

By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 3rd October 2018

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

Classification: Unrestricted

Summary: This report summarises the outcomes to date against the 2018/19 internal audit and counter fraud plan

Recommendation: FOR ASSURANCE

Introduction

1. This report, and the enclosed Appendix A, summarises:

- The key outcomes from completed Internal Audit reviews and counter fraud investigations since April 2018
- Progress against the 2018/19 Internal Audit Plan, proposed revisions and key performance indicators
- Cyclical reviews of counter fraud strategies and anti-money laundering policies
- Future plans and improvements,

Outcomes and opinion

2. From our coverage to date we have concluded that the County Council continues to have **adequate and effective controls and governance processes** as well as robust systems to deter incidences of material fraud and irregularity. We have based this opinion on the following:

3. Positives

- 33% of systems or functions reviewed to date have been judged with a substantial assurance or better
- A continuing pattern of general robustness of key financial systems
- A pattern of good quality standards governing a range of financial assessment systems
- Management have acted appropriately and promptly to issues we have raised
- There have been no incidences of significant fraud, irregularity or corruption

4. Areas for development

- One 'no assurance' audit relating to a contract management issue
- Continuing issues with contracting and commissioning set ups
- Evidence from our recruitment audit that managers are not consistently following pre-employment checks. Such checks are key 'entry controls' into KCC.

5. At this time of the year audit and counter fraud activity is clearly more limited but will build up through the progression of the financial year. In making our opinion we also take into account the outcomes from our work in the previous financial year.

6. We have undertaken our cyclical review of the Council's anti-fraud and corruption strategy and anti-money laundering policy, and bar minor amendments for changes in Council structures and personnel we have found no need for any substantive revision and conclude that they remain fit for purpose.
7. In addition, we have carried out a self-assessment against the Public Sector Internal Audit Standards (PSIAS), in line with the internal audit Quality Assurance and Improvement Programme. In this self-assessment, we have judged that we are fully conformant with 53 of the 56 standards, partially conformant with two and non-conformant with one. An action plan has been developed to address the areas of non-compliance and progress against this will be reported to the Committee.
8. The delivery of the 2018/19 plan will be the last led by the current Head of Internal Audit before retirement and as such it would be desirable if recruitment processes could start before Christmas 2018.

Member challenge

9. In reviewing this report, Members might consider whether:
 - audit findings and outcomes correlate with the interim overall opinion being given
 - the audit judgements against selected corporate risks provide assurance that these risks are being adequately managed
 - management actions and responses are appropriate for the issues raised by audit
 - any areas of poor performance which warrant further review/ call in or follow up by this Committee

Recommendations

10. Members are asked to note:
 - Progress and outcomes against the 2018/19 audit and counter fraud plan
 - That minimal revisions are required to the Council's anti-fraud and corruption strategy and anti-money laundering policy
 - The action plan developed following completion the PSIAS self-assessment
 - Future plans and enhancements
 - Future preparations for the replacement of the current Head of Internal Audit during 2019

Appendices

Appendix A - Internal Audit and Counter Fraud Progress Report October 2018

Robert Patterson
Head of Internal Audit
(03000 416554)

Kent County Council

Internal Audit and Counter Fraud Progress Report

October 2018

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1.Executive Summary and Opinion

1.1 This report details the cumulative internal audit and counter fraud outcomes for 2018/19 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since April 2018. It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.

1.2 From our work to date we have concluded that Kent County Council has:

- Adequate and effective financial and non-financial controls and governance processes including systems to deter incidences of material fraud and corruption

1.3 Figure 1 (right) maps the outcomes from the completed internal audits to date. Summaries of these completed audits are detailed in Annex 1.

1.4 Where audits have identified areas for improvement, management action is agreed. All audits are allocated one of five assurance levels together with four levels of prospects for further improvement, which represents a projected 'direction of travel'. Definitions are included in Annex 5.

