

cBy: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 24<sup>th</sup> April 2018

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

Classification: Unrestricted

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

**Recommendation: FOR ASSURANCE AND DECISION**

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## **Introduction**

1. This report summarises:

- The key findings from completed Internal Audit reviews (since January 2018)
- The key outcomes from completed counter fraud investigations
- Progress against the 2017/18 Internal Audit Plan and any proposed revisions
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- Work in progress and future plans and improvements,

## **Overview of Progress**

2. Appendix 1 summarises the outcomes, or indicative outcomes, from the 35 completed substantive audits since the start of 2017/18. Of these audits 11 have been completed since January 2018 and are being presented in detail to this Committee.
3. In addition, we have also undertaken a review of local financial controls in 5 OPPD day care establishments together with examination of 20 schools included in our thematic review of payroll and income controls.
4. In relation to counter fraud work there have been 160 irregularities reported and investigated since the start of 2017/18, of which 100 have been concluded.
5. 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 in the year to date is £690,435.

6. As previously reported, we have been undertaking a number of significant investigations outside pre planned audit activity for both KCC and for the arms length LATCO's.
7. Appendix 2 (the Internal Audit Progress Report) details the outcomes from this work against the more significant corporate risks where it is practical for internal audit work to provide assurance against the progression of the management and mitigation of such risks
8. Towards the end of March 2018, 82% of the audit plan had been completed with the remainder underway. As such progress against the Audit Plan for 2017/18 is broadly in line to achieve the Audit Plan key performance targets (KPI's) by 31<sup>st</sup> March 2018. The detailed KPI's are also shown in Appendix 2.

### **Implications for Governance**

9. 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.
10. The outcomes from audits produced during this quarter have been broadly positive and a contrast to the mixed outcomes from audits at the start and middle of 2017/18.
11. Strengths relate to:
  - 46% of systems and functions have been judged with 'substantial' assurance or better
  - A continuing pattern of general robustness of key financial systems. During this period the audit of revenue budget monitoring has been particularly positive
  - The two recent reviews on IT themes have resulted in positive assurance, in particular the cloud navigation programme now appears to be well managed
  - Our thematic work relating to school payroll and income controls has also been positive
12. Areas for development and improvement relate to:
  - The 5 (14%) of systems / functions that have received a 'limited' or 'no' assurance in current and previous reporting periods.
  - One 'limited' assurance opinion relates to contract control lapses and breaches from the 'discharge to assess' service in social care. This has highlighted the need to learn from risks created from short term emergency funding and contracts developed with partner organisations. The outcomes have already been considered by the March 2018 Contract Management Review Group

- The other limited assurance relates to the inability to verify pre-existing children's financial allowances because of the absence of underlying documentation due to flawed retention procedures
- The review of OPPD day centres found areas of serious underutilisation coupled to weak internal controls for some activities

13. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter.

14. 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**

15. There has been a significant increase in both direct payment and "No Recourse to Public Funds" referrals, whereby the counter fraud team carries out checks in order to establish if the information provided is genuine. The increase in the referrals follows pro-active work and fraud awareness sessions within both the direct payments team and the Children Young People and Education Directorate. At the March Corporate Management Team (CMT) it was agreed to fund an increase in one post for the counter fraud team.

### **Works in progress and future work**

16. We have a number of substantive audit projects that are in progress or near completion, these include:

- The governance review of adult social care
- Economic Development governance
- TFM Contract Management and TFM Helpdesks follow-up audits

17. Quarter 4 is also the period when we focus on work relating to the Council's underpinning corporate governance systems to support our annual year end assurance and reporting. This includes work on risk and performance management.

## **Recommendations**

18. Members are asked to approve:

- Proposed amendments to the audit and counter fraud plan (see the Internal Audit and Counter Fraud Progress Report, Appendix B)

19. Members are asked to note:

- Progress and outcomes against the 2017/18 Audit Plan
- Progress and outcomes in relation to Counter Fraud activity
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- The overall assurance provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date

## **Appendices**

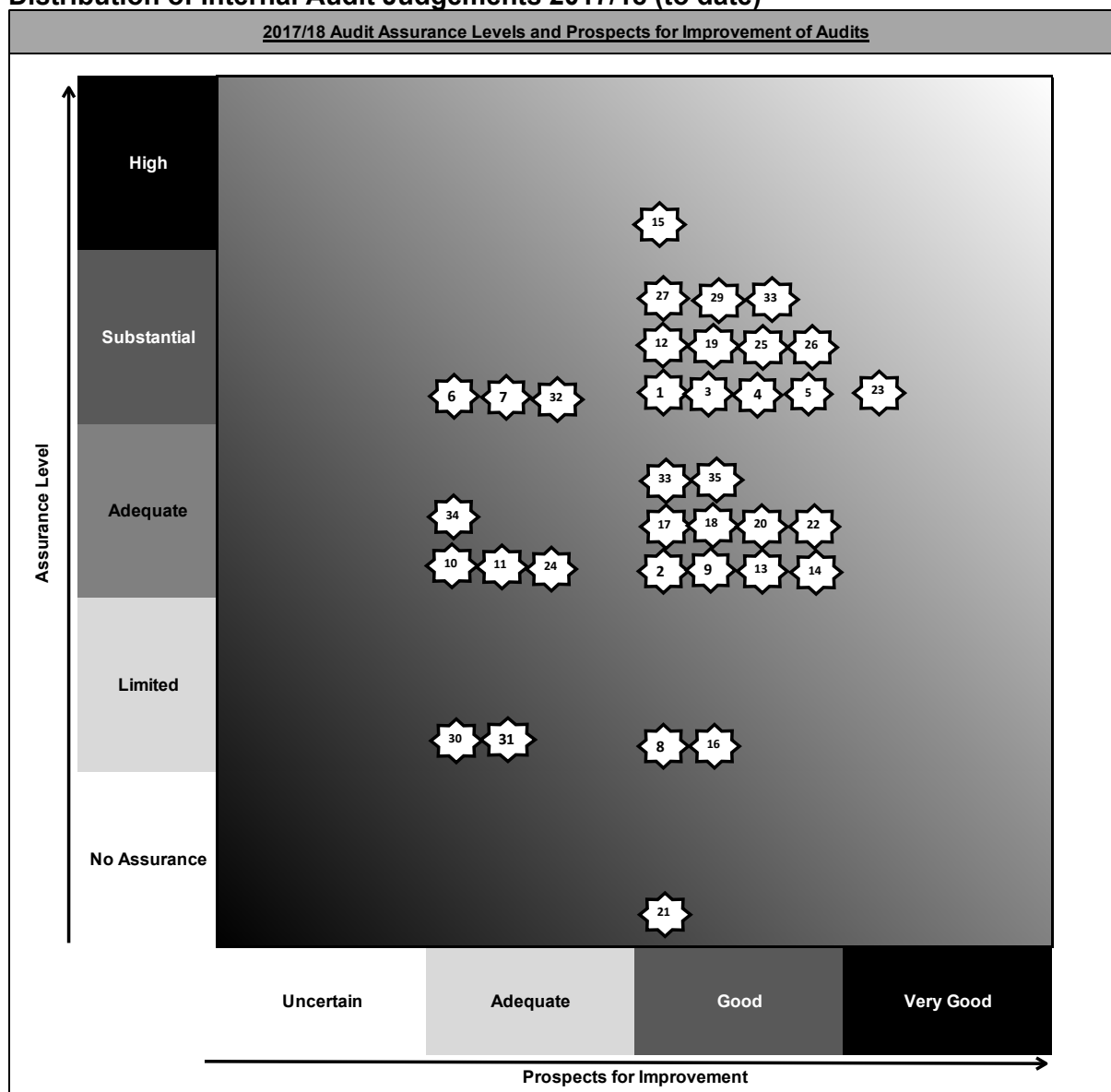
***Appendix 1 - Distribution of Internal Audit Judgements 2017/18 (to date)***

