



Appendix 1

Kent County Council

Internal Audit Annual Report 2012/13

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I. Introduction

Purpose of this report

Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by using a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The CiPFA Code of Practice for Internal Audit in Local Government in the UK requires the Head of Internal Audit to provide an annual written report to those charged with governance (i.e. the Governance & Audit Committee) presenting an opinion on internal controls, risk management processes and governance arrangements.

This report summarises the work that the Council's Internal Audit and anti-fraud service has undertaken during 2012/2013. It also highlights the key issues with respect to internal control, risk and governance arising from that work and presents my opinion based on the work performed during the year.

The report builds on the matters reported to the Governance & Audit Committee throughout the year.

Overview of work done

The original Internal Audit Plan for 2012/13 included a total of 72 projects. We have communicated 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 have been agreed to the Plan during the year. A number of projects have been deleted from the Plan as a result of changing priorities or if other assurances are available to the Council. In addition, other audits have been added where an emerging risk has been highlighted requiring independent assurance. Details of the changes to the Audit Plan have been reported to the Governance and Audit Committee throughout the year. The total number of projects undertaken in 2012/13 was 88, including compliance audits and advisory work undertaken. At the time of preparing this report most substantive work had been completed and the reporting position was as follows:

- 82 – final report/assurance work completed
- 6 – draft reports issued or in the process of being finalised

Internal Audit also undertook 49 investigations relating to allegations of fraud or irregularities by staff or third parties. We have used the outcomes from both our audit and fraud work to inform our audit plan for 2013-2014 which was approved at the April Governance & Audit Committee.

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.

Other work undertaken includes the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible. Our internal audit plan is informed by the investigations and fraud risk management work carried out under the anti-fraud element of the plan as well as the risk management framework of the Council.

II. Scope, Responsibilities and Assurance

Scope

In accordance with the CIPFA Code of Audit Practice, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on the Council's behalf.

For 2012/2013 the dynamic external environment of the public sector and the internal responses to these changes meant that the plan continued to include a focus on ensuring that the foundations of sound internal control were in place throughout the period of change. In addition the plan included a number of risk based audits following an assessment of control risk based on:

- Interviews with Members and officers across the Council
- A review of the corporate risk register, business plans, policies and procedures, committee papers and the budget book
- Outcomes from previous audit reviews and fraud investigations

Responsibilities of management and of internal auditors

It is management's responsibility to maintain systems of risk management, internal control and governance. Internal Audit is an element of the internal control framework established by management to independently examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by providing assurance on the controls in place. Internal Auditors cannot be held responsible for internal control failures.

Whilst we have planned our work so that we have a reasonable expectation of detecting significant control weakness that could result in fraud or error, Internal Audit procedures alone do not guarantee that fraud will be detected; this should be a function of the controls put in place by management. Accordingly, our examinations as Internal Auditors should not be relied upon solely to disclose fraud, misappropriation or other irregularities, which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Internal Audit's role includes assessing the adequacy of the internal control environment put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review. We have met with each of the Corporate Directors and their team, seeking specific feedback on the adequacy of the Internal Audit service and identifying future directorate risk areas arising through their service planning process.

Limitations to the scope of our work

There have been no limitations to the scope of our work.

Limitations on the assurance that Internal Audit can provide

It should be noted that the assurance expressed within this report can never be absolute i.e. we cannot guarantee that all aspects of control are adequate. Internal Audit provides “reasonable assurance” to the Section 151 Officer, the senior management team, and the Governance & Audit Committee, based on the work performed.

Assurance (Opinion)

The Head of Internal Audit is required to provide an opinion on the overall adequacy and effectiveness of the Council’s:

- Corporate Governance
- Risk Management
- Internal Control.

This is collectively referred to as “the system of internal control”.

Basis of our assessment

The opinion on the adequacy of the system of internal control in 2012-2013 is based upon the result of Internal Audit reviews undertaken and completed during the period in accordance with the plan approved by the Governance and Audit Committee. While based predominantly on 2012-13, the results of the preceding two financial years audit activity have also been considered, to the extent that these systems operated during 2012-2013 and subject to

completion of any actions agreed in individual audit reports. This approach provides Members with a broader view of the effectiveness of the overall control framework by enabling the opinion to be formed over a greater number of audit reviews. This also avoids the risk of the annual opinion being unduly skewed.

