

# Annual Governance Statement

## Scope of responsibility

Kent County Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. KCC also has a

duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, KCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

In 2004 KCC approved and adopted a code of corporate governance, which is consistent with the principles of governance set out in the CIPFA *Good Governance Standard* (2004). This is included in the Constitution and is available on our website. KCC is in the process of updating the code of governance so that it explains how KCC has complied with CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This statement explains how KCC has complied with the CIPFA SOLACE Framework, identifying areas in which our governance arrangements can be strengthened. This statement also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts. The governance framework is aligned with the principles of good governance set out in CIPFA SOLACE Governance Framework (*Delivering Good Governance in Local Government*, 2007). The Authority is committed to fulfilling its responsibilities in accordance with the highest standards of good governance, underpinned by the ethical behaviour of officers and members.

## The Governance Framework

Fundamental to the success of the Authority is engagement with citizens and service users in the development of the Authority's vision, priorities and intended outcomes. The Authority's vision was developed in consultation with over 40 partners, including district councils and local businesses. It is comprised of 9 themes, each with its own vision and monitored through a number of targets which links the vision to corporate and directorate plans and strategies, including Kent Agreement (the Public Service Agreement) and its 12 'stretching targets'. The Authority will report on progress towards the vision

annually and during this process will take the opportunity to consider whether the vision needs to be refreshed. It is agreed that the vision is likely to be refreshed on a 5 year cycle.

The Authority has a Residents Panel, runs campaigns on local issues and regularly consults with its service users and stakeholders. Consultation takes place at many levels including corporate consultation, directorate and service specific consultation and consultation with partners. For example, the Children, Families and Education directorate consulted with about 40,000 children to inform the directorate plan. Also, the Authority has a Customer Care charter which is in the process of being reviewed, following feedback from customers.

The Council and the Leader are responsible for ensuring Best Value throughout the Authority. The objectives and targets through which this will be achieved are set out each year in the 'Annual Plan'. Authority-wide and directorate specific processes are in place to monitor progress against the objectives and targets on a regular basis. The Authority is rated 4 Star by the Audit Commission and assessed as 'improving strongly'.

The Constitution of Kent County Council sets out the roles and responsibilities of: the Overview and Scrutiny Committees; the Standards Committee; the Executive and the Council. It also sets out functions delegated by the Council to Committees and Officers and includes the Member and Officers Code of Conduct.

The Members Code of Conduct sets out the obligations of Members, how personal and prejudicial interests should be managed and 10 general principles governing Members' conduct. On election Members were made aware of the Code of Conduct during their induction process. It has since been revised and was communicated to Members.

The Code of Conduct for Employees is available on the Authority's intranet site and is included in the Constitution. It explains that citizens and service users expect high standards of conduct of all Authority employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the corporate induction process.

The Standards Committee is responsible for ensuring that decisions are made with consideration of appropriate ethical standards.

The Constitution contains a statement on Resource Management Responsibilities which includes the Authority's Financial Regulations such as its Standing Orders and the Scheme of Financial Delegation. These are prepared and maintained by the Chief Finance Officer and Chief Executive and endorsed by the Leader and the Governance and Audit Committee.

The Governance and Audit Committee is comprised of 13 members representing the 3 main political parties. Its' responsibilities are set out in the Constitution and include:

- Monitoring the Authority's compliance with key controls and relevant standards
- Ensuring all Best Value processes comply with legal and audit requirements
- Discussing the basis of the annual audit with the external auditors and Cabinet
- Receiving reports from the external auditor on their work
- Overseeing the work of Internal Audit
- Overseeing the Authority's complaints procedure and receiving reports from the Complaints Ombudsman
- Agreeing the risk management policy and monitoring the effectiveness of risk management.

The Governance and Audit Committee meets 4 times annually to discharge its responsibilities.

2008 saw the launch of the 'Strategy for Staff' which was developed with the objective of enabling staff to feel pride in themselves and the work they do at the Authority, thus achieving their full potential and providing excellent customer service. This will be achieved through: developing an excellent workforce; continuous improvement; providing excellent management and inspiring leadership; facilitating open communication and engagement with staff and providing a rewarding career structure and remuneration package. The Authority is committed to providing a healthy, lively and vibrant work environment where staff feel supported and enabled to work effectively, safely and with fun.

The Authority's Whistleblowing Policy was launched by Personnel and Development in April 2006 and is available on the Authority's intranet site. It encourages members of staff to raise concerns if they become aware of behaviour which is likely to breach legislation, including health and safety legislation. The policy explains how members of staff can raise concerns internally and externally and steps that will be taken by the Authority after an individual has 'blown the whistle'.