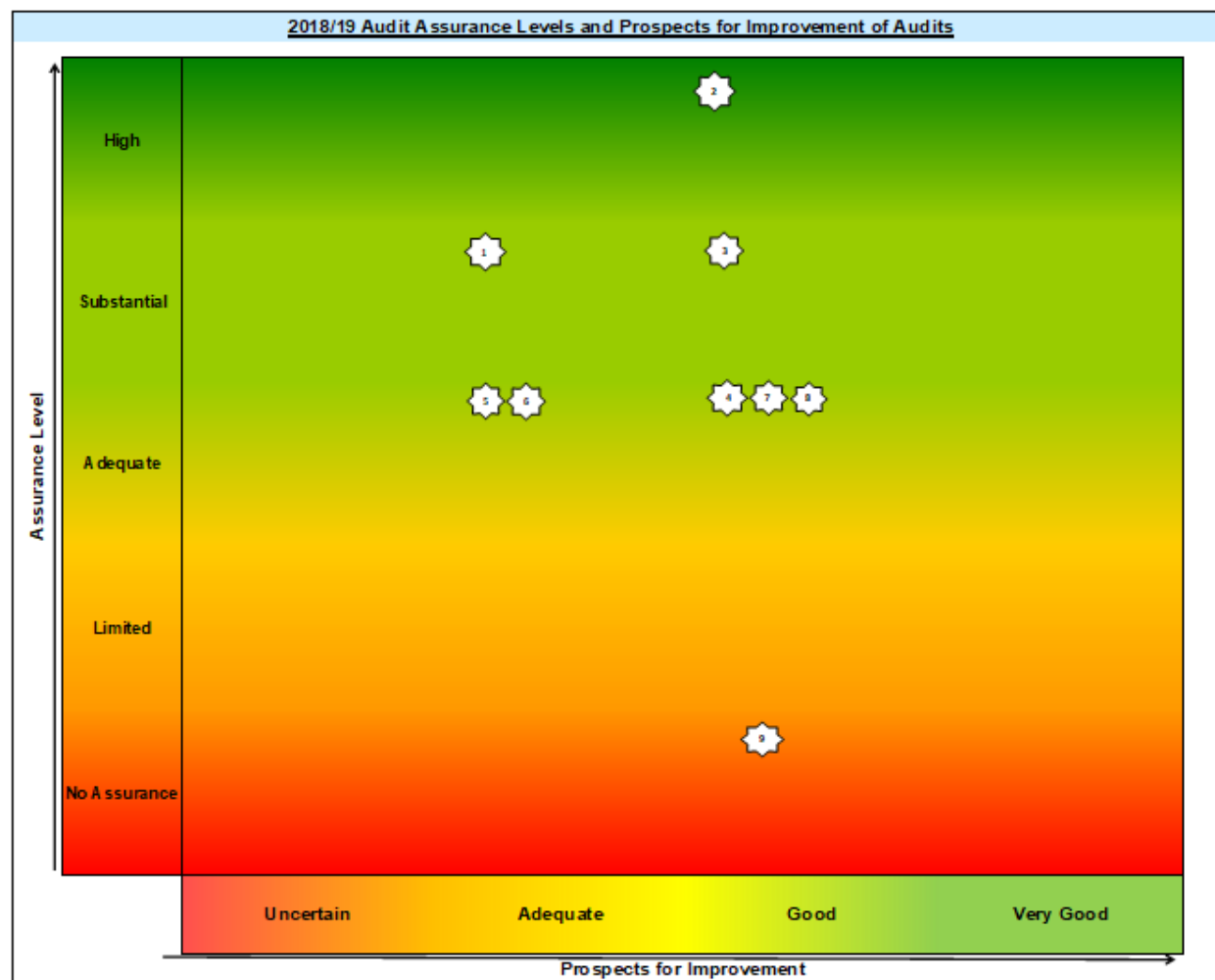


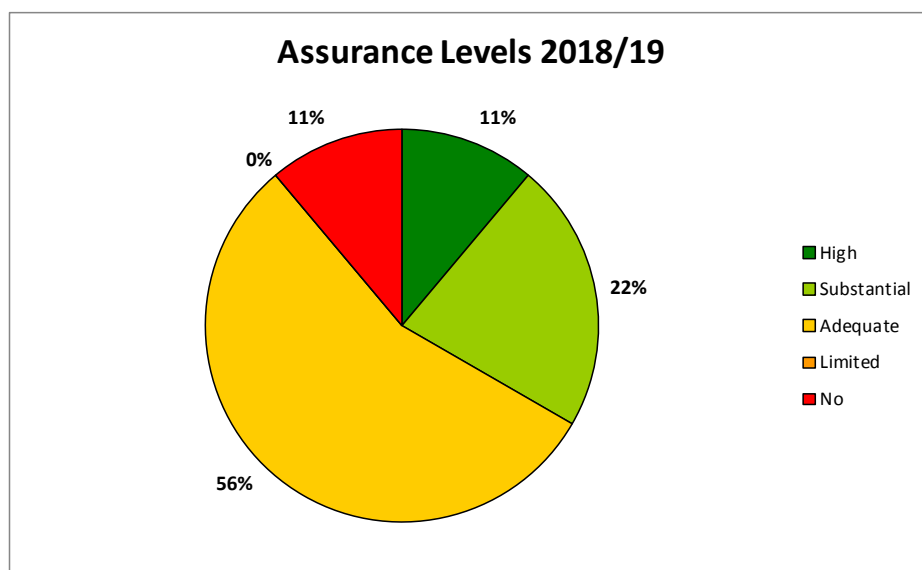
FIGURE 1

1.Executive Summary and Opinion

Audit Opinion October G&A Committee

No	Audit	Judgement	Prospects for Improvement
1	Financial Assessments Follow-up	Substantial	Adequate
2	CART Follow-up	High	Very Good
3	Client Financial Affairs	Substantial	Good
4	Recruitment and Pre-Employment Checks	Adequate	Good
5	Coroners Service Financial Controls	Adequate	Adequate
6	Direct Payments - Adults	Adequate	Adequate
7	Youth Services Commissioned Contracts	Adequate	Good
8	Direct Payments - Childrens *	Adequate	Good
9	Oakwood	No	Good

* - Audits urrently at Draft Report stage.



Assurance Level	No	%
High	1	11%
Substantial	2	22%
Adequate	5	56%
Limited	0	0%
No	1	11%

1.Executive Summary and Opinion

1.5 Although at this stage drawn from a relatively small sample of audits, the overall outcomes to date have been satisfactory with the following positives and areas for development:

Positives	Areas for Development
<ul style="list-style-type: none">• 33% of systems or functions reviewed to date have been judged with a substantial assurance or better• A continuing pattern of general robustness of key financial systems• A pattern of good quality standards governing a range of financial assessment systems• Management have acted appropriately and promptly to issues we have raised• There have been no incidences of significant fraud, irregularity or corruption	<ul style="list-style-type: none">• One 'no assurance' audit relating to contract management at Oakwood House• Continuing issues with contracting and commissioning set ups• Evidence from our recruitment audit that managers are not consistently following pre-employment checks. Such checks are key 'entry controls' into KCC.

1.6 In relation to counter fraud work there have been 68 irregularities reported and investigated since the start of 2018/19 of which 13 have been concluded. The total value of all irregularities reported to us is £183,177 to the end of August 2018. We have also conducted 2 investigations following receipt of whistleblowing information.



1.7 In addition to the 9 substantive audits that have been completed we have a further 7 audits where material fieldwork is in progress.

1.8 Overall the unit has reviewed systems or activities with a combined spend of an estimated **£773 million** since the start of 2018/19.

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

2.1 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:

RISK: Safeguarding – Protecting Vulnerable Children


Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Children's Allowance Review Team (follow up)	High 	 Very Good	1	3	0
Direct Payments – Disabled Children	Adequate 	 Good	1	2	1

2.2 Our review of the children's allowance review team has determined that all actions have now been implemented, including the retention of all key documentation relating to the calculation of allowances. As such this function has improved from 'limited' to 'high' assurance.

2.3 Children's direct payments are used to purchase care from providers other than KCC. The control environment regarding direct payments for disabled children was found to be adequate, although there were inconsistencies in the quality of record keeping, in particular for older cases (pre 2015) where key documents were missing from the Liberi system. However, this has greatly improved for current cases with only a few exceptions identified. We noted that delays had been experienced transitioning from Children's to Adults' Services at age 18 during the time of the KCC restructure in April 2017 but to a large extent these instances have now reduced. This report is at final draft stage.

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

RISK: Safeguarding – Protecting Vulnerable Adults

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Client Financial Affairs	Substantial 	 Good	0	2	3
Direct Payments – Adults	Adequate 	 Adequate	0	4	1



2.4 The Client Financial Affairs team manages the financial affairs of vulnerable people including clients at risk of financial abuse. Despite high caseloads, we found good financial controls operating with effective controls over transactions and robust reconciliation processes. We found some delays in case progression and a project to start obtaining client personal allowance records from residential homes has had a limited take up to date.

2.5 Direct payments are used in adult social care to enable clients to purchase their own care. Overall, payments are being made accurately, client contributions are calculated correctly, and a risk-based approach is being applied to reviews. Unfortunately, in nearly 20% of cases tested we could not locate a payment agreement and a further 20% of agreements were out of date. This in turn has implications on the ability to recover debt. Although our testing found incidences of inappropriate use of the Kent Card this represented less than 1% of total spend.

RISK: Evolution of KCC's Strategic Commissioning Approach

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Youth Services Commissioned Contracts	Adequate 	 Good	0	5	4

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

Oakwood House	No 	Good 	5	4	0
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2.6 Our youth service audit examined the changes in the commissioning model following problems of delivery for a number of providers at the start of these contracts which was caused by a lack of market intelligence and consultation. Despite these setbacks, the new contracts are now being pro-actively managed. A performance management regime has been introduced but limitations with the KPI's enshrined in the contracts make it difficult to determine whether the desired outcomes are being delivered.

2.7 Through GEN2 we were commissioned to independently review the contract arrangements for Oakwood House which is currently causing a net £100K excess funding pressure on the County Council. We found that the site has been run with an out of date and defective contract since 2012 (which was unknown to GEN2, the managing agent) leaving KCC holding all the financial risk. Resources to manage the financial administration of the hotel were minimal, resulting in an absence of key financial controls.

