



Kent audit

Audit Report

Authority Wide

Subject: Corporate Governance – Ethical Standards

AUDIT ASSURANCE: Substantial

Date Issued: 23 July 2007



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Overall Audit Assurance

Based on the findings in this audit, we can give substantial assurance that processes are in place to promote and demonstrate ethical standards throughout the Authority.

Five recommendations have been made which will improve control and further details are set out in the Management Action Plan, Appendix 1.

Definitions of our assurance levels can be found in Appendix 2.

Auditor's comments

Many of the key elements to ensure ethical standards are promoted and demonstrated are in place. For example, codes of conduct are in place for both Officers and Members, a register of Members' interests is maintained, there are established protocols for the use of IT, and an anti-fraud and corruption policy is in place supported by whistleblowing procedures.

There are, however, some gaps in the basic requirements. The absence of registers of gifts and hospitality in some directorates is a significant issue as is the lack of consistency in identifying and capturing officers' conflicts of interest.

Additionally, in light of the developing field of ethical assurance, there are opportunities to further improve the ways in which KCC promotes and demonstrates ethical standards, for example through the use of existing staff surveys and more proactive anti-fraud work.

The imminent launch of a revised Officer Code of Conduct, and associated promotional campaign, offers a timely opportunity to further raise awareness amongst staff.

Management Action Plan

Our recommendations are set out in the management action plan at Appendix 1.

MANAGEMENT ACTION PLAN

RECOMMENDATION 1
FINDINGS
<p>The Officer Code of Conduct refers to the requirement for staff to record offers of gifts and hospitality in directorate registers; however, these are not in place in all directorates. Registers are in place within E&R, CED and one has recently been launched in C,F&E. Staff in these directorates have been informed of their location in recent months. A register is under development within KASS. Communities have inherited arrangements that were in place prior to the formation of the Directorate and whilst some registers are in place, they are not in place in all Units. As yet there is not a consistent approach within the Directorate, although they are planning to put this in place during 2007/08.</p>
RISK
<p>Staff may be placed in a vulnerable position, at risk of allegations of corruption. Inappropriate purchasing decisions may be made.</p>
RECOMMENDATION
<p>a) Registers of gifts and hospitality should be put in place in KASS & Communities. b) All staff should be informed of the location of the registers, as part of the launch of the revised Officer Code of Conduct.</p>
AGREED ACTION
<p>a) CMY – Agreed. We will spread the good practice used by Community Safety & Registration Services Division to the other CMY divisions. All staff will be informed of relevant obligations under the Officer Code of Conduct. a) KASS – Agreed. b) Agreed.</p> <p>Accountable Manager: a) CMY – Director, Policy & Resources a) KASS – Resource Director b) Personnel Policy Manager</p> <p>Agreed Date: a) CMY-Registers activate and populated in all units by 30 September 07 KASS – 31 July 2007 b) Phased launch running from 31 July – September 2007.</p>

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RECOMMENDATION 2

FINDINGS

The Officer Code of Conduct states that "staff must declare to an appropriate senior manager any financial and non-financial interests which may conflict with KCC's interests" however, processes are not in place to capture these conflicts of interest consistently across the Authority. We were informed that the Chief Officers' register maintained by Legal & Democratic Services has not had any entries in it for years.

RISK

Conflicts of interest may not be declared and managed, placing both staff and the Authority in a vulnerable position.

RECOMMENDATION

- a) The wording in the staff code of conduct should be amended to better reflect the requirements of staff. We propose the following wording: "You must declare to an appropriate senior manager any financial or non-financial interest which may cause a potential conflict when undertaking your work on behalf of Kent County Council."
- b) A model form for recording conflicts of interest should be attached as an appendix to the Officer Code of Conduct. Staff should be asked to use this form to declare any conflicts of interest and a copy should be kept by their line manager.
- c) The Chief Officers' register maintained within Legal & Democratic Services should be re-publicised to all current Chief Officers.

