



# Kent County Council

## Internal Audit Progress Report April 2013

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# 1. Introduction

## 1.1 Purpose of this report

Internal Audit is an assurance function that provides an independent and objective opinion on the adequacy of the Council's control environment.

This report summarises the work that the Council's Internal Audit service has undertaken in 2012/13 to date. It also highlights any key issues with respect to internal control, risk and governance arising from that work.

## 1.2 Overview of work done

The Internal Audit Plan for 2012/13 includes a total of 64 projects at April 2013. We communicate closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

As a result of this liaison, changes to the Plan may be made during the year. Details of the changes to the Audit Plan are reported to the Governance and Audit Committee throughout the year.

The following additions/deletions are proposed:

### **Additions**

Social Media – Work has now commenced on the ICT annual audit programme

BACS/Oracle Payments Application Review – As above

### **Deletions**

Data Quality – Authority Wide - Shown as a separate piece of work on the original Plan, this will now be incorporated into the main Performance Management Framework audit.

### **Deferral**

Communication Strategy – Due to work in progress to implement the revised business plan as well as the recent restructure this audit will now be undertaken in quarter one of 2013/14.

Schemes of Delegations – Implementation of directorate level sub-delegations has been delayed due to the current review of Financial Regulations therefore this audit will now be undertaken in quarter one of 2013/14.

The following work has been undertaken year to date:

- 44 final reports/assurance/advisory work completed
- 25 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 11 audits

Summaries of all final reports issued since the last Committee meeting can be found at Appendix A.

Overall progress on the 2012/13 Plan can be found at Appendix B.

### **1.3 Objectives**

The majority of reviews internal audit undertake are designed to provide assurance to management on the operation of the Council's internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice. These are followed up as they fall due and implementation progress is reported in Appendix E.

Other work undertaken includes the provision of specific advice and support to management, attendance at key working groups, internal audit of parishes, internal audit of Kent Fire and Rescue and the certification of grant claims. Details are provided in Appendix C.

## 2. Internal Audit Performance

Internal Audit's performance against our targets at February 2013 is shown below:

Performance Indicator	Target	Actual
<b>Effectiveness</b>		
% of recommendations accepted	98%	99%
<b>Efficiency</b>		
% of plan delivered (pro rata at end of February 82%)	82% (90% for year)	85%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork (Note 1)	90%	82% (all) 100% (12/13)
Preparation of annual plan	By April	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
<b>Quality of Service</b>		
Average Client satisfaction score (Note 2)	90%	84%

### Note 1

Performance compared to 11/12 continues to improve through focusing more effort on this target, identifying where problems may be occurring and implementing corrective action wherever appropriate. To reflect this positive movement more clearly, results have been split to show achievement for the year in relation to all reports issued and to separately show status for 2012/13 reports issued. This demonstrates that all of the draft reports relating to the 2012/13 Plan have been issued within the 10 day target.

### Note 2

The issue of several limited assurance opinions in recent months has impacted on this metric. This is unavoidable for a service which by its very nature relies on feedback from the teams it has to review and challenge. No performance concerns have been highlighted from the client feedback responses and scores have improved since December 2012 when we reported 78%.

# Appendix A

## Summary of individual Internal Audits issued since December 2012

### Business and Financial Planning

#### Scope

The overall objective of the audit was to provide assurance that the business planning process is fully embedded and integrated with the performance management framework.

#### Overall assessment - High

A new, enhanced process for business planning was introduced for 2013/14 plans. As a result the audit focussed on review of the consultation and approval stages and robustness of the revised approach.

High assurance was given as governance arrangements have been established and roles and responsibilities are clear. Changes to the process have been accurately reflected in the business planning template, and sufficient guidance is available to ensure that officers responsible for the planning process are able to discharge their duties appropriately.

One low priority recommendation was made.

### Service Redesign

#### Scope

The overall objective of the audit was to provide assurance that service re-design had not detrimentally impacted on controls, performance or service delivery.

