

Annual Audit and Inspection Letter

March 2008



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Kent County Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Key messages

- 1 Kent County Council is improving strongly. The Council continues to make significant improvements against local priorities. Children's education is good, including the attainment of the lowest achieving children. It has also helped vulnerable and older people so that they can live independently and reduced admissions to residential care. It has been successful in creating new jobs and reducing the number of people killed or seriously injured on the road. Securing value for money and improving efficiencies is at the heart of service improvement. 59 per cent of the Council's key performance indicators improved in 2006/07, such as the percentage of 15 year olds achieving five or more GCSE's grade A* to C.
- 2 The Council's track record of delivering improved services is strong. It has achieved 76 per cent of the targets set out in the KCC Next Four Years document. Prospects for improvement are excellent with robust improvement plans in place to continue developing innovative services, including the current high costs for waste disposal. It is building its capability to deliver its priorities by continuing to deliver efficiencies and strengthening partnership working.

Action needed by the Council

- 3 The Council is subject to a Corporate Assessment and subject to the results of that assessment will be required to agree an appropriate improvement plan.

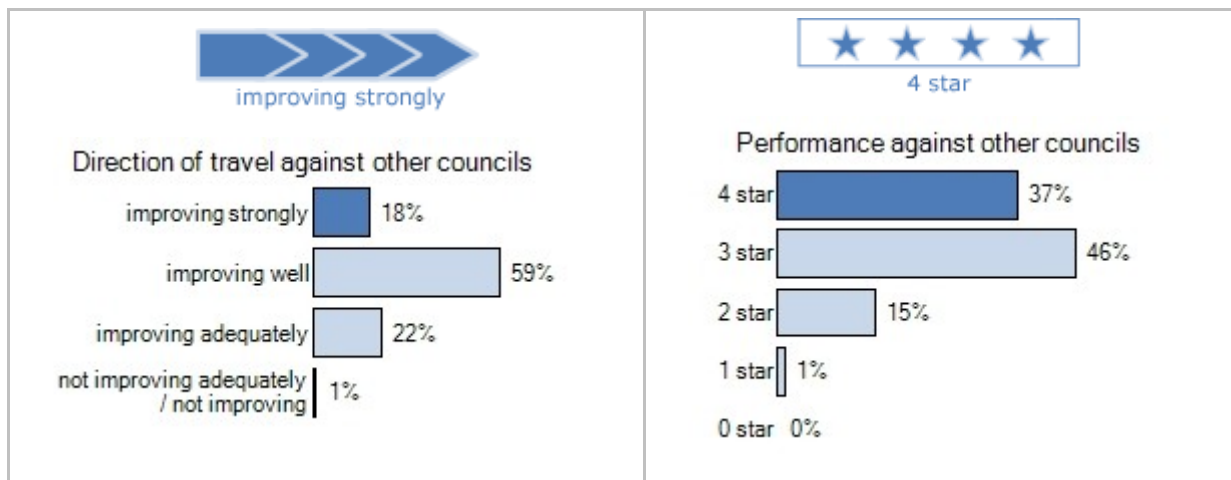
Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Council using performance indicators covering the financial year 2006/07 and the Direction of Travel which includes service improvements up to March 2008. It does not take into account any findings from the recent Corporate Assessment (which is to be published separately) but does draw on the other elements of the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 5 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 7 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, they review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 9 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Kent County Council performing?

- 10 The Audit Commission's overall judgement is that Kent County Council is improving strongly and we have classified Kent County Council as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



Source: Audit Commission

- 11 The detailed assessment for Kent County Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving Strongly
Overall	
Corporate assessment/capacity to improve	4 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Housing	n/a
Environment	3 out of 4
Culture	3 out of 4
Benefits	n/a
Fire (relevant County Councils only)	n/a