Critical Financial and Corporate Support Systems



Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Recruitment and pre-employment checks	Adequate 	Good 	1	5	2
Financial assessments (Follow up)	Substantial 	Adequate 	1	1	0

2.8 Each year KCC brings over 2,000 new employees into the organisation and it is important that key 'entry controls' are maintained to ensure we employ bona fide staff that do not pose a risk to the organisation or service users. Overall, we found new starters are processed promptly and accurately with appropriate DBS checks. In relation to other key checks, we found inconsistencies in areas such as taking up references, occupational health clearance and qualifications. Where agency staff are employed outside the prescribed C2K (Commercial Services) route there is no assurance over the adequacy of these alternative agency checks. A number of corporate – wide actions from this report are still awaiting CMT approval

2. Mapping Internal Audit Assurance & Outcomes against Corporate Risks

2.9 Our follow up of the financial assessments team was positive. We found improvements in the use of prescribed systems and related quality assurance. The charging policy has also now been updated and enhancements made to staff training on fraud awareness.

Audit of Other Activities

Audit	Assurance Level	Prospects for Improvement	Actions agreed		
			H	M	L
Coroners Service Financial Controls	Adequate 	 Adequate	0	4	0

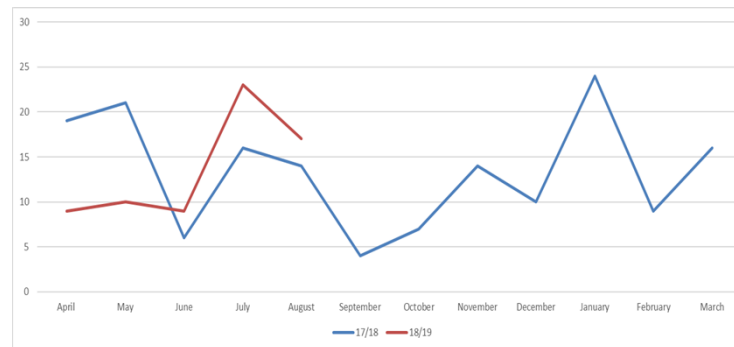
2.10 KCC is legally responsible for meeting the costs of this service, estimated at £3.5 million per annum. Overall financial and budgetary controls were adequate but there was a lack of clarity over expenses procedures and weaknesses in elements of imprest operation.

3. Counter Fraud and Corruption

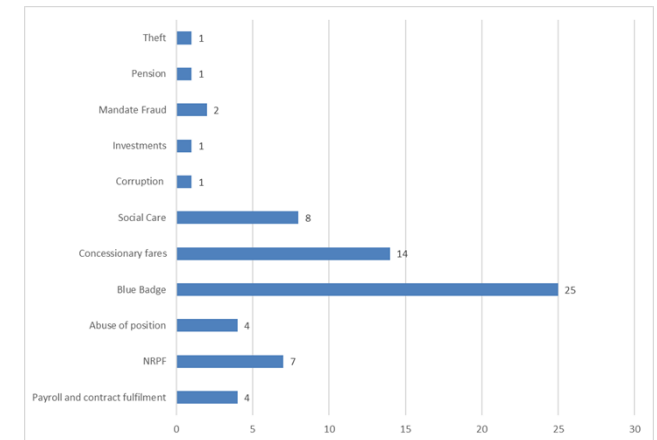
Fraud and Irregularities

3.1 The distribution and characteristics of the 68 irregularities reported to date show that the highest areas of financial risk so far this year are from false applications for financial support from families claiming to be destitute with no recourse to public funds (NRPF) (around £90k) and from misuse of social care support paid via a Direct Payment (around £66k).

Number of Irregularities Reported by Month

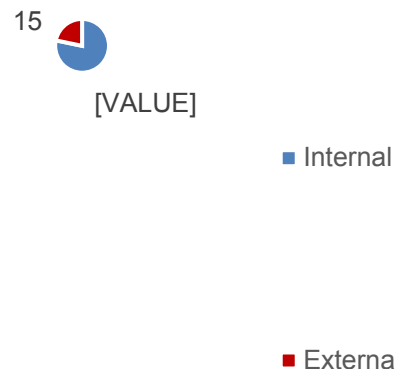


Irregularities by Type 2018/19

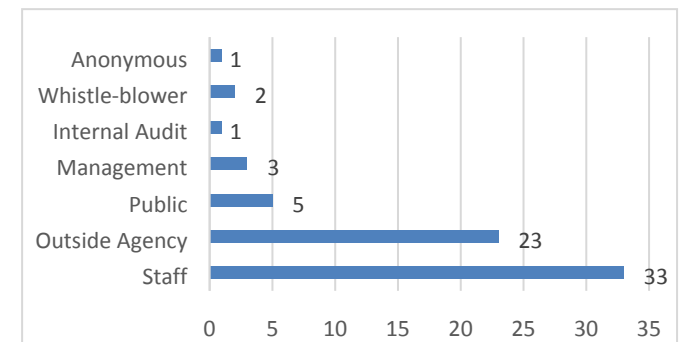


3.2 We continue to actively support Social Care in both areas. For example, counter fraud staff are now regularly accompanying social workers during interviews with families that present as NRPF.

Split between Internal & External Fraud 2018/19



Source of Irregularities 2018/19



3.3 However, the majority of the 68 irregularities reported relate to the misuse of the Blue Badge and concessionary fare schemes. These types of fraud are low value, high volume activity and we are in the process of revising our approach to streamline these investigations and free up resources for more prevention focussed activity.

3. Counter Fraud and Corruption

Counter Fraud Partnerships with District Councils

Kent Intelligence Network

- 3.4** As a reminder, the KIN is a DCLG grant funded Kentwide cross local authority data analytics collaboration initiated by the Kent Finance Officers Associations (KFOA) with the shared objective to detect, prevent and deter fraud and corruption. A grant of nearly £1/2 million was awarded. The network has been operating since October 2016 and in its initial operations recoveries of £1/4 million matched the grant spend to that date. KCC is the accountable body for these resources and directly project managed it until a board structure representing the Kent Local Authorities was formed last year.
- 3.5** Unfortunately for the past 6 months the project has stalled with the Board deciding against extending the contract with the previous software provider, instead preferring to procure a new system. This issue together with difficulties in recruiting a dedicated project manager has meant that very little data matching is now taking place and with little or no benefit accruing to the County Council.
- 3.6** A recovery plan is being put in place incorporating the spend on the remaining £1/4 million of DCLG grant, but clearly there will be some elapsed time before proactive data matching resumes.

Joint Counter Fraud Funding with Other Preceptors

- 3.7** The County Council, Police, District Councils and Fire and Rescue Service have been working together in tackling fraud and error within Council Tax and Business Rates since 2016. All district councils have been funded from 2017 to a total of circa £700k per annum. This funding is due to end in March 2019. Funding has been provided by all the preceptors to purchase a credit reference data matching solution, debtor tracing and to help retain specialist counter fraud resources within districts following the migration of investigation staff to the Department for Work and Pensions. Internal Audit is currently conducting a review of the impact and savings achieved within the Council Tax and Business Rates tax base, as well as any efficiency savings achieved through the use of risk-based verification software being deployed at a few sites.

Anti-Fraud & Corruption Strategy and Anti-Money Laundering Policy

- 3.8** The Council's counter fraud strategy and policy are due for their annual cyclical revision.
- 3.9** Our review has shown that only very minor amendments are required to reflect changes in Council structures (such as a new Corporate Director of Finance) and these amendments have been made.
- 3.10** Copies of these minor revisions are available to Members on request

3. Counter Fraud and Corruption

Counter Fraud Benchmarking Performance

3.11 During the summer we took part in a locally arranged benchmarking exercise with 5 other county councils from across the country for 2017/18 data. The exercise has provided assurance that we are performing comparably or better than our peers. The results of this benchmarking are shown at Annex 2. In agreement with the other authorities, we have masked their identity.