#### Overall assessment – Adequate

This audit focused on a selection of projects within the Customer and Communities Directorate to provide assurance that service re-design had not detrimentally impacted on performance or service delivery through a review of outputs and outcomes.

Adequate assurance was given as there are improvements required in relation to the level of data available and setting targets at the start of the projects that are specific, measurable, achievable, realistic, and timely (SMART), meaning achievement of outputs and outcomes against deliverables is more easily demonstrable. Review of customer feedback, post implementation reports and relevant KPIs highlighted that the Council had received positive feedback for the projects and consultation was effective overall and projects were linked to the strategic plans in place at time of their approval.

We made 5 recommendations, none of which are high priority.

## 'Other' Leave

### **Scope**

The overall objective of the audit was to provide an assurance that controls over 'other' leave arrangements are adequate and effective.

### **Overall assessment - Adequate**

Other leave refers to leave taken in accordance with the Blue Book for duties, responsibilities and entitlements such as Trade Union Representatives, School Governors, Study Leave, Retained Fire fighters, Election duties, Justices of the Peace, Magistrates, Blood donation and Armed Forces whether paid or unpaid.

Adequate assurance was given as the policies in the Blue Book communicate, update and clarify employees' understanding of other leave entitlements. However, there is a need for development of guidance to ensure managers and staff are aware of requirements to record, authorise and monitor this type of leave.

Two medium priority recommendations were made.

## East Kent Waste Partnership

### **Scope**

The overall objective of this review was to provide assurance that sound contract and procurement management processes exist, are effective and value for money is being achieved.

### **Overall assessment - Adequate**

The review was limited to the KCC Waste Management Unit and its Partners.

Adequate assurance was given as the procurement process was conducted in accordance with the EU regulations and "Spending the Council's Money". However there is a need to ensure recycle tonnages are independently verified to reduce reliance being placed on the figures provided by the contractor. To enhance existing controls verification processes should be developed to ensure disposal is for partnership waste only and not from other activities and that the recycle streams are being handled in a manner which prevents theft and loss of income to the partnership.

The contractor is required to self monitor as part of the contract but improvements were required in order to meet the required standard. We noted during the audit that this was moving in a positive direction however further work is required to reach the desired standard.

We have made five recommendations, three of which are high priority.

## **Payroll**

### **Scope**

The overall objective of the audit was to provide assurance on the integrity of the Oracle Payroll system and the accuracy and appropriateness of payments.

### **Overall assessment – Substantial**

This audit covered the Kent County Council Oracle Payroll system; schools and academies were not included. Kent County Council's Oracle Payroll system currently processes payments to approx 11,700 employees covering 16,500 assignments The gross payroll is £27.5m.

Substantial assurance was given as sample testing established that there is sufficient evidence to confirm appointments, leavers and other changes. The controls in place are properly designed to provide a secure environment to ensure that payroll information is processed accurately and that payments are only made to bona fide employees. To further improve the system of control it should be ensured that the application of controls is fully consistent.

We made three recommendations, one of which is high priority.

## **Carbon Reduction Commitment**

### **Scope**

The overall purpose of this audit was to provide assurance on compliance with the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme (CRC Scheme) and accuracy of base data used.

### **Overall Assessment – Compliant**

The Environment Agency requires an annual submission on carbon usage supported by an evidence pack that complies with set criteria.

A rating of 'Compliant' was given as record keeping procedures and management processes in place for compiling the evidence pack and annual report required, were reviewed and found to comply with the Environment Agency guidance. A sample of consumption figures for properties were evidenced back to the original source data and were found to be accurate.

No recommendations were made.



## **Property Disposals**

### **Scope**

The overall objective of this audit was to provide assurance that there are controls in place surrounding the disposal of Council owned assets that help to ensure compliance with the requirements of applicable legislation and to ensure that best value is achieved at disposal.

### **Overall assessment - Adequate**

The Council seeks to manage its property portfolio in the most efficient and effective manner to ensure that potentially surplus assets are identified. The value of surplus assets owned by the Council and awaiting sale or transfer as recorded in the Council's accounts at 31<sup>st</sup> March 2012 was £38,364,000.

