask for: **Andrew Tait**
Darent Room, Sessions House, County Hall, Telephone: **03000 416749**
Maidstone

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

Membership (10)

Conservative (7) Mr N J D Chard (Chairman), Mr R A Marsh (Vice-Chairman),
Mr G Cooke, Mrs S V Hohler, Mr M J Horwood, Miss C Rankin and
Vacancy

Liberal Democrat (1): Mr R H Bird

Labour (1) Mr D Farrell

Independents (1): Mr M E Whybrow

Webcasting Notice

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UNRESTRICTED ITEMS

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

1. Introduction/Webcasting

2. Membership

To note that Mr D Farrell has replaced Mr T Dhesi as a Member of the Committee.

3. Substitutes

4. Declarations of Interest in items on the agenda for this meeting
5. Minutes - 19 July 2017 (Pages 5 - 10)
6. Committee Work and Member Development Programme (Pages 11 - 14)
7. KCC Insurance Overview (Pages 15 - 22)
8. Treasury Management Update (Pages 23 - 32)
9. External Audit Annual Audit Letter 2016/17 (Pages 33 - 48)
10. External Audit Update (Pages 49 - 68)
11. KCC Annual Customer Feedback Report 2016/17 (Pages 69 - 122)
12. Internal Audit and Counter Fraud Progress Report (Pages 123 - 164)
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)

John Lynch
Head of Democratic Services
03000 410466

Tuesday, 24 October 2017

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.

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 19 July 2017.

PRESENT: Mr N J D Chard (Chairman), Mr R H Bird, Mr D Farrell (Substitute for Mr T Dhesi), Mr M J Horwood, Mr R A Marsh, Miss C Rankin, Mrs P A V Stockell (Substitute for Mrs S V Hohler) and Mr M E Whybrow

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds, MBE

IN ATTENDANCE: Mr A Wood (Corporate Director of Finance), Mrs C Head (Head of Financial Management), Miss E Feakins (Chief Accountant), Mrs A Mings (Treasury and Investments Manager), Mr B Watts (General Counsel), Mr R Patterson (Head of Internal Audit), Ms S Buckland (Audit Manager), Mr M Scrivener (Corporate Risk Manager), Ms Y King (Schools Financial Services Manager), Mr M Rolfe (Trading Standards Manager (East)) and Mr A Tait (Democratic Services Officer)

UNRESTRICTED ITEMS

25. Election of Vice-Chairman
(Item 4)

(1) The Chairman moved, seconded by Mrs P A V Stockell that Mr R A Marsh be elected Vice-Chairman of the Committee.

Carried

(2) RESOLVED that Mr R A Marsh be elected Vice-Chairman of the Committee.

26. Minutes
(Item 5)

RESOLVED that the Minutes of the meetings held on 11 April 2017 and 25 May 2017 are correctly recorded and that they be signed by the Chairman.

27. Dates of future meetings
(Item 6)

The Committee noted that its next meetings would be held on:-

Wednesday, 1 November 2017;
Thursday, 25 January 2018; and
Tuesday, 24 April 2018.

28. Committee Work and Member Development Programme
(Item 7)

(1) The Head of Internal Audit provided an update on the forward Committee Work and Member Development programme following best practice guidance in relation to Audit Committees.

(2) The Chairman agreed to consider with Officers whether the Trading Activities Sub-Committee was the most appropriate way to govern and audit trading companies. The outcome of these deliberations would be reported to the next meeting of the Committee.

(3) RESOLVED that approval be given to the forward Committee Work programme and Member Development programme set out in the report.

29. External Audit Annual Findings Report 2016/17
(Item 8)

(1) An addendum to the Audit Findings report was tabled at the meeting.

(2) Mr Paul Hughes from Grant Thornton UK, LLP presented the report including key messages arising from the audit work undertaken to address the risks identified in the Audit Plan presented to the Committee in April 2017 together with the results of the work undertaken to assess the Council's arrangements to secure value for money. He said that he anticipated that he would soon be in a position to confirm that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

(3) The Committee placed on record its thanks and acknowledgement of the work of the Finance Team and all other staff involved in speedily producing financial statements, which were anticipated to receive an unqualified audit opinion.

(4) RESOLVED to:-

- (a) note the adjustments that have been made to the accounts of the County Council;
- (b) note the Audit Findings Report's conclusions on value for money and the Council's financial resilience; and
- (c) agree the draft management response to the action plan set out in Appendix A of the Audit Findings Report.

30. External Audit Pension Fund Audit Findings Report 2016/17
(Item 9)

(1) Mr M Dean from Grant Thornton LLP UK gave a report on the audit findings for the Kent Superannuation Fund. The report included the key messages arising from the audit work undertaken to address the risks identified in the Audit Plan presented to the Committee in April 2017.

(2) The Committee placed on record its congratulations and appreciation for those officers in the Finance Team and other officers who had produced the accounts with such speed and accuracy.

(4) RESOLVED that the findings in the report be agreed.

31. Draft Statement of Accounts 2016/17
(Item 10)

(1) The Head of Financial Management introduced the draft Statement of Accounts for 2016-17.

(2) The Chief Accountant drew attention to the Unqualified Opinion issued by the Independent Auditor.

(3) The Corporate Director of Finance agreed to provide additional information to all Members of the Committee on Earmarked Reserves in respect of those where the movement over the previous financial year had been in the millions.

(4) The Treasury and Investments Manager agreed to inform Members of the Committee of the rate at which the Barclays LOBO Loan had been converted into a fixed rate loan in April 2016.

(5) The Committee placed on record its appreciation of the work of the Finance Team, with particular thanks to Cath Head and Emma Feakins for producing the Statement of Accounts.

(6) RESOLVED that:-

(a) approval be given to the Statement of Accounts for 2016/17;

(b) approval be given to the Letters of Representation;

(c) the recommendations made in the Annual Findings Report be noted.

32. Schools Audit Annual Report
(Item 11)

- 1) The Schools Financial Services Manager presented a report summarising the Schools Financial Services compliance programme and other activities undertaken during 2016/17 which enabled the Chief Finance Officer to certify that there was a system of audit for schools which gave adequate assurance over financial management standards in schools.
- (2) RESOLVED that the report be noted for assurance.

33. Internal Audit Annual Report and Opinion for 2016/17
(Item 12)

- 1) The Head of Internal Audit summarised the outcomes and themes from Internal Audit and Counter Fraud work for 2016-17 and the resultant annual opinion on the Council's systems of governance, risk management and internal control. He also provided the results of follow up work to monitor progress in implementing agreed actions from previous audits and the related performance of the Internal Audit and Counter Fraud Unit in delivering this work. In addition, he provided draft updates to the Council's Anti Money Laundering and Bribery Act policies.
- (2) The Committee noted accepted the offer from the Head of Internal Audit to check whether the proposed updates to the Council's Anti Money Laundering and Bribery Act policies fully conformed to the new Regulations, and to adjust the updates accordingly if this proved not to be the case.
- (3) RESOLVED that:-
 - (a) the Internal Audit and Counter Fraud outcomes derived from the 2016/17 work and the resultant "Substantial" Internal Audit Opinion to the Annual Governance Statement relating to the Council's governance, risk management and internal control arrangements be noted for assurance; and
 - (b) subject to (2) above, approval be given to the proposed amendments to the County Council's Anti Money Laundering and Bribery Act policies.

34. Update on 2017/18 Savings Programme
(Item 13)

- (1) The Corporate Director of Finance reported on progress towards the towards the 2017/18 budget savings of £76.7m.
- (2) RESOLVED that the progress on the 2017/18 revenue budget savings be noted for assurance.

35. Treasury Management Annual Review

(Item 14)

(1) The Treasury and Investments Manager introduced a report summarising Treasury Management activities in 2016/17. She agreed to write to the members of the Committee to explain the total borrowing figure in the table in paragraph 18 of the report.

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

36. Debt Management

(Item 15)

(1) The Committee considered a report on the Council's debt position.

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

37. Corporate Risk Register

(Item 16)

(1) The Cabinet Member for Customers, Communications and Performance and the Corporate Risk and Assurance Manager presented the Corporate Risk Register.

(2) The Committee noted that the Internal Audit opinion on Risk Management was Substantial with Good prospects for improvement.

(3) The Corporate Risk and Assurance Manager agreed that in line with usual practice, the comments made by Members of the Committee in respect of the current risk rating for Civil Contingencies and Resilience (CRR4) and the possibility of identifying Brexit as a risk in its own right would be conveyed to the Corporate Management Team and the appropriate Cabinet Members.

(4) RESOLVED that the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register be noted.

38. RIPA Report on surveillance, covert human intelligence source and telecommunications data requests carried out by KCC between 1 April 2016 and 31 March 2017

(Item 17)

(1) The Committee considered a report on surveillance, covert human intelligence source and telecommunications data requests carried out by the County Council between 1 April 2016 and 31 March 2017.

- (2) RESOLVED that the use of powers under RIPA and the RIPA Policy be noted for assurance.

By: Nick Chard, Chairman of Governance and Audit Committee
Robert Patterson, Head of Internal Audit

To: Governance and Audit Committee – 1st November 2017

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

Classification: Unrestricted

Summary: This report provides an update on the forward Committee Work programme following best practice guidance in relation to Audit Committees.

FOR DECISION

Introduction and background

1. In December 2013, CIPFA published updated best practice guidance on the function and operation of audit committees in Local Government. The guidance recommends that this Committee's work programme is designed to ensure that it can fulfil its terms of reference and that adequate arrangements are in place to support the Committee with relevant briefings and training.
2. This paper is a standing item on each agenda to allow Members to review the programme for the year ahead, and provide Members with the opportunity to identify any additional items that they would wish to include.

Current Work Programme

3. Appendix 1 shows the latest programme of work for the Committee, up to October 2018. 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 does not preclude Members asking for additional items to be added during the course of the year.

Member Development Programme

4. It is good practice for the Committee to embrace a Member development programme through a series of pre-meeting briefings, focusing on areas that are of specific relevance to this Committee. This has been successfully implemented over the last few years and is particularly relevant with a newly formed Committee with many new Members.
5. Before the start of today's meeting a presentation was given on the role of Internal Audit and Counter Fraud. The following training has been scheduled for subsequent meetings

- Risk management (January 2018)
 - Internal and external audit planning and sources of assurance (April)
6. Members can request alternative or additional training if they wish, via the Chairman.

Recommendations

7. It is recommended that Members approve the forward Committee Work Programme (***Appendix 1***)

Robert Patterson
Head of Internal Audit (03000 416554)

Committee Work Programme

Appendix 1

Category Item	Owner	Nov-17	Jan-18	Apr-18	Jul-18	Oct-18
Secretariat						
Minutes of last meeting	Andrew Tait	✓	✓	✓	✓	✓
Work Programme	Robert Patterson	✓	✓	✓	✓	✓
Member Development Programme	Robert Patterson	✓	✓	✓	✓	✓
Risk Management and Internal Control						
Corporate Risk Register	Mark Scrivener		✓		✓	
Review of the Risk Management Strategy, Policy and Programme	Mark Scrivener		✓			
Report on Insurance and Risk Activity	Lee Manser	✓				✓
Treasury Management quarterly report/six monthly review	Alison Mings	✓	✓	✓		✓
Treasury Management Annual Review	Alison Mings				✓	
Ombudsman Complaints	Pascale Blackburn-Clarke					
Annual Complaints & Customer Feedback Report	Pascale Blackburn-Clarke	✓				✓
Update on Savings Programme / Transformation Programme	Andy Wood		✓		✓	
Annual report on 'surveillance' activities carried out by KCC	Mark Rolfe				✓	
Corporate Governance						
Update on Development of Management Guides	David Whittle	If significant changes to the approach or purpose of the management guides				
Annual review of Terms of Reference of G & A	Robert Patterson		✓			
Debt Management	Alison Mings		✓		✓	
Annual review of the Council's Code of Corporate Governance	Benjamin Watts	If material changes to the code				
LATCo Policies	Andy Wood	If informed of material changes to policies				

Committee Work Programme

Appendix 1

Category Item	Owner	Nov-17	Jan-18	Apr-18	Jul-18	Oct-18
Internal Audit and Counter Fraud						
Internal Audit and Counter Fraud Progress Report	Robert Patterson	✓	✓	✓		✓
Schools Audit Annual Report	Yvonne King				✓	
Internal Audit and Counter Fraud Annual Report	Robert Patterson				✓	
Internal Audit Strategy and Annual Plan	Robert Patterson			✓		
Internal Audit Benchmarking Report	Robert Patterson		✓			✓
Review of the Anti-Fraud and Corruption Strategy (part of progress report)	Robert Patterson				✓	✓
Review of Anti-Money Laundering Policy (part of progress report)	Robert Patterson	✓			✓	
External Audit (provided by Grant Thornton)						
External Audit Update	Robert Patterson	✓	✓	✓	✓	✓
External Audit Findings Report/Value for Money and Annual Audit Letter	Robert Patterson	✓			✓	✓
Pension Fund Audit Findings Report	Robert Patterson				✓	
External Audit Certification of Claims and Returns Report	Robert Patterson			✓		
Effectiveness of Internal and External Audit Liaison	Robert Patterson		✓			
External Audit Plan	Robert Patterson			✓		
External Audit Pension Fund Plan	Robert Patterson			✓		
External Audit Fee letter and / or procurement arrangements	Robert Patterson		✓	✓		✓
External Audit Fraud, Law & Regulations & Going Concern Considerations	Andy Wood			✓		
Financial Reporting						
Statement of Accounts & Annual Governance Statement	Andy Wood				✓	
Revised Accounting Policies	Cath Head			✓		
Review of Financial Regulations	Emma Feakins			✓		

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

To: Governance and Audit Committee – 1 November 2017

Subject: **KCC INSURANCE OVERVIEW**

Classification: Unrestricted

Summary: This paper provides a summary of insurance activity for the 2016/17 financial year and other points of interest.

FOR ASSURANCE

INTRODUCTION

1. The Council's insurance programme is extensive and designed to provide increased financial control of the risks flowing from the diverse nature of the activities undertaken to meet statutory duties, support general business functions, as well as income generating operations.
2. This report provides a review of activity for the 2016/17 financial year and other points of interest.

INSURANCE PROGRAMME

3. The insurance programme, which covers all directorate operations and local authority schools, is made up of a number of policies. The main four policies purchased are Employers Liability, Public Liability, Property, and Motor.
4. Following a tender of the full insurance programme effective from 1 January 2016, Zurich Municipal was awarded the contract for the majority of covers on a 5 year Long Term Agreement – expiring 31st December 2020. The hardening insurance market and the Council's claims experience (particularly in relation to liability claims) at the time resulted in a substantial increase in overall premium. These increases were exacerbated by the rise in insurance premium tax by HMRC from 6% to 9.5% in November 2015 and then to 10% in October 2016. The rate rose again to 12% on 1 June 2017. For the 2017 policy year, the Council has budgeted an approximate total of £9.75m in respect of premiums and self-funded claims spend, with any surplus to be added to reserves at the end of the year.

FUNDING OF INSURANCE PREMIUMS AND CLAIMS

5. Premiums and excess payments are met through the corporately managed Kent Insurance Fund (KIF), to which directorates and LEA schools contribute in accordance with their risk profile and claims experience. As at 2 October 2017, the KIF had a fully funded committed balance of £13.89m to meet the values for outstanding liabilities.
6. The KIF is supported by the Insurance Reserve. As at 2 October 2017 this stood at £13.45m and is held to protect the Council against future unexpected insurance costs. These will include those associated with the unexpected increase in the cost or volume of claims, particularly where previous insurers have ceased trading or invoked a scheme of arrangement requiring contribution to the cost of claims (see sections under Municipal Mutual Insurance and Independent Insurance Ltd).

THE DISCOUNT RATE

7. The discount rate is a tool designed to ensure claimants are not under or over-compensated when awarded compensation for personal injury claims. It adjusts awards to take into account the investment return expected when a compensation lump sum is agreed. The previous discount rate was set in 2001 at +2.5% but the Lord Chancellor announced on 27 February 2017 that this was to be reduced to -0.75%. This means that rather than deducting expected returns for lump sum investments from injury awards, these must now be increased for an expected negative level of return, representing significant financial implications for local authorities.

In the circumstances significant premium increases have been seen this year in the market and Long Term Agreements are being broken – often by 20-30%. Notwithstanding its long standing relationship with Zurich Municipal, Kent County Council is not immune to these changes. However, as a result of an improved claims experience over the past two years, initial discussions regarding the 2018 premium have indicated that the Council will see an increase of no more than 5%. This is welcome news but the Council must still prepare for the possibility of a different outcome in 2019 and 2020.

The change in the rate was met with widespread condemnation by the insurance market and in a reaction to the same, the Ministry of Justice announced on 7 September 2017 that draft legislation is being put before Parliament, which if enacted will change the way in which the discount rate is set.

Based on the evidence currently available, the Government would expect that if a single rate was set under the new approach, the real rate might fall within the range of 0% to 1%.

This would be a positive move but the new framework will only apply if the proposed law is enacted and will not operate retrospectively. It would also still mean that claim costs will have increased and therefore premium increases would remain a possibility.

The Council will therefore need to continue to monitor its position in respect of annual insurance premiums and may in the future need to give consideration to increased deductibles in order to reduce premium spend – particularly with Insurance Premium Tax likely to rise further.

INSURANCE CLAIMS

8. Below is a summary of activity relating to the four main insurance policies during 2016/17.

Employers Liability

9. The number of claims being received remains very low with only 11 new claims currently recorded for the 2016/17 financial year. The continued decrease is likely to be due to the number of schools converting to academy status, the creation of a number of separately insured LATCO's and the enactment of the Enterprise & Regulatory Reform Act 2013. This Act provides greater protection for those employers who take their health and safety responsibilities seriously by tightening up on the legal threshold that has to be met in order to bring a claim. Kent County Council has a strong system of measures in place and has benefitted as a result.
10. There have however been two significant claims more recently reported to the Council relating to incidents in 2014. These claims carry a combined reserve in excess of £500,000 and liability has been denied for both. The files do though remain open and further investigations are likely to be necessary.
11. The overall outstanding balance on all open Employers Liability claims is currently reserved at £2.28m (£880k KCC / £1.4m ZM), which is an increase on 2015/16, mainly due to the two above mentioned claims.

Public Liability

12. A total of 1350 claims have been recorded against the 2016/17 financial year to date. This is approximately 300 less than were recorded at the same time for the 2015/16 year. Of these, approximately 90% are highway related.
13. To date £47k has been paid out for highway related damage claims occurring in 2016/17. Vehicle damage pothole claims accounted for approximately 80% of all highway related claims in this particular financial year. Liability has now been decided for the vast majority of these claims with just over 90% having been rejected.
14. 352 personal injury claims have been recorded against the 2016/17 year to date. £109k has been paid out on these claims thus far, but there is a reserve of £3.78m (£2.1m KCC / £1.68m ZM) for those that currently remain open.
15. The majority of PL claims received are less than £10k in value, however a number of what are known as 'large loss' claims with a value of £100k+ can also be expected. There are currently 38 £100k+ open claims which have a total reserved value of £21.2m, in addition to the £2.4m already paid out. £1.4m of this figure is reserved against the Kent Insurance Fund and the remaining £19.8m with the Council's insurer.
16. Since April 2016, 10 such claims have been received of which 5 are highway related. These claims have a collective reserved value of £4m of which £750k has been set against the Kent Insurance Fund and £3.25m has been reserved for by the Council's insurer.

The five highest value claims received result from:

- A vehicle losing control due to ice.
 - A cyclist fallen from a bicycle due to an alleged pothole.
 - A person in care injured using lifting equipment.
 - A person in care injured following a fall.
 - Alleged abuse due to negligent care.
17. There are 730 open claims currently being processed across all years with an overall reserved value of £28.7m. Of this figure, £8.5m is reserved against the Kent Insurance Fund and £20.2m by insurers. Whilst most claims relate to events that occurred in the past five years, there are a small number that could be described as historic.

18. Included within this figure is a significant large loss claim that arose as result of a motorcyclist accident. A decision was taken in May 2016 to concede liability on a 77.5% / 22.5% basis in the claimant's favour. Due to the complexities of the claimant's injury, compensation is likely to be paid by way of 'periodic payments', which provide an amount on an annual basis (reviewed every year). The Council's deductible for this claim is £50k, so the significant percentage will be met by the insurer.
19. Generally the number of PL claims has been falling since 2014. This is in large part due to the milder winters that have been experienced, which have allowed improvements to the highway network to take place. As a result, the number of open claims is currently the lowest it has been for several years.

Property

20. During the 2016/17 financial year, 214 claims were made against the property policy with an estimated working reserve of £750k. School claims account for 60% of the claims received under this policy with the other 40% being made up from libraries, youth centres and working premises. The Council has paid £300k on claims to date, with all claims having fallen below the insurer deductible.

Whilst the general claims experience has been positive and the number of claims has fallen in comparison to 2015/16 (224), the reserve total is higher due to a noticeable large loss - a fire at North Farm Waste Recycling Centre in October 2016 which is currently reserved at £400k.

Motor

21. Due to a reduction in the number of vehicles being insured, the number of claims made against the motor policy continues to fall. 171 claims were recorded for the 2016/17 financial year, with an estimated total cost of £250k. The Council has paid £230k on claims to date, as all claims have fallen below the insurer deductible. The vast majority of these being vehicle damage only.

Of these claims, 56 related to school vehicles and 42 to highway vehicles. The majority of the remainder were from Social Care, Youth, and Libraries.

MUNICIPAL MUTUAL INSURANCE

22. As previously reported the Municipal Mutual Insurance Company ceased writing business in 1992 and has ever since been operating in run-off.

A solvent run-off has not been possible and as a result what is known as the 'Scheme of Arrangement' has been triggered which involves the clawing back of monies from past members of the mutual to meet the outstanding future costs of claims. The Council paid £600k in 2014 following a demand by the scheme administrator.

With significant numbers of claims for mesothelioma and abuse and a recent surge in noise-induced deafness claims, the company's position has continued to deteriorate and a further amount of £380k was paid in April 2016. An additional levy cannot be ruled out and funds have been retained for this eventuality.

23. This situation is not unique to KCC. Municipal Mutual Insurance insured the majority of local councils up to 1992 and all have received demands for payment relative to the value of claims settled by the insurer on their behalf.

INDEPENDENT INSURANCE LTD

24. The Council was insured with the above insurance company from 1992 to 1995 when it went into liquidation. Since then the Council has been paying claims that should have been met by the insurer. A scheme of arrangement was agreed on 9 July 2015 to pay creditors of the Independent Insurance Co Ltd. A first and final dividend of 14.47% has finally been received, resulting in a return of £88,443.88 for the Council. This is in excess of the expected £30-45k and includes an amount for potential future claims outlay.

INSURANCE BROKER

25. Due to the uncertainty in the insurance market following the discount rate decision, the contract with Arthur J Gallagher which was due to end on 30 June 2017, has been extended for a further 12 months. This was considered a necessary extension in order to limit disruption to the service and ensure that the Council is in the best possible position to negotiate the 2018 insurance contract renewal. The extension has again been agreed on existing rates.

RECOMMENDATION

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

Lee Manser
Insurance Manager

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

To: Governance and Audit Committee – 1 November 2017

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

Summary: To report a summary of Treasury Management activity

FOR ASSURANCE

INTRODUCTION

1. This report covers Treasury Management activity for the 3 months to 30 June and updates on any significant developments since then.

BACKGROUND

2. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides an additional quarterly update.
3. The Council's Treasury Management Strategy for 2017-18 was approved by full Council on 9 February 2017.
4. The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

TREASURY MANAGEMENT ADVISORY GROUP (TMAG)

5. The Treasury and Investments Manager produces a monthly report for members of the Treasury Management Advisory Group and a copy of the August report is attached at appendix 1.

EXTERNAL CONTEXT

6. The dominant issues for financial markets in the 3 months to the end of June were the election of a minority Conservative government in June as well as rising inflation. In the face of this uncertainty, Arlingclose expects that the Bank of England will look through this period of higher inflation and maintain its low-for-longer stance on policy interest rates for an extended period.
7. Equity markets rose but dropped off towards the end of the quarter. Money markets rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.33% and 0.66% in the quarter respectively.

8. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, KCC reduced the maximum duration of its deposits at Bank of Scotland, HSBC and Lloyds Bank from 13 months to 6 months reflecting the uncertainty surrounding which banking entities the Council will be dealing with once ring-fencing is implemented.

INVESTMENT ACTIVITY

9. The Council's average investment balances to date have amounted to £300m, representing income received in advance of expenditure plus balances and reserves held. These balances are forecast to remain relatively stable over the coming months.
10. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
11. Security of capital has remained the Council's main investment objective. Against a background of increasing uncertainty and given the increasing risk of bail-in and falling returns from short-term unsecured bank investments, the Council has continued to diversify into more secure and/or higher yielding asset classes as set out in its Treasury Management Strategy Statement for 2017-18.
12. Details of the types of investments held at 30 June are shown below. At that date 57% was invested in covered bonds, pooled funds and equity which are not subject to bail-in risk.