3.12 In our view, the results to note are:

- We employ a comparable number of fraud investigators.
- We have undertaken the most fraud awareness/training sessions.
- We have investigated and closed the second highest number of referrals.
- Our outcomes are similar to our peers, but there are opportunities to increase our criminal prosecution activity.
- The losses being recovered appears lower than our peers, but this figure does not include prevented losses which are significantly higher.

3.13 From further discussion concerning criminal prosecutions, we have determined that all but one of the criminal prosecutions reported by other County Councils related to Blue Badge misuse/fraud. Having recruited an additional counter fraud resource, we are now able to increase this type of activity and are working with the relevant directorate and Invicta Law to do so.

4. Internal Audit and Counter Fraud Performance

4.1 Performance against our targets to the end of August 2018 are shown below. Overall, the inputs, outputs and outcomes are in line with our plans for 2018/19

Performance Indicator	Target	Actual
Outputs		
90% of Priority 1 audits completed (by year end)	22%	22%
20% of Priority 2 audits completed	4%	3%
Draft audit reports issued within agreed date on the engagement plan	60%	33%
No of fraudulent incidents / irregularities recorded	N/A	58
Outcomes		
% of high priority / risk issues agreed	100%	100%
% of high priority / risk issues implemented		To be reviewed Jan 19
% of all other issues agreed		100%
% of all other issues implemented		To be reviewed Jan 19
Client satisfaction		100%
Value for money / efficiency savings identified		£1000
Total number of occasions on which a) fraud and b) irregularity was identified	N/A N/A	12 1
Total monetary value of (a) fraud and (b) irregularity that was detected		£278,221* £0
Total monetary value of (a) fraud and (b) irregularity that was recovered		£14,446 £0

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

5. Internal Audit and Counter Fraud Enhancements and Resources

- 5.1** Resources are keeping pace with our growing workloads – particularly in relation to counter fraud. In March 2018 CMT approved an additional £48,000 towards additional fraud resources in the light of increasing volumes of fraud referrals and a need to bolster investigative capacity. An additional counter fraud technician has now been recruited and in tandem with this additional resource a 6-month counter fraud enhancement plan has been constructed containing a number of pro-active counter fraud initiatives including an authority wide counter fraud culture assessment.
- 5.2** The aim is to raise the counter fraud culture in KCC and the assessment will consist of:
- E-surveys asking cohorts of staff in selected areas about their perception of the organisation's response to tackling fraud
 - Targeted counter fraud workshops and e-learning; and
 - Analysis and reports to the Governance and Audit Committee, Corporate Management Team and Directorate Senior Management Teams
- 5.3** The Counter Fraud Team will produce an annual counter fraud culture (CFC) plan, not dissimilar to the internal audit plan. It is intended to start CFC work in Strategic and Corporate Services.
- 5.4** Audit resources remain stable. Training to maintain a professional quality section continues and Paul Rock, our Counter Fraud Manager, is now a fully qualified member of the Institute of Internal Auditors, thus increasing our capacity of chartered auditors and accountants.
- 5.5** The delivery of the 2018/19 plan will be the last led by the current Head of Internal Audit before retirement with current plans envisaging an end to full time working in early April 2019 and a move to part time leading up to delivery of the 2018/19 annual audit opinion in July. As such it would be desirable if recruitment processes could start before Christmas 2018.

6. Work in Progress and Future Planned Coverage

6.1 Annex 3 updates progress against the agreed plan coverage and substantiates the estimation that we are on target to achieve our coverage. The next period up to the January 2019 Governance and Audit Committee includes delivery of the following substantive audits:

- A strategic review of the Council's ethical frameworks as expressed through its values & behaviours
- Children's safeguarding reviews – including schools
- Lifespan Pathways – Post implementation review
- Children, Young People and Education Directorate Governance Review
- Property Income and Statutory compliance follow-up
- Concessionary Fares application process
- Risk Management
- ICT Oracle Application

6.2 As detailed previously, we also have significant workloads across the Council's LATCO's (which are reported to separate Audit Committees)

7. Maintaining our Quality Systems and Standards

- 7.1 Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to maintain a Quality Assurance and Improvement Programme (QAIP) which is overseen by Governance and Audit Committee. The QAIP includes external quality assessments every five years and annual internal self-assessments against the PSIAS. We are required to report the outcomes of the QAIP to Governance and Audit Committee, together with the resultant action plan.
- 7.2 We last had an External Quality Assessment in June 2016 and we were found to be fully conformant with all 56 standards. Since then, the PSIAS have been revised (effective from 1 April 2017) and we have carried our own internal self-assessment for 2017/18. This was undertaken by a member of the team who has a Chartered Internal Auditor qualification.
- 7.3 In this self-assessment, we have judged that we are fully conformant with 53 standards, partially conformant with two and non-conformant with one. There are also some other areas where we have concluded that although we are conformant overall, further enhancements could be made. The area of non-conformance concerns the processes that we have in place for identifying other assurance providers and determining the extent to which we can place reliance on their work.
- 7.4 We have judged that we are fully conformant with the Institute of Internal Audit's Code of Ethics.
- 7.5 The Action Plan is provided in Annex 4. Progress against the action plan will continue to be reported to this Committee until the actions are closed.

8. In Conclusion

- 8.1** 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.
- 8.2** In addition, line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 8.3** We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable challenge and change.

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Children's Allowance Review Team (Follow-up)

Audit Opinion	High
Prospects for Improvement	Very Good

Our follow-up work highlighted that despite the very short time scale between the issue of the final report in May 2018 and the performance of this follow-up audit there has been significant progress since our original audit, including action on all issues raised; the one high priority issue and the three medium issues. As such, no issues remain outstanding.

Key findings were:

- Liberi is now used to store all documentation/evidence to substantiate claims and to evidence the review process.
- Means tests are now being reviewed by the CART Team on the point of the arrival of evidence, this ensures that the review process is more efficient and eliminates duplication.
- Standard letters have been amended to include a paragraph on data retention.
- A CART Process Manual has been compiled which was approved at the DivMT meeting held on 26th June 2018.
- CART is working with the CPT to promote best practice in terms of monitoring and reduction of errors and the provision of joint training.
- All new vendors are routinely checked to ensure that they have been set up correctly.
- Such has been the progress in strengthening controls, particularly evidencing claims, we consider this to be now of high assurance.

Prospects for Improvement

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

- CART have embraced the use of Liberi for the storage of documentation and evidence. In the future they hope to become a paperless office. The CART Team are working closely with the CPT on the monitoring of errors and the provision of joint training.

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	3	0
Low Risk	0	0	0

Note – these are residual actions from the original audit

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Direct Payments - Children

Audit Opinion	Adequate
Prospects for Improvement	Good

From our extensive sampling of direct payment and managed service claims we are satisfied that the DBS checking process (for payments for personal assistants) is robust, ensuring as far as possible that children and young people are safeguarded and protected. A contract provider – ‘Beams’ – also assists parents / carers with the recruitment of assistants. The uploading of key documentation on Liberi for historic cases (pre-2015) was inconsistent but this has now greatly improved for current cases.