***Appendix 2 - Internal Audit Progress Report January 2018***

**Robert Patterson**  
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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 Placment Payments	Substantial	Good
2	16-17 Staff Survey Actions	Adequate	Good
3	ICT Strategy and Governance	Substantial	Good
4	ICT Cloud Navigation Programme	Substantial	Good
5	Cashiers and Banking	Substantial	Good
6	GEN2 Governance - KKC Side	Substantial	Adequate
7	Children's Centres Follow Up for 2017/18	Substantial	Adequate
8	Financial Assessments	Limited	Good
9	No Resource to Public Funds	Adequate	Good
10	Members Training & Induction	Adequate	Adequate
11	Programme Management & 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

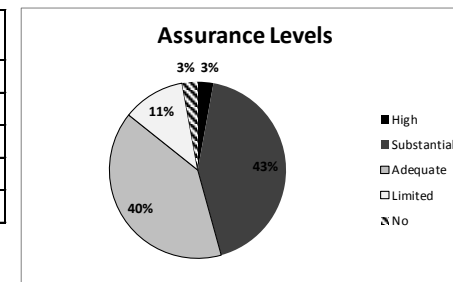
Audit Opinion January G&A Committee

No	Audit	Judgement	Prospects for Improvement
16	Learning Lessons From LATCO's	Limited	Good
17	Data Protection - GDPR	Adequate	Good
18	ICT Mobile Working	Adequate	Good
19	Cloud Navigation Follow-up	Substantial	Good
20	Young Carers Contract Management	Adequate	Good
21	Property Income Management	No	Good
22	IR35	Adequate	Good
23	KCC Payroll	Substantial	Very Good
24	Grants Follow-up	Adequate	Adequate

Audit Opinion April G&A Committee

No	Audit	Judgement	Prospects for Improvement
25	ICT Asset Management	Substantial	Good
26	Change Capacity & Knowledge Transfer	Substantial	Good
27	Apprenticeship Levy	Substantial	Good
28	ICT Cloud Navigation Deep Dive	Substantial	Good
29	Revenue Budget Monitoring	Substantial	Good
30	Discharge to Assess	Limited	Adequate
31	<b>Children's Allowance Review Team *</b>	Limited	Adequate
32	<b>Schools Themed Review *</b>	Substantial	Adequate
33	Protection of Property	Adequate	Good
34	<b>Establishments - OPPD Day Care Theme *</b>	Adequate	Adequate
35	Information Governance Toolkit	Adequate	Good

Assurance Level	No	%
High	1	3%
Substantial	15	43%
Adequate	14	40%
Limited	4	11%
No	1	3%



\*The audits in the above list in bold are the provisional ratings which are awaiting final confirmation



# Kent County Council

## Internal Audit and Counter Fraud Progress Report

April 2018

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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 January 2018. 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 35 substantive internal audits and 100 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected based on providing an independent and objective opinion on the adequacy of the Council's control environment. Overall, we have examined an estimated £162.6 million of KCC turnover to date.
- 1.3. A further 12 audits are currently in progress together with a further 60 counter fraud investigations (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 a number of special reviews and investigations including that 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:

- 46% of systems and functions have been judged with 'substantial' assurance or better
- A continuing pattern of general robustness of key financial systems. During this period the audit of revenue budget monitoring has been particularly positive
- The two recent reviews on IT themes have resulted in positive assurance; the cloud navigation programme now appears to be well managed
- Our thematic work relating to school payroll and income controls has also been positive

## 2.3 Areas for further improvement relate to:

- The 5 (14%) of systems / functions that have received a 'limited' or 'no' assurance in current and previous reporting periods.
- One 'limited' assurance opinion relates to contract control lapses and breaches from the 'Discharge to Assess' service in social care. This has highlighted the need to learn from risks created from short term emergency funding and contracts developed with partner organisations. The outcomes have already been considered by the March Contract Management Review Group
- The other limited assurance relates to the inability to verify pre-existing children's financial allowances because of the absence of underlying documentation due to flawed retention procedures
- The review of OPPD day centres found areas of serious underutilisation coupled to weak internal control in certain areas

## 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 In general, management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.

### 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 January 2018, 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. As such the following patterns of audits emerge against the County /Council's key risks:

#### 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	
<b>Children's Allowance Review Team</b>	Limited	Adequate	High: 1 Medium:3	One medium priority not accepted
<b>No recourse to public funds</b>	Adequate	Good	High: 0 Medium:1	All accepted

- 3.3. Approximately £10 million is processed in Children's Allowance payments by KCC. From our testing we could provide positive assurance on the accuracy and timeliness of all new cases and programmed reviews at the time of our audit, but we were unable to provide any assurance against pre -existing claims due to the policy of the department of destroying all relevant underlying records and information. Following our audit, a robust document retention schedule is being enacted.

## Management of demand – Adult Social Care

- 3.4. During this period, we concluded our special investigation into the Discharge to Assess contract(s), which were first initiated in 2014 through Government emergency funding:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>
<b>Discharge to Assess</b>	Limited	Adequate	Agreed by CMRG

- 3.5. The audit concluded that to January 2018 approximately £1.2 million had been spent without opening the service to competitive tender or obtaining a single source waiver. As such it breached a number of key procurement rules and regulations. The findings have been reported through to the Contract Management Review Group (CMRG) with lesson learnt relating to :
- Acting on short term emergency funding from central Government
  - Partnerships and shared costs with other organisations
  - Extensions to short term contracts
  - Operating without clear contract guidelines or monitoring
- 3.6. After our work the necessary waivers have been obtained and the service is being re-procured on competitive basis.
- 3.7. As a reminder our previous work in this risk area has been special investigation work relating to a significant domiciliary care provider and compliance to contracted call out conditions – and that was reported in full to the January 2018 Committee.

## Identification, planning and delivery of financial savings

- 3.8. 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	
<b>Change Capacity and Knowledge Transfer</b>	Substantial	Good	High: 0 Medium:1	Partially accepted
<b>Revenue Budget Monitoring</b>	<i>See below, para 3.18</i>			
<b>Programme Management and Corporate Assurance</b>	Adequate	Adequate	High: 2 Medium:4	All accepted
<b>GEN2 Governance</b>	Substantial	Good	High: 0 Medium:3	All accepted
<b>Learning Lessons from LATCO's</b>	Limited	Good	High: 1 Medium:1	All accepted

- 3.9. Our work on reviewing the Council's ability to develop and transfer knowledge to allow change and transformation programmes to be sustained was generally positive. There is a strong underlying Organisational Development plan with an appropriate focus on improving workforce capacity and capability to drive service changes. Our deep dive into 3 projects confirmed positive action being taken with only Adult Social Care having issues over demonstrating addressing risks relating to such change programmes.

## Information Governance – including General Data Protection Regulations

3.10. 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	
<b>ICT Asset Management</b>	Substantial	Good	High: 0 Medium:1	Accepted
<b>ICT Cloud Navigation Deep Dive</b>	Substantial	Good	High: 0 Medium:1	Accepted
<b>Information Governance Toolkit</b>	Adequate	Good	High: 1 Medium:2	High priority issue partially accepted
<b>ICT Strategy and Governance</b>	Substantial	Good	High: 0 Medium:1	Accepted
<b>ICT Cloud Navigation Programme</b>	Limited	Good	High: 2 Medium:3	Accepted
<b>Data Protection - GDPR</b>	Adequate	Good	High: 0 Medium:7	Accepted
<b>ICT Mobile Working</b>	Adequate (Provisional)	Good (Provisional)	High: 1 Medium 2	Accepted
<b>Cloud Navigation Follow Up</b>	Substantial	Good	No new issues raised.	N/A

3.11. All the IT reviews in this period were positive. In relation to the IT asset register we can provide positive assurance that the Council has appropriate controls in place for managing ICT assets in accordance to its strategic objectives. Testing showed the completeness of the relevant asset register was satisfactory with only minor instances of records of asset owners being out of date.