Type of Investment	Total	
	£m	%
Money Market Fund	55.93	18.77
Call Account	5.00	1.68
Notice Account	25.00	8.39
Fixed Deposit	35.00	11.74
Covered Bond	89.11	29.90
Proceeds of sale of ISK held in Escrow	4.54	1.52
Icelandic Recoveries Outstanding	0.37	0.12
Internally managed cash	214.95	72.12
External Investments	60.92	20.44
Cashplus / Short term Bond Funds	20.04	6.72
Equity	2.14	0.72
Total	298.04	100.00

13. At its meeting in July TMAG agreed a further £5m investment in the CCLA LAMIT property fund and £50m in equity funds. These investments were made between July and September as cashflow allowed.

ICELANDIC DEPOSITS

14. In June the Icelandic authorities lifted exchange controls and KCC took the opportunity to sell 706.2m ISK held in escrow accounts in Iceland being funds received as a result of the repayment of deposits originally made with Glitnir and Landsbanki banks. KCC received EUR5.1m from the sale and in July sold the Euros realising £4.6m. These funds were used for the investment in the CCLA fund.
15. As at October 2008 KCC had deposits (principal and interest) totalling £51.99m outstanding with Icelandic Banks. The total amount recovered by KCC now totals £52.6m, some £600k higher than the original claim. £372k remains outstanding from Heritable bank and settlement of this claim is subject to the resolution of a dispute concerning a property portfolio.

STATEMENT OF INVESTMENTS

16. A statement of investments as at 31 August is attached in Appendix 2. This statement is circulated to members of the Treasury Management Advisory Group every Friday.

BORROWING

17. At 30 June 2017 the Council held £965.5m of loans, unchanged from the balance as at 31 March 2017, as part of its strategy for funding previous years' capital programmes. The following table shows the borrowing analysed by lender.

	30/6/2017 Balance £m	Average Rate %	Average Life (yrs)
Public Works Loan Board	504.3	5.7	16.8
Banks (LOBO)	160.0	4.0	43.6
Banks and other lenders (Fixed Term)	301.2	4.2	39.5
Total borrowing	965.5	5.0	28.3

18. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
19. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs and the Council's Treasury Advisor, Arlingclose has assisted it with this 'cost of carry' and breakeven analysis. The Council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
20. KCC continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The total value of these loans fell to £150m at the end of August as the result of RBS' decision to waive its options on a £10m loan agreed

in December 2009, converting it into a fixed rate loan and assigning it to Phoenix Life Assurance Ltd.

RECOMMENDATION

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

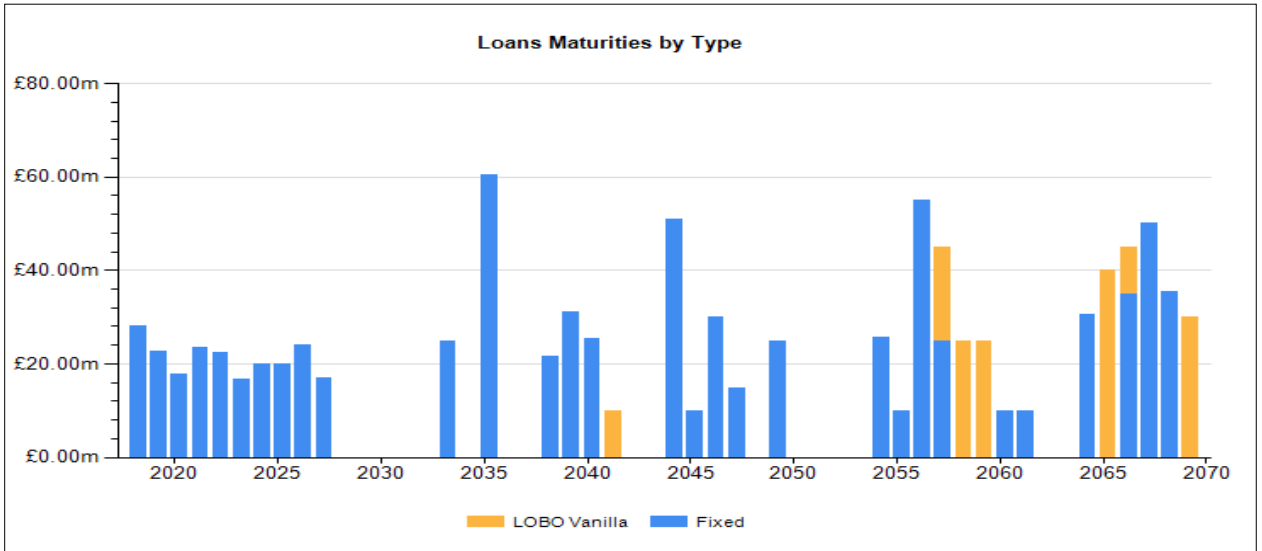
Alison Mings
Treasury and Investments Manager
Ext: 03000 417488

Treasury Management Report for the month of August 2017

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 August was £959.7m which includes the Green Investors.

At the end of August the value of outstanding LOBO loans fell to £150m as RBS waived its rights to exercise the Option on a £10m loan agreed in December 2009 and assigned the loan to Phoenix Life Assurance.

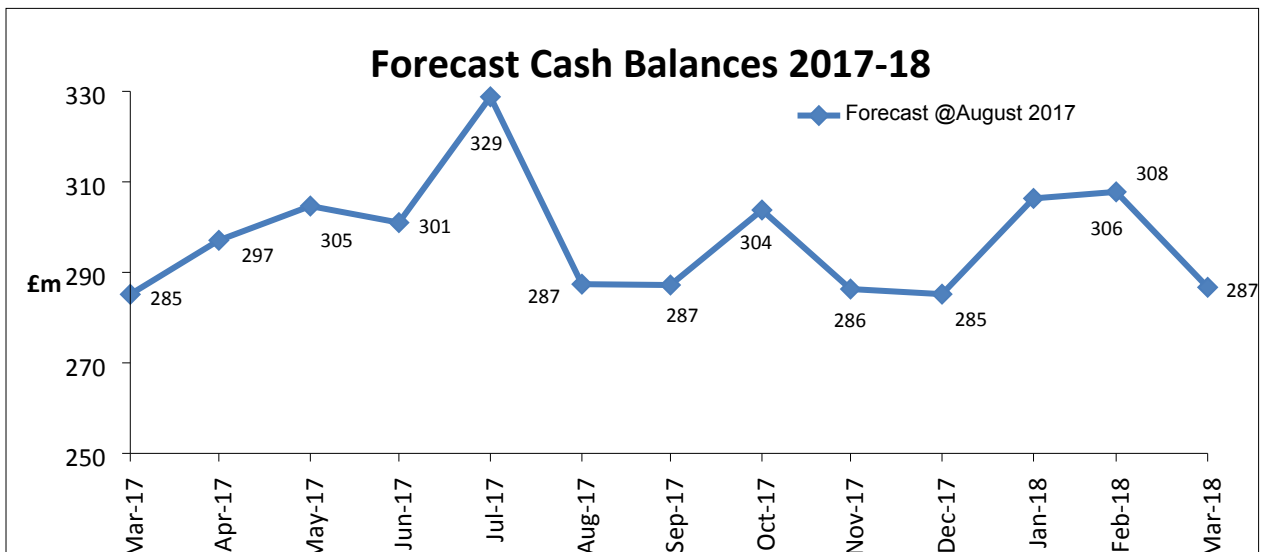


Total external debt managed by KCC includes £36.28m pre-LGR debt managed by KCC on behalf of Medway Council. Also included is pre-1990 debt managed on behalf of Further Education Funding Council (£0.29m), Magistrates Courts (£0.28m).

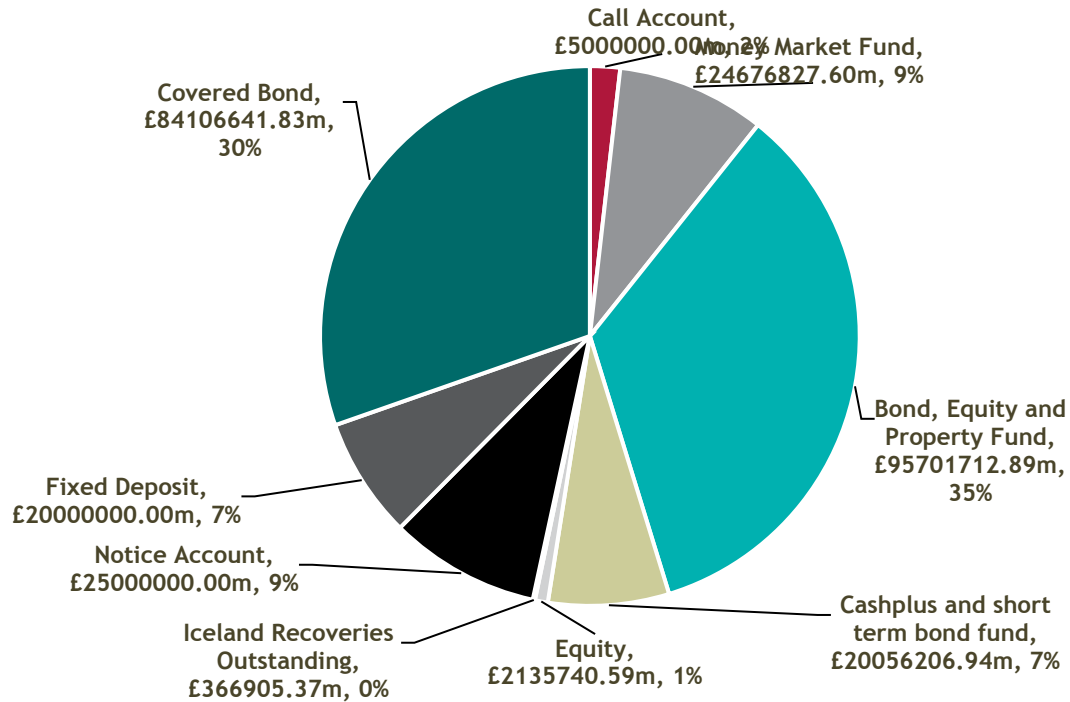
2. Investments

2.1 Cash Balances

During August the value of cash under management decreased by £42m to £287m. Future cashflows are forecast as follows:



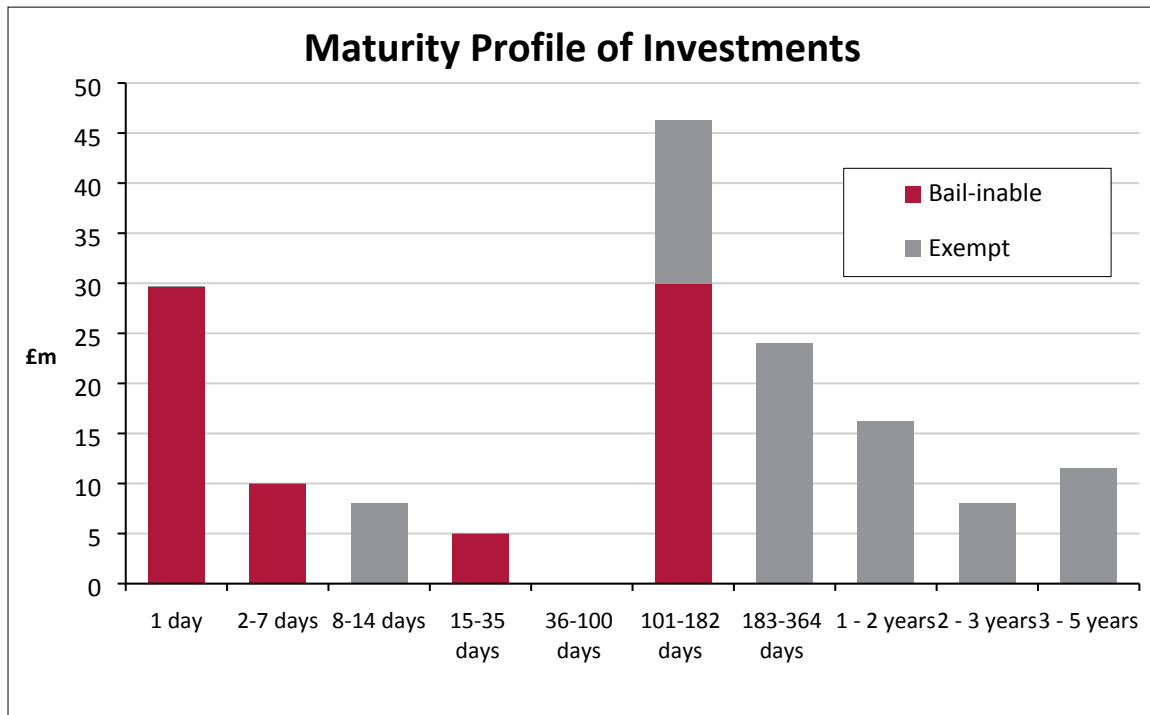
2.2 Type of investment at month end

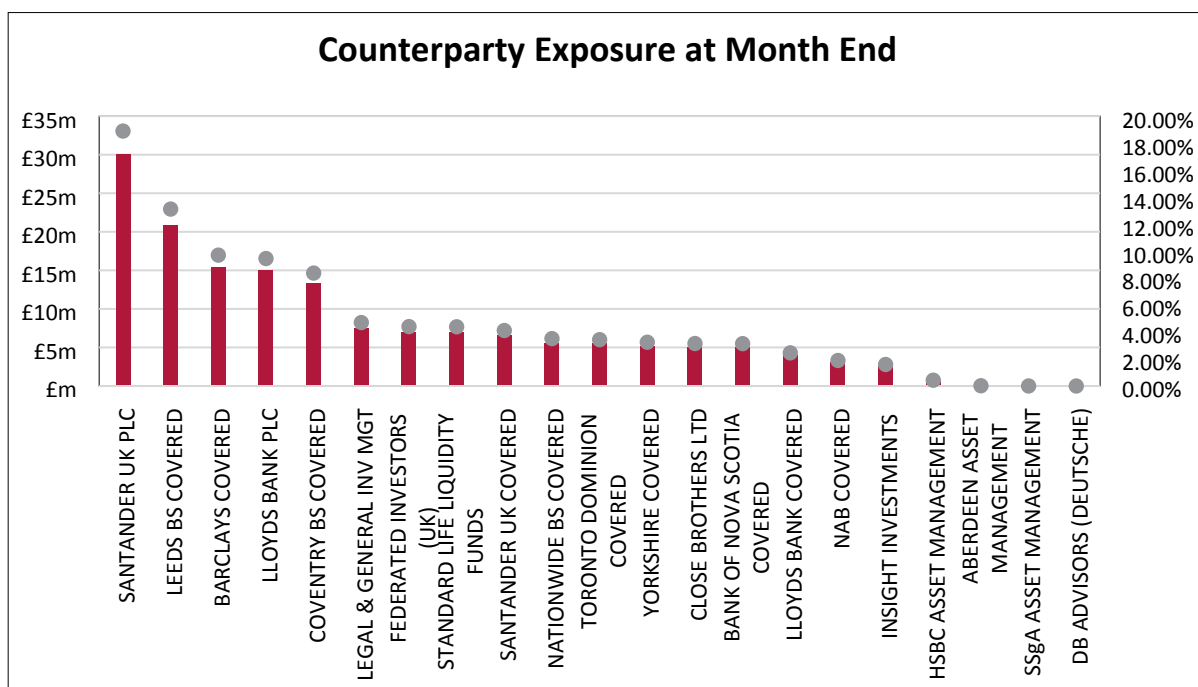


2.3 Internally managed cash

2.3.1 The rate of return on investments held at month end is 0.80% vs the target return 7 day LIBID of 0.1125%.

2.3.2 Investment maturity profile and counterparty exposure





2.3.3 Credit Score matrix

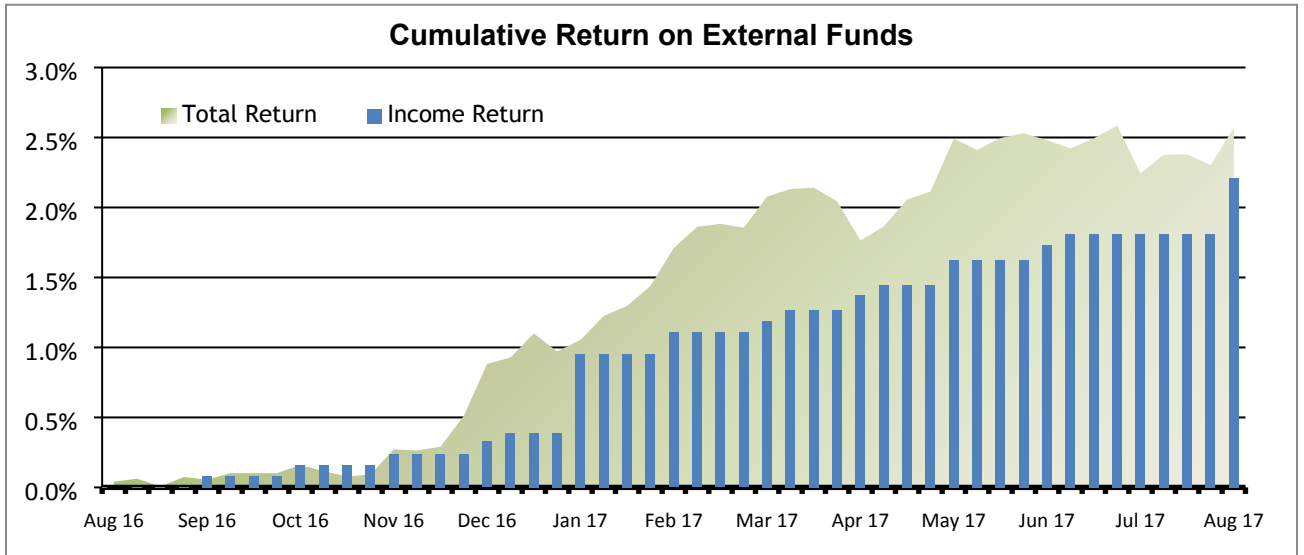
	Credit Rating	Credit Risk Score
Value Weighted Average	AA	2.92
Time Weighted Average	AA+	1.53

3. Externally managed Investments

3.1 At the end of August 42% of total investments were held in externally managed funds following the investment in M&G and Schroder funds. The £20m investment agreed by TMAG in the Columbia Threadneedle funds has been made in September.

	Book cost (£000)	Market Value at 31 August 2017 (£000)	12 months return to 31 August 2017	
			Income	Total
CCLA Property Fund	35,000	35,081	2.92%	3.38%
Pyrford Global Total Return Sterling Fund	5,000	5,123	8.58%	3.05%
Fidelity Multi Asset Income Fund	25,000	25,940	2.74%	6.50%
Schroder Income Maximiser Fund	20,000	19,409	1.80%	-1.16%
M&G Global Dividend Fund	10,000	10,148	0.00%	1.48%
Cashplus / Short Term Bond Funds	20,000	20,056	0.09%	0.37%
Bond, Equity and Property Funds	115,000	115,757	2.21%	2.57%

3.2 The following chart tracks the returns earned over the 12 months to end August.



Alison Mings
Treasury and Investments Manager
20 September 2017

Investments as at 31st August 2017

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount	Interest Rate	End Date
Fixed Deposit	Lloyds Bank	£5,000,000	1.00%	29/02/2017
Fixed Deposit	Lloyds Bank	£5,000,000	0.90%	08/02/2018
Fixed Deposit	Lloyds Bank	£5,000,000	1.00%	05/09/2017
Fixed Deposit	Close Brothers	£5,000,000	0.40%	04/09/2017
Same Day Call	Santander UK	£5,000,000	0.15%	n/a
180 Day Call Notice Account	Santander UK	£25,000,000	0.90%	n/a
Total UK Bank Deposits		£50,000,000		
Money Market Fund	Aberdeen Sterling Liquidity Fund	£31,761	0.14% (variable)	n/a
Money Market Fund	Deutsche Managed Sterling Fund	£1,377	0.13% (variable)	n/a
Money Market Fund	Federated (PR) Short-term GBP Prime Fund	£6,988,415	0.22% (variable)	n/a
Money Market Fund	HSBC Global Liquidity Fund	£684,759	0.16% (variable)	n/a
Money Market Fund	Insight Sterling Liquidity Fund	£2,532,194	0.14% (variable)	n/a
Money Market Fund	LGIM Liquidity Fund	£7,465,903	0.22% (variable)	n/a
Money Market Fund	SSgA GBP Liquidity Fund	£4,745	0.15% (variable)	n/a
Money Market Fund	Standard Life Liquidity Fund	£6,967,673	0.24% (variable)	n/a
Total Money Market Funds		£24,676,828		
Equity and Loan Notes	Kent PFI (Holdings) Ltd	£2,135,741		n/a
Icelandic Recoveries outstanding	Heritable Bank Ltd	£366,905		n/a

1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Net Yield	Maturity Date
Floating Rate Covered Bond	Abbey National Treasury	£3,001,219	0.462%	29/05/2018
Fixed Rate Covered Bond	Bank Of Nova Scotia	£4,984,225	0.880%	14/09/2021
Floating Rate Covered Bond	Barclays Bank	£5,000,771	0.491%	15/09/2017
Floating Rate Covered Bond	Barclays Bank	£3,000,493	0.491%	15/09/2017
Floating Rate Covered Bond	Barclays Bank	£5,000,760	0.491%	12/02/2018
Floating Rate Covered Bond	Barclays Bank	£2,398,302	0.491%	12/02/2018
Fixed Rate Covered Bond	Coventry Building Society	£2,061,088	1.931%	19/04/2018
Fixed Rate Covered Bond	Coventry Building Society	£3,079,278	1.726%	19/04/2018
Fixed Rate Covered Bond	Coventry Building Society	£5,142,465	1.524%	19/04/2018
Floating Rate Covered Bond	Coventry Building Society	£3,005,696	0.527%	17/03/2020

Floating Rate Covered Bond	Leeds Building Society	£2,500,623	0.539%	09/02/2018
Floating Rate Covered Bond	Leeds Building Society	£2,500,633	0.538%	09/02/2018
Fixed Rate Covered Bond	Leeds Building Society	£2,085,960	2.029%	17/12/2018
Fixed Rate Covered Bond	Leeds Building Society	£1,558,096	1.192%	17/12/2018
Fixed Rate Covered Bond	Leeds Building Society	£5,771,641	0.626%	17/12/2018
Floating Rate Covered Bond	Leeds Building Society	£5,000,000	0.704%	01/10/2019
Floating Rate Covered Bond	Lloyds	£3,900,583	0.491%	19/01/2018
Floating Rate Covered Bond	Lloyds	£1,402,752	0.601%	18/07/2019
Fixed Rate Covered Bond	National Australia Bank	£3,003,113	1.104%	10/11/2021
Floating Rate Covered Bond	Nationwide Building Society	£3,428,762	0.501%	27/04/2018
Floating Rate Covered Bond	Nationwide Building Society	£2,148,639	0.501%	27/04/2018
Fixed Rate Covered Bond	Santander UK PLC	£3,528,063	0.652%	14/04/2021
Floating Rate Covered Bond	Toronto Dominion	£5,454,397	0.781%	01/02/2019
Fixed Rate Covered Bond	Yorkshire Building Society	£2,054,403	1.976%	12/04/2018
Fixed Rate Covered Bond	Yorkshire Building Society	£3,094,680	1.545%	12/04/2018
Total Bonds		£84,106,642		

Total Internally managed investments	£ 161,286,116
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2. Externally Managed Investments

Investment Fund / Equity	Market Value at 31 August	12 months return to 31 August 2017	
		Income	Total
CCLA LAMIT Property Fund	£35,081,000	2.92%	3.38%
Pyrford Global Total Return Fund	£5,123,000	8.58%	3.05%
Fidelity Multi Asset Income Fund	£25,940,000	2.74%	6.50%
Schroders Income Maximiser Fund	£19,409,000	1.80%	-1.16%
M&G Global Dividend Fund	£10,148,000	0.00%	1.48%
Cashplus / Short Term Bond Funds	£20,056,000	0.09%	0.37%
Total External Investments	£115,757,000		

3. Total Investments

Total Investments	£277,043,116
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By: John Simmonds, Cabinet Member for Finance & Procurement
Andy Wood, Corporate Director of Finance and Procurement

To: Governance and Audit Committee – 1st November 2017

Subject: **EXTERNAL AUDIT ANNUAL AUDIT LETTER - 2016/17**

Classification: Unrestricted

Summary: The Annual Audit Letter provides a summary of the most important findings from the external audit work in respect of the 2016/17 audit year.

Recommendation: FOR ASSURANCE

Introduction

1. The former Audit Commission's Code of Audit Practice requires that the external auditors prepare an Annual Audit Letter (the Letter) and issue it to the Council. The purpose of the Letter is to communicate to the Council and its external stakeholders, including members of the public, the key issues arising which the Engagement Lead considers should be brought to the attention of the Council. The Letter covers the work carried out by the external auditor in respect of the 2016/17 audit year.
2. The Letter highlights any key issues drawn from reports previously presented to the Governance and Audit Committee and the auditors' conclusions on relevant aspects of the audit.

Summary of the letter

3. This Letter summarises the work from the External Auditor's 2016/17 Audit Plan and includes:
 - The audit opinion and financial statements
 - Value for money
4. The Letter reaffirms the unqualified opinion on the 2016/17 financial statements, including the Kent Pension Fund, and the unqualified value for money conclusion.