Overall, the financial monitoring processes are effective, although within our sampling the resolution of queries took too long which risks overpayments which may not be recoverable. Delays in the transition from Children’s to Adults Services escalated at the time of the KCC restructure in April 2017 but to a large extent have now reduced.

Key Strengths

- In the majority of cases the key documentation was successfully located to Liberi.
- Outcomes had been included in all (100%) of current direct payment and managed service referrals.
- In the majority of cases reviewed the costs were confirmed as accurate or reimbursement of unused costs had been requested.
- A current DBS check was in place for all cases where a personal assistant had been employed by the parents/carers for the disabled child.
- In all cases the purpose of the direct payment was clear and a thorough direct payment financial review had been conducted.
- Where parents/carers were found to be struggling to resource a personal assistant assistance was provided by Beams.
- In the majority of cases the shared funding arrangements were clear and had been correctly accounted for.

Areas for Development

- There were inconsistencies in the documentation held on Liberi. Absent information included; signed direct payment/ managed service agreement, signed panel decision, letter to parent/carer informing them of panel decision, review of direct payment/managed service agreement confirming that the care being received was still appropriate and care plan. However on further investigation it was evident that the much of this missing information was historical (pre-2015) and before the recent re-structure.
- Delays were experienced transitioning from Children’s to Adults’ Services at age 18; this delay was largely due to the implementation of new KCC systems.
- Whilst a financial review had been consistently performed by Beams, in some cases insufficient detail had been recorded in terms of what had been reviewed and what advice had been given to the parent/carer.
- In a small number of cases a query had been raised by Beams following the financial review. However, no resolution had been offered.

Prospects for Improvement

- It is clear from the results of audit fieldwork that the majority of missing information relates to historic rather than current cases. The referral form now includes a field for outcomes which has ensured that the outcomes for the disabled child/young person are consistently reported.

Summary of Management Responses – at final draft stage

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Client Financial Affairs

Audit Opinion	Substantial
Prospects for Improvement	Good

There are good financial controls operating within Client Financial Affairs (CFA) to support the financial management of vulnerable clients deemed incapable or at risk of financial abuse. A recent visit by the Office of Public Guardian found no issues with the way CFA were managing client's finances. Client Financial Affairs Officers have a high case load of clients (around 150 per officer) which places pressure on the process of accepting new referrals and progressing appointeeships and deputyship orders. Furthermore, CFA is reliant on Case Managers to provide mental capacity assessments and best interest decisions, which at times can result in a delay.

Key Strengths

- Each CFA client has an individual Natwest account and the Caspar system is used to support efficient transaction and reconciliation processes.
- Access to sensitive financial information of clients held electronically and on paper records is appropriately restricted to CFA team members.
- All transactions reviewed were accurate and appropriate to the needs of the client, authorised by a second officer and supporting evidence is retained to justify payments made
- A robust reconciliation process is operating to identify unexpected income or payments through client bank accounts, with prompt investigation by officers to resolve any issues
- There is a good process in place to reimburse KCC when emergency payments have been made on behalf of a client.

Areas for Development

- There were a number of cases identified where progression of the referral to CFA or application for deputyship was delayed due to a lack of response from Case Management or the Court of Protection.

- A project to start obtaining client personal allowance records from residential homes has started, however under 50% of homes have signed the required agreement and less than 10% of clients have had a quarterly review conducted
- Although there are checklists in place to support officers in progressing cases correctly, these were not being used in the majority of cases
- The process to identify clients reaching capital limits which could impact their right to certain benefits could be improved so that the DWP can be promptly notified of such cases
- The identification of clients who have passed away could be improved by developing a report from information held on Swift

Prospects for Improvement

- Enhancements are being made to the referral form to prompt Care Managers to provide required information and supporting documents
- Although relevant searches were conducted on new referrals which were appropriately authorised, The CFA team has recently adopted a more robust approach to the criteria of accepting new clients to ensure resources meet demand
- Work is ongoing to engage with residential care homes and improve the exchange of information on client finances and gain assurance that CFA client monies are held securely and used for the benefit of the individuals.

Summary of Management Responses

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

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Direct Payments – Adults

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Analytical Review

As part of the audit an analytical review of Direct Payments was undertaken which included reviews of monitoring controls, identification of trends and case studies, which emphasise the issues raised in the report regarding these control failures. Approximately £7.5m has been spent on Direct Payments via Kent Card between January 2018 and June 2018.

The level of funds identified for reclaim was approximately £500k as at 9th July 2018. Review of the current status of debt recovery found that a large proportion of these are disputed or unsecured (this may mean they have been raised but not yet paid or chased). This equates to approximately £330k of which we estimate approximately £102k should have been progressed, chased or reclaimed as they were overdue by over 60 days.

Key Strengths

- The majority of payments tested had been made accurately with only a few minor discrepancies identified.
- A risk-based approach is undertaken to review Direct Payments which can result in more frequent reviews should discrepancies be identified.
- Direct payments review information had been accurately recorded on Swift.
- Client contributions in all cases had been appropriately applied.
- Controls to monitor Direct Payments are adequate in design to identify and minimise the instances of misuse, though the audit has found that these could be further enhanced with the use of data analytics.
- 94% of payments via Kent Card over the last 6 months were used solely with care or education suppliers
- Less than 1% of spend over the last 6 months via Kent Card was highlighted as questionable or potentially inappropriate.

Areas for Development

- Review of the policies and procedures found areas where these could be enhanced, including further guidance for the Direct Payments Team.
- Testing found that support plans were in place for the majority of our sample however, there were some discrepancies surrounding who had authorised the plan and what the Direct Payment could be used for.
- For 18% of our sample tested we were unable to locate a Direct Payment Agreement whilst an additional 18% of agreements were prior to 2015 which may present challenge to reclaiming any overpayments.
- Testing found that while reviews were taking place these were not always based upon the most up to date Care and Support plan and the level of detail recorded against these could be more consistent across the team

Prospects for Improvement

- The issues identified surrounding Direct Payment Agreements and Support Plans were similarly found within the previous audit undertaken in 2015.
- The service pro-actively engages with counter fraud
- The Service are not using data interrogation and analytics as smartly as they could.