- 3.12. Our deep dive into the Cloud Navigation project confirmed a positive direction of travel in relation to its project management. The current manager demonstrated a clear approach and methodology to ensure the programme is completed to schedule with appropriate controls, documentation and reporting. New budget monitoring arrangements are being put in place from April 2018.
- 3.13. Out audit of the submission of the Information Governance Toolkit for 2018/19 identified that one key item of supporting evidence - the PSN certificate - was out of date. We were assurance that the new certificate is to be received imminently. In addition, the roles and responsibilities for completing the Toolkit submission require clarification.

### **Safeguarding – protecting vulnerable children**

- 3.14. There has been no new work undertaken in this area over this period, but as a reminder, previous outcomes have been:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Nurseries – themed review</b>	Adequate	Good	28 issues raised across the 3 sites visited	All accepted
<b>Children’s Centres follow up</b>	Substantial	Good	High: 0 Medium:4	All accepted
<b>Young Carers Contract Management</b>	Adequate (	Good	High: Medium:	All accepted

## **Safeguarding – protecting vulnerable adults**

3.15. During this period we reviewed 'Protection of Property' controls with the following outcomes:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Protection of Property</b>	Adequate	Good	High: 2 Medium:4	All accepted
<b>Safeguarding framework – Adults – Follow Up</b>	Substantial	Good	High: 1 Medium:4	4/5 actions implemented
<b>Deprivation of Liberty (DOL's) – Follow Up</b>	Adequate	Adequate	High: 4 Medium:1	3/4 high priority actions implemented 1 medium priority in progress

3.16. Following a special investigation in 2016/17 we undertook an in-depth review of 'protection of property' controls whereby the Council takes recovery and control of the personal property and assets of vulnerable people. In general, we found that controls had improved including development of a clear policy embracing a number of areas of good practice such as proactive training. There were however still weak areas around financial controls surrounding client monies and recording of valuable assets. SWIFT records (the Social Care core system) did not have clear records for the current status of cases. Management have agreed the implementation of remaining actions.

## **Financial and operating environments – critical systems and functions**

3.17. 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. The following two topics were examined during this period with the following outcomes:



	Assurance level	Prospects for Improvement	Issues Raised	
<b>Revenue Budget Monitoring</b>	Substantial	Good	High: 0 Medium:0	N/A
<b>Apprenticeship levy</b>	Substantial	Good	High: 0 Medium:2	All accepted
<b>Family Placement Payments</b>	Substantial	Good	High: 0 Medium:1	All accepted
<b>Financial Assessments</b>	Limited	Good	High: 2 Medium:5	All accepted
<b>Treasury Management</b>	High	Good	High: 0 Medium:0	N/A
<b>Cashiers and Banking</b>	Substantial	Good	High: 0 Medium:2	All accepted
<b>2016-17 Staff Survey Actions</b>	Adequate	Good	High: 1 Medium:0	All accepted
<b>Members Training and Induction</b>	Adequate	Adequate	High: 1 Medium:1	All accepted
<b>Property Income Management</b>	No	Uncertain (Provisional)	High: 3 Medium:0	TBC
<b>IR35</b>	Adequate	Good	High: 1 Medium:2	All accepted

<b>KCC Payroll</b>	Substantial	Very Good	High: 0 Medium:1	All accepted
<b>Grants Follow Up</b>	Adequate	Adequate	High: 3 Medium:2	Reported to CMT and risks accepted

- 3.18. The audit of revenue budget monitoring was particularly positive and from testing of a sample of budgets it was evident that the collaborative planning system (CP) is used appropriately with higher risk areas backed up with more intensive spreadsheet monitoring. The relevant accountants are providing appropriate and timely challenge on variances identified from the system. Commentaries to relevant bodies of the Council charged with budgetary governance are accurate and appropriate.
- 3.19. Our review of the management of the new apprenticeships systems and funding was generally positive, with effective management of the Central Government portal which has a number of inherent weaknesses. Overall the Council has responsibly managed these opportunities and is endeavouring to maximise the benefits from the scheme. Despite this, at the time of our audit a balance of nearly £1.7 million remained on the KCC digital account.

## **Other Audit Assurance**

### **Schools themed coverage**

- 3.20. Our review of 20 schools focused on payroll and income controls, with the following outcomes:

	<b>Assurance Level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
Schools Payroll and Income	Substantial	Adequate	High: 0 Medium:4	All accepted

- 3.21. Overall controls in these areas are satisfactory, if not always consistent.

- 3.22. For payroll, schools had sufficiently robust controls for authorising and processing payroll set up and data amendments in a timely manner. Variance reporting was good and appropriately investigated. Some schools had issues over the timeliness of applying pay awards. In general schools held good income records and we were able to substantiate the accuracy of bankings. However, one in five schools had insufficient income records, particularly around fundraising events.

### **Establishment Audits – (OPPD Day Centres)**

- 3.23. During this period, we completed our themed establishment work through visited to 5 OPPD Day Services. The following judgement was made, and centres reviewed:

	<b>Assurance level</b>	<b>Prospects for Improvement</b>	<b>Issues Raised</b>	
<b>Establishments – OPPD Day Care</b>	Adequate	Adequate	A total of 59 recommendations made of which 7 were high risk	All accepted

<b>Individual OPPD Day Centre</b>	<b>Assurance level</b>	<b>Occupancy levels</b>
Minnis Bay Day Services	Adequate	33%
Milan Day Services	Limited	110%
Guru Nanak Day Services	Limited	86%
Gravesham Place Integrated Care Centre	Adequate	26%
Westview Integrated Care Centre	Adequate	64%

- 3.24. We had a number of concerns in the operation of selected controls across the centres, more particularly health and safety, staff training and maintaining accurate asset registers. As per above, perhaps the most evident value for money concern was the utilisation levels at certain centres.

## 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.
- 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' function for Kent Commercial Services, Gen2, Invicta Law and to the future Education ('The Education People') and BSC companies
  - 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
  - Input towards the Kent Intelligence Network (KIN) counter fraud data matching hub
- 4.3 During this period, we also won the internal audit contract for 'Mytimeactive', a charitable company principally formed from the leisure services operations of the London Borough of Bromley.

## 5 Counter Fraud and Corruption

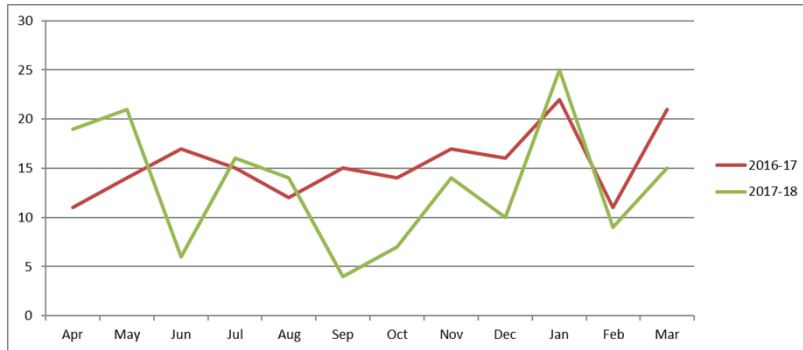
### Fraud and Irregularities

- 5.1 We have recorded 160 irregularities in 2017/18 of which 60 remain under investigation and 100 have been closed (see CF1). From the 100 closed irregularities, 76 have been defined as fraud and 25 as a financial irregularity.
- 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 **£690,435**.