Publication of the letter

5. The Letter is addressed to all Members and the Engagement Lead requires that all Members receive a copy. There is also a statutory requirement to publish the letter. The Council will also publish the Letter on its website.

Recommendations

6. The Governance and Audit Committee is asked to receive the Annual Audit Letter for assurance and note:
 - The requirement of the External Auditors to prepare and issue the Annual Audit Letter to the Council has been met.

Robert Patterson
Head of Internal Audit (03000 416554)

The Annual Audit Letter for Kent County Council

Year ended 31 March 2017

October 2017

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3. Value for Money conclusion	9

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A Reports issued and fees

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Kent County Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Governance and Audit Committee (as those charged with governance) in our Audit Findings Report on 19 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 27 July 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our Value for Money opinion on 27 July 2017.

Use of additional powers and duties

We are required under the Act to give electors the opportunity to raise questions about the Council's accounts and we consider and decide upon objections received in relation to the accounts.

We have received a number of objections from local electors in relation to the accounts and we are currently considering these. At the date of issuing this Letter we are still considering this objection, and will update the Council once we are in a position to conclude our work in this area.

As a result we are unable to certify the completion of the audit until we have finished our consideration of this objection.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 4 October 2017.

Executive summary

Certificate

As mentioned on the previous page, we are unable to issue our certificate confirming the completion of the audit until we have completed our consideration of the Objection received in respect of the Council's Accounts. Once we have completed our consideration then we will issue our certification in a timely manner.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £44 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

Pension Fund

For the audit of the Kent Pension Fund accounts, we determined materiality to be £45.4 million, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Kent County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Kent County Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Property, plant and equipment</p> <p>Revaluation measurements not correct (valuation)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate; • review of the competence, expertise and objectivity of any management experts used; • review of the instructions issued to valuation experts and the scope of their work; • review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; and • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register. 	<p>Our audit work has not identified any significant issues in relation to this risk and we are satisfied that PPE is materially correct.</p>
<p>Valuation of Pension Fund Net Liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated; • walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements; • review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; • gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and • review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the actuary. 	<p>Our audit work has not identified any significant issues in relation to this risk and we are satisfied that pension fund net liability is materially correct.</p>

Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments Under ISA (UK&I)315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • We carried out walkthrough tests of the controls identified in the cycle. • Tested a sample of private equity investments valuations by obtaining and reviewing the latest audited accounts for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period. • Reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments had been reached. • Reviewed the nature and basis of estimated values and considered what assurance management had over the year end valuations provided for these types of investments. 	<p>Our audit work has not identified any issues around the valuation of Level 3 Investments reported at year end.</p>

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Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 27 July 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Governance and Audit Committee on 19 July 2017.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Governance and Audit Committee on 19 July 2017.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 4 October 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have received a number of objections from local electors in relation to the accounts and we are currently considering these. At the date of issuing this Letter we are still considering this objection, and will update the Council once we are in a position to conclude our work in this area.

As a result we are unable to certify the completion of the audit until we have finished our consideration of this objection.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Health & Social Care Integration</p> <p>The Kent and Medway Sustainability and Transformation Plan (STP) was published in November 2016. There is recognition that healthcare needs dramatic transformation in when and where care is delivered and integration of the social care system with the NHS structures.</p> <p>Kent County Council has a major role to plan in developing the whole of the STP across Kent with the key measure of medium/long term success being a reduced demand for hospital care and emergency services which is achieved through better social care in the community, better signposting in public health to the right care at the right time, and effective partnership relationships between different public bodies facilitated by the Council.</p> <p>Kent County Council, being at the forefront of the social care redesign and in an important facilitator position, will need to make significant investment in service redesign within its own social care services, ensure through participation in shared governance bodies such as the STP Programme Board that its efforts are in line with other bodies and that collaboration/sharing takes place wherever possible.</p> <p>This will clearly be a significant challenge for the Council in the medium and long term – transformation and collaboration take time to plan and implement, but the mindset needs to become embedded in Kent’s Health Economy. Your central role in this transformation project means it will present one of the most significant risks for Value for Money.</p>	<ul style="list-style-type: none"> - reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks; - reviewed your plans for transformation of social services and integration with other services in the Kent Health Economy; - reviewed your plans for participation in shared governance structures and shared monitoring of expenditure and outcomes within the Kent and Medway STP 	<p>Our discussions with management and review of the minutes and actions of the Health and Wellbeing Board, and the proposed governance and decision-making structures set out in the internal STP board meetings, shows that detailed planning and preparation are taking place.</p> <p>Initial financial modelling in the STP plans demonstrate that there are potential efficiency and savings benefits that will benefit the whole region which are significant even if they are only partially delivered. Our discussions with management show that care is being taken to assess the financial impact of changes on Kent County Council taxpayers and protect value for money.</p> <p>Detailed plans and costings for Kent County Council are still in the very early stages, so it is too early to fully assess the impact of the changes or the likelihood of the benefits being realised.</p> <p>Against this risk, it is too early to fully conclude but the evidence of planning and modelling processes suggest you have appropriate arrangements in place for securing value for money.</p>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Medium Term Financial Sustainability</p> <p>At Month 10 of the 2016/17 year you were forecasting a small £2.7m overspend, but this result was improved in the last 2 months of the year to an approximate £3.7m revenue budget underspend (excluding schools).</p> <p>You have set a balanced budget for 2017/18 with a net budget requirement of £906m, and this requirement rises to £928m in 2019-20. The reduced central government funding and grants will mean that there are continuous pressures on you medium term financial planning, and this is clearly shown by the residual £97m budget gap in 2017/18 which you are bridging with efficiency saving, increased revenue generation and one-off use of your reserves.</p> <p>The government has allowed a 6% increase in Council Tax over 3 years towards the cost of adult social care which will help the medium term budget assumptions, but the position still remains extremely challenging, reflecting the nationwide picture.</p>	<p>We reviewed your arrangements over medium term financial planning including the reasonableness of significant assumptions around inflation, growth and savings.</p> <p>We considered your plans to close the projected budget gap from 2017/18 to 2019/20, including identification of savings plans, additional revenue generation plans, arrangements for monitoring and managing delivery of budgets and the potential impact on service delivery.</p>	<p>Our review of your Medium Term Financial Plan (MTFP - approved on 9th February 2017), including consideration of the key assumptions therein in relation to our knowledge of the Council and assumptions applied by other similar bodies, has shown you have sound financial planning processes in place and robust financial control.</p> <p>In the 2016/17 year your revenue expenditure was again contained within budgeted levels, and you were again able to make a small growth in your reserves. There was a significant capital underspend of £81m (increased from £28m in 2015/16). This is largely due to rephasing of projects.</p> <p>Significant savings and efficiency demands are factored into your MTFP; £55m between 2018/19 and 2019/20. The unidentified portions of these savings (currently £18.7m) is clearly a key uncertainty within the plan, but you have a good track record of delivering savings and closing previous budget gaps to remain in financial balance.</p> <p>Announcements in the Chancellor's Spring Budget have resulted in an additional £26m of adult social care funding for Kent County Council. This has moved your net budget requirement to £933m, but has not impacted other areas of your MTFP, particularly as you had not planned to use the additional power to raise up to 3% in Council Tax through a supplementary social care precept.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for securing value for money.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £
Statutory audit of the Council	155,925	155,925
Statutory audit of Pension Fund	30,568	30,568
Total fees (excluding VAT)	186,493	186,493

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	July 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Fees for other services:	
Non audit-related service	
• Journey Time Improvement RGF	8,240
• CFO Insights license	3,333
• RGF scheme evaluation	42,019
• Tax advisory – group issues	5,150
Audit-related service	
• Certification of Teachers' Pensions return	4,120
Total	62,862

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as set in the table below.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been approved by the Audit Committee.

Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Considered a threat?	Safeguards
Audit related services	<ul style="list-style-type: none"> Certification of Teachers' Pensions return 	£4,120	No	Fee is low in comparison to the Council's audit fee. A separate independent engagement is performed and a report will be given in line with a separate engagement letter.
Non-audit services	<ul style="list-style-type: none"> Journey Time Improvement RGF 	£8,240	No	Fee is low in comparison to the Council's audit fee. A separate independent engagement was performed and a report was given in line with a separate engagement letter.
Page 47	<ul style="list-style-type: none"> CFO Insights license 	£3,333	No	Fee is low in comparison to the Council's audit fee. This work entails us providing the Council with information about the Council's position in relation to its peers and has no impact on the Council's financial statements or our audit.
	<ul style="list-style-type: none"> RGF scheme evaluation 	£42,019	No	Whilst this fee is significant, this work is performed by a separate engagement team who are completely independent from the external audit team to reduce the risk.
	<ul style="list-style-type: none"> Tax advisory – group issues 	£5,150	No	Fee is low in comparison to the Council's audit fee. This work entails us providing the Council with tax advice only and has no impact on the Council's financial statements or our audit.
	TOTAL	£62,862		



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

To: Governance and Audit Committee – 1st November 2017

Subject: **EXTERNAL AUDIT UPDATE**

Classification: Unrestricted

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

Recommendation: FOR ASSURANCE

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 for 2017/18
 - Emerging issues and developments

Recommendation

3. Members are asked to note the report.

Robert Patterson
Head of Internal Audit (03000 416554)

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Audit Committee Update Kent County Council Progress Report and Update

November 2017

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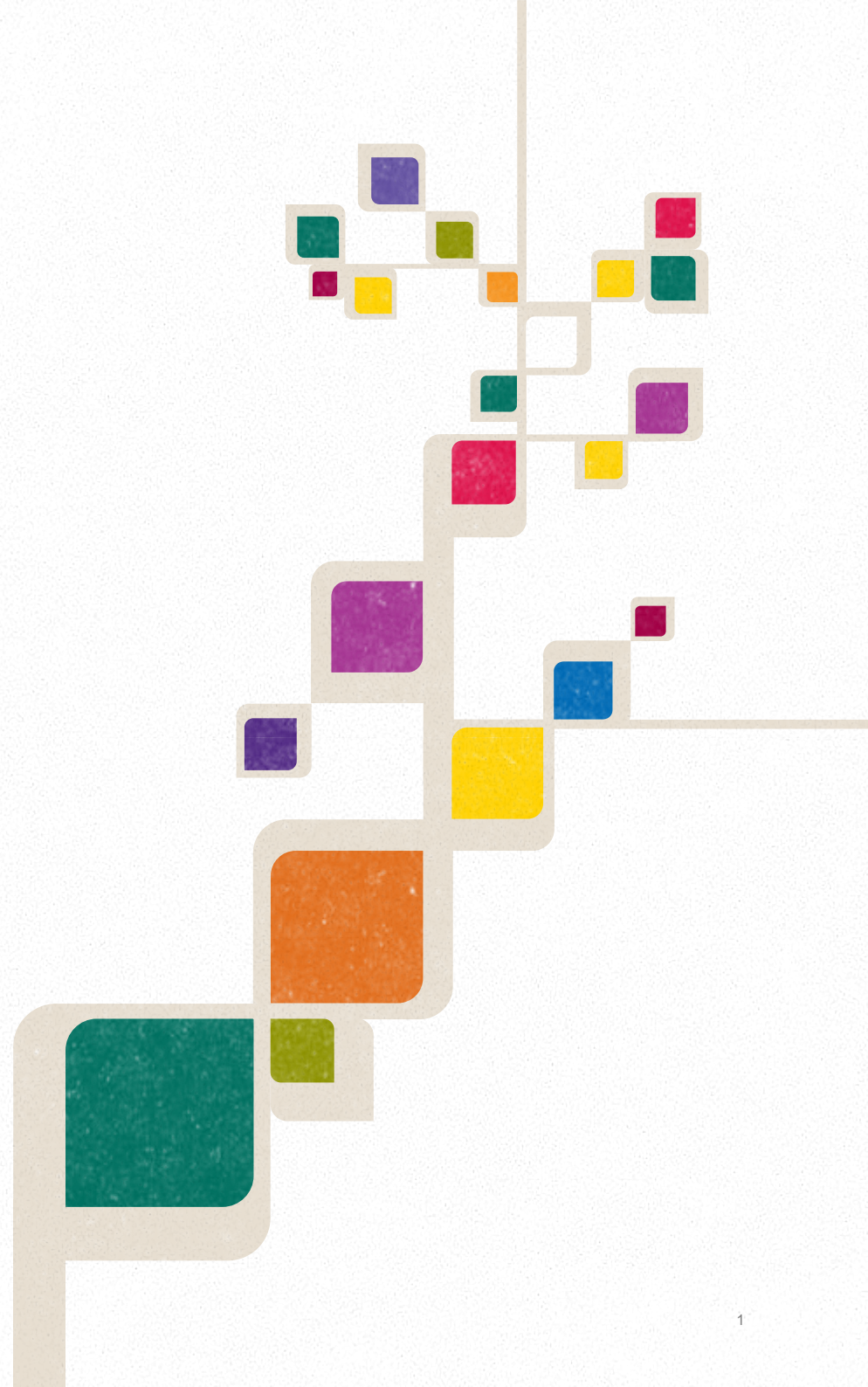
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Yawar Malik

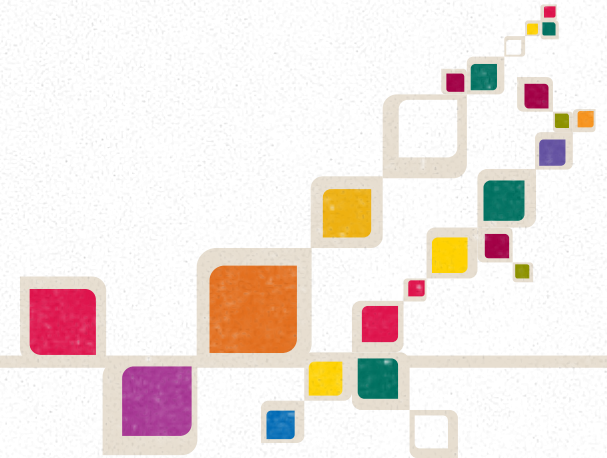
Executive

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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.



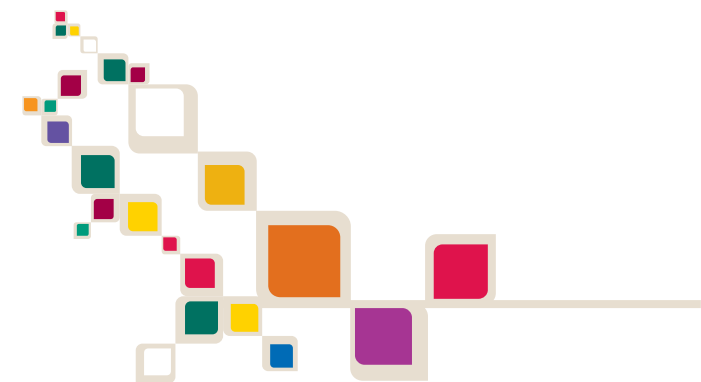
Introduction

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

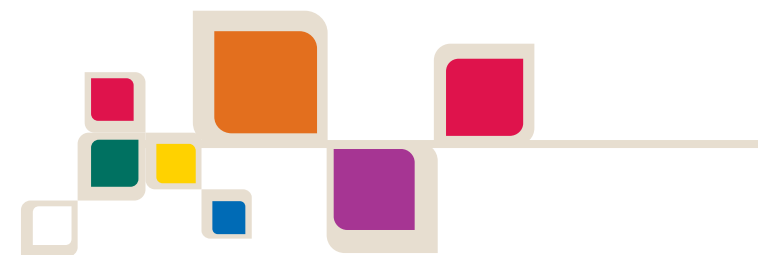
Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services ; <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- Social enterprises are becoming increasingly common vehicles for delivering services that are not an ‘essential’ service for an authority but still important to the local community; <http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
- Fraud risk, 'adequate procedures', and local authorities; <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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 Engagement Manager.

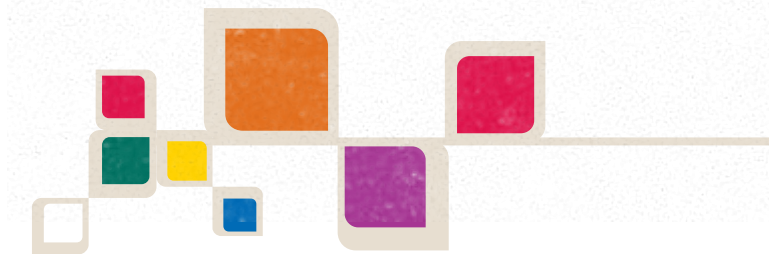


Progress at November 2017



2017/18	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2017/18 by the end of April 2017. This is the final audit year under the current contract. PSAA has awarded contracts to audit suppliers and is currently consulting on local appointments. Your audit supplier from 2018/19 will be confirmed by the end of December 2017.</p>	April 2017	yes	This was presented to the Governance and Audit Committee in April 2017.
<p>Accounts Audit Plan</p> <p>We will issue a detailed accounts audit plan to the Council setting out our proposed approach the audit of the Council's 2017/18 financial statements. This will be issued upon completion of our audit planning.</p> <p>The statutory deadline for the issued of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing with your officers our plan and timetable to ensure that we complete our work by this earlier deadline. We may also need to discuss and agree with you arrangements for the issue of the draft Audit Findings Report, in view of the time available to complete our work and your committee report deadlines.</p>	April 2018	Not yet due	This will be presented to Governance and Audit Committee in April 2018.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan will reflect the need to complete as much as possible earlier in the audit cycle. Our work will include:</p> <ul style="list-style-type: none"> • review of the Council's control environment • Updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	Planned to take place between December and March 2018.	Not yet due	We are refining this timetable with your finance team in early November 2017. We will carry out an initial visit to document and walkthrough your control environment, begin our early testing prior to the audit, and to assess audit risk. We will carry out a subsequent visit to complete our early testing work. We will work with your finance team to bring forward all work that can be completed early in an efficient manner. Any findings from this early work will be discussed with management as they are discovered and then reported to the Governance and Audit Committee.

Progress at November 2017



2017/18	Planned Date	Complete?	Comments
<p>Final accounts audit</p> <ul style="list-style-type: none"> proposed opinion on the Council's accounts proposed Value for Money conclusion review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 	June/July 2018	Not yet due	Our final accounts audit work will be carried out in June/July 2018.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to last year and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties 	Fieldwork in March-June, formal conclusion reported by July 2018	Not yet due	The results of our VfM audit work and the key messages arising from this will be reported in our Audit Findings Report alongside our report on your financial statements in July 2018.

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Technical Matters

Page 56



Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

Technical Matters

Questions:

- Are your Finance Team aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

Sector issues

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Independent Review of Building Regulations and Fire Safety

Sector Issues

The Government has published the terms of reference for the independent Review of Building Regulations and Fire Safety, commissioned following the Grenfell Tower fire tragedy.

The DCLG press release states:

“This Review will urgently assess the effectiveness of current building and fire safety regulations and related compliance and enforcement issues, with a focus on multi occupancy high rise residential buildings. This will include addressing whether the government’s large-scale cladding system testing programme identified any potential systemic failures.

The Review’s 2 key priorities are to develop a more robust regulatory system for the future and provide further assurance to residents that the buildings they live in are safe and remain safe. While the Review will cover the regulatory system for all buildings, it will have a specific focus on multi occupancy high rise residential buildings.

Dame Judith Hackitt, a qualified engineer with strong regulatory background, is leading the Review and will draw on the experience of local government, industry, the fire sector, international experts and MPs. She will also engage with residents of multi occupancy residential buildings.

The Review will report jointly to Communities Secretary Sajid Javid and Home Secretary Amber Rudd. An interim report will be submitted in autumn 2017 and a final report submitted in spring 2018. The Review will co-operate fully with the Public Inquiry, and Dame Judith Hackitt will review her recommendations in the light of the findings of the Inquiry.”

The terms of reference state that the review will:

- map the current regulatory system (i.e. the regulations, guidance and processes) as it applies to new and existing buildings through planning, design, construction, maintenance, refurbishment and change management;
- consider the competencies, duties and balance of responsibilities of key individuals within the system in ensuring that fire safety standards are adhered to;
- assess the theoretical coherence of the current regulatory system and how it operates in practice
- compare this with other international regulatory systems for buildings and regulatory systems in other sectors with similar safety risks;
- make recommendations that ensure the regulatory system is fit for purpose with a particular focus on multi-occupancy high-rise residential buildings.

The full terms of reference are available at:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

Procurement of external audit services



Procurement outcome

As a result of the highly successful procurement of auditor services, opted-in Local government and police bodies throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2016/17. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
- Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
- Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
- Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
- Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
- Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

Contracts were awarded on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% awarded to quality.

The procurement strategy, agreed by the PSAA Board in December 2016, sets out the basis on which the procurement of audit services was carried out.

Having concluded the procurement, PSAA will commence the process of appointing auditors to opted-in bodies. For more information on the auditor appointment process [click here](#).

Sector Issues

Finalising and confirming appointments

The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. Following Board consideration, we will write to each audited body to confirm their appointment. We plan to send all confirmations on 18 December..



Housing Benefit (Subsidy) Assurance Process 2018/19: Module 1 Special Purpose Framework Instruction:

This Circular sets out the arrangements for the audit of the housing benefits subsidy for 2018/19. It is for the LA to appoint a reporting accountant to undertake this work and notify the DWP of this. A standard letter of notification for the LA use is set out in Appendix 1. This letter of notification must be issued to the DWP by the LA no later than the 1st March 2018.

Local Authority 2016/17 Revenue Expenditure and Financing

Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

Grant Thornton publications

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Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

Striking a balance between financial and social returns

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

Questions:

- Is your Council exploring options for delivery of services?
- Have you read our report?
- Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

A Manifesto for a Vibrant Economy

Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality.

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

Guy Clifton – Head of Local Government Advisory

Grant Thornton publications

Question:

- Have you read our manifesto?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Value creation	
Directorship How well do the non-executives: • design, debate and decide the organisation's future? • inspire and guide the executive to realise the organisation's purpose? • provide support to the executives?	Leadership How well do the executives: • Make decisions aligned with realising the organisation's purpose? • Inspire and motivate employees to realise the organisation's purpose? • model the values of the organisation?
Assurance How well do the non-executives: • monitor financial, compliance and business indicators? • ensure appropriate processes are in place to manage risk? • have oversight of the executive team?	Management How well do the executives: • set goals, creating plans and allocating resources to achieve them? • effectively assign roles and responsibilities? • Focus on day-to-day tasks and resources needed to deliver strategic aims?
Value protection	

Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

International Consortium on Governmental Financial Management

Introduction

Grant Thornton and the International Consortium on Governmental Financial Management (ICGFM) partner every other year to perform an international survey of Public Financial Leaders.

In 2015 the theme was innovation in public financial management. This year's survey has been designed to identify and describe emerging issues around transparency and citizen engagement – building on the themes highlighted in the 2015 report.

The insights will be published in a report later in 2017 and we would be delighted if you were able to spend some time completing the brief on-line questionnaire which can be found [here](#). Your Audit Manager will be able to provide you with a link to the survey if required.

Please note that the ICGFM and Grant Thornton will not identify, or attribute thoughts and quotations to, individual survey respondents in the final 2017 report. This preserves your anonymity, so please respond freely, honestly and openly.

We have again partnered with the ICGFM to survey Financial Leaders

Question:

- Have you completed the ICGFM survey on transparency and citizen engagement?

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By: Amanda Beer – Corporate Director for Engagement Organisation
Design and Development

To: Governance and Audit Committee

Date: 8th November 2017

Subject: KCC Annual Customer Feedback Report 2016/17

Classification: Unrestricted

Summary: This report provides a summary of the compliments, comments and complaints recorded by the Council. The report includes statistics relating to customer feedback received by the Council and a sample of complaints considered by the Local Ombudsman.

FOR ASSURANCE

1. Introduction

- 1.1 This is the Council's seventh annual report on compliments, comments and complaints.
- 1.2 Customer feedback only relates to those comments, compliments and complaints received from members of the public and our customers. It does not include internal feedback.

2. Progress in refining practices within KCC

- 2.1 Following the decision to tender for a corporate system to log and track all customer feedback in September 2016, a system has now been procured and is currently being implemented across the whole of the organisation. The system will help to bring consistency in the way feedback is handled and responded to.
- 2.2 As part of the system implementation, training will be updated and rolled out to all staff, with some specific investigator training for those who handle complaints regularly as part of their role.
- 2.3 A Customer Feedback Forum has been set up and meets bi-monthly to discuss best practice and share learning from complaints. This forum has representation from those key services across each of the directorates that receive the most customer feedback annually.
- 2.4 The KCC Customer Feedback Policy has been updated; a copy of the policy and the Equalities Impact Assessment is attached in Appendix C and D.

3. Overview of Customer Feedback Received

- 3.1 A compliment is an expression of thanks or congratulations or any other positive remark. (Internal compliments are excluded from this process).
- 3.2 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.
- 3.3 A complaint is an expression of dissatisfaction, whether justified or not and however made, about the standard or the delivery of a 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.
- 3.4 The following table gives an overview of the feedback received by KCC as a whole compared with the previous year. The increase in volumes across the board compared to the last year can be attributed in part to more rigorous reporting and the inclusion of new services that previously did not submit returns.