*(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)*

The improvement since last year - our Direction of Travel report

- 12 Kent County Council is **improving strongly**

Service inspections

- 13** Kent County Council delivers a good Supporting People programme with promising prospects for improvement. The programme is delivered through a well-managed, skilled team supported by clear work plans. Service users have been engaged in shaping aspects of the programme. The programme supports some high quality services for a broad range of client groups and a programme of strategic reviews has led to some new provision for some traditionally excluded groups. However, until recently, health has not been consistently involved in the Supporting People programme at a strategic level and there are weaknesses in performance management of the programme. There are still long waiting times for floating support in some districts and some providers are continuing to apply restrictive practices and referral arrangements. Some groups do not yet benefit directly from the programme and a county-wide approach to move-on arrangements is under-developed. Understanding of the needs of BME groups and other hard to reach groups is still developing.
- 14** Prospects for improvement are promising. There is a strong track record of managing change within the Council and the directorate and the early stages of the Supporting People programme were successfully implemented. Service reviews have delivered improvements and challenging standards are set for new contracts. The programme has clear direction and there are shared objectives and ambitions with partners. Plans are in place to address identified weaknesses. There is a strong approach to financial and risk management and capacity is enhanced through a modern approach to procurement. Partnership and cross-authority working contributes to the effectiveness of the programme. However, until recently there has been little progress in developing new services to meet service priorities identified in the five-year strategy and customer-focused outcomes from the recent raft of strategic reviews are limited. There is insufficient focus on performance management of the programme by the governance bodies and strategic understanding of the programme among some district and county councillors requires further development.
- 15** An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

- 16 Ofsted's annual performance assessment of services for children and young people scored the overall effectiveness of children's services as Grade 3 and judged the services for children and young people as good and improving. The weaknesses identified in last year's annual performance assessment had been addressed by well thought out actions which have led to improvement in a number of key indicators. The integration of children's services is making a significant contribution to improving the health and well-being of children and young people. The council makes a good contribution towards improving outcomes for children and young people in enjoying and achieving, being healthy, staying safe and making a positive contribution. The Children and Young People's Plan is well-constructed and a thorough review of the plan demonstrates that the council has a clear and accurate view of its own strengths and weaknesses. The council has outstanding capacity to improve its services further.
- 17 The findings of the 2007 annual performance assessment (APA) process by the Commission for Social Care Inspection (CSCI) were that: Delivering outcomes are Good (formerly Serving People Well); and Capacity for Improvement is Excellent. The Star Rating was: three-star. Delivering Outcomes was judged on seven criteria - Improved health and emotional well-being; Improved quality of life; Making a positive contribution; Increased choice and control; Freedom from discrimination or harassment; Economic well-being; and Maintaining personal dignity and respect. All of these were scored Good. Capacity to Improve was judged on two criteria: Leadership; and Commissioning and use of resources, both of which were scored Excellent. Typical strengths and areas for improvement, for example, to improving people's health and sense of well being, included a good range of clear, accurate, accessible information and individual advice and support, robust long-term planning, as well as a variety of expanded intermediate care services, which has supported social care to keep delayed discharges from hospital to a reasonable level. However, delayed discharges from hospital due to health needs are still very high and the number of drug misusers sustained in treatment is lower than the average for other similar councils.

The audit of the accounts and value for money

- 18 Your appointed auditor has reported separately to the Governance and Audit Committee on the issues arising from the 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 19 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 20 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	4 out of 4
Financial management	4 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	4 out of 4
Overall assessment of the Audit Commission	4 out of 4

(Note: 1 = lowest, 4 = highest)

- 21 The Council has maintained its scores in the five Use of Resources elements. The Council should be commended for its performance in achieving these Use of Resources scores.

Financial Statements Audit

- 22 Your appointed auditor has reported the detailed findings from their audit of the financial statements in their 2006/07 Report to those charged with governance. Some of the more significant matters identified in this report, included:
- pension liabilities;
 - accounting for PFI Schemes;
 - value of landfill allowances;
 - pension SORP;
 - review of Fund Manager/Custodian Internal Control Reports; and
 - late payment of pension contributions.

Additional services

- 23 Your appointed auditor has completed several pieces of targeted performance work during 2006/07. The additional work completed included:
- A Review of Highways Management;
 - A Value for Money Review of the Schools Clusters Arrangement;
 - A Value for Money Review of Libraries;
 - A Review of Waste Management;
 - A Value for Money Review of Learning Disability Day Care;
 - Review of Carbon Management Policies; and
 - The Provision of Risk Management Training.
- 24 The results of the above reviews identified that value for money was generally being achieved across the services reviewed. However, recommendations were made on how further efficiencies and improvements could be made in these areas. Management have responded positively to these findings and where appropriate have agreed action plans to address the points identified.
- 25 The detailed findings and recommendations from these reviews have been reported to management and members as appropriate.

Looking ahead

- 26 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 27 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 28 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 29 This letter has been discussed with officers and a copy of the letter will be presented at the Governance and Audit committee at its meeting on 30 June 2008. Copies need to be provided to all Council members.
- 30 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Internal Control Recommendations Report	May 2007
Annual Governance Report	September 2007
Opinion on financial statements	July 2007
Value for money conclusion	July 2007
Annual audit and inspection letter	March 2008

- 31 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 32 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Stephen Mead
Relationship Manager

18 March 2008