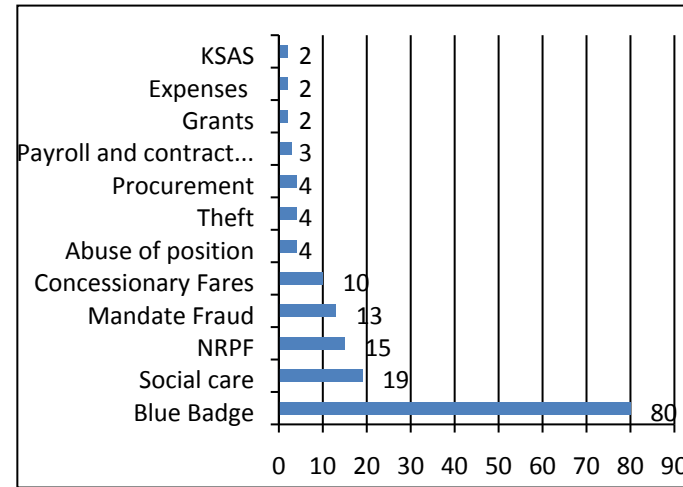
- 5.3 There has been an increase in the '*no recourse to public funds*' referrals sent to the counter fraud team by social care. The potential value of the 15 referrals to date equates to £208,300. This is calculated by using the average value of accommodation and food for six months.
- 5.4 Kent's schools have also been targeted by mandate fraud in 2017-18. The counter fraud team continue to alert schools through KELSI (Kent Education Learning and Skills Information) in order to prevent other schools falling victim of this type of fraud.
- 5.5 From the 160 irregularities reported, 106 have been from social care (see CF3), although the majority (80) 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). The most common source of referrals is from staff (see CF4).
- 5.1 The "Social Care Fraud" category is made up of Direct Payment misuse, deprivation of capital, financial abuse by a third party and financial assessment fraud. Fraud awareness sessions have been completed with the Financial Assessment Teams to promote fraud prevention and this has also seen a welcome increase in direct payment referrals from this team.
- 5.2 Because of the proactive fraud briefings, the overall fraud referrals to the team have been increasing substantially during 2017 such that backlogs are now growing. Following the presentation of a business case to the Corporate Management Team the capacity of the counter fraud team will grow by one post from May.

## **Fraud and Irregularity tables:**

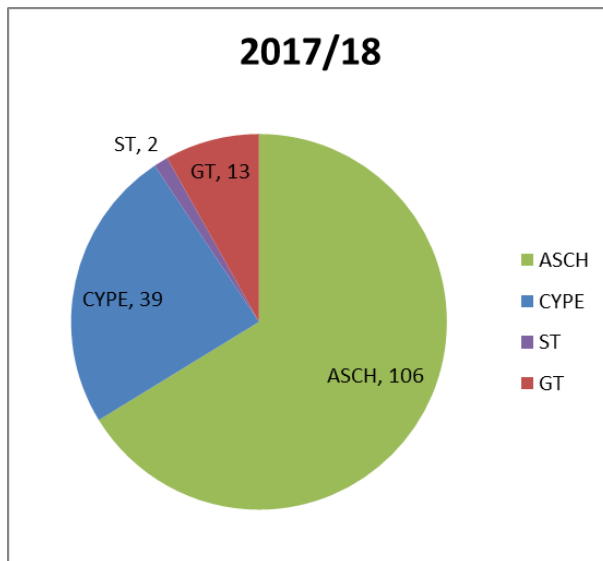
**Table CF1 - Number of Irregularities Reported by Month**



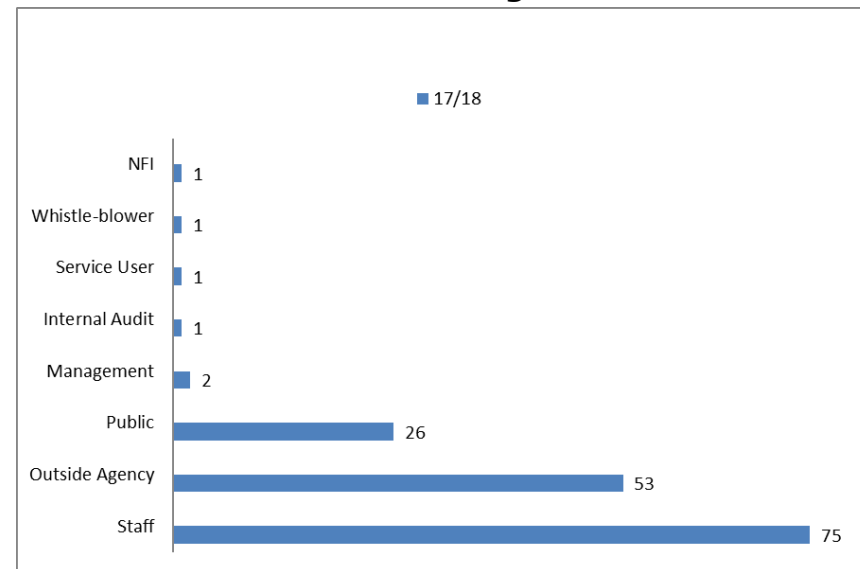
**Table CF2-Irregularities by Type - 2017/18**



**Table CF3 -Irregularities by Directorate**



**Table CF-4 Source of Irregularities**



## 6. Internal Audit and Counter Fraud Performance

6.1 Performance against our targets to the end of March 2018 are shown below:

Performance Indicator	Target	Actual
<b>Outputs</b>		
90% of Priority 1 audits completed (by year end)	82%	82%
20% of Priority 2 audits completed	16%	19%
Draft audit reports issued within agreed date on the engagement plan	100%	75%
No of fraudulent incidents / irregularities recorded	N/A	160
<b>Outcomes</b>		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	45% (55% in progress)
% of all other issues agreed	N/A	99%
% of all other issues implemented	N/A	97%
Client satisfaction	90%	97%
Value for money / efficiency savings identified		£200,000
Total number of occasions on which a) fraud and b) irregularity was identified	n/a n/a	76 25
Total monetary value of (a) fraud and (b) irregularity that was detected		£512,135* £34,317*
Total monetary value of (a) fraud and (b) irregularity that was recovered		£83,462 £0

\* These figures include unsuccessful attempted frauds that resulted in no loss and therefore do not require recovery.

- 7.1 In general, the 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.

## **8 Internal Audit and Counter Fraud Resources**

- 8.1 Resources are keeping pace with our growing workloads. As reported above, the fraud team is to grow by one post to meet the increasing levels of referrals and special investigations. In addition, because of the increasing levels of fee earning work (now approximately 25% of our turnover) we have been given permission to recruit an additional Principal Auditor, to commence from the summer of 2018. In relation to the impact on the KCC budget, the new Principal Auditor post will be funded from external fee income and a proportion of the cost of the new fraud post will be offset by increasing recoveries.
- 8.2 During the period under review the unit moved to more central offices in County Hall and is appropriately located alongside other teams in the Finance Directorate.

## **9 Work in progress and future planned coverage**

- 9.1 Appendix B updates progress against the agreed plan coverage and substantiates the estimation that we are on target to achieve our coverage. For the final period of 2017/18 we have a number of substantive audits still in progress that require completion including:

Governance review of adult social care	Health and Safety
Economic Development governance	Outdoor education establishments
TFM contract management and TFM helpdesk follow-up audits	Corporate Governance and Annual Governance Statement and returns
Quality in Care Frameworks	Risk Management



- 9.2 As detailed previously we also have substantive workloads around the Council's LATCO's (which are reported to separate audit committees) together with a number of special investigations.

## **10 In Conclusion**

- 10.1 We are satisfied that 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.
- 10.2 In addition, line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 10.3 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 January - March 2018

### Children's Allowance Review Team (Draft Report)

Audit Opinion	<b>Limited</b>
Prospects for Improvement	<b>Adequate</b>

From our sampling of claims in progress we are satisfied that assessment processes are generally sound but unfortunately current processes involve the destruction of all underlying evidence following the 3-month review, and therefore we can provide no assurance regarding the validity or accuracy of pre-existing claims. It is of concern that the children's systems differ to those for the assessments of adult direct payments where all relevant information is retained. Clearly an absence of substantiating evidence also places the Council at risk from subsequent challenges on assessments by the Courts or external bodies.