Table 1 – Feedback received by KCC compared with previous year

Year	Complaints	Comments	Compliments	Local Government Ombudsman complaints
2015/2016	3,070	1,490	2,079	185
2016/2017	3,424	1,569	2,714	190
Difference in volume	+354	+79	+635	5
% increase/ Decrease	+11%	+5%	+31%	Negligible

Appendix A offers a breakdown of customer feedback received by Directorate and service.

4. Compliance with standards

- 4.1 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 92%** and **responded to 86%** of complaints within corporate timescales. This compares to last year's responses which were reported to be 95% and 84% respectively.

5. Customer communications channels

- 5.1 Information on 'How to complain' is available on our website and on our Complaints, Comments and Compliments leaflets. The public can provide feedback to the Council through a number of different ways including phone, email and through Social Media.
- 5.2 The breakdown below indicates by percentage which channel customers have chosen to communicate feedback (Compliments, comments & complaints) during 2015/16 (table 2) & 2016/17 (table 3).

Table 2: Channels used in 2015/16

	Phone	Letter	Email	Comment card/ Face to Face	Online	Other
Complaint	35%	15%	38%	3%	9%	Negligible
Compliment	13%	17%	50%	12%	5%	3%
Comment	10%	20%	54%	13%	2%	2%

Table 3: Channels used in 2016/17

	Phone	Letter	Email	Comment card/ Face to Face	Online	Other
Complaint	39%	12%	34%	2%	13%	Negligible
Compliment	10%	15%	47%	21%	4%	3%
Comment	6%	16%	57%	17%	4%	Negligible

- 5.3 The above tables show that email continues to be the preferred method of communication for our customers wishing to give us feedback across the board, however when making a complaint customers also show preference for telephone. This may be due the immediacy of being able to speak to someone directly and receive reassurance it will be looked into.

6. Compensation across all complaints received by KCC

- 6.1 In 2016/17, £184,178 was paid in compensation, settlements, changes to the amount we charge and waived charges as a result of complaints to the organisation this includes;
- £116,064 has been paid or waived as part of local resolution in adult and children's services

- £33,394 has been paid out by Strategic and Corporate services including Legal Services, Insurance and Property & Infrastructure.
- £414 has been paid out for Libraries, Registrations and Archives
- £6,477 has been paid out for Education and Young People Services including Community Learning and Skills
- £27,829 additional payments following Local Government Ombudsman Decisions found against KCC.

6.2 It is important to note that monies paid out during the 2016/17 financial year may relate to complaints recorded in previous years. This is due to the time that elapses between the date the complaint was lodged and achieving resolution.

6.3 This is an increase of £79,180 from 2015/16 when £104,998 was paid out in settlements or through waived charges.

7. Levels of complaints to the standards committee (Member complaints)

Complaints recorded in 2016/17

7.1 During 2016/17 the Monitoring Officer has responded to 4 complaints of alleged misconduct of the breach of the Elected Member Code of Conduct. All of the complaints were dismissed.

Number of Complaints				Outcome
2013/14	2014/15	2015/16	2016/17	
13	22	10	3	No Action. Dismissed by the Monitoring Officer
0	0	0	1	Action taken by party

8. The Local Government Ombudsman complaints review 2016/17

Overview of Ombudsman

8.1 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 or resolved.

- 8.2 Each year, in June/July, the Local Government Ombudsman issues an annual review to each local authority. In her letter he sets out the number of complaints about the authority that her office has dealt with and offers a summary of statistics to accompany this.
- 8.3 The annual review statistics are publically available, allowing councils to compare their performance on complaints against their peers; copies of the Annual Review letter as well as any published Ombudsman complaints are issued to the Leader of the Council and Head of Paid Service to encourage more democratic scrutiny of local complaint handling and local accountability of public services.
- 8.4 Decision statements made in 2016/17 will have been published on the Local Government Ombudsman website three months after the date of the final decision. The information published will not name the complainant or any individual involved with the complaint. Cases in which the complainant, despite redaction of names, can be easily identified are not published.

9. KCC Performance – Ombudsman complaints

- 9.1 It should be noted that there will be discrepancies between the volume recorded by the Local Government Ombudsman and the authority. This is due to the Local Government Ombudsman recording complaints that it does not progress to Kent County Council, as it is able to resolve the issue at first point of contact, either through referral to the Council or it is identified as out of jurisdiction.
- 9.2 During **2016/17** KCC received a total of **190** complaints and enquiries, which includes **62** in which the customer was directed back to the Council to seek initial resolution. This is an increase of 5 complaints on 2015/16 figures, when the Council received 185 complaints and enquiries, including 74 in which the customer was directed back to the Council to seek initial resolution.
- 9.3 The level of complaints received by KCC for the size of population, volume of services and interaction is low but each complaint is an opportunity to learn from our customers and improve our systems. We need to focus on those complaints that are upheld to ensure that lessons are learned.
- 9.4 The authority received a Maladministration Report this year. The details of the report are examined in section 11 of this paper.
- 9.5 The Ombudsman's report noted that the national average that the Ombudsman upheld is 54% of complaints they investigated, this is up nationally from 51% last year. Kent County Council's average is **63%**; this is an increase on 55% in 2015/16.
- 9.6 The increase nationally could be a result of the Ombudsman selecting cases to investigate that it believes will result in an upheld decision. We are seeing an increase in volumes of cases that are classified - Closed: out of jurisdiction/no further action or withdrawn.

10. Local authority report – Kent County Council

10.1 For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

The following table examines the number of complaints received by the Ombudsman over the last three years against the LGO's service categories.

	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services	Highways and transport	Housing	Planning and development	Total
2014/15	60	0	8	96	14	25	1	1	205
2015/16	62	0	5	98	7	10	2	0	185
2016/17	62	0	4	89	12	14	1	1	184*

* This figure excludes 6 complaints received by the LGO that have not been classified against a service.

Decisions made

The following table examines the number of complaints received by the Ombudsman over the last three years and decision category given by the LGO.

Local authority	<u>Detailed Investigation Carried out</u>		Advice given	Closed after initial Enquiries	incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not upheld					
2014/15	32	34	3	55	6	75	205
2015/16	34	28	1	44	3	74	185
2016/17	42	25	2	46	13	62	190

11. Maladministration Report

11.1 The council received a Maladministration report in 2015/16. The below examines the summary details of the complaint and the actions the Council took to remedy the injustice caused.

Summary

Complaint from a woman that the council refused to consider her need to work when assessing her son's care needs. She complains the council failed to consider awarding direct payments to provide for care of her son while she is at work. The woman also complains the council delayed responding to her complaint.

The complaint

The woman complains that the council:

- refused to consider her need to work when assessing her son's care needs;
- fettered its discretion when considering what direct payments can be used for;
- discriminated against a working carer;
- failed to understand the impact of her caring relationship with her other child;
- failed to consider Government legislation and guidance; and
- delayed considering her complaint.

Finding

The Ombudsman found fault causing injustice.

Recommendations

To remedy the injustice caused, the council should:

- pay the woman £1,000 to reflect the time and trouble she had to go to pursuing her complaint, the added stress she was under during the period and the uncertainty about whether the council would have provided additional support if it had considered her case properly;
- revise its direct payments policy;
- review the sufficiency of childcare and range of short breaks available for older disabled children; and
- provide training for officers and managers carrying out social care assessments and dealing with direct payments.

11.2 The council agreed to carry out these recommendations.

11.3 The Ombudsman has confirmed that it is satisfied with the Council's response to its report. The full report can be accessed on the Ombudsman's website

12. Ombudsman Complaints – Themes and Outcomes

12.1 The following section examines some cases that were investigated by the Ombudsman. The complaint and the subsequent decisions are taken from the Local Government Ombudsman’s website where all decisions (in which the complainant cannot be identified) are published.

12.2 Education and Young People Services

	Kent Test/Grammar School appeal	School Admissions appeal	Home to School Transport/Free School Meals	Special Educational Needs	Total
Upheld	0	1	2	9	12
Not upheld	1	2	1	3	7
Closed: out of jurisdiction/no further action or withdrawn	1	11	1	0	13
Premature	0	0	1	0	1

12.3 Not upheld example – Special Educational Needs (15 019 779)

Complaint

The complainant, whom I shall call Mrs X, complains that the Council failed to support her son, Y at school between September 2014 and December 2015. She also says the Council failed to make alternative educational provision after Y was excluded from school in December 2015.

Decision & Outcome

The Council acted without fault by meeting its duties under the SEN Code 2001 and in seeking to arrange home tuition for Mrs X’s son, Y while finding a new school place after he was permanently excluded.

12.4 Upheld example – School Transport (15 017 301)

Complaint

The complainants, who I shall refer to as Mr and Mrs X, complain that Kent County Council’s Transport Appeal Committee failed to consider their evidence properly.

Decision

The Council's Transport Appeal Committee failed to consider properly the information the complainants provided about their difficulties in getting their son to and from his special school on the bus provided by the Council.

Outcome

The Council has now agreed to pay for the complainants' mileage costs. The Ombudsman is satisfied this resolves the complaint.

12.5 Growth, Environment and Transport

	Household Waste Recycling Centres	Highways & Transport	Planning	Total
Upheld	0	2	0	2
Not upheld	1	0	0	1
Closed: out of jurisdiction/no further action	4	9	1	14
Premature	0	3	0	3

12.6 Not Upheld example – Refuse and recycling (16 002 537)

Complaint

Mr A complains Kent County Council (the Council) refused to let him use his car at a recycling centre

Decision & Outcome

There is no injustice to Mr A as he has a second car which he could use to access a recycling centre. So I have stopped investigating his complaint.

12.7 Upheld example – Highways repair and maintenance (14 019 349)

Complaint

Mr H, complained that the Council has failed to carry out effective highway drainage repairs and improvements to the highway outside his home. Consequently, during periods of prolonged heavy rain, his garden and home are flooded. In addition Mr H complained about the Council's failure to respond to his complaints about the matter.

Decision

The Council was not at fault in failing to carry out drainage repairs and to clear ditches near to Mr H's home. But, it did cause him a degree of injustice through fault

in failing to respond properly to his complaints, and thus in not explaining matters properly

Outcome

The landowner, and not the Council, is responsible for keeping the roadside ditch clear on the opposite side of the road. The landowner agreed to do this at the Council's request. When officers realised the landowner had not done so, they arranged for works to remedy matters. I do not consider that the Council was at fault in relation to this issue. Moreover it agreed that in future it would monitor the ditches, consider whether there was a case for using its land drainage powers, and pursue matters with the landlord if necessary.

The Council has agreed that it did not communicate well with Mr H. I consider that this lack of communication amounted to fault. In my view the Highway Authority should have treated Mr H's letter in late February 2014 as a complaint. If it had done so, officers would have responded to Mr H through the Council's complaints procedure. I consider it likely that the Council would then have made available to Mr H much of the information about its priorities and responsibilities it has now provided. This would have saved him time and trouble in pursuing matters.

Mr H has told me he does not want an apology from the Council in relation to its poor responses to him. So, I am not asking officers to make one. I have not asked the Council to take any other measures.

12.8 Strategic and Corporate Services

	Financial	HR	FOI	Total
Upheld	0	0	0	0
Not upheld	1	0	0	1
Closed: out of jurisdiction/no further action	0	1	1	2
Premature	0	0	0	0

Strategic Services received notice of three complaints, none were upheld.

12.9 Social Care, Health & Wellbeing

	Adults	Childrens	Total
Upheld	18	10	28
Not upheld	9	7	16
Closed: out of jurisdiction/no further action or withdrawn	11	10	21
Premature	9	10	19

12.10 Adult Social Services complaints

Complaint theme	Volume
Provision of care	31
Financial	9
Provision of care /Financial	3
Safeguarding	2
Complaint handling	1
Council conduct	1

12.11 Not Upheld example – Residential Care (16 005 584)

Complaint

Ms A complains about the Council's actions in placing her in a care home where the majority of residents have dementia and its delay in moving her into an alternative home. As a result Ms A receives no mental stimulation and her current room is too small to easily accommodate her wheelchair.

Decisions

There is no evidence of fault by the Council and as it is currently looking into alternative accommodation for Ms A the Ombudsman will not pursue the complaint any further.

12.12 Upheld example – Domiciliary Care (15 018 466)

Complaint

Mr B complains about the Council's support. He says the Council are not meeting his needs and do not understand his Autism and learning difficulties. He also feels the Council is not fulfilling its role in safeguarding him as he is a vulnerable person and he is often attacked when he leaves his house.

Decisions

The Council has started the correct safeguarding process and has assessed his needs and provided a care package. However there is limited fault as the Council has not pursued Mr B's assessment for an Autistic Spectrum Condition and learning difficulties sufficiently. Therefore it is not entirely clear what Mr B's needs are.

Outcome

The Council agreed to:

- Hold a safeguarding strategy meeting or conference within 2 months of the date of the final decision and invite the necessary agencies which are involved in the diagnosis of Mr B.
- Re-assess Mr B and review his care plan once a diagnosis has been given.

12.13 Children Social Service Complaints

Complaint theme	Volume
Council conduct	12
Provision of care	6
Inaccurate records	5
Safeguarding	5
Complaint handling	3
Service failure	3
Provision of care/financial	2
Financial	1

12.14 Not Upheld example – Carer (16 004 991)

Complaint

The complainant, whom I shall refer to as Mrs F, complains on her own behalf and on behalf of her daughter, whom I shall refer to as Miss G. Miss G has a diagnosis of autism.

Mrs F complains:

- The Council failed to consider her needs as a carer or carry out a carer's assessment when her daughter's behaviour became problematic in or about February 2015 and in particular when she stopped attending school in or about June 2015.
- When the Council decided Miss G did not meet its criteria for short breaks for disabled children, it failed to consider the needs of the whole family, or Mrs F's needs as a carer, given she now had three disabled children to care for.
- The Council delayed in putting social care support in place for Miss G when her behaviour deteriorated from in or about February 2015 onwards. By the time provision was in place, it was too late to prevent Miss G's school placement breaking down or her isolation from peers.

Decision

Mrs F complains that the Council had failed to assess her needs as a carer or provide care services to her disabled daughter. There is no evidence of fault by the Council that has caused a significant injustice to Mrs F or Miss G.

12.15 Upheld example – Complaint Handling (15 009 119)

Complaint

Mrs X's complaint follows a stage two investigation by the Council into the accuracy of a children's services assessment it conducted of her family in 2015. Mrs X complains the Council has:

- Taken too long to complete the stage two investigation
- Failed to act on its findings

Decision & Outcome

The Council took too long to start a stage 2 investigation into Mrs X's complaint and is at fault. The Council has accepted the stage 2 findings and offered to apologise to Mrs X and to pay her £350. This is an appropriate remedy.

12.16 Detailed reports examining Social Care customer feedback are presented to both the Adults and Children Social Care and Health Committees.

13. LESSONS LEARNED

13.1 Where the Ombudsman has made a decision against the Council, steps are taken by the service to ensure that any lessons learned are applied across the service to improve the customer experience and avoid any further complaints of a similar nature.

14. RECOMMENDATIONS

14.1 The Governance and Audit Committee is asked to note the contents of this report for assurance.

15. RECOMMENDATIONS

Appendix A – Directorate overview of Customer Feedback Received
Appendix B - Local Government Ombudsman Annual Letter
Appendix C – Revised Customer Feedback Policy
Appendix D - Equalities Impact Assessment

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Appendix A – Directorate overview of Customer Feedback Received

Education and Young People’s Services

All Feedback Reported

	Complaints	Comments	Compliments	Local Government Ombudsman enquiries & complaints*
2016/17	260	326	474	32
2015/16	171	199	54	32
2014/15	147	15	75	33

*Excluding premature

The below table compares the number of complaints received in 2016/17 with those received in 2015/16 and 2013/14 by service.

Service	2013/2014	2014/2015	2015/2016	2015/2016
Community Learning & Skills (was Adult Education)	103	76	70	86
Education Services	24	67	101	167
Grads Kent	1	4	0	7
Total Complaints	128	147	171	260

Growth, Environment and Transport

All Feedback Reported

	Complaints	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
2016/17	1764	509	1326	17
2015/16	1450	485	1112	15
2014/15	1603	600	1266	22

*Excluding premature

The below table compares the number of complaints received in 2016/17 with those received in 2014/15 and 2013/14 by service.

Service	2013/2014	2014/2015	2015/2016	2016/2017
Community Safety	30	9	6	3
Country parks	23	49	49	8
Libraries, Registrations and Archives	205	199	203 [^]	270
Highways and Transportation and Waste Management	1280	1314	875	1,437
Environment (eg Heritage, Environment & Coast, Kent AONB, Planning) *			292	33
Public Right of Way	7	1	5	7
Kent Scientific Services	14	8	13	3
Kent Sport	6	3	1	0
Trading Standards	5	20	6	3
Total Complaints	1570	1603	1450	1764

(* Data not previously collected) (^ Q1 data not captured)

Social Care, Health and Wellbeing

All Feedback Reported

	Complaints	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
2016/17	919	640	542	65
2015/16	924	702	606	49
2014/15	776	849	835	48

*Excluding premature

The below table compares the number of complaints received in 2016/17 with those received in 2015/16 and 2013/14 by service.

Service	2013/2014	2014/2015	2015/2016	2016/2017
Adult Social Services	387	537	662	649
KSAS	30	9	11	*
Specialist Children's Services	327	228	245	269
Public Health & Kent Drugs and Alcohol Team & Supporting People	5	2	6	1
Total Complaints	749	776	924	919

*Now reported within Adult Social Services figures

Strategic and Corporate Services

All Feedback Recorded

	Complaints	Comments	Compliments	Resolved Local Government Ombudsman enquiries & complaints*
2016/17	481	74	362	3
2015/16	525	100	300	2
2014/15	418	97	169	4

*Excluding premature

The below table compares the number of complaints received in 2016/17 with those received in 2015/16 and 2013/14 by service.

Service	2013/2014	2014/2015	2015/2016	2016/17
Communications and Engagement	3	3	0	0
Finance and Procurement	54	373	60	71
FOI			21	134
Gateways and Contact Point	54	9	49	56
Insurance *			295	144
Infrastructure, Property, Total Facilities Management, Business Services Centre, Schools Personnel Service	24	33	100	75
Legal	5	0	0	1
Total Complaints	140	418	525	481

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20 July 2017

By email

David Cockburn
Head of Paid Service
Kent County Council

Dear David Cockburn,

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman*' in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to

provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

I want to emphasise that the statistics in this letter comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

We issued one public report against your Council this year. We found fault in the Council's failure to consider a parent's need to work when assessing their son's care needs, that it fettered its discretion when applying its policy on direct payments, and delayed considering the complaint under its own procedure. We found the wording of the Council's policy on direct payments was likely to be interpreted by service users and Council officers as providing an absolute bar to direct payments being provided to support a child while their parents worked.

To remedy the injustice caused to the complainant we asked the Council to:

- pay the complainant £1,000 to reflect the time and trouble required in pursuing the complaint, the added stress experienced during the period and the uncertainty about whether the Council would have provided additional support if it had considered the case properly;
- re-word the section of its direct payments policy referring to direct payments needed to support a child when a parent is working;
- review the sufficiency of childcare and range of short breaks available for older disabled children; and
- provide training for officers and managers carrying out social care assessments and dealing with direct payments.

I welcome the Council's acceptance of our recommendations and confirmation that they have been fully complied with.

There have been several instances of positive feedback from my investigative staff on the timeliness and helpfulness of your Council's complaint handling and in its liaison with my office, in particular about Education and Children's Services complaints. However, this experience has not been universal. In one case the Council took seven weeks to provide a response to fairly simple enquiries and we found the Council's letter of apology to the complainant to be poor. In another complaint about Adult Social Care, an Investigator struggled to get information which the Council was apparently unwilling to share. One set of minutes was so heavily redacted a full copy had to be requested, but were not provided. The Investigator had to ask for information repeatedly. In contrast, in another adult social care complaint the investigator described the Council's response as 'excellent'.

My Assistant Ombudsman has recently met with complaint handling staff at your Council to discuss our work and reminded them about our legal right to documents and our policy towards confidential material. I look forward to working on this basis in the year ahead.

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

We were pleased to deliver two Children's Social Care complaint handling courses to your staff during the year. I welcome your Council's investment in good complaint handling training and trust the courses were valuable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M King', with a stylized flourish at the end.

Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
62	0	4	89	12	14	1	1	1	184

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
13	2	62	46	25	42	63%	190

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
34	3

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KCC

**CUSTOMER FEEDBACK POLICY
(COMPLIMENTS, COMMENTS
AND COMPLAINTS)**

September 2017

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Introduction

This policy sets out KCC's position on compliments, comments and complaints management.

KCC has a genuine desire to learn from what our customers tell us and use it to improve:

- the services we provide
- the policies we develop
- how we behave as an organisation.

We are committed to operating an effective customer feedback system, that demonstrates to the public that we:

- are putting customers at the heart of everything we do
- listen to what residents have to say
- are open, honest and transparent
- are responsive and fair.

KCC has a devolved approach to complaints, comments and compliments management. Individual Directorates and business units are responsible for developing, operating and monitoring their own procedures and processes, but they must comply with the KCC Customer Feedback Policy and provide regular monitoring statistics. Services are also accountable to Governance and Audit Committee where they may be asked to report to the committee to outline the nature of their feedback and improvements made as a result.

Aim of policy

The purpose of this policy is to:

- clarify how the public may make a complaint about us
- define the standards the public can expect when they make a complaint
- recognise the importance of customer feedback in providing feedback about council services and performance
- set out how the Council will monitor customer feedback and use that information to improve services and identify training needs.

KCC Complaints Standard

We will acknowledge receipt of your complaint within 3 working days.

We will use plain English

We will give you a contact name and telephone number.

We will answer all complaints within 20 working days or explain why a reply may take longer.

What is a complaint, comment or compliment?

COMPLAINT

A complaint is an expression of dissatisfaction, however made (whether that service is provided directly by the council or by a contractor or partner), 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.

Some examples of what might be complained about:

- An unwelcome or disputed decision

- Concern about the quality or appropriateness of a service
- Delay in decision making or provision of services
- Delivery or non-delivery of services
- Quantity, frequency or change of a service
- Attitude or behaviour of staff
- Refusal to answer reasonable questions
- Giving misleading or unsuitable advice
- How a policy decision has directly affected them negatively

This definition is in line with those complaints that are considered by the Local Government Ombudsman.

Examples:

- a customer complains that the Council has failed to follow its own procedures and that the member of staff dealing with them was rude and unhelpful
- a customer requested several months ago that a pothole outside their house needed sorting out, the agreed timescale for fixing the pothole has passed and the pothole still hasn't been repaired
- a customer is unhappy with the delay in carrying out a social care assessment
- a customer who attends an Adult Education Class complains that when they turned up for their class it had been cancelled and no one had let them know.

COMMENT

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.

Examples:

Positive Comment

- I am very happy that the Council has added book reservations to the online system for the Library Service

Negative Comments

- I am unhappy with the Council's decision to introduce parking charges at its country parks
- The website has information that is out of date.

COMPLIMENT

A compliment is an expression of satisfaction, thanks, praise or congratulations. (Internal compliments are excluded from this process)

Examples:

- I would like to thank the Customer Service Advisor for the prompt and efficient way in which they answered the phone and dealt with my query. They were most helpful and friendly
- I was very grateful when I needed to see someone about the difficulties I was having that the Council Officer was able and willing to meet with me in the evening.

Who can make a complaint, comment or compliment?

Any individual or organisation that uses or receives a Council service can make a complaint if they are dissatisfied with the service. Complaints can also be made by a relative, a Member or MP, carer, friend or advocate on your behalf. We may have to seek your consent if someone raises a complaint on your behalf. This definition includes:

- statutory or non-statutory services provided to individual customers
- services provided to schools.
- services commissioned and delivered through other providers on behalf of the Council

The Customer Feedback Policy does not cover complaints from members of staff, trainees, apprentices or persons on work placements, involving working conditions, pay or other internal grievances.

How a complaint can be made

A complaint can be accepted in any form (including face to face, via social media or by phone). However, for the sake of clarity, any complaint and the steps taken to deal with it should be recorded in writing. We must take account of the complainant's individual circumstances and specific needs when communicating during the complaint process, bearing in mind such issues as disability and first language.

Stages of the complaints procedure

The KCC complaint process follows three steps;

Stage 1: Local Resolution

Members of the public should firstly take up their complaint directly with the service concerned. Staff should aim to sort out the problem as quickly and as easily as possible.

Our standard is to acknowledge the complaint within **three working days**, and to provide a full reply within **20 working days**. Where this is not possible, customers will be informed at the earliest opportunity before the completion of 20 working days when they can expect to receive a full reply.

Stage 2: Complaint Escalation

If a complainant remains dissatisfied, they can have their complaint investigated by writing to the Corporate Director of the service involved.

The timescale for a formal response is **20 working days**. For more complex cases it will be a maximum of 65 working days.

At the conclusion of stage 2, customers must be informed of their right to escalate their complaint to the Local Government Ombudsman.