AGREED ACTION

- a) Agreed.
- b) Agreed. A template will be included in the final version of the revised Officer Code of Conduct.
- c) The Chief Officers' register will be publicised to all current Chief Officers and will now be maintained by Employee Services.

Accountable Manager: a) Personnel Policy Manager
b) Personnel Policy Manager
c) Director of Personnel and Development

Agreed Date: a) Already included in the revised Officer Code of Conduct
b) 31 July 2007
c) 31 July 2007

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RECOMMENDATION 3
FINDINGS
<p>We understand that the Code of Conduct and policies covering ethics and conduct form part of the information for new staff, as part of the contractual documentation they receive, and during induction. They are also available via KNet and are referenced on performance management training for managers.</p> <p>The number of disciplinary cases / grievances / harassments etc are collated quarterly by the Employee Relations Team and reported to Personnel Committee annually which is one way of monitoring compliance with expected standards of conduct.</p> <p>However, currently as an organisation we do not measure staff awareness or perception of ethical policies on a regular basis.</p>
RISK
<p>KCC is missing the opportunity to test staff awareness and perception of ethical policies via the staff survey.</p>
RECOMMENDATION
<p>Questions to ascertain staff awareness and perceptions of key policies associated with ethics and conduct should be added to the staff survey.</p>
AGREED ACTION
<p>Internal Audit will provide some suggested areas of coverage for these questions which will be considered by the Organisational Development Manager and discussed with the survey provider.</p> <p>Accountable Manager: Senior Audit Manager and Organisational Development Manager</p> <p>Agreed Date: 31 August 2007</p>

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RECOMMENDATION 4
FINDINGS
<p>A whistleblowing procedure is in place and available on KNet. We understand that the Personnel Policy Manager has undertaken informal reviews of the use of the procedure in the past; however, there has been no formal review of the effectiveness of the whistleblowing policy.</p>
RISK
<p>The whistleblowing procedure may not be effective and this may not be detected.</p>
RECOMMENDATION
<p>a) A report on the use and outcomes of the whistleblowing procedure should be prepared and submitted to Resource Directors for information and consideration.</p> <p>b) An annual update of the use of the whistleblowing procedures and outcomes of any disclosures should be obtained to enable ongoing monitoring of the procedure.</p>
AGREED ACTION
<p>a) A report will be prepared for presentation to the Resource Directors June meeting. b) Agreed. An annual update will be obtained in April each year.</p> <p>Accountable Manager: a) Senior Audit Manager b) Personnel Policy Manager</p> <p>Agreed Date: a) 21 June 2006 b) April 2008 and annually thereafter.</p>

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RECOMMENDATION 5
FINDINGS
Limited proactive fraud work is undertaken within the Authority.
RISK
Fraud may not be detected or prevented.
RECOMMENDATION
More proactive fraud work should be undertaken.
AGREED ACTION
Agreed. The Internal Audit Fraud Awareness Team has developed an action plan to ensure that more proactive fraud work is undertaken, such as random checking of expense claims. Accountable Manager: Senior Audit Manager Agreed Date: By 31 August 2007 and ongoing

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Appendix 2

DEFINITIONS OF AUDIT ASSURANCES

ASSURANCE LEVEL	SUMMARY DESCRIPTION	DETAILED DEFINITION
High	Strong controls in place and complied with.	The system/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.
Substantial	Controls in place but improvements beneficial.	There is some limited exposure to risk of error, loss, fraud, impropriety or damage to reputation, which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.
Limited	Improvements in controls or the application of controls required.	The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review e.g., error, loss, fraud/impropriety or damage to reputation. This is because, key controls exist but they are not applied, Or there is significant evidence that they are not applied consistently and effectively.
Minimal	Urgent improvements in controls or the application of controls required.	The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control, Or there is evidence that there is significant non-compliance with key controls.

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The assistance of staff in providing help and hospitality during the audit is gratefully acknowledged.

REPORT DISTRIBUTION

This report has been distributed to:-

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Director of Personnel & Development	Amanda Beer
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