#### Key Strengths

- For all the new claims sampled, evidence of income and expenditure was held to substantiate the claim.
- All claims sampled were authorised for payment and a memo from the Children's Payment Team confirmed the correct amount payable.
- Three claims were Staying Together orders; a placements panel referral was held in each case and the payment was correct.
- Review assessments were accurate and timely. All review action points had been addressed promptly.
- The CART processes manual provides sufficient guidance for staff.
- Suspended applications are being actioned in a timely manner.
- Monthly and quarterly monitoring reports are consistently produced.

#### Areas for Development

- For the 8 existing claims sampled, evidence of income & expenditure and the means test pack was not held. Therefore, we were unable to substantiate the accuracy or validity of these payments.

- The application form requests receipt of copy information rather than originals which further increases the risk of fraud and error.
- In 2 current cases reviewed the assessment incorrectly included a child benefit deduction.
- There was no evidence to confirm the validity of assessments undertaken for either the new claims or the existing claims because process checklists were not signed by the reviewing officer.
- In most cases the court order was not held with the assessment.
- Approval of the CART processes manual was not evidenced, and review dates had not been set.
- Inefficiencies in working practices were identified for vendor set up and payment processing, and increased risk of compromised data protection.

#### Prospects for Improvement

- Management have agreed from 1<sup>st</sup> May 2018 to create substantive audit trails to justify payments being made and bring their processes in line with that of adult direct payments.
- The reorganisation of the teams in 2015 has resulted in efficiency improvements that continue.
- Errors identified are being logged and rectified. Lessons learned need to be disseminated so that errors are not repeated.

#### 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	3	2	1
Low Risk	3	3	0

## Discharge to Assess

Audit Opinion	<b>Limited</b>
Prospects for Improvement	<b>Adequate</b>

The service was set up to meet increase demand from Hospital discharge and help manage delays moving patients out of hospital into the community. Community care providers were consulted in the development of the service, however there has, until recently, been no formal arrangements for the running and management of the service. Although we were informed there is a contract in place between KCHFT (transferred from EKCCGs) and the contractor, and West Kent CCG and Hilton, there has been no contract with KCC.

This case highlights a number of key risks and concerns:

- Acting on short term 'crisis' or emergency funds, which are becoming more commonplace
- Partnerships and shared costs with other organisations
- Extensions of short term 'contracts'
- Operating without clear contract guidelines or monitoring

It is evident that for elements of these contracts:

- OJEU regulations have been breached.
- Procurement policies and guidance from KCC have not been followed and delegated authority limits breached
- Value for money / best value has not been properly tested since the service started elsewhere in the county.
- There has been an absence of formal contract management and performance monitoring

### Key Strengths

- The original service was commissioned to meet a specific need of dealing with delayed discharge and was funded by emergency money provided for that purpose. The directorate requested advice from procurement and consulted all community providers in Kent.

- After the winter pressures money finished, EKCCG's commissioned the service and it became fully funded by the CCG. The service remains funded by the CCGs, although bridging payments have been made during 17/18 due to delays in moving social care clients out of the Hilton service.
- Single Source, Interim contracts have been put in place to cover the service until it is re-procured
- Invoices received by Hilton are reviewed by Short Term Pathway (STP) Managers to ensure accuracy before authorisation is given to pay.
- An attempt has been made to set up service monitoring of the contractor. However, this is in its infancy and relies on information provided by the contractor themselves.
- The service has helped facilitate discharge and helped KCC in meeting the NHS discharge requirements.
- A review carried out by the department of Health in West Kent stated that the services had shown encouraging results and supported the continuation of the service.

### Lessons Learned

- The discharge service was initiated without opening it to competitive tender, in breach of procurement rules including OJEU regulations. To January 2018, approximately £1,225,000 has been spent, in part due to the escalation of the service on several occasions during this time.
- Whilst the initial service could have been covered by a single tender waiver, the continued level of spend on the service should have triggered the need to proceed with a competitive procurement exercise. This did not happen until almost a year later despite the service being known about and discussed with strategic commissioning throughout.
- There have been no contracts put in place between KCC and Hilton for the discharge to assess service. Although the initial service in East Kent was a short-term service and was later commissioned by the CCG, the services in West Kent and DVH have continued and an interim contract has only recently been drawn up.

## Discharge to Assess – Cont.

### Lessons Learned (cont)

- The service has been delivered and managed through email correspondence and verbal agreement. There has been no formal contract management and subsequently no contract variation procedures to allow suitable authorisation of changes.
- Monitoring and an improvement cycle piece of work has recently been set up. Before this there was no monitoring of the discharge service to ensure that the correct patients are being referred.
- This service and the issue of its continuation and expansion after the initial emergency funding, was a known within the directorate and corporately. Yet there has been a lack of intervention or proactive approach to formalise and procure the service correctly until triggered by SCB in October 17. This could have been identified earlier.
- The spend on the service exceeds delegated authority limits. Email correspondence from the Corporate Director for Social Care Health and Wellbeing demonstrated agreement for the services to start, but a contract with cumulative spend over £1m would require a key decision from the cabinet member.
- Although invoices have been validated against activity, there have been no formal KPI's and no monitoring of the services performance and effectiveness. There is a recent improvement cycle piece of work ongoing in West Kent to ensure the best use of the service, but this is in its infancy and relies on information provided by the contractor themselves.
- There is no social care client record of the service users passing through the service.
- 50:50 funding split for West Kent Hospitals and the issues of not recovering CCG funding for the service in DVH gives rise to the possibility that we are funding patients who do not have social care needs. This could represent shifting of health costs on to KCC.

### Prospects for Improvement

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

- The service has now gone out to re-tender with expression of interest from a number of providers.
- Commissioning and Procurement has been restructured giving better oversight of activities
- Confusion on governance routes for commissioning emergency services in the authority may persist

### 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	3	2	1
Low Risk	3	3	0

## Transformation - Change Capacity & Knowledge Transfer

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

Overall KCC is making progress in terms of transferring and developing knowledge to enable change to be sustained. The Organisational Development plan for 2017-2020 has appropriate focus on improving workforce capacity and capability to deliver transformation and service change, although this is at a relatively early stage of its 3-year cycle, and as such progress for some actions are limited.

Our detailed review of the knowledge transfer arrangements for three significant Tier-1 change programs concluded that appropriate action has been taken to achieve this. However, during the audit we were unable to obtain information to assess the progress of a mitigating action within Adult Social Care's risk register in relation to knowledge transfer and therefore this remains a gap in assurance.

### **Organisational Development Plan**

#### **Key Strengths**

- Engagement, Organisation Design and Development (EODD) have developed the Strategic Organisation Development Plan for the 3-years 2017-2020 which sets out how KCC will improve workforce capacity and capability to deliver transformation and service change.
- Underpinning the above plan is an annually agreed action plan and budget, which note development areas and timescales.
- Progress is monitored quarterly, reporting to CMT every 6m.
- The first CMT Report was in October 2017 and provided an update focused on key messages and progress. A detailed progress report against the full action plan was not provided as this was not considered appropriate for the target audience.
- The OD team demonstrated appropriate knowledge of the actions required to achieve the agreed annual OD plan.
- OD directorate groups were aware of the annual action plan, with individual agendas in place which aligned to directorate priorities.

#### **Areas for Development**

- The OD plan is at the relatively early stages of its 3-year cycle, and consequently progress for some actions is limited. The annual action plan would benefit from specifying owners for each so that responsibilities are clear. In addition, a supporting tracking document underpinning the annual action plan that shows progress, dependencies and costs against each action would better demonstrate progress.

### **Tier 1 Projects**

#### **Key Strengths**

- Two of the projects were led by our transformation partner 'NE' and the consensus was that their methodology did not align to the Council's established strategic commissioning cycle of 'Analyse, Plan, Do & Review' and therefore in terms of knowledge transfer there was little to be gained. It was also considered that the data and methods used within these projects were understood by key officers. We did not explore this further as these have been covered by previous audits. Newton Europe are no longer being engaged by KCC, but incentive payments based on savings continue.
- Each NE project had a call-off agreement which specified the knowledge transfer that should take place during the project, including coaching, integrated support and technical guides. Evidence was available to demonstrate these had been completed.
- The third project selected was the Education Services Company where an external contractor has been engaged to deliver the overall programme. A permanent member of KCC staff has also been seconded to this project and is currently being trained in programme management tools and techniques to further up-skill the capability in that directorate.