Stage 3: Local Government Ombudsman

If a complainant is still not happy with the outcome of an investigation, they can take their complaint to the [Local Government Ombudsman](#)

Exceptions to the KCC complaints procedure

There are separate procedures for complaints relating to the following services. This is to take into account the statutory requirements Kent County Council is required to meet.

Adult Social Care

Stage 1

We will acknowledge your complaint to confirm we have received it and a member of the complaints team will contact you to discuss a plan of action to deal with your concerns. This initial communication will normally take three working days. We aim to respond to most complaints within 20 working days, but additional time is required to investigate more complex complaints. We will keep you informed of any delays in the process. You can expect your complaints to be listened to, to be investigated fairly and responded to.

Stage 2

If we have not been able to resolve your complaint, please contact the complaints team using the contact methods above to see if anything further can be done. However, if you are not happy with the response, you can ask the [Local Government Ombudsman](#) to review the way we have dealt with your complaint.

Children's Social Services

Stage 1 – Local Resolution

Most complaints can be settled quite simply by discussing your problem with a member of staff on hand or at your local Children's Services office. You may prefer to write to us, we can help you put your complaint in writing. We will aim to settle your complaint as quickly as possible, usually between 10 and 20 working days. If your complaint will take longer we will keep you informed of the progress.

Stage 2 - Investigation

If it is not possible to settle your complaint locally, or you remain dissatisfied with the answer you receive, you may want to take your complaint to the next stage of the procedure. You can request for it to be considered at Stage 2 with an Investigating Officer and Independent Person appointed to examine your complaint in detail.

If we investigate your complaint:

- an investigating officer who is new to your case will look into the issues raised
- an independent person from The Young Lives Foundation, the children's charity, will also be appointed to consider your complaint
- the investigating officer and the independent person will contact you to make sure they fully understand the complaint.

When the investigation is complete, we will send you a full response with the findings of the investigation, as well as the Council's response to those findings. We aim to do this within 25 working days of the investigation starting, but it can take longer. We will keep you informed of progress. Where it is not possible to complete the investigation within 25 working days, it may be extended to a maximum of 65 working days.

Stage 3 – Review Panel

If you are not happy with the explanation or solution offered to you at Stage 2, you have a right to ask for your complaint to be considered again, this time by an Independent Review Panel. A Review Panel will be held within 30 working days of your request being accepted.

Local Government Ombudsman

If you are still not happy with the decision about your complaint once the complaint procedure has been completed, or you feel we have not answered within a reasonable timescale, you can complain to the [Local Government Ombudsman](#) by writing to:

The Local Government Ombudsman
PO Box 4771
Coventry
CV04 0EH
Telephone: 0300 061 0614

Complaints by Governors

If the Local Government Ombudsman refuses to consider a complaint brought by a governor then the local authority will arrange for the complaint and/or the investigation to be independently reviewed. This process only applies where a governor makes a complaint in relation to:

- a. Their personal treatment by the local authority or the conduct of officers acting on behalf of the local authority, and
- b. Relating to their role as a governor of a local authority controlled or maintained school, and
- c. Where the actions complained of do not relate to the management of the school and are not covered by the School's existing complaint process,
- d. Where the LGO has refused to consider, accept or investigate the complaint and
- e. Where the incidents complained of took place within the last six calendar months

A copy of any report will be provided to the complainant and the Cabinet Member for Children, Young People and Education.

Complaints about Schools

If you are worried about your child's learning or welfare at school, speak to your child's class teacher or head of year first. If you are not satisfied with the teacher's response, arrange to speak to the head teacher. If this isn't practical, you can ask for a copy of the school's complaints procedure to help you decide whether you wish to make a formal complaint

Local Authority Schools

The School Information Regulations (England) requires local authority maintained schools to have a procedure published online for dealing with all complaints relating to their school and to any community facilities or services that the school provides. The procedure should be available to anybody who wishes to make a complaint against the school.

Each school can decide on how many stages the procedure will include, usually two or three.

If you remain dissatisfied after completing the school's complaints procedure, then you have a right to refer your complaint to the Secretary of State for Education.

Further information can be obtained by calling the National Helpline on 0370 000 2288 or going online at: www.education.gov.uk/help/contactus or by writing to:

Department for Education School Complaints Unit 2nd Floor, Piccadilly Gate Store Street Manchester M1 2WD

Ofsted

In certain circumstances, Ofsted will investigate complaints by parents about their child's school, they will then decide whether to use their inspection powers to facilitate an investigation. Further information about what complaints Ofsted will investigate can be found online at:

<https://www.gov.uk/complain-about-school/state-schools>

Academy and Free Schools

The Education (Independent School Standards) Regulations 2010 requires Academy and Free Schools to have a procedure for dealing with complaints from parents of pupils. The procedure must comply with part 7 of [The Education \(Independent Schools Standards\) Regulations 2014](#).

The ESFA (Education and Skills Funding Agency) handles complaints about Academies and Free Schools and if you remain dissatisfied following the Academies complaints procedure you have a right to defer to the ESFA by going [online](#) or by post to: Ministerial and Public Communications Division, Department for Education, Piccadilly Gate, Store Street, Manchester, M1 2WD.

Complaints relating to Schools Admissions or Home to School Transport

Primary and Secondary Schools

You can appeal if you were refused a place at one of your preferred schools.

To appeal for a primary school place please read our [guide](#).

To appeal for a secondary place please read our [guide](#).

Appeal hearing

The hearing lets you explain to an independent appeal panel why you think your child should be given a place at the school and lets the school explain why it could not offer your child a place.

Decision – Primary

There is a legal maximum class size for reception, year 1 and year 2. This is 30 children per teacher. Your appeal can be turned down if all the classes have already reached their legal limit, unless:

- the admission arrangements were unlawful
- the admission arrangements weren't correctly and impartially applied
- the decision to refuse admission wasn't reasonable.

We will write to tell you the panel's decision as soon as possible. We cannot tell you the decision by telephone.

Decision – Secondary

We will write to tell you the panel's decision as soon as possible. We cannot tell you the decision by telephone.

School Transport Appeals

If you are unhappy with our decision to turn down your application for free school transport you can call us on 03000 41 21 21 to discuss the reasons why. If you are still unhappy then you have the right to make [an appeal](#).

You can attend the hearing to put your case to the panel.

The decision will be sent to you in writing within 5 working days of the appeal hearing.

Complain about the appeals process

You can complain about the way the appeal was carried out, but you cannot complain about the decision itself. To complain about the way in which the appeal was carried out you can refer your complaint to the [Local Government Ombudsman](#).

Complaints about a County Councillor

Our county councillors all adhere to the Kent Code of Conduct for Members.

Stage 1

Read:

- [our guide on how to make a complaint](#)
- [the Kent Code of Conduct for Members](#)

Complaints alleging that councillors have breached the code of conduct are reviewed by a Monitoring Officer and an Independent Person. They decide if any action should be taken and if the matter should be investigated and referred to a Hearing Panel.

They will not deal with complaints about things that are not covered by the Kent Code of Conduct for Members. Your complaint must state why you think the councillor has not followed the Kent Code of Conduct for Members.

Stage 2

To send your complaint:

- fill in the [online councillor complaints form](#)
- email democratic.services@kent.gov.uk
- print and post the councillor complaints form to the Head of Democratic Services, Kent County Council, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

Requests for Information

To complain about our response to a request for information under the Freedom of Information Act or other related legislation:

Stage 1

Send full details of your complaint asking for an internal review to the Head of Paid Service

- email headofpayservice@kent.gov.uk
- write to Head of Paid Service, room 1.70, Sessions House, County Hall, Maidstone, Kent ME14 1XQ.

Or to complaint about a request for access to personal information (subject access requests) or report a suspected Data Protection breach:-

- email dataprotection@kent.gov.uk
- write to Information Resilience & Transparency Team, room 2.71, Sessions House, County Road, Maidstone, Kent. ME14 1XQ

Stage 2

If you are still unhappy, you can raise the matter with the Information Commissioner:

- call 0303 123 1113
- email casework@ico.org.uk
- go to the [Information Commissioner's website](#)

Complaints relating to the Fluency Duty (Part 7 of the Immigration Act 2016)

Customers wishing to make a complaint under the Fluency Duty Code of Conduct (Part 7 of the Immigration Act 2016) should do so under the normal KCC complaints procedure.

Public authorities are subject to the fluency duty in relation to all of their staff who work in customer-facing roles.

The fluency duty does not extend to workers employed directly by a private or voluntary sector provider of a public service.

For the purposes of the fluency duty, a legitimate complaint is one about the standard of spoken English of a public sector member of staff in a customer-facing role. It will be made by a member of the public or someone acting on his or her behalf complaining that the authority has not met the fluency duty.

A complaint about a member of staff's accent, dialect, manner or tone of communication, origin or nationality would not be considered a legitimate complaint about the fluency duty.

For more information on the Fluency Duty Code of Conduct please visit https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467731/Draft_Code_of_Practice_on_the_English_Language_Requirement_for_Public_Sector_Workers_.pdf

Confidentiality

Any complaint processed through the procedure will be dealt with in accordance with the requirements of the Data Protection Act 1998 and Freedom of Information Act

Vexatious and Unreasonably Persistent Complainants

The Council is committed to dealing with all complaints equitably, comprehensively and in a timely manner. It does not normally limit the contact which complainants have with Council staff and offices. The Council does not expect staff to tolerate behaviour which is abusive, offensive or threatening and will take action to protect staff from such situations.

The County Council's guidance on handling unreasonably persistent and vexatious complainants is set out in separate guidelines.

Compliments, Comments and Complaints Monitoring

All customer feedback should be logged, including those that are resolved at first point of contact.

We will collaborate and share learning from customer feedback across the organisation. This will help us to improve our services for our customers. This insight should be used within the business planning process. We are committed to reducing the number of upheld Ombudsman complaints through the thorough investigation of complaints at stages one and two.

All services are required to submit a quarterly return which outlines their performance in relation to Customer Feedback handling. This will be used to report on the Corporate Key Performance Indicators and to compile the Annual Customer Feedback report. This report is presented to the Governance and Audit Committee which is webcast on Kent.gov.uk, the report will then be made available on the website.

Governance and Audit Committee will receive an annual report on customer feedback activity. The report will contain high level information relating to:

- the number of complaints, comments and compliments received by each Directorate.
- how complaints are received; phone, letter, e-mail
- % answered within standards, % of those upheld
- performance relating to Local Government Ombudsman complaints
- examples of complaints received and investigated by the Ombudsman
- identified improvements to service delivery introduced in response to complaints
- recommended action to minimise or avoid similar complaints in future
- recommended procedural improvements for handling and resolving complaints
- identified training and information needs
- compensation paid

Services will be responsible for, and accountable for, reporting to Governance and Audit the nature of their complaints received at stages one and two, when requested.

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**KENT COUNTY COUNCIL
EQUALITY ANALYSIS / IMPACT ASSESSMENT (EqIA)**

**This document is available in other formats, Please contact
Pascale.blackburn-clarke@Kent.gov.uk or
telephone on 03000 417025**

Directorate: Strategic and Corporate Services

Name of policy, procedure, project or service – Customer Feedback Policy

What is being assessed? Policy

Responsible Owner/ Senior Officer

- Amanda Beer

Date of Initial Screening – 23rd May 2016

Date of Full EqIA :

Version	Author	Date	Comment
			This is an update on the previous Customer Feedback Policy
V.0.1	Pascale Blackburn-Clarke (PBC)	23/05/16	Initial Screening
V0.2	Akua Agyepong	13/06/2016	Comments for review
V0.3	PBC	23/06/2016	Additional amendments
V.0.4	PBC	25/07/2016	Additional amendments following feedback from Akua Agyepong
V0.5	Akua Agyepong	07/09/2017	Review of the EQIA and some additions

Screening Grid

Characteristic	Could this policy, procedure, project or service, or any proposed changes to it, affect this group less favourably than others in Kent? YES/NO If yes how?	Assessment of potential impact HIGH/MEDIUM LOW/NONE UNKNOWN		Provide details: a) Is internal action required? If yes what? b) Is further assessment required? If yes, why?	Could this policy, procedure, project or service promote equal opportunities for this group? YES/NO - Explain how good practice can promote equal opportunities
		Positive	Negative	Internal action must be included in Action Plan	If yes you must provide detail
Age Page 107	No		None	<p>A range of communication channels are available which should ensure access across a broad range of ages. This includes;</p> <ul style="list-style-type: none"> • Phone • Online • Post • Face to face • Email • Comment cards • Text Messaging (Children Social Care) • Fax • Through an advocate such as a relative, friend, carer, MP, Member or charitable organisation <p>The policy has also been amended to reflect that we will also accept feedback left on our social media pages such as KCC's Facebook pages and Twitter feeds.</p>	<p>The Customer Feedback process is available to all customers and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of age.</p> <p>We recognise that some customers may find it harder to make a complaint for example young people who may wish to text Children Social Services or use an advocacy. KCC offers a variety of ways to give feedback to ensure that customers can approach us in the way in which they are able or want to.</p>

<p>Disability</p>	<p>No</p>	<p>Positive</p>	<p>None</p>	<p>A range of communication channels are available which should ensure access across a broad range of ages. This includes;</p> <ul style="list-style-type: none"> • Phone • Online • Post • Face to face • Email • Comment cards • Text Messaging (Children Social Care) • Fax • Through an advocate such as a relative, friend, carer, MP, Member or charitable organisation <p>The policy has also been amended to reflect that we will also accept feedback left on our social media pages such as KCC's Facebook pages and Twitter feeds.</p>	<p>The policy will be universally applied and is not expected to have any impact on those customers with disabilities. The Policy takes into account those statutory obligations the Council has for Adult and Children Social Services and Special Educational Needs. The acceptance of feedback through a variety of methods also means that customers can give us feedback through the communication medium they are most comfortable with. For example customers can call KCC using Textrelay which enables customer who are deaf or hard of hearing to talk to officers in the Council.</p> <p>The online form is accessible to those who use screen readers and other access technology. The online form meets section 508/WAA standards. The procurement of a new system has included accessibility standards to ensure both staff and customers with disabilities can access the form.</p> <p>Customers can request alternative formats (for example Braille).</p> <p>We recognise that some customers may find it harder to make a complaint for example those customers who have learning difficulties. KCC offers a variety of ways to give feedback to ensure that customers can approach us in the way in which they are</p>
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Gender	No		None		The Customer Feedback process is available to all customers and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of gender.
Gender identity	No	Positive	None	Risk that customers may target staff on Social Media. Guidance on what to do if comments of this nature are made against a staff member will be added to internal guidance	<p>The Customer Feedback process is available to all customers and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of gender identity.</p> <p>Customers are able to give feedback anonymously; the Council will consider and investigate all complaints it receives regardless of whether the complainant makes themselves known.</p>

<p>Race</p> <p style="text-align: center;">Page 110</p>	No	Positive	None	<p>Contract for language line is in place within the Contact Centre enabling customers whose first language is not English to be able to speak to an agent via an interpreter.</p>	<p>The Customer Feedback process is available to all service users and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of a person's race.</p> <p>We have our own language translation and interpreting service called Connect 2 Staff.</p> <p>The contact centre has use of translation services for those customers whose first language is not English. Other communication methods are used by local teams but this may need to be addressed corporately.</p>
<p>Religion or belief</p>	No		None		<p>The Customer Feedback process is available to all customers and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of religion or belief.</p>

Sexual orientation	No	Positive	None	Risk that customers may target staff on Social Media. Guidance on what to do if comments of this nature are made against a staff member will be added to internal guidance	<p>The Customer Feedback process is available to all customers and their representatives. It is designed to be open and impartial and the process does not discriminate in terms of sexual orientation.</p> <p>Customers are also able to give feedback anonymously; the Council will consider and investigate all complaints it receives regardless of whether the complainant makes themselves known.</p>
Pregnancy and maternity Page 111	No		None		As this is an employment related characteristic any complaints relating to employment within the Council will be referred to KCC's internal grievance processes.
Marriage and Civil Partnerships	No		None		As this is an employment related characteristic any complaints relating to employment within the Council will be referred to KCC's internal grievance processes.
Carer's responsibilities	No	Positive	None		The policy allows carers to raise feedback on behalf of someone who they provide care for and for themselves as a carer.

Part 1: INITIAL SCREENING

Proportionality - Based on the answers in the above screening grid what RISK weighting would you ascribe to this function – see Risk Matrix

Low	Medium	High
Low relevance or Insufficient information/evidence to make a judgment.	Medium relevance or Insufficient information/evidence to make a Judgment.	High relevance to equality, /likely to have adverse impact on protected groups

State rating & reasons

Low – This policy is an update of an existing policy to include new methods of communication and to establish a clear route for School Governors to make complaints. It is judged that there will be minimal adverse impact to customers following the implementation of the updated Policy as customers will experience no change in the timelines or response rate to their complaint.

The policy does not seek to reduce the ways in which customers can offer feedback, it will put in place mechanisms to ensure that these are actually increased and will increase access, for example formalising that complaints can be received via Social Media platforms.

Context – What we do now and what we are planning to do

The Customer Feedback Policy is an updated version of the Council's Complaints, Comments and Compliment Policy. This new version intends to take into account feedback that is left by customers on our social media pages such as KCC's Twitter feeds and Facebook pages. The addition of social media to the policy is to highlight to staff that customers who directly contact or leave feedback via this medium should be responded to in line with KCC's procedures. The policy will also implement learning from a complaint received in relation to School Governors and their rights in raising complaints about the Council to the Council.

Currently the policy sets out the expected timeframes in which customers should receive a response; this will not change in the updated version of the policy. These timescales are similar to other authorities.

Aims and Objectives

The council is committed to enabling our customers to give us feedback about where we have got things wrong and also where we have got them right. By making it easier for our customers to offer feedback we are able to learn from that feedback to improve our services for the better.

The purpose of this policy is to:

- clarify how the public may make a complaint about us
- define the standards the public can expect when they make a complaint
- recognise the importance of customer feedback in providing feedback about council services and performance
- set out how the Council will monitor customer feedback and use that information to improve services and identify training needs

The updated policy also seeks to provide a clear process for those School Governors who have a complaint against the Council but previously had no clear escalation process.

Beneficiaries

Customers should be clearer about their rights and how the Council will consider their feedback as the policy will be made available to customers.

The policy is clear about how complaints will be considered and how customers should be updated during the course of KCC's investigations.

Staff will also have a clearer understanding of KCC's definitions of customer feedback received and the expectations on them as staff in responding to customer feedback.

Information and Data used to carry out your assessment

The following table gives an overview of the feedback received by KCC as a whole compared with the previous year.

Year	Complaints	Comments	Compliments	Local Government Ombudsman complaints
2014/2015	2,944	1,561	2,358	205
2015/2016	3,070	1,490	2,079	185

The breakdown below indicates by percentage which channel customers have chosen to communicate feedback (Compliments, comments & complaints) during 2015/16.

	Phone	Letter	Email	Comment/ Face to Face	Online	Other

Complaint	35%	15%	38%	3%	9%	Negligible
Compliment	12%	18%	50%	2%	5%	3%
Comment	10%	20%	54%	13%	2%	2%

The above table shows that email is currently the preferred method of communication for our customers wishing to give us feedback across the board, however when making a complaint customers also show preference for telephone. This may be due the immediacy of being able to speak to someone directly and receive reassurance it will be looked into.

Although individual equalities data is not collected from customer, staff are expected to report on complaints in which customers have raised an equalities issue. In 2015/16 of the 3,070 complaints received 18 complaints specifically raised an equalities issue.

The following table gives an overview of the type of complaints received

Protected Characteristic	Complaint
Age/Disability	Relating to vulnerable children travelling to school
Age	Falls as a result of broken pavements
Gender	Inappropriate behaviour
Disability	Dropped curbs
Age/Disability	Night lighting policy
Disability	Clearing of vegetation from a tree owned by Council
Disability	Removal of bollards that are needed by a disabled resident
Disability/Age	Lack of phone number for the Floating Support service
Race	Racial discrimination
Race	Allegation that staff refused to interact with a customer due to their ethnic background.
Disability	Right of access for disabled customer

In light of the gaps highlighted in an early version of this EQiA, we have amended the reporting to ask services what was the outcome of those complaints which have raised an equalities issue, to help us understand how the feedback received has informed service changes.

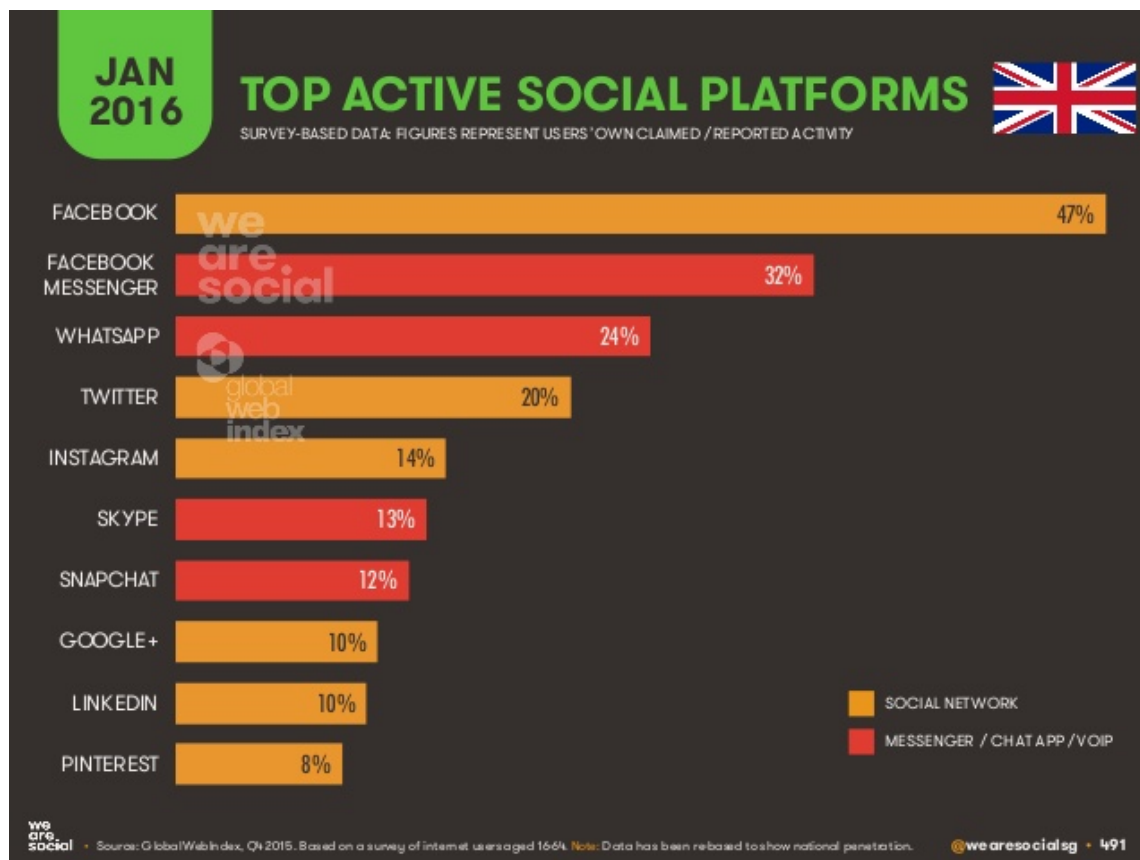
We are currently working on implementing a county wide feedback system which will make it easier to identify these types of complaints and ensure that any lessons learned are applied to all services where possible.

Every effort is made to ensure that a variety of feedback methods are available to our customers ensuring that they have choice and are able to use a communication method which suits their needs. This includes giving feedback directly through our staff, via our Members, by post, by phone, by text relay, by text, comment cards and via the internet either through an online form or by Social Media.

Customers are not expected to formalise their complaints in writing.

To date we have not formalised that feedback given via social media, customers are already choosing to communicate with us using this channel through our corporate and service pages and feeds.

The following¹ demonstrates the type of social media platforms that are most used by residents in the UK. KCC has corporate pages on Facebook and Twitter. Other services use social media that is appropriate for their customer’s demographics.



Mosaic data shows that 59.5% of the KCC population are likely to access Facebook every or most days compared to 61% of England’s population, whilst 55.3% of KCC’s population are likely to access Twitter every or most days compared to 59.8% of England’s population.