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	4	4	0
Low Risk	1	1	0

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Youth Services Commissioned Contracts																			
Audit Opinion		Adequate																	
Prospects for Improvement		Good																	
<p>The contract management team has effectively implemented important changes to the contracts, including major changes to improve the performance management regime. KCC's teams have observed and monitored providers' improvements and encouraged them to share best practice.</p> <p>EHPS selected the district-wide commissioning model based on findings of a diagnostic analysis of its wider commissioning of a range of services. There was a high number of responses to the request for expressions of interest but a weak response to the invitation to tender, with KCC letting 10 of the 12 lots without effective choice in its selection of winning bidder(s). All winning bids, however, met EHPS's minimum quality standards.</p> <p>The Council is measuring the specified outcomes through two management reporting indicators which are consistently tracked and reported monthly. However, from our review of these indicators, we found that we could not draw firm conclusions whether the specified outcomes were being achieved.</p>																			
<p>Key Strengths</p> <ul style="list-style-type: none">KCC potentially increased market resilience by awarding one contract to a second placed bidder.The contract management team has monitored performance against both the quantitative measures and qualitative aspects of service delivery and held providers to account against the agreed KPIs and MRIs.Contract management reporting to the Cabinet Committee has been proportional to the size of the contracts and the risks.The senior commissioning manager has met Members to brief them about specific issues including improvement plans for poor performance and the re-letting of the failed contracts.Communications have been consistently good between KCC's teams and providers.There is good wider stakeholder engagement.																			
<p>Areas for Development</p> <ul style="list-style-type: none">The Management Reporting Indicators (MRIs) are not all meaningful.The financial health of each of the providers is not tracked. With no contingency plans in place, the Council is at risk of service interruption if one of the providers were to suddenly fail.The original decision to allow a negotiated termination and not pursuing recovery of costs has not been documented.There have been two major changes to the performance management regime, but we not seen the full reasoned justification for how these changes improve the chances of delivering the specified outcomes.The Council has not yet started to consider its commissioning strategy for the next set of youth services contracts, which are due in 2021.																			
<p>Prospects for Improvement</p> <ul style="list-style-type: none">The contract management and the EHPS teams have a consistent understanding about the practicalities of implementing the contract.KCC implemented two major changes to the performance management regime. In doing so it has established more realistic KPIs.Communication between the Council and providers is now strong, and information is shared outside formal contract management meetings.The providers that we interviewed expressed commitment to providing youth services that will improve life outcomes.KCC's intends to host an annual event where the providers showcase their work and share best practice.																			
<p>Summary of Management Responses</p> <table><tr><th></th><th>Number of issues raised</th><th>Management Action Plan developed</th><th>Risk accepted, and no action proposed</th></tr><tr><td>High Risk</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Medium Risk</td><td>5</td><td>5</td><td>0</td></tr><tr><td>Low Risk</td><td>4</td><td>4</td><td>0</td></tr></table>					Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed	High Risk	0	0	0	Medium Risk	5	5	0	Low Risk	4	4	0
	Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed																
High Risk	0	0	0																
Medium Risk	5	5	0																
Low Risk	4	4	0																

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Oakwood House	
Audit Opinion	No
Prospects for Improvement	Good

A review of the management of Oakwood was conducted on behalf of the Gen² board and senior management and was reported to the Gen² Audit Committee in July.

Oakwood House has been run with an out of date, rolling contract with a contractor since 2012 when the previous attempt to let a contract failed. Gen² inherited the management of this contract on its inception.

Until very recently there has only been one member of staff employed on site by Gen² to manage the financial administration of the hotel. Although no material irregularities were uncovered during the audit there is clearly a lack of financial controls in place and therefore there is significant risk of fraud and financial loss to KCC/ Gen².

Key Strengths

- Bookings and payments from rooms are reconciled as part of the weekly bank process. All functions, events and weddings were satisfactorily recorded and invoiced/ paid.
- We were provided with costing analysis for current wedding packages which demonstrate consideration for profitability.
- There is sufficient oversight of price changes with the opportunity to challenge.

Areas for Development

- It was not possible to accurately identify all associated costs for planned events. The costing sheets do not consistently include all variable costs and due to no oversight of the KCC budgets, excludes hotel overheads.
- Performance of the Hotel is poor in certain areas. Occupancy rates for conferences are 47% and although bedrooms are higher at 67% they are still slightly behind what would be considered good in the hotel sector. There were 38 weddings booked for this year, but this has declined in each of the last 2 years.

- There is a lack of financial controls in place to prevent fraud and financial loss.
- Reconciliation of monthly invoices from Genuine Dining is incomplete and invoices for some services and charges are not checked before payment.
- There is an out of date, rolling, contract in place and there has been no robust procurement process to re-let this service for the past 6 years. The current arrangement with the contractor could be open to challenge
- Two KCC teams have used Oakwood House for office accommodation. One left over a year ago and rooms remain vacant, the second team are still using the site, but no one could locate a current tenancy agreement
- The contractor receives a set management fee and are able to charge all costs back to KCC/ Gen². They therefore carry no financial risk.
- There is poor communication and coordination between the stakeholders involved in running and managing Oakwood House (KCC, Gen², GD)
- There is no annual business plan and no targets agreed to hold GD to account

Prospects for Improvement

- There is a good level of awareness of the issues with Oakwood House amongst the current Gen² management
- There are already plans in place and changes being made to address some of the issues identified in the review.
- At the time of our audit there was a lack of clarity or plans regarding the future use of the hotel and the vacant areas.

Summary of Management Responses

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

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Recruitment Controls and Pre-employment Checks

Audit Opinion	Adequate
Prospects for Improvement	Good

Recruitment controls and checks are critical 'entry controls' for the Council, ensuring that the staff we employ are bona fide and do not pose a risk to the organisation. The systems that are in place for the recruitment of staff are satisfactory, particularly with regards to performance of checks on identity, eligibility to work in the UK, Health and Care Professions Council Checks (HCPC) and the completion of DBS checks and renewals.

Processes are carried out promptly by Cantium Business Solutions (Recruitment and Employment Check Teams) and by the hiring managers. Recruitment processing is in line with current legislation and recorded on RMS (also known as Taleo) and Oracle accurately.

Unfortunately, recruitment processes are generally less robust when they are devolved to hiring managers.

All of the issues raised in our last Recruitment Controls audit have been satisfactorily addressed.

Key Strengths

- Detailed procedure notes and guidance are available to hiring managers and Cantium Business Solutions staff covering recruitment processes, and these have been updated in line with current legislation.
- New starters are set up on Oracle promptly and accurately following the appropriate checks.
- Controls are in place in RMS (Taleo) to ensure all pre-employment checks are carried out before the new starter process can be completed.
- DBS checks are dealt with promptly were appropriate to the role, and the outcomes are accurately recorded on Oracle.
- A new CV screening process has been implemented for the recruitment of KR16 grades and above.

Areas for Development

- We found that Occupational Health Clearance is not obtained in all cases prior to the new starter passing their probationary period and some managers appeared unsure when such checks were necessary.
- Employment of temporary agency staff through recruitment agencies other than Connect2Kent continues, with reliance placed on the recruitment agency to perform the DBS and pre-employment checks - however the integrity of such checks is unknown.
- Evidence of mandatory qualifications is not always obtained prior to the new starter commencing employment.
- Two references are not obtained in all cases prior to the probationary period ending and there is no guidance for managers for instances when only 1 reference is received.
- Take up of the Document Fraud Awareness E-Learning is low, both for hiring managers and within the Recruitment Team.

Prospects for Improvement

- Management actions from the 2015 Recruitment Controls Audit have been implemented.
- The Cantium Recruitment Team engaged fully with the audit throughout the process and controls remain strong in the new LATCO arrangements.
- Progress has already been made to address the areas for development raised during this audit.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted, and no action proposed
High Risk	1	1 – subject to CMT agreement	0
Medium Risk	5	5 - subject to CMT agreement	0
Low Risk	2	2	0

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Financial Assessments Follow-up

Audit Opinion	Substantial
Prospects for Improvement	Adequate

Good progress has been made with actioning all the issues raised in the 2017/18 audit. Five of the seven issues raised have been fully implemented and the remaining two are in progress and management have agreed further actions to address these issues.

Since the last audit the financial assessment team has transferred back from the Business Service Centre (now Cantium Business Solutions (CBS) to KCC Finance, although they continue to use the Customer Relationship Management (CRM) software provided by CBS to track tasks created as part of the financial assessment process.

With the introduction of a replacement for the social care system SWIFT due during 2018/19, the service is exploring alternatives to the current CRM system to enable a more integrated and automated end to end process, therefore placing on hold the further development of the current CRM system for financial assessments.