#### **Areas for Development**

- None identified.

## Transformation - Change Capacity & Knowledge Transfer – cont

### Prospects for Improvement

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

- The Corporate risk register has an open action on “skills transfer” which states “stipulations built into contracts of external efficiency partners / consultants to ensure internal staff develop relevant skills and build capability”.
- The central OD Team provide a good level of support and challenge to all OD directorate groups.

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	N/A	N/A
Medium Risk	1	1	Partially Accepted
Low Risk	0	N/A	N/A

## Revenue Budget Monitoring

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

Collaborative Planning (CP) is used to monitor most budgets, except for some very high risk and complex activity-based budgets, where detailed spreadsheets are used. Testing of a sample of budgets, and discussions with accountants established that most budget holders make good use of CP to both provide a commentary on current month variances, and to produce a year end forecast. Revenue Budget Monitoring Accountants are providing suitable challenge to budget variances identified. monthly budget monitoring reports for the Corporate Board and Cabinet are accurate and include appropriate commentary and explanations.

### Key Strengths

- The Council's financial regulations clearly set out the control framework for budget monitoring.
- Guidance on the use of Collaborative Planning is readily available to budget managers via KNet.
- The accountants are fully familiar with the steps required to make best use of the complex spreadsheets used to monitor the high-risk budgets.
- Where spreadsheets are used, they include various built-in controls and checks to ensure the accuracy and completeness of information being relied upon.
- Accountants have a good understanding of the budget areas they are responsible for and therefore are able (and do) challenge variances to budgets.
- Current budget and forecast positions are being accurately reported to Senior Management and Members.

### Areas for Development

- Procedure notes are not in place for accountants to use as an aide memoire for monitoring and overseeing all budgets.
- Support is provided to some budget managers who could be self-supporting, using accountancy resources to increase time spent on higher risk budgets.
- Production of the report to cabinet is completed within 30 days of the month end, reflecting the time taken to produce, review and challenge the reports. However, reporting to Cabinet is usually 3 months after the month end, due to the timing of Cabinet meetings. This timeline creates a risk that decisions made by Cabinet on strategic issues and policies may not be timely.

### Prospects for Improvement

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

- Officers were receptive to the issues identified.
- All finance staff involved in budget monitoring and reporting had a good understanding of their role and the budgets they support.
- The systems and processes in use are robust and plans are in place to further increase the use of CP for more complex budgets.

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	0	0
<b>Medium Risk</b>	0	0	0
<b>Low Risk</b>	3	2	1

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

At the time of submission, the Council was not in possession of a core PSN certificate. The General Counsel has escalated this to the Head of Paid Service and we are advised that a certificate is imminent. Consequently, we cannot provide positive assurance that the Toolkit complies with stipulated requirements. That said, the General Counsel is confident that the Council would be able to provide alternative evidence to the NHS to support compliance, if this were queried. We have not substantiated this assertion.

At the time of audit fieldwork, substantive pieces of evidence were incomplete or out of date. As at 3<sup>rd</sup> April 2018, the deadline was met, and a Satisfactory rating was self-certified, although not all the points raised in Issue 1 were addressed albeit with some valid reasons. We are unclear how this will affect the quality assurance review undertaken by the NHS upon submission and whether they will support the Satisfactory rating, although in our opinion none of these present a significant risk.

### Key Strengths

- Adults Social Care demonstrated good accountability and were able to adequately answer all questions raised with them. The Toolkit sections relating to Care Records had been updated with appropriate evidence in good time for the submission deadline.
- The Toolkit requirements supporting the Care Records Assurance section for 17/18 have been uploaded to attain level 3, as opposed to level 2 as in previous years (both are acceptable, however level 3 demonstrates a higher level of compliance).
- The General Counsel was aware that supporting evidence for the remaining three sections needed reviewing and updating for the 31<sup>st</sup> March 2018 and had taken personal responsibility for this.

### Areas for Development

- For the majority of the Toolkit requirements evidence was outstanding or out of date when we reviewed it in early March 2018. One significant piece of evidence is the PSN Certificate that covers off a number of requirements and expired in January 2018. In addition, several policies are being updated in line with the new General Data Protection Regulations (GDPR) and so may not be available in time. We were assured by the General Counsel that suitable evidence will be available for the submission's deadline.
- There is no documented procedure supporting the Toolkit processes, including defining roles, responsibilities and time frames. Adult Social Care have prepared a draft procedure for the General Counsel to aid defining roles and responsibilities.
- For the 2017/18 submission, roles and responsibilities have changed, however access rights had not been reviewed.

### Prospects for Improvement

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

- There is an acknowledgement that stretched resources and competing priorities (for example GDPR) could mean that the submission may not happen until the 'eleventh hour'.
- Roles and responsibilities for the timely completion of the Toolkit submission need to be clarified going forward.

### Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
<b>High Risk</b>	0	0	0
<b>Medium Risk</b>	1	1 – partial	partial
<b>Low Risk</b>	2	2	n/a



## ICT Asset Management

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

The Council's Information and Communication Technology (ICT) Strategy outlines six core principles that set out the Council's direction of travel for ICT and appropriate management of the Council's ICT assets.

Council's ICT asset database is maintained in the Supportworks system and is well established, covering hardware and software licences. We found that generally the completeness and accuracy of the asset register was satisfactory, with a small number of exceptions identified through audit testing.

### Key Strengths

- Responsibility for ICT asset management is segregated between the Service Request and the Security and Infrastructure teams.
- Responsibility for the management and co-ordination of the Technology Refresh Programme (TRP) has been assigned to the ICT Project Manager.
- There are documented technical procedures in place for requesting new ICT assets, recording and issuing ICT assets to members of staff, returning ICT assets that are no longer in use and remotely wiping mobile devices that are lost or stolen.
- The Council's ICT asset database records the individual asset number, the owner of the asset, a description of the IT asset and its current status.
- ICT assets could be traced back to the ICT asset database and it was observed that they have been recorded correctly.
- Printers are managed through Managed Print, and there is a record of all printers in use at the Council, including their location.
- Software licenses are recorded in the Council's ICT asset database and are allocated to the individual users to which the software is deployed.

- Software has been implemented to manage mobile devices, including the facility to remotely wipe devices that are lost, stolen or no longer in use.
- There are arrangements in place for the secure disposal of the Council's ICT assets by an external contractor, and there are full records of the assets that have been collected for disposal, including disposal certificates.

### Areas for Development

- The Council's ICT asset database was found to include out of date information regarding the 'asset owners'.
- Whilst the Council has an ICT Asset Management Policy in place, awareness of the policy among staff was limited and the policy does not provide clear links to relevant guidance available on KNet.
- The ICT Asset Database does not record ICT assets as lost or stolen and there is no separate record of lost or stolen assets.

### Prospects for Improvement

- Good overall awareness within the relevant ICT teams of the technical procedures for configuring, managing and securing ICT assets.
- Robust configuration and functionality of the Council's ICT asset database.
- The audit findings were received positively and action has already been taken to address one of the issues identified in this report and robust action plans have been developed to address the remaining issues.

### 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

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

Phase One of the Cloud Navigator Programme is progressing well with the ENMO work stream, which is the largest of the Programme work streams and is now due to be completed three months ahead of the original planned end date of June 2019.

The Programme is on its third Programme Manager in less than a year which led to a lack of continuity in terms of governance - with some programme board meetings not being held and documentation not being appropriately disseminated or approved. However, these issues are now resolved and the current Programme Manager has driven forward the Programme, demonstrating a clear and holistic approach to ensure the Programme is completed as expected, with appropriate documentation and reporting in place.