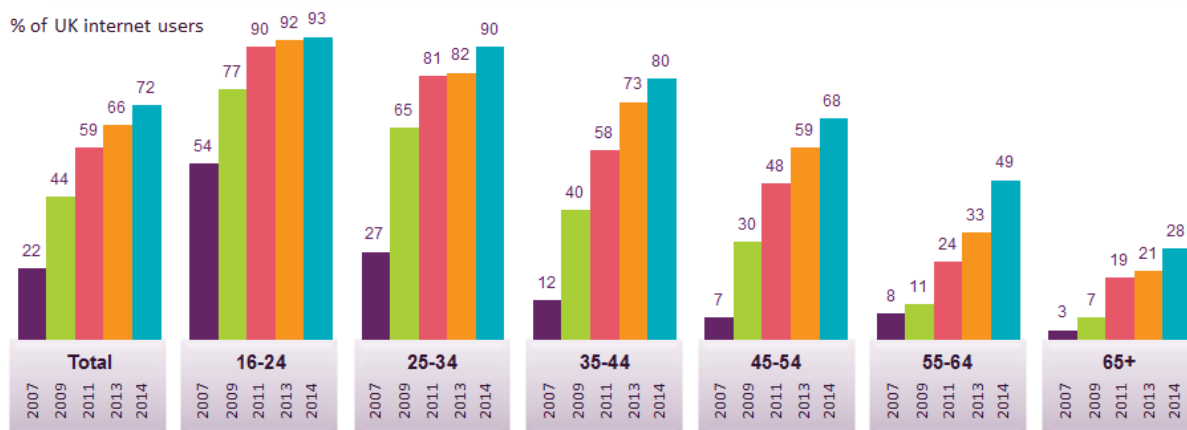
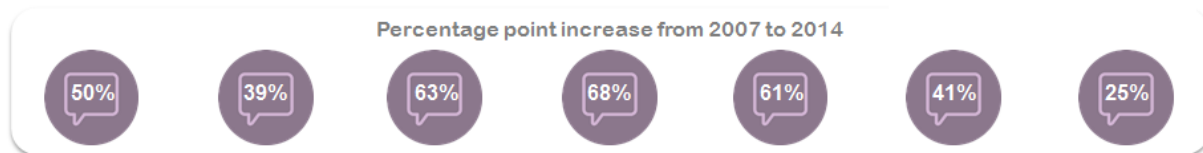
The below breaks down social media users who have an online profile, by age for the United Kingdom. Social Media is used by 59% of the UK population and is a significant channel used by those in the 16-44 year old brackets.

There has been uptake of internet users who have a social media profile between 2007–2014².

Those who were 65+ and had a social media profile increased to 28% of their demographic who had access to the internet.

¹ Source Globalwebindex, Q4 2015 <http://www.smartinsights.com/social-media-marketing/social-media-strategy/new-global-social-media-research/>

² http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/media-lit-10years/2015_Adults_media_use_and_attitudes_report.pdf



The Legal department worked alongside a School Governor following their complaint to KCC. The complaint revealed that there was a gap in process for those who needed to escalate their complaint but were unable to. Their views were captured when formulating a process on how complaints from School Governors could be considered and escalated.

The following guidance was used to inform the updated policy;

- Local Government Ombudsman Guidance – Guidance on running a complaints system and Guidance on Managing Unreasonable complaint behaviour
- Information Commissioner Guidance – Dealing with Vexatious Complaints
- Department of Education - Schools Complaints Toolkit 2016

Who have you involved and engaged with

Customer Feedback Forum (Internal KCC) which includes complaints officers from across the different services were asked for their input and feedback on the revised policy and internal guidance.

Governance and Audit Committee will also be given an opportunity to feedback on the updated policy following Policy and Resources Committee.

Due to the minimal changes to the policy the decision was made not to consult with customers formally.

Potential Impact

The policy and its implementation should not have an adverse impact on KCC customers or residents. However it is recognised that there are some customers who may find it harder to make a complaint for example those customers who have learning difficulties or younger people who may wish to appoint an advocate to speak on their behalf.

To mitigate any risks that customers may not be confident or able to approach us directly we have enabled others to raise feedback on their behalf. Customers are also able to give feedback anonymously; the Council will consider and investigate all complaints it receives regardless of whether the complainant makes themselves known.

In addition we do not ask customers to put their complaints in writing, we will accept complaints verbally either face to face or by phone.

KCC will continue to offer a variety of ways to give feedback to ensure that customers can approach us in the way in which they are able or want to. This includes giving feedback directly through our staff, via our Members, by post, by phone, by text relay, by text, comment cards and via the internet either through an online form or by Social Media.

Adverse Impact and how can these adverse impacts be mitigated, (capture this in the action plan)

As above, there are risks that some customers with protected characteristics who may be reluctant to give feedback to the council. The council has tried to mitigate this by offering multiple channels for customers to give their feedback through, as well as enabling them to give feedback anonymously and through an advocate.

Positive Impact

This new version intends to take into account new methods of communications for example accepting feedback left via our Social Media pages/feeds and to implement learning from a complaint received in relation to School Governors and their rights in raising complaints about the Council to the Council. This will formalise avenues for customers who leave us feedback via Social Media.

The positive impact is increasing the avenues available for our customers by formalising these routes through our policy.

JUDGEMENT

Set out below the implications you have found from your assessment for the relevant diversity groups. If any negative impacts can be justified please clearly explain why.

Option 1 – Screening Sufficient YES/NO

Following this initial screening our judgement is that no further action is required.

Justification:

Option 2 – Internal Action Required YES/

There is potential for adverse impact on particular groups and we have found scope to improve the proposal

(Complete the Action Plan at the end of this document)

This is an amendment to an existing policy. This Policy will be published and made available to our customers and staff. The policy intends to enable all customers regardless of protected characteristics to have the ability and the right to raise complaints/compliments/comments by any method they need or want to.

However it is recognised there is further work that could be undertaken, for example greater analysis of those complaints received which raise an equalities issue and whether there is scope for learning from them across all services.

Option 3 – Full Impact Assessment YES/NO

Monitoring and Review

Sign Off

I have noted the content of the equality impact assessment and agree the actions to mitigate the adverse impact(s) that have been identified.

Senior Officer

Signed:

Name:

Job Title:

Date:

DMT Member

Signed:

Name

Job Title:

Date:

Please forward a final signed electronic copy to the Equality Team by emailing

diversityinfo@kent.gov.uk

The original signed hard copy and electronic copy should be kept with your team for audit purposes.

Equality Impact Assessment Action Plan

Protected Characteristic	Issues identified	Action to be taken	Expected outcomes	Owner	Timescale	Cost implications
Gender Identity, Sexual orientation	Risk that staff members will be targeted on social media	Guidance for staff will cover what to do in this eventuality.	Clear guidelines on what to do if a member of staff is targeted online	Pascale Blackburn-Clarke	Alongside launch of Policy	None
All	No corporate overview in real time of complaints that raise equalities issues	Include capture of complaints raising equalities issues in new system	Equalities issues raised in complaints are flagged early and lessons learned will be applied across the organisation if appropriate	Pascale Blackburn-Clarke	Launch of system 2017	None included as part of the specification for the system
All	Gap in knowledge across the Council as to what has been done as a result of a customer raising an equalities issue.	Include new reporting line to capture what is done as a result of customer raising equalities issue	Overview of what has been done as a result of feedback received relating to equalities issues	Pascale Blackburn-Clarke	For Quarter One reporting 2016 (July) Completed	None
Disability/Race	Potential language barrier for customers	Ensure all content for customers is written in plain English and is accessible if online.	Clarity for customers in how to complain to the council	Pascale Blackburn-Clarke Service owners	Ongoing September 2016	None

Disability	Customers with Learning difficulties may find our process complicated to understand. Although an easy read version of the Social Care procedure is available, there is not one available for customers who may wish to complain about other KCC services	Explore production of easy read version of the Complaints KCC procedure	Clarity for customers in how to complain to the council about non-social care issues	Pascale Blackburn-Clarke	Following launch of system 2017	Printing materials
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By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 1st November 2017

Subject: **INTERNAL AUDIT AND COUNTER FRAUD
PROGRESS REPORT**

Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit and Counter Fraud activity for the 2017/18 financial year to date.

Recommendation: FOR ASSURANCE

Introduction

1. This report summarises:
 - The key findings from completed Internal Audit reviews
 - The key outcomes from completed counter fraud investigations including collaborative work with other local authorities
 - Progress against the 2017/18 Internal Audit Plan
 - Proposed revisions to the 2017/18 plan

Overview of Progress

2. Appendix 1 details the outcomes of Internal Audit and Counter Fraud work completed for the financial year to date. In total 18 audit reviews have been completed, including 15 substantive reviews. A further 2 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 10 audits. In relation to counter fraud work there have been 80 irregularities reported and investigated since the start of 2017/18 of which 27 have been concluded. The total value of all irregularities reported to us is £107,000.
3. In addition we are currently supporting Social Care in investigating allegations regarding a domiciliary care provider failing to deliver commissioned hours of care. A further two special investigations were commissioned in October.
4. Overall the unit has reviewed systems or activities with a combined spend of an estimated £30 million since the start of 2017/18. (Note - the above data excludes the increasing level of work we carry out for the Council's LATCo's which are reported to separate audit committees).
5. Progress against the Audit Plan for 2017/18 is broadly in line with target to achieve the Audit Plan key performance targets (KPI's) by 31st March 2018.

Implications for Governance

6. 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 together with four levels of prospects for further improvement representing a projected 'direction of travel'. Definitions are included within the attached report.
7. Although at this stage we have completed a relatively small number of audits from the 2017/18 plan, the outcomes to date have been satisfactory. In particular:
 - 47% systems or functions have been judged with a substantive assurance or better (Treasury Management has again received a high assurance)
 - A continuing pattern of general robustness of key financial systems
 - Positive assurance over the KCC imposed governance arrangements in relation to the GEN2 property LATCo
 - Positive assurance over the effective utilisation of children's centres
 - Strong evidence of improvement in reviews relating to adult safeguarding
8. Areas for development and improvement relate to:
 - Two areas (ICT Cloud Navigation and Financial Assessments) have received limited assurance. The Cloud Navigation programme displayed weak project management and testing of Financial Assessments, although showing accurate payments, identified weaknesses in relation to compliance with routines, breach of follow up dates and some uncertainty over charging policies. In both cases, management have acted swiftly to develop rectification plans
 - Continuing issues over the maintenance of local financial controls at certain remote sites and establishments (nurseries)
9. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter.
10. As such, from our coverage to date we have concluded there is continuing evidence to substantiate that the County Council has adequate and effective controls and governance processes as well as systems to deter incidences of material fraud and irregularity.

Counter Fraud Initiatives

Kent Intelligence Network (KIN)

11. As a reminder, the KIN is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration with the shared objective to detect, prevent and deter fraud and corruption. The network has been actively operating since October 2016. KCC project manages and co-ordinates the data matching.
12. Since October 2016 a number of data matches have taken place including housing waiting list data to Council Tax (CTax) single person discounts and non-domestic rate reliefs such as small businesses and charitable registrations.
13. The net impact has been the detection of savings of £292,000 to date to the general benefit of the residents of Kent.

14. Over the coming 6 months further data matches will include residential parking permits to CTax single person discounts, and non-domestic rates to Companies House data and to waste collections and licensing.
15. The KIN is in addition to KCC's direct £1.5m investment in supporting district councils in tackling Council Tax fraud and debt, which in the first year of activity has generated savings of £960,000.

Annual Review of Anti Money Laundering Policy

16. We have undertaken our annual review of the Council's Anti Money Laundering Policy and have made minor amendments to ensure there is reference to the Money Laundering , Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. No other amendments are required and as such we have not copied the full Policy into these papers. .

Revisions to the 2017/18 Audit and Counter Fraud plan

17. At this time of year it is appropriate to re-examine the 2017/18 audit plan and consider its continuing relevance to changing and emerging risks.
18. We will be consulting with Corporate Directors in the coming months, but it is evident, for example, that we should take into account the positive assurances provided from the outcomes of the recent OFSTED inspection of Children's Services.
19. As such we propose to defer our audits on Foster Care and Early Help as these were covered in the inspection. In relation to top level governance and performance reviews, we had planned to review Children Young People and Education Services in 2017/18 and Adult Social Care in 2018/19. In light of the OFSTED findings it would now seem appropriate to undertake the Adults Social Care governance review this year.
20. With the increasing number of special investigations being commissioned it is likely that a number of other audits will have to be removed from the plan and we will provide a full update to the January 2018 Committee.

Benchmarking and Good Practice

21. It is good practice to annually undertake and report upon benchmarking exercises for both internal audit and counter fraud. This has become increasingly difficult in recent years.
22. In relation to internal audit the CIPFA benchmarking club became irrelevant to us as so few County Councils were present, resulting in skewed and potentially misleading results from the data from the remaining Council's. As an alternative, the County Council Audit Network (CCAN) plans to repeat its previous benchmarking exercises and we will contribute to this later in the year.
23. We continue to make submissions to CIPFA in relation to counter fraud performance, but this is no longer benchmarked in a meaningful way.
24. In the late summer 2017 we entered the Institute of Internal Auditors (IIA) 'Audit and Risk Awards' process. As a result we are one of 6 audit teams that have

been shortlisted for the 'Outstanding Public Sector Team' award. The results will be announced on 6th November 2017.

25. Paul Rock, our Counter Fraud Manager, is currently seconded to the Cabinet Office for a one day a week to help them develop a national counter fraud profession and standards.

Recommendations

26. Members are asked to note:

- Progress and outcomes against the 2017/18 Audit Plan and the within them
- Progress and outcomes in relation to Counter Fraud activity
- Minor amendments to the Anti Money Laundering Policy references
- Proposed amendments to the audit and counter fraud plan and the further consultation with Corporate Directors

Appendices

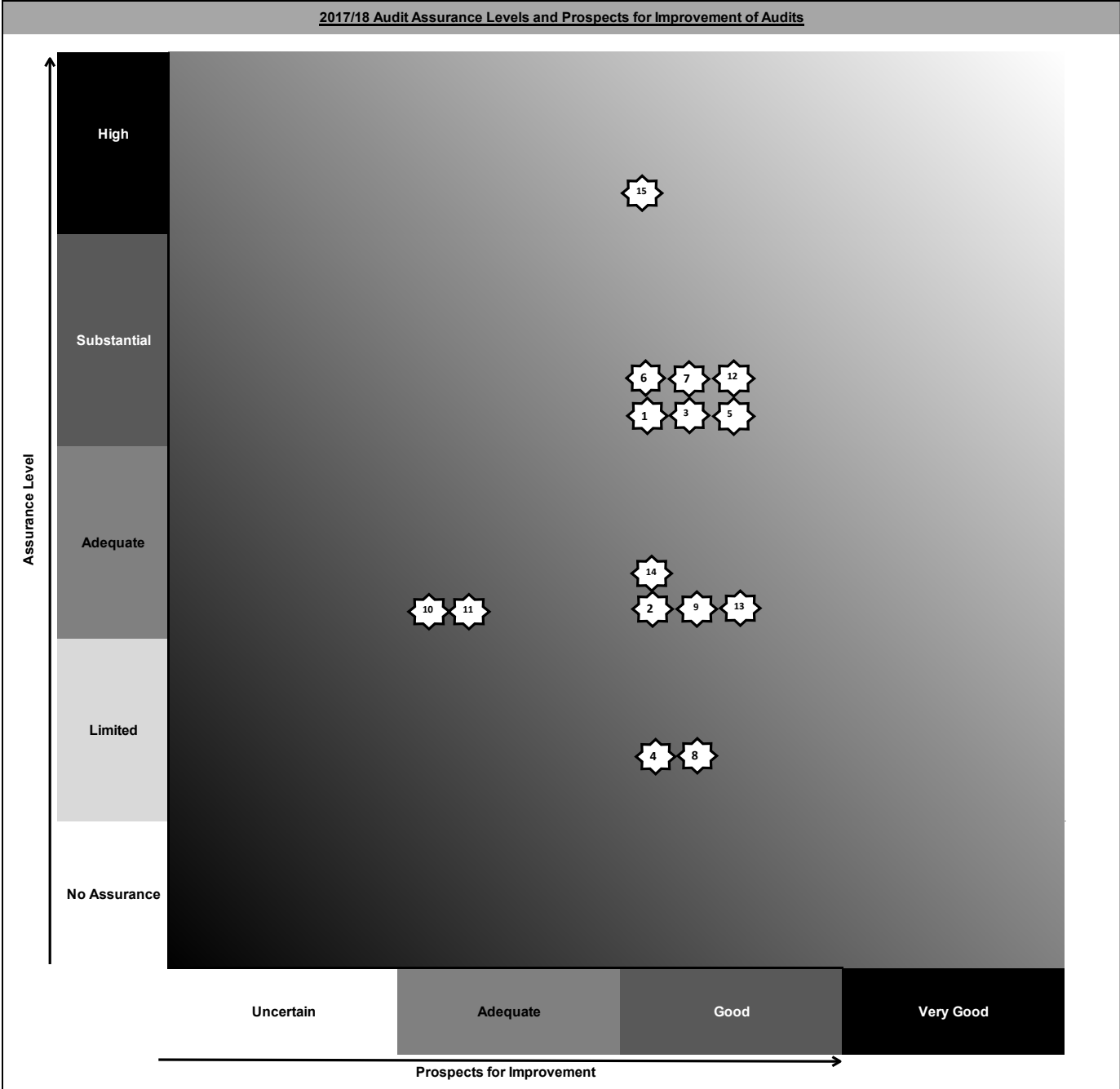
Appendix 1 - Distribution of Internal Audit Judgements 2017/18 (to date)

Appendix 2 - Internal Audit Progress Report November 2017

**Robert Patterson
Head of Internal Audit**

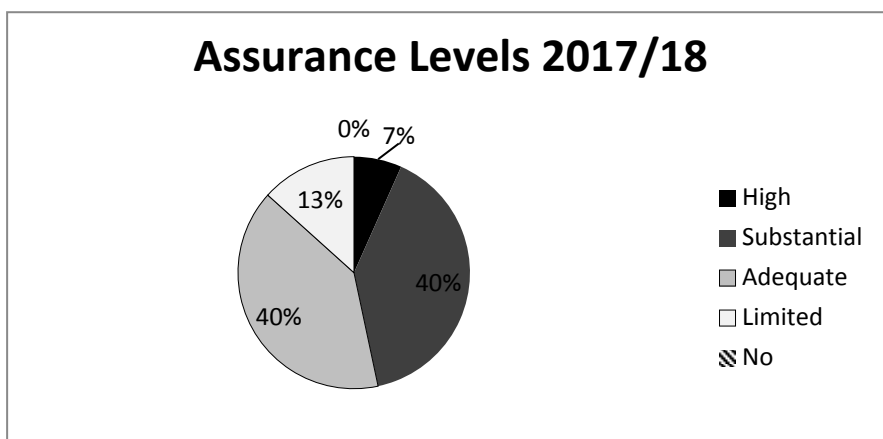
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APPENDIX 1
Distribution of Internal Audit Judgements 2017/18 (to date)



Audit Opinion October G&A Committee			
No	Audit	Judgement	Prospects for Improvement
1	Family Placement Payments	Substantial	Good
2	16-17 Staff Survey Actions	Adequate	Good
3	ICT Strategy and Governance	Substantial	Good
4	ICT – Cloud Navigation Programme	Limited	Good
5	Cashiers and Banking	Substantial	Good
6	GEN2 Governance – KCC Side	Substantial	Good
7	Children's Centres Follow Up for 2017/18	Substantial	Good
8	Financial Assessments	Limited	Good
9	No Recourse to Public Funds	Adequate	Good
10	Members Training & Induction	Adequate	Adequate
11	Programme Management and Corporate Assurance	Adequate	Adequate
12	Safeguarding Framework Follow Up - Adults	Substantial	Good
13	17-18 DOLs	Adequate	Good
14	Establishments - Nurseries	Adequate	Good
15	Treasury Management	High	Good

Assurance Level	No	%
High	1	7%
Substantial	6	40%
Adequate	6	40%
Limited	2	13%
No	0	0%





Kent County Council

Internal Audit and Counter Fraud Progress Report

November 2017

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1 Introduction and Purpose

- 1.1. This report details the cumulative internal audit and counter fraud outcomes for 2017/18 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since April 2017. It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.
- 1.2. To date we have completed 18 internal audits (including 3 establishment visits) and 27 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £30 million of KCC turnover to date.
- 1.3. A further 12 audits are currently in progress, and a further 53 counter fraud investigations remain ongoing (including a number carried forward from the previous year).
- 1.4. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide appropriate assurance against key corporate risks or significant systems.
- 1.5. Internal audit also remains involved in special investigations (including currently supporting Social Care on a domiciliary care review) and work as the appointed internal auditor to the Council's LATCO's where the outcomes are reported to separate audit committees.

2. Overview

Internal Audit and Counter Fraud

- 2.1 The covering paper to this progress report provides a graphical representation of the outcomes from the audits completed to date. In addition, to reprise our covering report, the following summary of strengths and areas for development emerge from the work to date:
- 2.2 Strengths include:
 - Nearly half of audits completed to date have resulted in a substantial outcome or better (Treasury Management has once again received the highest assurance opinion)
 - A continuing pattern of a general robustness in key financial systems
 - Positive assurance over the running and effective utilisation of children's centres
 - Evidence of improvements in areas relating to adult safeguarding

2.3 Areas for further improvement relate to :

- Two audits received 'limited assurance' outcomes. That for the project to migrate Council systems onto the Cloud, identified weak project and budgetary management. The audit of Financial Assessments, although evidencing accurate payments, identified weaknesses in relation to compliance with set routines, material breaches of follow up dates and some confusion over charging policies. In both these cases management have acted swiftly with developing rectification and recovery plans and these areas will be subject to follow up audits in due course.
- Continuing issues over the maintenance of local financial controls at certain remote sites and establishments (nurseries)

2.4 The breadth of coverage and outcomes from our work to date have provided sufficient evidence to support an interim opinion that Kent County Council continues to have:

- Adequate and effective financial and non-financial controls
- Adequate and effective governance processes
- Adequate and effective processes to deter incidences of substantive fraud and irregularity

2.5 Management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.

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3. Mapping Audit (and Counter Fraud) outcomes against corporate risks.

3.1. Appendix A provides detailed summaries on the outcomes from internal audit work completed since April 2017, but it is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the year to date.

Management of demand – Children's Services

3.2. During the year to date we have reviewed the following areas that have a theme related to management of demand for children's services:

	Assurance Level	Prospects for Improvement	Issues Raised	
No recourse to public funds	Adequate	Good	High: 0 Medium:1	All accepted

- 3.3. Our audit of 'no recourse to public funds' (NRPF) examined the controls in place to deal with such families presenting themselves to the Council. More particularly we looked at whether they are being consistently and fairly assessed in tandem with an assessment of the related verification and counter fraud controls.
- 3.4. From the cases sampled, we found that there had been adherence to best practice guidance and there was evidence of fraud awareness and referrals. However faults in the software have meant that NRPF indicators are unreliable, so it was not possible to substantiate the total NRPF numbers or spend.

Identification, planning and delivery of financial savings

- 3.5. Clearly associated with the above risk is the delivery of the Council's transformation plans (including the creation of trading companies for selected services). Our work to date comprises:

	Assurance level	Prospects for Improvement	Issues Raised	
Programme Management and Corporate Assurance	Adequate	Adequate	High: 2 Medium:4	Final draft
GEN2 Governance	Substantial	Good	High: 0 Medium:3	All accepted

- 3.6. One of the clear central controls promoting effective change is from the central programme management and corporate assurance team. We followed up from our previous audit in 2015/16. Overall we found good progress was being made on the previously agreed actions and the outcomes being delivered by the project managers overseeing selected change projects in Directorates was generally good. However the determination for the inclusion of change projects within this team is unclear and methodologies and systems underlying such change

projects were inconsistent. It was also unclear over the reporting lines relating to overarching assurance from this function.

- 3.7. The creation of viable self-governing LATCO's is also one of the key strategies of the Council to deliver increased income and / or longer term savings. We reviewed the top level governance arrangements from the client side and found them to be satisfactory. Client and contractor roles are clearly defined and appropriate Board level monitoring mechanisms have been put in place. As part of this monitoring a service improvement plan has been agreed but progress to date has been slow and needs a more targeted review.

Cyber and Information Security

- 3.8. Assurance over the integrity and reliability of the Council's information systems has been provided by audits of :

	Assurance level	Prospects for Improvement	Issues Raised	
ICT Strategy and Governance	Substantial	Good	High: 0 Medium:1	Accepted
ICT Cloud Navigation Programme	Limited	Good	High: 2 Medium:3	Accepted

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- 3.9. We provided substantial assurance on the IT strategy. The strategy reflects Council needs and priorities and is fit for purpose. It has been inclusive in its construction and is backed up by appropriate monitoring, KPI's and policies and procedures. Going forward there is scope to enhance communication over some IT priorities.
- 3.10. In contrast to the above the audit of the Council's programme to transition to Cloud based IT infrastructure was given a limited assurance opinion. In essence there were shortfalls in budgetary control, an absence of identified benefits and project plans were not in place for work streams. We will shortly be commencing a follow up on these findings (including an in depth review of a work stream) to ensure these shortfalls have all been rectified.

Safeguarding – protecting vulnerable children

- 3.11. During this period we undertook reviews of children's centres and nursery provision operated by or for the Council. The terms of reference included reviews of operations (including finance), utilisation and aspects of safeguarding. The outcomes were :

	Assurance level	Prospects for Improvement	Issues Raised	
Nurseries – themed review	Adequate	Good	28 issues raised across the 3 sites visited	All accepted
Children’s Centres follow up	Substantial	Good	High: 0 Medium:4	All accepted

- 3.12. Across the 3 nurseries audited, controls were variable. Safeguarding areas relating to security through to fire protection were good. However risk assessments were generally inadequate, training records were incomplete and we found gaps in medical audit records. Although financial losses have been reduced across these centres there were weaknesses in some financial controls. Two of the centres were also underutilised by up to 40%.
- 3.13. In contrast to the above, our review of children’s centres was more positive. The centres are well utilised when open and successfully target vulnerable families and children. There was good collaborative working with other agencies and through the community with volunteers. We followed up on financial control issues identified in the previous year and determined that rectification plans had been implemented.