Key Strengths

- The financial impacts (both positive and negative) of KCC's charging practices on both clients and KCC has been reported to CMT in order for Senior Management to make informed decisions.
- Staff are appropriately trained on essential knowledge required to safeguard clients and to progress financial assessments.
- Good use is made of the CRM system by Team Leaders and Financial Assessment Officers for tracking and clearing of tasks.
- There is supporting evidence and appropriate sign off for staff accessing the DWP Customer Information.
- KPI reports are produced based on accurate information and additional staff have been trained on the process.

Areas for Development

- Assessment Officers are still not consistently and correctly raising tasks in the CRM system. The Quality Assurance process does not cover raising CRM tasks.
- A clearer process is needed to identify clients whose assessments need reviewing due to hitting a 'significant age', in particular men turning 65.

Prospects for Improvement

- The development of an end to end CRM system to manage the financial assessment process has not yet been achieved. The best way forwards is now being re-assessed.
- Significant progress has been made in addressing the issues raised in our previous report.
- The team recently transferred back to KCC Finance (from the BSC) and has been restructured to support closer working between Benefit Advisors and the Assessment Team.

Summary of Management Responses

	Issues raised in previous audit	Implemented and closed	Not fully addressed & further actions agreed
High Risk	2	1	1
Medium Risk	5	4	1
Low Risk	n/a	n/a	n/a

Annex 1 – Summary of Individual 2018/19 Internal Audits Issued April – September 2018

Coroners Service – Financial Controls

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Overall, we found financial controls in the Coroners Service were adequate particularly regarding budget management with forecasts produced, budget variances explained and value for money sought. However, there were a number of areas for development around expense controls, a lack of clarity or guidance over expenses procedures and weaknesses in elements of imprest operation.

During the audit we met with both Senior Coroners to understand how they viewed their role in financial management and how they saw their relationship with KCC. Both Senior Coroners informed us that they are not directly involved in financial management but were generally aware of the current budget pressures. The relationship between KCC and the two coroners was very different. One felt that they had a good relationship with the Head of Service and senior management meeting often. The other Senior Coroner felt that the relationship was very poor and had disintegrated.

Key Strengths

- The budget manager produces forecasts monthly, in line with the CP timetable.
- Explanations for significant variances are recorded and feed into the divisional MTFP monitoring sheets.
- A costing model is currently being set up to provide a more robust understanding and to quantify budget pressures.
- The service looks for ways to provide value for money, for example: exploring the use of digital autopsy to reduce the cost of pathology fees; attempting to reduce the spend on fees paid Assistant Coroners by employing two salaried area coroners; and commissioning a new mortuary contract which sets fees until 2021.

Areas for Development

- Due to resourcing issues, succession planning has not progressed to fill the Head of Service and Projects and Contracts Officer roles when they retire or leave KCC.
- Robust due diligence checks are not in place for checking of expenses.
- There are no procedures or guidance in place to support Court Officers and the Business Services Support Officer in carrying out financial processes, and a lack of clarity in what is expected when checking expenses and specialist fees invoiced.
- In relation to the imprest account, VAT is not recorded or reclaimed and there is no record of who signed each cheque.

Prospects for Improvement

- The service is demand led and therefore it is difficult to predict the volume of deaths that will need to be investigated – these factors and legislative changes affect the service and contribute to budget pressures.
- Coroners are not directly employed by KCC and work independently, therefore they are not required to follow KCC policy.
- The service endeavours to respond to pressures but due to its inherent nature, the successful outcome of these is not always within its control.
- A new costing model is due to be set up by the end of August 2018.

Summary of Management Responses

	Issues raised in previous audit	Implemented and closed	Not fully addressed & further actions agreed
High Risk	0	0	0
Medium Risk	4	4	0
Low Risk	0	0	0

Annex 2 – Counter Fraud Benchmarking for 2017/18

Counter Fraud Benchmarking 2017/18							
Authority	1	2	KCC	3	4	5	AVG
Staffing							
Number of fraud investigators	2 FTE	2.6 FTE	2.8 FTE	3 FTE	1 FTE	1 FTE	2.1
Proactive Work							
Number of fraud awareness / training sessions completed	11	6	15	10	7	0	8
Number of Referrals during 2017/18							
Blue Badge	70	170	80	?	1	6	55
Social Care	18	66	19	2	2	4	19
Grants	0	1	2	0	2	0	1
Bank Mandate	4	0	13	0	0	5	4
Schools	16	2	0	6	0	4	5
Payroll	7	0	3	0	0	1	2
Insurance	0	1	0	0	0	0	0
Procurement	0	4	5	0	4	0	1
Pensions	5	0	0	0	0	0	1
Expenses	0	5	2	0	1	3	2
Other	2	3	36	3	5	4	10
TOTAL	122	252	160	11	15	27	98
Outcomes:							
Number of cases closed during 2017/2018	76	261	100	11	13	?	92
Sanctions:							
Prosecutions	9	1	0	0	0	4	2
Disciplinary action - Dismissal	1	1	0	0	0	1	1
Disciplinary action - written warning / management advice etc	2	3	1	1	1	2	2
Debt generated / invoice generated	9	22	8	0	0	0	7
Mis-use letter sent (Blue Badge)	40	54	36	0	71	30	39
Blue Badge seized	6	28	0	0	63	86	31
Other	0	41	0	0	0	0	7
No Fraud Established	6	108	31	0	0	0	24
Forwarded to other agencies	9	3	0	3	0	1	3
Financial Recovery							
Monies recovered (Non NFI)	0	£89k	0	0		£36k	£20k
Monies in recovery (Non NFI)	£148k	£157k	£83k	0	£3200	£90k	£80k
NFI Reported outcome	£1.8m	£440k	£912k	£481k	£431k	£160k	£704k

Additional breakdown of other (36) for KCC

Abuse of position	4
Concessionary Fares	10
Kent Supports and Assistance	2
No recourse to Public Funds	15
Theft	2
Other	3

Annex 3 – Audit Plan 2018/19 Progress

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Complete			
Annual Governance Statement	Complete	July 2018	Adequate / Good
Financial Assessments Follow up	Complete	October 2018	Substantial / Adequate
Disabled Children – Direct Payments and Managed Services	Complete	October 2018	Adequate / Good
Client Financial Affairs	Complete	October 2018	Substantial/ Good
Complete by October 2018			
Recruitment Controls and Pre-employment Checks	Final Draft	October 2018	Adequate / Good
Direct Payments – Adults	Final Draft	October 2018	Substantial/ Good
Draft Report			
Payments Processing	Draft Report		
Pension Contributions	Draft Report		
In Progress			
Values of Behaviours (Ethical framework)	In progress		
Data Quality – Liberi System	In Progress		
Risk Management	In Progress		
Deferred Payments	In Progress		

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Complete			
Children's Allowance Review Team (CART) Follow up	Complete	October 2018	High / Very Good
Oakwood (Final to Gen ² Client-Side Report due)	Complete	October 2018	No Assurance/ Good
Coroners Service – Financial Controls	Complete	October 2018	Adequate/ Adequate
Complete by October 2018			
Youth Services – Commissioning and Contract Management	Final Draft	October 2018	Adequate / Good
Draft Report			
Carbon Reduction Commitment Annual Return – Priority 2	Draft Report		
In Progress			
Virtual Schools Kent – Priority 2	In Progress		
Concessionary Bus Passes	In Progress		
Schools Themed Review	In Progress		
Oracle Application Review	In Progress		