Adequate assurance was given as it was established that controls are in place to identify surplus land and property assets considered suitable for disposal and evidence was sufficient to demonstrate that legal processes had been completed. To further enhance the current process it should be ensured that all documentation is easily accessible and disposal evaluation is undertaken against agreed criteria in a systematic manner. Some improvement is required in the recording and reporting of disposal information.

Eight recommendations have been made, four of which are high priority.

## **Establishments**

### **Scope and Progress**

A programme of compliance audits began in late June, including Children's Centres, Adult Day Care and Pupil Referral Units (PRUs). To date fieldwork has been completed at 15 Children's Centres, one Adult Day Care Centre and two PRUs. We have also reviewed financial controls in two districts where this activity is centralised. The audits review inspection standards, performance management, safety and security and financial controls. 14 final reports and six draft reports have been issued.

### **Summary of findings**

In general we have found that establishments are able to demonstrate that they are engaging with Centre users and partner organisations, including hard to reach groups, promoting diversity and using evaluation tools positively to identify areas for improvement. Training plans are in place and relate to personal action plans and service priorities.

Recommendations have been made in relation to safety and security policy and procedures to further enhance controls. Areas for improvement include that accident and incident forms are being completed but are often not numbered, not all establishments could evidence the most recent health and safety inspection and, while fire safety standards were generally good, some establishments had experienced difficulties with other users in shared premises.

In relation to financial controls a number of areas for improvement were identified. Recommendations have been made to further enhance current controls in relation to income, use of commitment budgeting, purchases, including use of petty cash, declarations of interest and fixed asset registers.

# Appendix B

## Detailed Analysis of Internal Audit Progress on 2012/2013 Plan

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
<b>Core Assurance</b>							
Corporate Governance	Phase 1 Complete	Sept 2012	Substantial				
Annual Governance Statement	Complete	Sept 2012	Substantial				
Schemes of Delegation	N/a	N/a	C/f to 13/14 Q1				
Risk Management	Fieldwork complete						
Business continuity and resilience planning	Fieldwork in progress						
Performance Management Framework	Fieldwork complete						
Information Governance	Fieldwork complete						
Data Quality – Authority wide	N/a	N/a	Incorporated into PMF above				
Procurement	Fieldwork in progress						
Business and Financial Planning	Complete	April 2013	High				
Partnerships	Fieldwork complete						
Managing Absence	Complete	December 2012	Substantial				
Learning and Development	Fieldwork in progress						
'Other' Leave	Complete	April 2013	Adequate				
Leaving the organisation	Complete	Sept 2012	Substantial				
Workforce Planning	Draft Report						

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
<b>Core Financial Assurance</b>							
General Ledger	Draft Report			Schools Financial Compliance-advisory	Complete	N/a	Advisory only
Accounts Payable	Fieldwork complete			Schools Financial Compliance	Complete	N/a	
Accounts Receivable	Complete	December 2012	Adequate	Local budgetary control reviews	In progress*		
iProcurement	Fieldwork complete			Financial Control Audits	In progress*		
Corporate Purchase Cards	Draft Report			VAT	Fieldwork complete		
Capital Programme - Planning and Monitoring	Draft Report						
Revenue Budget Monitoring	Fieldwork complete						
Treasury Management	Draft Report						
Pensions Investments	Draft Report						
Pension Contributions	Draft Report						
Fixed Assets	Cancelled	N/a	N/a				
Payroll	Complete	April 2013	Substantial				
East Kent Payroll	See above						
Social Care Client Billing	Fieldwork in progress						
Foster Care Payments	Complete	December 2012	Limited				

\* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at April 2013	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
<b>Risk/Priority Based Audit</b>							
Service Re-design	Complete	April 2013	Adequate	Special Education Needs	Complete	December 2012	Limited
Locality Boards	Draft report		Advisory review	Consultation	Complete	December 2012	Adequate
Regeneration and Economy - RGF	Draft Report			No Use Empty Property	Complete	September 2012	Adequate
Property Disposals	Complete	April 2013	Adequate	Troubled Families	Fieldwork complete		
Developer Contributions (s106)	Draft Report			Broadband Delivery UK	Complete	N/a	Ongoing advice only
Safeguarding Adults	Fieldwork in progress			Communication Strategy	C/f to Q1 2013/14		
Personal Budgets	Draft			Complaints, comments and compliments	C/f to Q1 2013/14		
Strategic Commissioning	Interim Report			Commercial Services – Laser	Complete	December 2012	Adequate
Case File Audit process	Complete	December 2012	Limited	Carbon Reduction Commitment	Complete	April 2013	Compliant
FSC Data quality	Draft Report			Special Education Needs - Transport	Fieldwork complete		
Financial Management - FSC	Incorporated into financial control audits			Social Media	Draft Report		
Management of complaints	Incorporated into Corporate review			BACS/Oracle Payments	Draft Report		
Establishment Visits	In progress*	Update to every G&A					
Public Health responsibilities	Fieldwork complete						

\* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.8

Project	Progress at December 2012	Date to G&A	Overall Assessment	Project	Progress at December 2012	Date to G&A	Overall Assessment
<b>Contract Compliance</b>							
ICT Procurement (was Kent Public Service Network)	Fieldwork in progress						
Ashford Gateway Plus	Fieldwork in progress						
Supporting People	Fieldwork in progress						
Longfield Academy	Fieldwork in progress						
Professional and Highway Consultancy contract	Final Report	September 2012	Limited				
Network Management Term Maintenance	Fieldwork in progress						
East Kent Waste Partnership	Complete	April 2013	Adequate				
Biffa Household Waste Recycling Centre	Final Report	December 2012	Adequate				
Paper and card	Cancelled	N/a	N/a				
Kent Connexions	Final Report	December 2012	N/a – advisory only				
Leaving care service	Draft Report						

# Appendix C

## Other 2012/2013 Work Undertaken by Internal Audit

### Grants

The Internal Audit team is responsible for auditing and signing off grant claims to enable the Council to recover money from a number of sources, in particular Interreg projects. This year to date the total value verified is approximately £2.3m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £870,000 and £290,000 for other bodies including Visit Kent, Locate in Kent and Kent Fire and Rescue Service. Time spent on verifying and signing off grant claims is chargeable.

### Parishes

Kent County Council Internal Audit currently offers a comprehensive internal audit service for Local Councils and other bodies. We are the appointed auditor for 13 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre.

In 2012/13 we undertook 32 audits for these bodies, all of which are complete.

### Significant Ad Hoc/Advisory Work and Attendance at Key Working Groups

Internal Audit continues to monitor and act on reported Direct Payment irregularities, which were identified by the Audit Commission as a major area of risk for local authorities; 22 such irregularities have been reported in 2012-13.

Other significant ad hoc/advisory work undertaken since December 2012 includes ongoing advice and support, completion of a two pieces of advisory work to provide management advice and/or interim reports with advisory recommendations in relation to Schools audit and Broadband Delivery UK.

Internal audit have also attended, or are virtual members of, the following groups in an advisory capacity:

- ERP Programme Board
- Business Continuity Management
- Information Governance Cross Directorate Group
- Procurement standard working papers working group
- Kent Support and Assistance Service

## Appendix D

### Internal Audit Assurance Levels

Key	
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 of 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.