Safeguarding – protecting vulnerable adults

- 3.14. During this period we have undertaken follow up on two adult safeguarding themes where in previous years we gave a ‘limited’ opinion, namely:

	Assurance Level	Prospects for Improvement	Issues Raised	
Safeguarding framework – Adults – Follow Up	Substantial	Good	High: 1 Medium:4	4/5 actions implemented
Deprivation of Liberty (DOL’s) – Follow Up	Adequate	Adequate	High: 4 Medium:1	3/4 high priority actions implemented 1 medium priority in progress

- 3.15. Both of these audits showed improvement over the intervening period since the last audit. In the case of adult safeguarding four of the five high and medium priority actions have been implemented (an alternative control has been developed for the one outstanding issue as detailed in Appendix A). We found enhanced quality assurance arrangements and that a programme of more proactive audits of cases has been developed.
- 3.16. In the case of DOL's; since our last audit a fit for purpose client database has now been developed together with new operational protocols and quality assurance arrangements. This has helped improvements in the efficiency of case processing. However our testing showed there were still inconsistencies in the administration of cases with a high percentage of cases omitting assessment dates and management authorisation.
- 3.17. In addition our audit of financial assessments (see below) determined that staff were not required to complete training on identifying safeguarding concerns on home visits including potential financial abuse.

Financial and operating environments – critical systems and functions

- 3.18. As would be expected from an internal audit function, a considerable proportion of our work is centred on reviews of core critical financial and non-financial systems. We have audited a miscellany of topics during this period with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Family Placement Payments	Substantial	Good	High: 0 Medium:1	All accepted
Financial Assessments	Limited	Good	High: 2 Medium:5	All accepted
Treasury Management	High	Good	High: 0 Medium:0	N/A
Cashiers and Banking	Substantial	Good	High: 0 Medium:2	All accepted

2016-17 Staff Survey Actions	Adequate	Good	High: 1 Medium:0	All accepted
Members Training and Induction	Adequate	Adequate	High: 1 Medium:1	All accepted

3.19. Details on all of the above are contained in Appendix A. Points of note are:

- The continuing strong assurances relating to Treasury Management
- Positive assurance over the accuracy and completeness of family placement payments made through the Council's ContrOCC system to independent foster agencies and residential placements
- Positive outcomes from transaction testing relating to cashiers and banking, but with a need to improve payment card security and documentation for direct debit rejections
- Limited assurance on the financial assessment processes currently run by the Business Service Centre with misaligned charging policies, material outstanding follow up cases, lack of adherence to DWP checking routines and inaccurate reporting of KPI's
- In relation to the 2016 staff survey the results had been effectively communicated across relevant parts of the organisation but of the 6 departments within the Council that took part in the survey, only 3 were able to evidence resultant action points and of those, only one had accountable processes to monitor progress on such actions
- Following the May 2017 elections, Members induction and training was found to be comprehensive and well received. Unfortunately incomplete records are maintained of attendance at training events so it is not possible to substantiate levels of Member participation

4. Other Audit Work including Grant Certification

4.1. We continue to independently review Troubled Families grant claims as well as certifying other grants (where required by funders) relating to Transport, Highways and EU grants. The Troubled Families certification work, which requires 10% sampling is becoming quite intensive of audit resources.

- 4.2. We continue to diversify our work by offering a proportion of our services to other public sector related or associated bodies, including
- A 'Group Audit' activity to Kent Commercial Services, Gen2, Invicta Law and to the future Education company
 - Appointed auditor to 12 Parish Councils
 - Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
 - Internal audit of Kent and Medway Fire and Rescue Service
 - Management of the audit and fraud service at Tonbridge and Malling Borough Council
 - Undertaking an independent quality assessment of the internal audit and counter fraud function of a London Borough

5. Counter Fraud and Corruption

Fraud and Irregularities

- 5.1. We have recorded 80 irregularities in 2017/18 of which 53 remain under investigation and 27 have been closed. In comparison, we recorded 84 irregularities between April and September in 2016/17 (see CF1).
- 5.2. At the point an irregularity is referred to Internal Audit we estimate the potential value. Based on the information available at the time we estimated the total value of all the irregularities reported to us to date as £107,000.
- 5.3. From the 80 irregularities reported, 55 have been from the Social Care directorate (see CF3), although the majority of these (45) relate to misuse of the Blue Badge scheme. The most common type of referral reported to the counter fraud team remains misuse of the Blue Badge (see CF2) and therefore the most common source of referrals is outside agencies (see CF4).
- 5.4. The second highest irregularity reported is categorised as "mandate fraud" which involves fraudsters posing as genuine suppliers to try and trick staff into making payments. Most recently we have seen an increase in this type of fraud affecting schools, although none of the attempts have been successful. In response, we have issued various alerts reminding schools to remain vigilant and to report any concerns to the council.

Table CF1 - Number of Irregularities Reported by Month

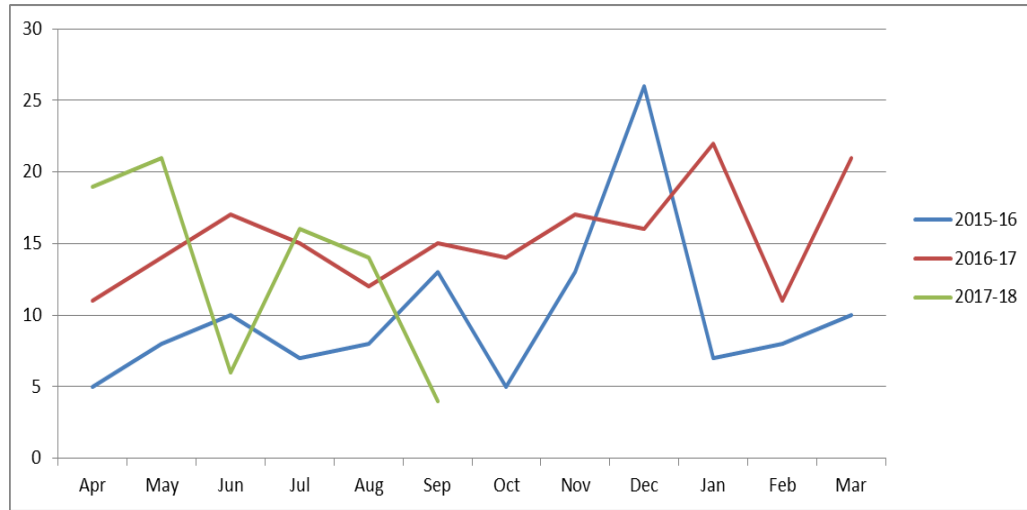


Table CF2-Irregularities by Type - 2017/18

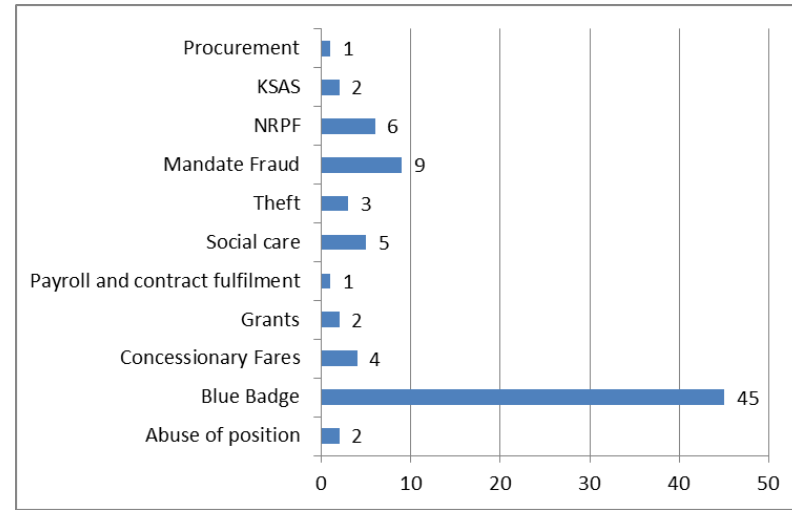


Table CF3 -Irregularities by Directorate

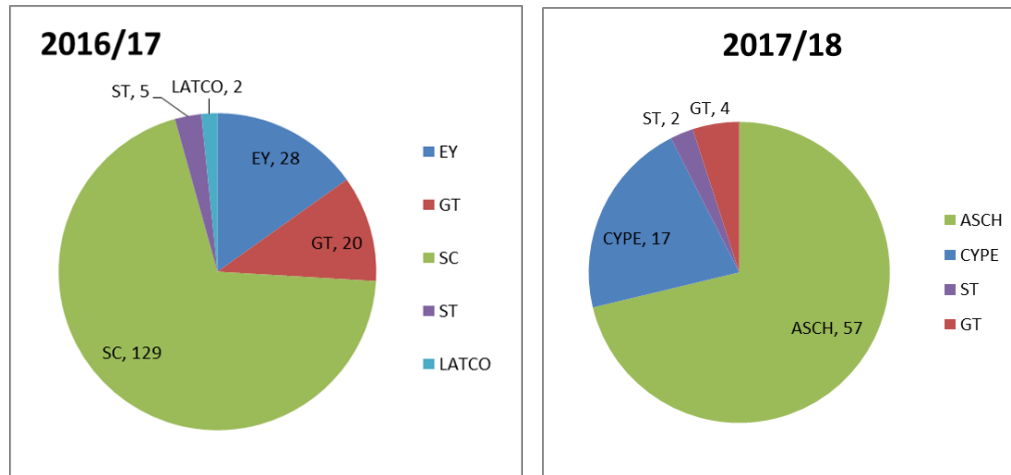
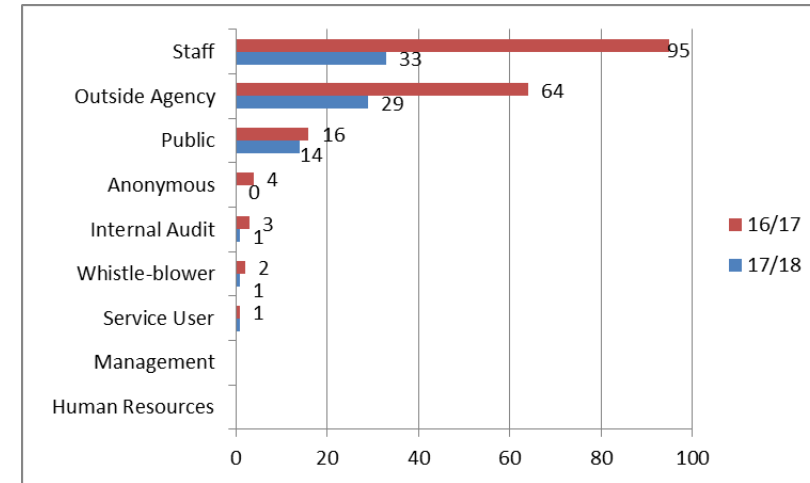


Table CF-4 Source of Irregularities



Kent Intelligence Network

- 5.5 The Kent Intelligence Network is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration with the shared objective to detect, prevent and deter fraud and corruption. The Network has been actively operating since October 2017 and of the near £500k grant received just over half has been spent or committed. Since this date, three data matches have been completed:
- Social Housing Waiting List Data (SHWL) to Council Tax Single Person Discounts (SPD)
 - Non Domestic Rates Small Business Relief (SBR) to Non-Domestic Rates (NDR)
 - Charitable Relief to the register of current charities maintained by the Charity Commission
- 5.6 The SPD/SHWL data match aimed to identify those individuals that were claiming a single person discount while applying for social housing jointly with another adult, indicating that one of the applications may be incorrect and potentially fraudulent.
- 5.7 The NDR match allowed us to identify businesses that were potentially claiming small business rate relief fraudulently. By matching businesses claiming small business rate relief discount against all business rate data from multiple districts, we were able to see if the businesses were operating from different sites as they are normally only eligible to claim this discount if they are occupying a single property.
- 5.8 The third match compared the register of charities obtained from the Charities Commission against NDR data of businesses claiming charitable relief on their business rates. This match allowed us to check that only appropriate charitable organisations were claiming charitable relief.
- 5.9 The collaboration between the Kent authorities through the Kent Intelligence Network has achieved savings of £292,000 to the general benefit of communities across the County.
- 5.10 Over the coming six months the following data matches are planned:
- Residential Parking Permits to Council Tax Single Person Discounts
 - Non Domestic Rates to the register of companies maintained by Companies House
 - Non Domestic Rates to waste collections and licensing.
- 5.11 Our successes have been primarily measured through financial savings (outlined above). If the KIN continues to be successful we have had a clear commitment from the members of the KIN to continue to fund the project once the remaining grant funds are exhausted.

5.12 The KIN are currently undertaking a review of counter fraud capability across Kent and intend to fund training to fill any gaps in knowledge skills and experience.

Annual Review of Anti Money Laundering and Bribery Act Policies

5.13 As part of our protocols we undertake annual reviews of the Council’s Anti Money Laundering and Bribery Act policies. At the July meeting we presented both policies with minor revisions. The Committee agreed the Bribery Act Policy amendments but asked for a further review of the Anti-Money Laundering Policy in light of the revised regulations that came into force on the 26th June 2017. We have completed this review and made a further minor revision so that the correct regulations are referenced, but no further changes were required or needed.

6 Internal Audit and Counter Fraud Performance Performance against our targets to the end of September 2017 are shown below:

Performance Indicator	Target	Actual
Outputs		
100% of Priority 1 audits completed (by year end)	34%	23%
20% of Priority 2 audits completed	7%	5%
Time from start of fieldwork to draft report to be no more than 40 days	100%	56%
No of fraudulent incidents / irregularities recorded	N/A	80
Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	Report due January 2018
% of all other issues agreed	N/A	100%
% of all other issues implemented	N/A	Report due January 2018
Client satisfaction	90%	97%
Total Number of occasions in which		

Performance Indicator	Target	Actual
a) Fraud and b) irregularity were identified	n/a n/a	24 4
Total monetary value detected of (a) Fraud (b) Irregularity		£12,150 £0
Total monetary value recovered of (a) Fraud (b) Irregularity		£0 £0

- 6.2 In general the output outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2017/18. In view of the level of special investigations and audits being commissioned it is likely that a number of Priority 1 audits will have to be reduced during the plan revision. (See Section 8).

7 Internal Audit and Counter Fraud Resources

- 7.1 We have no current issues with audit and counter fraud resources and staff turnover is currently low. The standard of accommodation which staff work in is unsatisfactory and of concern.

8 Work in progress and future planned coverage

- 8.1 Appendix B updates progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our coverage. For the next quarter of the year we have a number of substantive audits to complete including:

Learning lessons from LATCO's	KCC Payroll
Capacity building and knowledge transfer in change programmes	ICT Cloud navigator programme – follow up and 'deep dive'
Young Carers Contract Management	Children's Direct Payments
School's themed review	Data Protection

- 8.2 As detailed in the covering report, we are currently consulting with Corporate Directors over the progression and updating of the 2017/18 plan to ensure it remains relevant to the risks facing the Council. For example, it is not unreasonable that the positive outcome and assurances received from OFSTED should impact on our children's services coverage for the remainder of the year.
- 8.3 We will also be reviewing coverage in light of the increased volume of special investigations and additional audits being commissioned.

9 In Conclusion

- 9.1 We are satisfied that over the past 6 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.
- 9.2 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 9.3 We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Appendix A – Summary of individual 2017/18 Internal Audits issued

No Recourse to Public Funds		Areas for Development																	
Audit Opinion	Adequate	<ul style="list-style-type: none"> The NRPF Policy would benefit from including further information regarding referring potential suspicious NRPF cases to the Counter Fraud Team. Following audit testing 1:4 cases tested have been referred to the Counter Fraud Team. Fraud awareness in relation to NRPF should be raised throughout the service. Cases are not routinely re-assessed by the Access to Resource Panel every 12-weeks contrary to the NRPF Policy and national best practice guidance. Not all financial spend was allocated to the NRPF cost code and in addition could not be traced due to the weak narratives recorded within Oracle. 																	
Prospects for Improvement	Good	<p>Prospects for Improvement have been assessed as Good because of the following factors:</p> <ul style="list-style-type: none"> The process has evolved and continues to do so as the service become more familiar with cases and best practices. There has been good engagement with London boroughs on sharing good practice. The service has indicated a willingness to further improve processes. 																	
<p>This audit sought to assess the adequacy of the processes in place for persons presenting themselves as NRPF and to ensure cases were being consistently and fairly assessed, with suspected cases of fraud being appropriately referred to the Counter Fraud Team.</p> <p>It proved difficult to validate in Liberi the definitive number of families that KCC is currently funding, as Liberi only permits the available indicator to be populated at the referral stage, and the case worker is unlikely to have confirmed NRPF status at this point. The NRPF Connect system records 16 families being supported, however, we were unable to reconcile these records with the information from Liberi.</p> <p>We cannot confirm the total spend for NRPF as not all spend was allocated to the dedicated cost code, however a report from Oracle shows £365,000 since 1st April 2016.</p> <p>Key Strengths</p> <ul style="list-style-type: none"> The KCC NRPF Policy is aligned to national best practice guidance. The majority of cases had been appropriately assessed in line with guidance. There was evidence of regular case supervision to ensure families continued to remain eligible for support. Training workshops have been provided by KCC regarding NRPF cases. There was evidence that some cases of suspected fraud had been reported to the Counter Fraud Team. 		<p>Summary of Management Responses</p> <table border="1"> <thead> <tr> <th></th> <th>Number of issues raised</th> <th>Management Action Plan developed</th> <th>Risk accepted and no action proposed</th> </tr> </thead> <tbody> <tr> <td>High Risk</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium Risk</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td>Low Risk</td> <td>6</td> <td>6</td> <td>0</td> </tr> </tbody> </table>			Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed	High Risk	0	0	0	Medium Risk	1	1	0	Low Risk	6	6	0
	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed																
High Risk	0	0	0																
Medium Risk	1	1	0																
Low Risk	6	6	0																

Audit Opinion	Adequate
Prospects for Improvement	Adequate

There is a clear positive direction of travel since the 2015/16 audit, with good progress being made on the majority of agreed management action plans. Overall the outcomes from the team and Project Managers are positive. In particular, Portfolio Delivery Managers (PDMs) provide expertise and overview of directorate programmes and a good level of support and guidance is provided to Project Managers.

However, weaknesses were identified in a number of areas, and as a result none of the six issues have been fully addressed.

Key Strengths

- A variety of e-learning courses have been made available. Once e-learning has been completed, candidates are invited to sit an examination providing a formal qualification.
- Events are run via the PPM Network on a bi-monthly basis.
- Portfolio Delivery Managers provide expertise and support for Project Managers.
- Advice and guidance provided by Corporate Assurance was of a consistent high standard with staff appreciating the support provided.
- Corporate Assurance has recently introduced the Delivery Environment and Complexity Analytic (DECA) approach.
- ‘Project on a Page’ provides a good snapshot of the status of a project.
- Lessons Learned are included as a tab on the Corporate Assurance SharePoint site. Project closure reports are stored here for reference.
- The Project Proposal template encourages Project Managers to set out what the project wants to achieve.
- Templates in the toolkit enable Project Managers to tailor the completion of documentation in accordance with the size and nature of the project.

Areas for Improvement

- Early ‘informal’ assurance has been given on several projects by Corporate Assurance; a formal assurance opinion is not provided.
- Significant improvement is required in the recording and monitoring of budgets including the impact if a project/programme is delivered late.
- Inclusion of projects within some of the portfolios is unclear, resulting in some being omitted and some being included in their later stages.
- There were distinct disparities between the approach to the monitoring and control of projects across the portfolios.
- It was apparent that there is still some confusion between the role of the PDMs and the role of Corporate Assurance.
- There is inconsistent storage of project document on SharePoint.
- A review of the associated payback period is not routinely performed after the completion of the project.
- Inconsistencies were found in the quality of project documentation.

Prospects for Improvement

- Corporate Assurance have recently introduced the Delivery Environment and Complexity Analytic approach to which provides a grading system identifying which programmes should be subject to review.
- Lack of availability of experienced Project Managers across the Council.
- Whilst significant progress has been made, none of the issues raised in the 2015/16 audit have been fully implemented. There is however, a clear direction of travel indicating that performance is improving.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2		
Medium Risk	4		
Low Risk	0		

Client & Provider Relationship Management – GEN2

Audit Opinion	Substantial
Prospects for Improvement	Good

The audit confirmed that the governance arrangements are set out within the Service Contract between the Council and GEN² and that this includes the roles of both the client and provider. We noted that the Commissioner sits on the Shareholder Board as a property expert which could present a conflict of interest. However this risk is recognised and mitigating action taken to declare any potential conflicts. We found that there are appropriate reporting lines and monitoring mechanisms to provide assurance that the provider is delivering in line with the commissioner's requirements. There are also processes in place to ensure that the relationship between the client and provider is managed.

However there is no document which clearly sets out the reporting routes and information flows between the relevant boards. In addition the Key Performance Indicators (KPIs) are being amended to ensure that they are meaningful and can be used to more effectively measure and manage performance going forward.

Key Strengths

- There is a five year Service Contract in place which defines the roles of KCC and GEN².
- Appropriate monitoring and reporting mechanisms have been set up, such as the Service Delivery Board, Property Board and Shareholder Board.
- A collaboration workshop has taken place to improve the working relationship between KCC and GEN² and future work around this is planned (see also Areas for Development below).
- There is an effective process to monitor issues and activities.
- Staff showed good risk awareness. Risks appear to be effectively managed with mitigating actions identified and monitored.

Areas for Improvement

- There is no document to show the reporting mechanisms and the information flow between the various property boards.
- The 2017/18 GEN² Annual Delivery Plan has not yet been finalised and work is ongoing to update the KPIs to ensure that they are meaningful.
- Although a Service Improvement Plan has been agreed between KCC and GEN², progress to date has been slow and requires further monitoring.
- As the GEN² contract has been in place over a year, a maturity project or lessons learned review should be completed.

Prospects for Improvement have been assessed as Good because of the following factors:

- KCC management are engaging at all levels with GEN² in order to address performance shortfalls and ensure adequate delivery of services.
- Management have been receptive to the issues raised within this audit report.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	1	1	0

Audit Opinion	Substantial
Prospects for Improvement	Good

The Head of Technology Strategy and Commissioning has produced an IT Strategy that reflects Council priorities and needs and is fit for purpose. All directorates were consulted on the draft strategy and informed of the final agreed strategy.

Going forward there may be scope to improve communication of directorate IT priorities and needs and to use this to enhance existing corporate policies in the future, although this does not adversely impact on the current IT Strategy.

Key Strengths

- The Council has a defined organisational structure in place to support the key themes identified in the IT Strategy.
- The IT Strategy explains the links to the Council’s overall vision, objectives and business priorities.
- The ICT Strategy is being measured through the ICT Programme Board and Business Capability Portfolio Board.
- Roles and responsibilities within IT have been defined, and all staff have job descriptions defining their roles.
- The Council has appropriate policies and processes covering the range of activities under the remit of ICT. The policies, policy owners and date of last version are logged and tracked to ensure they are reviewed and updated.
- Staff across all Directorates were consulted on the ICT Strategy and the strategy was communicated following approval.
- ICT performance measures and metrics are in place and there are robust mechanisms for reporting ICT performance through Corporate KPIs.

Areas for Development

- Some ICT policies and procedures are scheduled to be updated to reflect changes in policy and responsibilities.
- The ICT Strategic Board (a sub group of the Strategic Commissioning Board) has not yet been convened. This Board will prioritise ICT programmes and projects to ensure outcomes and benefits are clearly specified and business cases are consistent with strategic goals.
- Business Service Centre ICT performance measures are not all being measured and reported (but we note that Corporate ICT KPIs are reported).

Prospects for Improvement

- Management has been receptive to the observations made.
- The ICT team have already identified and planned updates to policies to ensure they remain appropriate.
- Whilst the ICT Strategic Board has not yet been constituted, Terms of Reference have been prepared which include oversight of effective delivery of the ICT vision and strategy.
- The Head of Technology Strategy and Commissioning is already planning a further review of the performance measures and indicators in the BSC (ICT) Specification.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	2	2	0

Programme Governance – Cloud Navigator (Interim Review)

Audit Opinion	Limited
Prospects for Improvement	Good

The Cloud Navigator Programme was officially signed off on 20th February 2017; however, there remain a number of key governance processes that are yet to be formally established. This is partly due to a change in Programme Manager - the current Programme Manager is in the position of having to address concerns and formalise controls that should have been implemented before the project began or at least at its outset.

It is noted that improvements have been made in recent weeks with steps taken towards implementing a more structured set of processes around the governance of the Programme. Whereas initially there were concerns the Council was being led by Microsoft, and potentially putting themselves in a position they were not ready for; the new Programme Manager has sought to establish new working practices, including a period of reflection following Microsoft's initial review.