The Authority has dedicated considerable resource to understanding its partnership governance arrangements. In April 2007 Partnership Guidance was approved which defines a key partnership, classifies partnerships and sets out the fundamental considerations when establishing a partnership and in managing a partnership, including partnership risk management. In June 2007, Internal Audit reported a list of 'major' and 'significant' partnerships to the Governance and Audit Committee and by August 2007 had completed a formal risk assessment of those partnerships in accordance with the Partnership Guidance. The audit found that partnership governance arrangements are largely appropriate, although, the Authority is committed to improve further the management of partnership risk.

## **Internal control environment**

The internal control environment is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has demonstrated its commitment to improving system and processing controls as well as general risk management awareness and effective governance arrangements. Management has accepted and implemented a number of key Internal Audit recommendations and engaged in open and challenging discussions about points raised in Internal Audit reports and other assurance reports. All these points are indicative of an improving internal control environment.

Overall, there are no significant weaknesses in the overall system of internal control and controls are generally in place and operating effectively, however there are some areas where improvements are required and the Authority is committed to delivering these improvements over the next year. The areas include:

- The process around recruitment and CRB checks. During 2007/08 Internal Audit has undertaken reviews in CED, KASS, Communities and CF&E on recruitment and CRB checks. Although some areas had good controls in place, there were other areas where the relevant checks were not being carried out, in particular on volunteers. In addition, processes were not always in place to follow up staff where CRB checks were required. The sample of schools visited, during the year however, showed a big improvement in the CRB checking process. Senior management, including the Chief Executive and Director of Personnel and Development have personally overseen the implementation of recommendations, which has been confirmed in a follow up audit carried out in March 2008.
- Business Continuity Planning and Disaster Recovery was raised in the 2006/2007 Statement of Internal Control and although individual Business Continuity Plans are being completed and tested, not all have not been finalised and there is further work required to embed this fully across the Authority.

- Kent Adult Social Services (KASS) continue to face a number of operational challenges with regard to the SWIFT system, which they have identified and are actively working toward resolving. This includes inherent weak security (password) controls within the system and limited audit trails being available to monitor user activity. The suite of reports available to users also requires further development in order to allow the quality of the data held by the system to be analysed / monitored in more detail.

Furthermore, more clearly defined performance targets are required for the support provided by the application vendor. *(report currently in draft)*

## Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of committees and management within the Authority with responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.

In recent years Internal Audit has reviewed Authority-wide governance arrangements or specific elements of the Authority's governance arrangements. In 2007/08 Internal Audit reviewed the Authority's governance arrangements against the requirements of the CIPFA SOLACE Governance Framework. It found that overall governance arrangements are appropriate and made a number of minor recommendations for improvement.

The Governance and Audit Committee has an ongoing role in the review of the effectiveness of the Authority's governance framework. Throughout the year it has received and considered reports regarding the work of Internal Audit and External Audit and on Risk Management, Complaints, Treasury Management and Value for Money. In March the committee agreed to self-assess its effectiveness using an Audit Committee effectiveness questionnaire provided by the Head of Internal Audit and Risk. The results of this exercise are not yet known.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by Members of the Council. It endeavours to address any concerns regarding Members conduct and will deal with any reports from the Standards Board of England. During 2007/08 the Standards Committee considered the appointment of independent members from other Standards Committees to deal with specific allegations or complaints, considered the findings of the Internal Audit on Ethical Standards and resolved that the proposed new Code of Conduct for Members be recommended to the Authority for adoption.

The Cabinet Scrutiny Committee meets monthly to scrutinise the decisions taken by Cabinet or individual Cabinet Members. The Committee Chair and Spokesmen decide which decisions require scrutiny and decisions that are not in accordance with the approved policy or budget are automatically referred for scrutiny.

Committee members scrutinise decisions by questioning the relevant Cabinet Member and Managing Director. Citizens and stakeholders can participate in this process by: attending meetings as they are held in public; suggesting decisions for scrutiny and submitting written comments on decisions already called in for scrutiny.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Significant governance issues

There are no significant governance issues. However, the review of our governance arrangements has enabled us to identify elements of the governance framework which we are committed to strengthen further, such as:

- Further embedding of and engagement with the Council's risk management framework

- Management of risk with partners
- Training and development opportunities for Members
- Continued improvement to the internal control environment, with specific focus on the areas detailed above

Additionally, we recognise that we need to complete the revision of the Code on Governance and publish it as soon as is possible.

We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** .....

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of [the authority]