## Key Strengths

- Regular updates as to the progress of ENMO are provided to monthly governance boards with key information such as risks reported here as well as updates provided weekly.
- As part of the new Agile methodology, daily meetings are held to ensure full awareness of the current status of the different streams of work from various officers working across the project.
- Steps have been taken to ensure that downtime of key services will be minimised through communication with stakeholders (such as the completion of surveys with users and discussions with the vendors) allowing for confidence moving forward to the migration.
- Controls surrounding the security applications and data when in the Cloud are appropriate, with robust controls surrounding the development and approval of security measures such as the Walled Garden.

- Sound governance procedures are now in place relating to monitoring the progress of the work and an improved relationship with Microsoft.
- The project is currently projected to deliver 3 months ahead of schedule.

## Areas for Development

- Whilst resource forecasting has been undertaken, budgets for internal and contractor resources were not fully recorded and monitored.
- A Project Initiation Document (PID) was produced for the ENMO work stream but this did not include a budget total, nor was it approved and communicated to the team prior to the commencement of the work. The PID has since been approved.

## Prospects for Improvement

- A new Programme Manager is in place with a good awareness of the project and team, due to having been a Project Manager on a previous work stream.
- Issues with the governance of the Programme have now been resolved.
- The relationship with the main supplier, Microsoft, is functioning well.

## Summary of Management Responses

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

## Protection of Property

Audit Opinion	<b>Adequate</b>
Prospects for Improvement	<b>Good</b>

We reviewed the current arrangements in place for the Protection of Property (PoP) activity and found several areas where controls were operating effectively and there were several examples of good practice including developments to the training available for officers (although more than half of officers had not completed training).

Unfortunately, there are a number of areas where critical controls are weak including training compliance, financial controls and monitoring.

### Key Strengths

- The PoP policy aligns to legislative requirements and details the roles and responsibilities of Officers undertaking the PoP activity.
- The training available on Delta was updated during the audit which noticeably enhanced the previous version
- Testing identified that for all service users sampled the correct authorisation had been obtained prior to acting on their behalf.
- The majority of forms which were required to be completed during the course of the PoP activity were available.
- All PP3's (Inventory forms) within our sample contained evidence that this was checked by two Officers.
- The majority of management actions agreed following our 2016/17 investigation have been implemented.
- There was only one instance from in the test period where the Council had to clear a service user's property and we found that two quotations were received to ensure value for money was obtained.

### Areas for Development

- Review of training records identified that the available training had not been completed by 65% of relevant officers.

- Review of SWIFT records found that these were not clear enough to allow the current status of the case to be identified.
- A number of the financial controls in place for the PoP activity could be strengthened - such as improving the description on Oracle for client monies so that they can be clearly identified. The policy could further be enhanced to include details such as guidance regarding valuable assets
- Inventory forms contain 3 separate sections for cash, assets stored in the locality safe and valuable assets too large to move. Sections are only completed if any relevant assets are found and nil returns are not retained.
- Photographs taken at each of the service users' properties did not always include a picture of all valuable assets left at the property.
- We identified potential enhancements to the process when Client Financial Affairs (CFA) is involved in a protection of property case, where CFA follow their own internal procedures.
- The policy states that the PoP activity should have regular monitoring including completion of training and number of cases however, we were unable to identify any such monitoring.

### Prospects for Improvement

- Positive action has been undertaken since the previous investigation to enhance the controls within the PoP activity.
- All identified issues within the report have been addressed by a management action plan

### 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	4	4	0
Low Risk	1	1	0

## Apprenticeship Levy - Authority Wide

Audit Opinion	<b>Substantial</b>
Prospects for Improvement	<b>Good</b>

The biggest challenge faced by those involved with centrally managing apprenticeships is working with the on-line Central Government portal (the Digital Account), which does not have the capability to report or reconcile entries, leading to a significant amount of officer time being spent trying to reconcile the account to KCC's records. Additionally, meeting the target for apprentices within schools remains a challenge, although the outlook is positive with the recent conversion of the new Teacher standard (former PGSE), which will see an increase in the number of apprentices.

### Key Strengths

- There was a good range of guidance available for both apprentices and managers on-line (both KNet and Kelsi), with accompanying detailed guidance documents also available.
- the majority of current and pipeline apprentices align to KCC's priority areas (social care and business administration).
- For corporate staff (those not working at schools or LATCOs), KCC is understood to be on track to meet its target of 2.3% of headcount.
- The Young People Strategy which is in development will include apprenticeships as a focus.
- All reasonable steps are being taken to ensure that existing staff training schemes are converted to apprenticeships where they are not already recognised as one of the new apprenticeship standards by Central Government.
- From our sample of apprentices reviewed, all met the eligibility criteria and all but one had a learning agreement in place.
- For all new to KCC apprenticeship recruits, the job descriptions, person specifications and contracts covered the apprenticeship role.

- All Apprenticeship Levy payments in respect of KCC Payroll from our sample were accurate.
- All entries on both the KCC corporate tracker and the KCC school's tracker reconciled to the Digital Account. It is evident that a monthly financial reconciliation is carried out despite this being very labour intensive.

### Areas for Development

- There are no procedure notes regarding completion of the financial reconciliations.
- The current processes for reconciling the Digital Account and associated finances should be streamlined to aid efficiency.
- There is no reference in the Recruitment Strategy of the priority apprenticeship areas of Social Care and Business Administration.
- Apprenticeship vacancies on Kent.gov.uk are not all being simultaneously advertised on the Apprentice Kent and the National Apprenticeship Service.

### Prospects for Improvement

- Process enhancements are welcomed by officers but largely dependent on improvements to the Digital Account by Government.
- There is Council-wide support for increasing the level of apprentices.
- Key officers have been receptive of the issues that have been raised within this audit and shown a real desire to improve processes.

### Summary of Management Responses

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted, and no action proposed</b>
<b>High Risk</b>	0	0	0
<b>Medium Risk</b>	2	2	2
<b>Low Risk</b>	2	2	2

## Schools Themed Review (Draft Report)

Audit Opinion	<b>Substantial - TBC</b>
Prospects for Improvement	<b>Adequate - TBC</b>

The majority of the 20 schools sampled are operating satisfactory controls around payroll and income. However, there is an inconsistency in the application of these controls across a number of schools.

For payroll, improvements are required with regards to evidencing decisions made in relation to pay awards and the timeliness of applying increases. On the whole, security of personnel and finance files were sufficient and the majority of school's policies were comprehensive and up to date.

There were insufficient income records held for one in five of the schools visited, and controls for recording and verifying income received from fund raising events needs to be improved.

### Key Strengths

- We confirmed that new starters had been added to the payroll promptly for all schools.
- Overtime was appropriately authorised and accurately processed for the majority of schools.
- We were able to test teacher's pay uplifts and performance related pay for 13 schools – all but one had been accurately applied.
- CAPITA had applied the standard 1% for four schools in our sample before they had agreed the uplifts. However, this did not lead to underpayments at two of the schools.
- Reconciliations to the bank account were completed for all schools in relation to the monthly payroll BACS file
- Review of payroll reports identified seven occasions where over/under payments had been made across all schools.
- Sufficient income records were held for 16/20 schools & receipts were issued for 7/20 schools. We could confirm that monies had been posted into the accounts accurately and promptly for all schools.

### Areas for Development

- There were insufficient details recorded on expenses claims for 35% of schools.
- Five schools did not have appropriate records to support pay award decisions for Teachers, this includes two of the schools where CAPITA had applied the automatic 1% increase.
- There was in-sufficient segregation of duties for two schools in relation to preparing and authorising the monthly payroll file. Furthermore, there was no evidence that the monthly payroll file had been authorised for two schools.
- For income we were unable to select a sample from source records for 4/20 schools as sufficient details were not recorded to show a breakdown of who had paid the money in or what it was for and receipts were not issued.
- It was established through income testing for six schools the amount of cash being banked exceeded the cash limit defined in the School's Finance Policy
- Two schools did not store payroll records securely, and one school also did not keep financial documents locked away.