Annex 3 – Audit Plan 2018/19 Progress

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
LD Lifespan Pathway Post Implementation Review	In Progress		
Planning			
Directorate Governance Review – Children, Young People and Education	Planning		
Data Protection Act 2018 (incorporating GDPR)	Planning		
Property Statutory Compliance	Planning		
Home Care	Planning		
Ongoing			
Hold Co watching brief – Advisory - Priority 2	Ongoing		
CQC/Quality Assurance - Advisory	Ongoing		
Swift Replacement Watching Brief - Advisory	Ongoing		
KCC/KMPT Consultancy on review of S75 – Advisory	Ongoing		
Integration of Enablement and Intermediate Care (NHS) - Advisory	Ongoing		
Postponed to later in 2018/19			
Developer Contributions – S106 and CIL	Postponed to Q3/4		
Agilisys Contract Management	Postponed - new date TBC		

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Special Educational Needs and Disability - Incl. Education, Health and Care plans and Higher Needs Funding	In Progress		
Planning			
Education Psychology	Planning		
Safeguarding Children	Planning		
Residence Arrangements – IFA and Residential Placements	Planning		
Youth Justice/Adolescent Services – Priority 2	Planning		
Ongoing			
BDUK Watching Brief – Advisory	Ongoing		
Cloud Navigation – Audit Watching Brief - Advisory	Ongoing		
Principal Adult Social Worker – Watching Brief - Advisory	Ongoing		
Care Leavers Payments – Advisory	Ongoing		
Postponed to later in 2018/19			
Swift Replacement - Mosaic	Postponed to Q3		
Information Security	Postponed to Q4		

Annex 3 – Audit Plan 2018/19 Progress

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
ICT Capacity Planning	Postponed to Q4		
Social Care Recruitment Incentives – Follow up	Postponed to Q4		
Postponed to 2019/20			
Social Care Client Billing	Postponed to 2019/20 – Replaced by Deferred Payments		
Additional audits			
Deferred Payments	In Progress		
Remainder of 2018/19 Audit Plan			
Corporate Governance	Q4		
Business Continuity Planning	Q3		
Information Governance	Q4		
Strategic Commissioning	Q3		
Declarations of Interest	Q3		
Transformation and Change 0-25	Q4		
Learning the Lessons from LATCos Follow up	Q4		
Schools Financial Services – School Compliance Visits	Q4		
Treasury Managements	Q4		
K2 Property Management System	Q3		

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Business Service Centre – Service delivery during change	Postponed to Q4		
BDUK Voucher Scheme	Postponed to Q4		
Postponed to 2019/20			
Kent Manager	Postponed to 2019/20 when the new Kent Manager scheme will be more mature.		
Additional			
Care Leavers Payments – Advisory	In Progress		
Remainder of 2018/19 Audit Plan			
Libraries Contract Management	Q3		
Cloud Navigation – Project Milestone Deep Dive	Q3		
Education Systems Replacement	Q3		
Software Licensing	Q4		
KCC/BSC Segregation of IT	Q3		
Open Plus System – Priority 2	TBC		
Performance Management – Priority 2	TBC		
Strategic Partnerships – Priority 2	TBC		
Customer Feedback – Priority 2	TBC		
General Ledger – Priority 2	TBC		

Annex 3 – Audit Plan 2018/19 Progress

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Fire Safety	Q4		
0 – 25 Transformation	Q4		
Client-side Relationship Management of Gen ²	Q4		
Key Decision Process	Q3		
Commissioner/Provider Relationship – The Education people	Q4		
Troubled Families	Q3		
Public Health – Partnership with Kent Community Health Foundation Trust	Q3		
Intervention and Enablement	Q3		
Quality of Adult Social Care	Q4		
Purchasing Finance Process	Q2		
Transformation/Modernising Adult Social Care Services	Q3		
Home to School Transport Incl. SEND	Q3		

Audit	Progress at Sept 2018	Date to G&A	Opinion / Prospects
Consultations – Priority 2	TBC		
Public Health – Clinical Professional Development – Priority 2	TBC		
DELTA System (e-learning) – Priority 2	TBC		
Succession Planning – Priority 2	TBC		
TCP Revised Approach – Priority 2	TBC		
Leadership Management Framework – Priority 2	TBC		
Infrastructure Commissioning and Contract Management – Priority 2	TBC		
Redesign 26+ - Priority 2	TBC		
Troubled Families Returns – Priority 2	TBC		
Foster Care – Priority 2	TBC		
Adoption – Priority 2	TBC		
Care Leavers – Priority 2	TBC		
Highways Contract – Amey – Priority 2	TBC		

Annex 4 – Summary Quality Assurance Action Plan (QAIP)

Action	Date for completion
Standard 2050 Co-ordination and Reliance Determine process for assessing work of, and placing reliance on, other assurance providers. Complete an 'assurance map' for the organisation.	December 2018 (in time for 2019/20 annual audit planning process)
Standard 1112 Chief Audit Executive Roles Beyond Internal Auditing Ensure that HoIA role in relation to fraud is documented in the IA Charter including statement as to how independent assurance will be provided on the Counter Fraud section.	October 2018
Standard 1000 Purpose, Authority and Responsibility Review and refresh the Internal Audit Charter, ensuing that The Internal Audit Charter and the mandatory nature of PSIAS needs to be discussed and shared with Corporate Management Team.	October 2018

Action	Date for completion
1130 Impairment to Independence or Objectivity Clarify how threats to independence regarding potential conflicts between assurance and consultancy work will be managed (at individual auditor level). This particularly relates to consultancy work and acceptance of engagements.	October 2018
1210 Proficiency & 2000 Managing the Internal Audit Function Relationship management strategy to be developed that includes how current activities, trends and emerging issues that may impact on the organisation are identified and feed into Internal Audit work.	October 2018
2200 Engagement Planning and 2201 Planning Considerations Engagement Plans must consistently consider and reference the strategies of the organisation / the strategies and objectives of the activity being reviewed.	October 2018

Annex 4 – Summary Quality Assurance Action Plan (QAIP)

Action	Date for completion
Standard 2210 Engagement Objectives Be clearer on what criteria we are using in engagement plans	November 2018

Action	Date for completion
1300 Quality Assurance and Improvement Programme (QAIP) and 1320 Reporting on the Quality Assurance and Improvement Programme Review the QAIP to ensure that it reflects current desired practice, including for reporting. Where the QAIP is considered to reflect desired practice, Management Team must ensure conformance – QAIP conformance and outcomes should be periodically reviewed at Management Team. Ensure that the outcomes of the QAIP including internal self-assessments are reported as a standard part of the Annual Report and to Senior Management. Action Plans and progress against action plans must be reported to G&A Committee to ensure their oversight of the QAIP.	Complete October 2018 October 2018 October 2018 and ongoing

Annex 5 – Internal Audit Judgement Definitions



High

Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.

Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.

There are examples of best practice. No significant weaknesses have been identified.



Substantial

Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.

Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.



Adequate

Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.



Limited

Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective 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 there is a high risk that objectives are not achieved.



No Assurance

Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.

Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved.

Annex 5 – Internal Audit Judgement Definitions

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.