# APPENDIX E

## Progress with Implementation of Recommendations

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
<b>Authority Wide</b>						
Risk Management	1	0	1	0	Recommendation is being followed up currently as part of the Risk Management audit.	
Performance Management Framework	1	5	1	5	Recommendations are being followed up currently as part of the Performance Management Framework audit.	
Corporate Governance	0	1	0	1	Recommendation being followed up currently as part of the Corporate Governance audit	
<b>Core Systems</b>						
Direct payments	2	3	2	3	Recommendations will be followed up as part of a 2013/14 audit	
Accounts Receivable	0	3	0	0	Recommendations implemented.	
Foster Care Payments	6	4	0	2	One remaining recommendation is awaiting input from ICT and the other is currently being inconsistently applied and so further review is required in order to determine its effectiveness.	30/04/2013
General Ledger	0	2	0	2	Recommendations are being followed up as part of the current audit.	
Revenue Budget Monitoring	2	1	0	0	Recommendations implemented.	
Enterprise and	5	5	4	3	Further progress has been made in implementing the outstanding	30/04/13



Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
Interprise (Property Information Database)					recommendations; however the completion of the majority of actions is dependent on the implementation of a new system which is in progress.	
Financial Controls in Schools	5	1	0	0	As Deloitte are undertaking the audits for 2012/13 these recommendations have been superseded.	
Accounts Payable	4	4	4	4	Recommendations are being followed up currently as part of the Accounts Payable and iProcurement audits.	
Routewise	0	4	0	1	Two of the recommendations no longer deemed relevant by the service. One recommendation has been implemented and the other is in progress.	31/12/2013
<b>Policy</b>						
Procurement	1	4	1	4	All recommendations are currently in progress and should be completed by 31/03/2013	31/03/2013
Blue Book – Health and Safety at Work	0	3	0	0	Recommendations implemented.	
Blue Book – Managing Change	0	2	0	0	Recommendations implemented.	
Communications Toolkit	2	3	2	3	Recommendations will be followed up as part of 2013/14 audit.	
<b>Risk Based</b>						
Consultation	2	4	0	3	Member training will take place after the elections to ensure maximum coverage. The service have advised that the remaining two recommendations have been implemented, but this cannot be evidenced currently. They are introducing a checklist which will demonstrate that these controls are in place.	01/04/2013 – 01/07/2013
Case File Audit	7	1	7	1	Due to implementation of a new system recommendations will be	

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
					reviewed up as part of a full follow-up audit in August 2013	
Special Educational Needs	1	0	0	0	Recommendation implemented	
<b>Core Assurance</b>						
Other Leave	0	2	0	2	Actions to implement recommendations are in progress awaiting finalisations of amendments to and communication of relevant guidance. A revised implementation date has been agreed.	31/03/13
Leaving the Organisation	0	2	0	0	Recommendations implemented.	
Managing Absence	0	1	0	0	Recommendation implemented.	
<b>Proactive Fraud</b>						
New Suppliers	0	2	0	2	Recommendations should be superseded by the full implementation of the new application - iSupplier. At that stage recommendations will be revisited to identify any residual actions.	30/04/13
<b>Contract Compliance</b>						
Professional and Highway Consultancy Contract	5	5	5	5	Recommendations are being followed-up as part of current audit work being undertaken in Highways.	
<b>IT Audits</b>						
Data Protection	3	3	2	0	The remaining recommendations remain outstanding due to staff shortages and a recent change in government guidance which needs to be incorporated into the Records Management Policy.	01/04/2013 & 30/09/2013
Careworks Application	0	2	0	2	ICT are currently exploring methods of implementing a Disaster Recovery Plan and will then provide feedback on Business	31/07/2013

Audit	Recommendations to be implemented by 28 February 2013		Recommendations outstanding as at 28 February 2013		Comments	Revised implementation date
	H	M	H	M		
					Continuity Plan implementation.	
Firewalls and Firewall Management	0	5	0	3	The remaining recommendations had been delayed awaiting a Firewall SmartCentre upgrade. This has now been installed and progress is being made.	14/03/2013 – 31/05/2013
Network Security and Infrastructure (LAN)	0	1	0	0	Recommendation implemented	
Oracle	0	2	0	2	Recommendations remain outstanding, it was reported that this is due to staff shortages.	31/05/2013 – 31/08/2013
Capita One	2	7	0	1	ICT are awaiting a response from the relevant directorate before being able to implement the remaining recommendation.	30/04/13
<b>Total</b>	<b>49</b>	<b>82</b>	<b>29</b>	<b>49</b>		

H = High risk

M = Medium risk