Key Strengths

- There is constant and regular contact between Microsoft and the Council to ensure a consistent approach to the Programme.
- Recent recruitment by the Council has provided a more suitable and stable management of the Programme and filled resource needs.
- Despite Project Plans yet to be implemented, Run Books have been developed to ensure all staff are mindful of tasks, outcomes and the progress of the work being undertaken with daily meetings to maintain this awareness.
- Change and Risk, Assumption, Issues and Dependencies (RAID) meetings have been established. Coupled with the ICT Programme Governance Board and the Weekly Status Updates, this should provide good oversight of the Programme as it progresses.

Areas for Development

- There is no process in place to record and monitor budgets regarding the Council's internal costs, with no budget drawn up and no resource costs identified.
- The expected benefits of the Programme are yet to be identified and recorded. They have been discussed but are not yet formalised.
- Project Plans are not in place for the work streams that are in progress or due to start.
- The previous Programme Manager established a Decision and Escalation document. However, given the new processes being put in place, this no longer reflects the nature of the Programme and requires updating.
- A number of oversight boards and groups have been proposed; however, a KCC-focused Cloud Navigator Programme Board is yet to be convened despite being a number of months into the Programme.

Prospects for Improvement

- The teams in PROW and KHT are receptive to feedback and have demonstrated continued process improvement in matching schemes to reduced resources.
- Management recognise the need to improve risk assessment and the allocation of resources within and between asset groups. There is now a commitment to tackle this issue.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	3	3	0
Low Risk	0	0	0

Audit Opinion	Adequate
Prospects for Improvement	Good

Internal Audit undertook a series of establishment visits to Work Place Nurseries as part of the agreed 2017/18 annual Audit Plan. The following Nurseries were reviewed:

Establishment	Assurance Level
White Oaks Nursery	Adequate
Discovery Nursery	Adequate
Smarties Nursery	Adequate

Across the three Nurseries 28 recommendations were raised, of which 4 (14%) were high priority and as a result we have some concerns over the operation of a number of critical controls across the three nurseries. We have raised one additional central issue (Medium Risk) to align the priorities of the service with the admission policy of the centres.

Key Strengths

- Building Security at all Nurseries is well managed to safeguard users
- Fire alarm drills and tests are completed regularly.
- Expenditure approval was in line with KCC’s scheme of delegation
- Cleanliness at the nurseries was good
- DBS checks for staff are up to date
- Significant reduction in losses since 2015/16
- Good or above Ofsted ratings providing assurance over the standards of childcare and safety

Areas for Development

- There are a number of weaknesses in financial control across all three Centres, particularly relating to evidencing that deliveries had been checked for quality and quantity; maintaining complete and accurate asset registers and regularly banking cash.
- We identified instances of missing or inadequate risk assessments.
- There were instances where staff training records were not maintained and we found gaps in some mandatory and essential training.
- Staff working hours and TOIL records were in place, however a number of staff had exceed the recommended 21 hours limit of flexi-time.
- The administration of medication was not being evidenced on the Medical Audit Records (MARs).

Prospects for Improvement

- Nursery Managers have accepted to the issues raised in their individual audit reports and have either implemented actions immediately or developed appropriate action plans to address them.
- Senior Management have responded positively to the central issue raised in this report and there is relevant oversight to monitor resolution of the issues identified across the three nurseries.
- The Improvement and Standards Team are supporting the individual nurseries in increasing revenue and controlling costs. They are forecast to be cost neutral to KCC for 2017/18.

Summary of Management Responses – Additional Central Issues

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
Medium Risk	1	1	0

Audit Opinion	Substantial
Prospects for Improvement	Good

Our audit identified many strengths; there was evidence of positive and targeted engagement with vulnerable families and Children's Centres as a whole are well utilised for the times they are open. There were also many excellent examples of partnership working with other agencies and cost effective working, with good use of volunteers and staff skills.

Recommendations made to individual centres that we visited in 2015/16 had largely been implemented.

Key Strengths

- Governance arrangements are sound, with District Advisory Boards overseeing Children's Centres action planning and monitoring.
- Children's Centres are engaging effectively with a variety of partners from other sectors and partnership working is a real strength.
- All staff interviewed were able to provide examples of how their work had contributed towards good outcomes for vulnerable families; they were evidently committed to their job.
- There is a large amount of data available and this is used to evaluate performance and identify areas for development.
- Children's Centres were making good use of staff resources and volunteers.
- Children's Centres were managing expenditure well; the majority of activities were seemingly delivered at low cost.
- Robust process for commissioning internal and external services.
- Children's Centres appear well utilised when open but due to the ratio of staff to buildings, there are some Centres where no activities are scheduled for some parts of the week.

Areas for Improvement

- Children's Centre targets tend to be output, rather than outcome focused, as there is an over reliance on the data packs to set these.
- In our opinion, there are some underlying quality issues with the data used to inform the targets set.
- These data quality issues also mean that value for money in terms of cost per child reached is difficult to calculate reliably.
- There were some inconsistencies with the commissioned Children's Centres.

Prospects for Improvement have been assessed as Good because of the following factors:

- We visited two centres that had been audited last year as part of our establishment programme and found that significant progress had been made and that the majority of recommendations had been implemented.
- A review is currently being undertaken to ascertain whether the current model of internal and commissioned centres is the most cost-effective.
- The underlying data issues make meaningful comparisons and benchmarking to aid improvement difficult.
- The Quality Assurance framework is seen as a valuable learning tool.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	5	4 (1 Partial)	1 Partial
Low Risk	2	2	0

Safeguarding Framework Follow-Up - Adults

Audit Opinion	Substantial
Prospects for Improvement	Good

Internal Audit carried out a review of Safeguarding Adults - Quality Assurance Framework as part of the agreed 2015/16 Annual Audit Plan. The final report was issued in June 2016 and the opinion arising from the audit was 'Limited' assurance. This was largely due to quality assurance arrangements in the SAT not being as effective as they could be. In particular, levels of practice audits had declined such that only one locality was completed for 2015/16. As a result of this, and as per our standard follow-up procedures, we carried out a follow-up audit which focused on implementation of management actions in response to the issues raised.

Our follow-up work highlighted that there has been significant progress since our original audit. Two management actions remain either not implemented or partially implemented:

Quality Assurance Arrangements: A rolling programme of six monthly audits across all client categories and Central Duty Team – After the first audit, directors were of the view that it is too soon for the external auditor to undertake another audit programme in 6 months, especially since all of social care including the Adult Safeguarding Unit and operational teams are all undergoing Transformation Phase 3 and there are consequently constraints on staffing resources. Agreement has already been sought with the external auditor, for the next independent audit, but it is not possible to determine the dates until Transformation Phase 3 is completed at the end of October 2017.

Complex and Near Miss Cases: A near miss procedure/guidance has not been implemented - Following a considerable consultation and joint working, it was agreed at DiVMT that using this term is not helpful and therefore issuing guidance on this can be confusing. The consultation concluded that it was more helpful to be clear about alternative processes which are in place to manage these situations. In establishing clear criteria of risk panels and making sure that all staff are aware of the relevant processes and procedures, the relevant risks which were highlighted in the internal audit can be minimised.

Our overall opinion of Good for Prospects for Improvement is based on the following factors:

Most planned management actions have been implemented and the high level priority issue has been substantially addressed. For one medium priority level management action the team are looking at addressing the issue in another way.

Issue	Priority Level	Conclusion from Testing
Quality Assurance Arrangements	High	Implemented
Completed Practice Audits	Medium	Implemented
Policies and Procedures	Medium	Implemented
Complex and Near Miss Cases	Medium	Not Implemented
Reporting Progress on Improvement Plans	Medium	Implemented
Attendance at OPPD DivMT	Low	Implemented
Policy Protocol and Practice Group	Low	Implemented

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Internal Audit carried out a review of Deprivation of Liberty Safeguards (DoLS) with the final ‘Limited’ assurance report being issued in June 2016. This was largely due to significant weaknesses identified around data quality, stability of the Excel spreadsheet database and compliance risks to the Authority. This was further exacerbated due to the increasing demand for the DoLS service coupled with the reduction in funding with a resulting in a back log of cases.

Our follow-up work highlighted that there has been significant progress since our original audit. In particular:

- The client database is now stored and retained in a fit for purpose system contained in the Adult Integrated System (AIS).
- AIS operational guidance has been updated to reflect the new processes set out in the DoLS system.
- Quality assurance arrangements have been implemented and the number of errors has significantly dropped.

We tested a new sample of client applications and identified a common inconsistency of admin practice involving case trackers. Although the electronic files did have evidence available for the DoLS process, the case trackers were not routinely updated to include the dates when each stage was actioned.

When funding ceased from the Department of Health, the DMT decided to focus resources on prioritised applications. All outstanding applications are categorised according to the individual Managing Authorities (care homes and hospitals) who were contacted to ascertain whether there is still a need to assess the person. By doing this regular exercise, approximately 30% of non-prioritised cases could be closed without further action, as the person has died/moved/regained capacity.

The back log of applications from 2014-15 to the end of March 2017 has reduced due to additional funding and revised work processes. In September 2016 the average waiting time for a BIA assessment (from application to completion) was between 8-10 weeks. In June 2017 was reported an increase of 16 weeks. With additional funding used on commissioning assessments this has now been reduced down to 6 weeks.

This has had a positive impact on the DoLS service received by the client.

Prospects for improvement

Prospects for improvement are considered to be adequate, based on the following factors:

- The change over from an excel database to a fit for purpose database has decreased many of the errors identified from the original audit.
- Quality assurance arrangements are in place and are being used effectively and appropriately which are directly impacting in the reduction of errors.
- There are still some issues regarding incompleteness of case trackers on client files.
- All operational manuals and guidance are up to date and reflect current processes.

Summary of progress made with agreed management actions:

Issue	Priority Level	Conclusion from testing
Stability of Excel Spreadsheet	High	Implemented
Data Quality	High	Implemented
Inconsistent Admin Practices	High	Outstanding
Breach of Data Protection Act	High	Implemented
Risk Management	Medium	In Progress

Family Placement Payments

Audit Opinion	Substantial
Prospects for Improvement	Good

We found that in general, placement costs were loaded accurately with the relevant discounts being applied to the cost where appropriate. We identified one exception which resulted in an overpayment of £594.24 due to the placement costs having to be re-loaded. An additional review has taken place to ensure that all discounts have been reloaded in relation to deleted cost lines this has resulted in no further overpayments being identified.

Access to ContrOCC is appropriately managed. The Access to Resources Team (ART) have access to both the Liberi and ContrOCC systems so that they can set up placements and costs in both system, however there is separation of duties in place for authorising of payments and budget monitoring.

A provider portal has been set up to communicate with providers and send contracts, invoices and credit notes between ART and the providers.

Key Strengths

- Placements costs are matched against the agreed contract price prior to being loaded on to the system.
- An exception report for possible duplicate invoices is in place, along with reconciliation between ContrOCC and Oracle.
- Overpayments have been significantly reduced with the interface between Liberi and ContrOCC, the automated collection of overpayments from on-going payments also reduces the administration burden of this process.
- Evidence of providers agreeing contract is now more robust through the provider portal.

- There was evidence of appropriate authorisation by Assistant Directors and Service Managers.
- Customer feedback from providers has had a positive impact on KCCs reputation due to improved efficiency.
- Run records are in place to support the decision making process

Areas for Development

- Consider the need to enter an 18th birthday suspension on all placements, where the child is under 16.
- There is currently no clear process for adding and removing of access to the provider portal. We found a large number of accounts which are not in use.

Prospects for improvement

- Management actions from the previous audit have been fully implemented.
- Management are sufficiently engaged and willing to address the areas for development.
- Lessons learnt have been identified. The ContrOCC project is concluded, and the lessons learned have been shared, through the Children's System Board, with the Lifespan Project (DCS)

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	1	1	0

Financial Assessment Process

Audit Opinion	Limited
Prospects for Improvement	Good

Since our previous audit the Financial Assessment team, which forms part of the Business Service Centre, has seen a reduction in staffing levels linked to a reduction in the number of assessments and home visits. The service has introduced a Customer Relationship Management (CRM) System and document storage system (IDox) to support its processes in tracking and monitoring workloads

Key Strengths

- Detailed procedures have been developed on the way financial assessments should be conducted.
- Testing showed Financial Assessment Forms are being fully completed by assessment officers and issued to clients.
- General accuracy of financial assessment
- Retention of supporting evidence to support financial assessments.
- Imbedded quality assurance process to identify assessment errors and staff training needs.
- Tracking and progression of complex cases with the involvement of suitably experienced staff.
- All team members were fully up to date with mandatory training on DPA, Information governance and Prevent.
- Good use of the TCP process to identify individual training needs.

Areas for development

- There were issues in correctly applying and clearing tasks in the CRM system.
- There is a misalignment between the charging policy (which states DoH minimum income levels apply) and the way a client's Protected Income Level is calculated (using a more generous KCC formula agreed in 2003).

- We found a material number of outstanding cases exceeding follow up dates, impacting on progressing.
- Financial Assessments staff are not required to complete training on identifying safeguarding concerns (in particular financial abuse), financial irregularities & fraud.
- Incorrect use of the 'Go live date' is impacting on the accuracy of KPI reporting.
- Only 1 of 5 CIS test check records had full compliance with DWP checking requirements.
- Failures were detected in progressing or updating of the prominent age report.

Prospects for Improvement

- Adult Social Care is evaluating a replacement for SWIFT to automate some of its current manual process.
- Good progress has been made with addressing the issues raised in this audit with a number of management actions already completed, as well as addressing the issues raised in our previous audit of Financial Assessments.
- Management has fully cooperated with all requests during the audit process and have used the audit as an opportunity to develop and improve their processes.
- Close monitoring of performance by KCC client side.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	5	5	0
Low Risk	4	4	0

Treasury Management

Audit Opinion	High
Prospects for Improvement	Good

The Treasury Management Team has appropriate controls in place to manage the liquidity risk to the Council and make informed investment decisions based on information provided by the Council's Treasury advisors, Arlingclose. Sample testing found that all treasury transactions were authorised in line with delegated authority limits and that there is a robust mechanism for monitoring cash balances. The Treasury Management Strategy is comprehensive and has been updated to reflect current economic and global risks and there is regular reporting to Cabinet and the Governance & Audit Committee.

Key Strengths

- All investments tested in our sample were within the agreed Counterparty limits at the time of the dealing and had been appropriately approved.
- The majority of procedures are up date, comprehensive and have been appropriately approved, including the Treasury Strategy, Counterparty lists and Schemes of Delegation.
- All interest payments in our sample were paid on time and in line with the loan schedule agreement of terms.
- The daily cash flow position is based on actual cash balances, with daily schedules prepared and appropriately authorised.
- Staff access to systems and associated spreadsheets is appropriate, including the individual user privileges granted on the Nat West Bankline system, with enquiry only access arranged where appropriate.
- Reporting of Treasury Management activity to Members is sufficient and in line with Financial Regulations.

- A Treasury Management Advisory Group has been set up, Members are provided with weekly reports on current treasury deposits and investments.
- Prudential Indicators are monitored with quarterly updates reported to Cabinet.

Areas for Improvement

- The Treasury Operations Manual needs to be updated to reflect current investment arrangements.

Prospects for Improvement have been assessed as Good because of the following factors:

- The processes operated by the Treasury Management team are predominantly paper based, but are robustly controlled and well embedded.
- All staff interviewed during the audit were knowledgeable and responsive.
- As a result of an objection raised by a member of the public, documentation in relation to the use of LOBO loans is currently being reviewed by Grant Thornton. We are happy that this is an adequate response and that the Corporate Director is appropriately engaged.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	0	0	0
Low Risk	1	1	0

Cashiers and Bank Income

Audit Opinion	Substantial
Prospects for Improvement	Good

Income receipting, recording from the various sources and the subsequent reconciliation between the bank account and the financial systems was found to be accurate and adequately controlled. Improvements in procedure documentation, Payment Card machine security, compliance with the Payment Card Industry Data Security Standard (PCI DSS) and the documentation for Direct Debit payment claim rejections have been highlighted

Key Strengths

- All the transactions sample tested during the audit were accurately processed, recorded and reconciled for all types of income available.
- An expansion of the Direct Debit system to cover other sources of income with the associated improvement in income collection processes.
- Time critical processes were managed effectively.
- The records and information concerning the administration of income was available and accurate.

Areas for Development

- The passwords/ PIN numbers for card machines used to take credit and debit card payments are not being changed frequently.
- The retention of Personal Account Number (PAN - the unique 16 digit card number) for card payments may not comply with PCI DSS requirements.
- Direct Debit rejections are not always fully recorded on the documentation for Direct Debit submissions.
- Some review dates on the procedure note index have not been completed.

Prospects for Improvement

- The use of online payment procedures are being developed for implementation in 2017/2018; and
- There are plans to circulate information to all Directorates on the need to properly reference income sources (including information on KNET) to reduce the number of unidentified payments which are time consuming to investigate and allocate.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	2	2	0
Low Risk	2	2	0

Staff Survey

Audit Opinion	Adequate
Prospects for Improvement	Good

The results of the EVP survey are clearly communicated to the relevant Directors and Heads of Service. CMT and DMT's have given the results of the survey an appropriate level of management attention with comparisons made to the previous year and identification of areas for improvement. Although the services which undertook the EVP in 2016 have identified some action points, this has not been evidenced through formal action plans to address short, medium or long term goals with timescales and the allocation of responsibility for taking the actions forward. As a result, it was also not possible for us to evaluate the progress being made with these action points.

Strengths

- Results from the EVP Staff Survey were fed back and explained to the CMT and the DMT of all services that took part.
- The results from the 2016 EVP have been communicated effectively to all levels of management and staff in the services which took part, being discussed at relevant team meetings or away days (evidenced by meeting notes and agendas).
- As a result of the EVP, action points have been identified to address areas of concern, although these are informal (see Areas for Development below).
- Since the release of the EVP feedback there have been a number of initiatives undertaken to develop and share ideas to improve

the employment deal, such as a culture group, staff workshops and a virtual collaboration tool.

Areas for Development

- Out of the 6 areas which undertook the EVP survey in 2016, only 3 were able to evidence action points being drawn up and only one had a monitoring process for their plan with work allocated to appropriate officers.

Prospects for Improvement

- The issue raised within this audit have been positively received and management have used the audit as an opportunity to develop and improve their processes.
- There is a continuous drive to improve and enhance staff engagement and the employment deal. During the audit a number of new initiatives were identified as being in development.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	0
Medium Risk	0	0	0
Low Risk	0	0	0

Members' Induction and Training

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The induction and training offering for Members is comprehensive and well communicated with oversight delegated to the cross party Member Development Steering Group. Our main concerns are that none of the available training is deemed mandatory and no records have been kept of attendance. It is clearly good practice for Members to be fully conversant in essential training, especially in KCC when so many key decisions are Member led.

Key Strengths

- Excellent feedback has been received from Members on the support provided by the Democratic Services Manager.
- The Member's training offering was refreshed for the May 2017 elections and approved by the Member Development Steering Group.
- There was a timetable of activity scheduled for the period immediately following the local election, with evolving plans in place for the remainder of the year.
- The training offering to all Members is comprehensive and doesn't differentiate between re-elected Members or new Members. There is a range of training available including various briefings, 121 meetings, e-learning and a plethora of information on a dedicated Members page within KNet.
- The majority of Member's have attended a 121 personal development meeting with the Democratic Services Manager.
- Democratic Services demonstrated effective communication of the Member Development training programme with Members before (as candidates) and after the local elections.

- All Members had signed a Declaration of Acceptance of Office; completed a Declaration of Pecuniary Interest and completed a basic Disclosure Barring Service check following their appointment.
- All Members of the Planning Applications Committee received specific training prior to the first meeting.

Areas for Development

- Complete records of Member attendance at training sessions are not held.
- To enable Member's to fully discharge their responsibilities we recommend that some training be mandated due to the inherent risks that the Council would be exposed to if something were to go wrong
- Formal feedback (such as through use of post-training evaluation forms) is not sought.
- The Constitution had not been updated with some minor changes at the time of audit fieldwork.

Prospects for Improvement

- The Democratic Services Manager demonstrated an impartial and excellent relationship with Members, which is key in addressing the issues identified in this report.
- The newly appointed Cabinet Member for Corporate & Democratic Services fully supports the training of members to a high standard.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	0
Medium Risk	1	1	0
Low Risk	2	2	0

Appendix B - Audit Plan 2017/18 Progress

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Core Assurance							
Business Continuity	Q4			Transformation & Change – 0-25 follow up	Postponed to 2018/19		
Performance Management, KPI's/Data quality	Q4			Transformation and Change – Adults phase 3 - Advisory	In Progress		
Risk Management	Q4			Transformation & Change – Business Service Centre - Advisory	Q4		
Annual Governance Statement	Complete	July 2017	Adequate/ Good	Transformation & Change – Checkpoint Reviews - Advisory	As required		
Information Governance	Q4			Transformation & Change – Change capacity and knowledge transfer	Planning		
Learning the lessons of LATCO's - Advisory	In Progress			Declarations of Interest Priority 2			
Bribery & Corruption (follow up)	Complete	July 2017	Adequate/ Good	Income generation/ Commercialisation v business as usual Priority 2			
KCC Corporate Governance	Q4			Data Protection (including General Data Protection Regulations) GDPR element – Advisory Priority 2	Planning		
Directorate Governance Review – Children, Young People and Education	Postponed to 2018/19			Service User feedback & engagement (KCC-wide) Priority 2			
Strategic Commissioning – new arrangements - Advisory	Q4			Directorate Governance Review – Adults Addition to plan in place of CY review	Q4		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Core Financial Assurance							
Revenue Budget Monitoring	Q3			Cashiers & Bank Recs	Complete	November 2017	Substantial/ Good
Schools Financial Services	Q4			T.D.M. System (for domiciliary care payments)	Q4		
Treasury Management	Complete	November 2017	High/ Good	Accounts Receivable Follow-Up Priority 2			
Financial Assessments	Complete	November 2017	Limited/ Good	Client Financial Affairs (KCC as Appointee) Priority 2	Q4		
Risk/Priority Based Audit							
Members Induction and Training	Complete	November 2017	Adequate/ Adequate	Young carers - contract management Priority 2	In Progress		
Apprenticeship Levy	Planning			Adults and Children's Finance Processes - Advisory Priority 2	Cancelled		
Use of Agencies and IR35	Planning			Domiciliary Care Priority 2			
KCC Payroll	In progress			Redesign of 26+ Service – consultancy - Advisory Priority 2	Cancelled		
Developer Contributions (section 106 & CIL payments)	Q4			DCALDMH Service Provision redesign - Advisory Priority 2			
TFM Follow-up	Q4			Direct payments analytical review – Advisory Priority 2	Q4		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Health & Safety	Q4			Residence Arrangements - IFA,& Residential – including placements and payments Priority 2	Deferred to 18/19		
Grants Administration Follow-up	In progress			Troubled Families Returns	In progress & ongoing		
Property Income Management Priority 2	In progress			Education Services Company - Advisory	Ongoing		
KNet and Website – including online payments Priority 2				School Themed Review - additional funding and SEN HNF	Planning		
KCC Recruitment/ entry controls Priority 2				SEN Transport	Q4		
Recruitment and retention incentives (Social Care) Priority 2				EY systems Post-implementation	Postponed to 2018/19		
Contract management of GEN2 (including capital projects and data control) Priority 2				EHU revised model and outcomes	Cancelled due to Ofsted outcome		
Quality of Care themed review	Planning			Childrens Centres themed review follow-up	Complete	November 2017	Substantial/ Good
LD Lifespan Pathway Post Implementation	Deferred to 18/19			Youth Justice Priority 2	Cancelled		
Adult Safeguarding Follow-up	Complete	November 2017	Substantial/ Good	Front door - CRU & Triage integrated model Priority 2	Cancelled		
MCA/DoLS Follow-up	Complete	November 2017	Adequate/ Adequate	Economic Development inc Regional Growth Fund	Planning		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Protection of Property	Q3			BDUK –watching brief - Advisory	In progress		
Swift replacement project – consultancy - Advisory	Ongoing			Carbon Reduction Commitment – annual review	In progress		
Disabled children - direct payments and managed service	In Progress			Kent Resilience Team Follow-Up Priority 2			
Foster Care - dependent on outcomes of service review could inc recruitment of foster carers	Cancelled due to Ofsted outcome			Local Growth Fund –phase 3 inc Major Highways Project Management Priority 2	Q4		
No Recourse to Public Funds	Complete	November 2017	Adequate/ Good	Contract Management in Libraries, Registration and Archives Priority 2			
Residence Arrangements 16+ (SAIFE) including placements and payments	Q3			Street Work Income Priority 2			
Childrens' Allowance Review Team inc GGOs	In progress						
ICT Audit							
ICT Strategy and Governance	Complete	November 2017	Substantial/ Good	Mobile Working Priority 2	Planning		
Cloud Navigation – Programme Governance	Complete	November 2017	Limited/ Good	Software Licensing Priority 2			
Cloud Navigation – Watching Brief and Project Milestone Deep Dive	In progress			ISO27001 – BSC Readiness Assessment Priority 2			
ICT Asset Management	Planning						

Appendix C - Internal Audit Assurance Levels

Assurance opinion	Definition
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 on 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.

Prospects for Improvement

Very Good

There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.

Good

There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.

Adequate

Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.

Uncertain

Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.