### Summary of Management Responses

	<b>Number of issues raised</b>	<b>Management Action Plan developed</b>	<b>Risk accepted and no action proposed</b>
High Risk	0	0	0
Medium Risk	4	4	0
Low Risk	0	0	0

## Establishments – OPPD Day Services (Draft Report)

Audit Opinion	<b>Adequate - TBC</b>
Prospects for Improvement	<b>Good - TBC</b>

Internal Audit undertook a series of establishment visits to five OPPD Day Services establishments as part of the agreed 2017/18 annual Audit Plan. The following Centres were reviewed:

Establishment	Assurance Level
Minnis Bay Day Services	Adequate
Milan Day Services	Limited
Guru Nanak Day Services	Limited
Gravesham Place Integrated Care Centre	Adequate
Westview Integrated Care Centre	Adequate
Overall Opinion	Adequate

Across the five Centres, 59 recommendations were raised, of which 7 (12%) were high priority. These concerns were particularly around utilisation of the service, evidencing that deliveries had been checked for quality and quantity; maintaining complete and accurate asset registers; health and safety controls and staff training.

### Key Strengths

- Building security is well managed to safeguard users.
- Expenditure approval was in line with KCC's scheme of delegation.

- DBS checks for staff are up to date.
- Accident reporting is well recorded, with actions being identified and implemented to prevent accidents recurring.
- Personnel, financial and client files are stored securely and all storage cupboards and filing cabinets are locked when not in use.
- There is evidence that expenditure is for the benefit of service users.

### Areas for Development

- There is currently no letting policy in place that would allow the services to rent rooms to other organisations. We understand that the services are aware of the issue and are currently working to put this in place.
- Review of the utilisation of the Day Services found a common issue surrounding the take up of the service. This may be linked to local business not being in place to help shape the service moving forward.
- Two of the Day Service Centres we visited were primarily focused on delivery to particular ethnic minorities to the exclusion of others, which presents concerns surrounding equality and diversity.

### Prospects for Improvement

- Managers at the establishments visited have responded positively to the issues raised in their individual audit reports and have either implemented actions immediately or developed appropriate action plans to address them.

### Summary of Management Responses

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

## Appendix B - Audit Plan 2017/18 Progress

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



Project	Progress at March 2018	Date to G&A	Overall Assessment	Project	Progress at March 2018	Date to G&A	Overall Assessment
<b>Core Financial Assurance</b>							
Revenue Budget Monitoring	Complete	April 2018	Substantial/ Good	Cashiers & Bank Reconciliations	Complete	November 2017	Substantial/ Good
Schools Financial Services	Planning			T.D.M. System (for domiciliary care payments)	Cancelled – system being replaced		
Treasury Management	Complete	November 2017	High/ Good	Accounts Receivable Follow-Up <b>Priority 2</b>			
Financial Assessments	Complete	November 2017	Limited/ Good	Client Financial Affairs (KCC as Appointee) <b>Priority 2</b>			
<b>Risk/Priority Based Audit</b>							
Members Induction and Training	Complete	November 2017	Adequate/ Adequate	Young carers - contract management <b>Priority 2</b>	Complete	January 2018	Adequate/ Good
Apprenticeship Levy	Complete	April 2018	Substantial/ Good	Adults and Children's Finance Processes - <b>Advisory</b> <b>Priority 2</b>			
Use of Agencies and IR35	Complete	January 2017	Adequate/ Good	Domiciliary Care <b>Priority 2</b>	Replaced by Home Care Contractor investigation	January 2018	N/A
KCC Payroll	Complete	January 2018	Substantial / Very Good	Redesign of 26+ Service – consultancy - <b>Advisory</b> <b>Priority 2</b>			
Developer Contributions (section 106 & CIL payments)	Deferred to 2018/19			DCALDMH Service Provision redesign - <b>Advisory</b> <b>Priority 2</b>			



Project	Progress at March 2018	Date to G&A	Overall Assessment	Project	Progress at March 2018	Date to G&A	Overall Assessment
TFM Follow-up	Planning			Direct payments analytical review – <b>Advisory Priority 2</b>	Planning		
Health & Safety	In progress			Residence Arrangements – IFA & Residential – including placements and payments <b>Priority 2</b>	Deferred to 18/19		
Grants Administration Follow-up	Complete	January 2018	Adequate/ Adequate	Troubled Families Returns	Ongoing		
Property Income Management <b>Priority 2</b>	Complete	January 2018	No/ Uncertain	Education Services Company - <b>Advisory</b>	Ongoing		
KNet and Website – including online payments <b>Priority 2</b>				School Themed Review – Payroll and Income	Complete (Draft Report)	April 2018	Substantial/ Adequate
KCC Recruitment/ entry controls <b>Priority 2</b>				SEN Transport	Postponed to 2018/19	N/a	N/a
Recruitment and retention incentives (Social Care) <b>Priority 2</b>				EY systems Post-implementation	Postponed to 2018/19	N/a	N/a
Contract management of GEN2 (including capital projects and data control) <b>Priority 2</b>				EHU revised model and outcomes	Cancelled due to Ofsted outcome		
Quality of Care themed review	Planning			Children’s Centres themed review follow-up	Complete	November 2017	Substantial/ Good
LD Lifespan Pathway Post Implementation	Deferred to 2018/19			Youth Justice <b>Priority 2</b>			

Project	Progress at March 2018	Date to G&A	Overall Assessment	Project	Progress at March 2018	Date to G&A	Overall Assessment
Adult Safeguarding Follow-up	Complete	November 2017	Substantial/ Good	Front door - CRU & Triage integrated model <b>Priority 2</b>			
MCA/DoLS Follow-up	Complete	November 2017	Adequate/ Adequate	Economic Development inc Regional Growth Fund	In progress		
Protection of Property	Complete	April 2018	Adequate/ Good	Local Growth Fund –phase 3 inc Major Highways Project Management <b>Priority 2</b>	Included in Economic Development audit		
Swift replacement project – consultancy - <b>Advisory</b>	Ongoing			Carbon Reduction Commitment – annual review	Complete	January 2018	Compliant
Disabled children - direct payments and managed service	In Progress			BDUK –watching brief – <b>Advisory</b>	Ongoing		
Foster Care - dependent on outcomes of service review could inc recruitment of foster carers	Cancelled due to Ofsted outcome			Kent Resilience Team Follow-Up <b>Priority 2</b>			
No Recourse to Public Funds	Complete	November 2017	Adequate/ Good	Contract Management in Libraries, Registration and Archives <b>Priority 2</b>			
Residence Arrangements 16+ (SAIFE) including placements and payments	In progress			Street Work Income <b>Priority 2</b>			
Childrens' Allowance Review Team inc SGOs	Complete (Draft Report)	April 2018	Limited/ Adequate	Establishments – OPPD Day Services	Complete (Draft Report)	April 2018	Adequate/ Good
<b>ICT Audit</b>							
ICT Strategy and Governance	Complete	November 2017	Substantial/ Good	Mobile Working <b>Priority 2</b>	Completer	January 2018	Substantial/ Good
Cloud Navigation – Programme Governance	Complete	November 2017	Limited/ Good	Software Licensing <b>Priority 2</b>			

Project	Progress at March 2018	Date to G&A	Overall Assessment	Project	Progress at March 2018	Date to G&A	Overall Assessment
Cloud Navigation – Watching Brief and Project Milestone Deep Dive	Complete	April 2018	Substantial/ Good	ISO27001 – BSC Readiness Assessment <b>Priority 2</b>			
ICT Asset Management	Complete	April 2018	Substantial/ Good	Cloud Navigation – Programme Governance Follow-up	Complete	January 2018	Substantial/ Good
<b>Other</b>							
Discharge to Assess – addition to plan	Complete	April 2018	Limited/d Adequate	Establishments – OPPD Day Care theme	Complete	April 2018	Adequate/ Good
Establishments – Nurseries theme	Complete	November 2017	Adequate/ Good				

## 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.