We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

Opinion for 2012/2013

Based on the work that internal audit has performed, and taking into account the individual strengths and weaknesses identified, **adequate** assurance can be provided on the adequacy of the system of internal control and risk management arrangements at KCC in 2012/2013. Audit testing has confirmed that the overall system of control is sufficiently sound to manage key risks.

In addition **Substantial** assurance can be provided on the governance arrangements at KCC over 2012/2013 as authority wide governance arrangements are operating effectively. Where specific improvements in governance arrangements are required, these are being addressed and are detailed in the Annual Governance Statement.

Where improvements to controls or compliance are required, we are satisfied that appropriate actions have been agreed by the relevant managers and we are monitoring to ensure implementation.

Key issues and implications for the Annual Governance Statement

In making its Annual Governance Statement, the Council considers the Head of Internal Audit's opinion as well as other sources of assurance e.g. External Audit, peer reviews, Government inspections and management assurances. For 2012/2013, although the audit and irregularity work completed by Internal Audit identified a number of improvements to be made, these do not constitute systemic failures of internal control across KCC. Our key conclusions across the three opinion areas are as follows:

Corporate Governance

The Council's approved and adopted Code of Corporate Governance is consistent with the principles of good governance set out in the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government Framework' (2012). The Code is kept under review by the Council's Monitoring Officer and amended as necessary. The outcome of the review and any resultant changes are reported to the Governance & Audit Committee on an annual basis. During 2012/2013 the Council enhanced its governance arrangements through development and implementation of a Cabinet Committee structure supported by a joint Member/Officer Corporate Board.

Internal Audit undertakes an annual review of the Council's Corporate Governance arrangements and this involves assessment on a cyclical basis of whether the Council meets key governance principles. The results over the previous three years have been as follows:

Year	Scope of review	Assurance
10/11	How Members and officers work together to achieve a common purpose	Substantial
11/12	Standards of conduct and behaviour Developing the capacity and capability of Members	Substantial
12/13	Review of revised governance arrangements, including roles and responsibilities.	Substantial

Risk Management

In 2012/13 we reviewed Council-wide risk management arrangements through interviews with officers and by reviewing relevant documentation including risk management guidance, risk registers, risk reports and minutes of meetings.

The audit confirmed that there have been a number of significant improvements in risk management arrangements since the 2011/12 audit, with a positive direction of travel reflected by an improved assurance level and an increase in the organisation's risk maturity. The Risk Management Team have developed central processes and in particular there are now policies and guidance in place that are accessible to all staff and Member training has been undertaken. In addition there is clear leadership for risk management with performance measures in place and roles and responsibilities defined; as a result risk management is reported and monitored at all levels of the Council. Areas identified for development now relate predominantly to organisational compliance with, and consistent

application of, central processes to embed risk management into day to day activity. Recommendations have been made accordingly.

Internal Controls

Though our work identified instances where controls were not operating as intended, our work has not identified significant weaknesses in the overall internal control environment.

Controls are generally in place and operating effectively, however there were some exceptions noted from our reviews during the year. Set out below are key themes from our audits where actions are required to secure improvements to the control environment:

Control lapses due to organisation changes

Over the period from 2011/12 to 2014/15, KCC will have been required to make significant budget savings. This has posed the Council with the challenge of how to bridge the significant gap between reduced revenue and continuing funding pressures. For this reason KCC has had to radically rethink its approach to the design and delivery of services and also has had to adapt its structure so that it is leaner, more focussed on key priorities and yet delivering a structure that supports an organisational culture centred on being a single organisation. Several audits have confirmed that whilst this restructuring process is occurring, there have been lapses in controls. In certain audits, although there was evidence of corporate policies being implemented, it was noted that at directorate level some of these controls were not being implemented. Several actions are already being undertaken to make improvements e.g. improving financial regulations to clearly specify a delegated authority matrix for a number of key activities, improving risk management arrangements at a divisional level, improved training to directorate managers to ensure they have the appropriate skills to undertake all aspects of

their roles, improving sample checks to ensure basic financial and operational controls are in place and operating.

Controls at remote sites

There have been a number of irregularities at sites that are remote from the centre, including educational establishments, activity centres and social care establishments. This is due to the devolved or removed accountability arrangements that exist when services are operating remotely from core activities and the difficulties in exerting sufficient monitoring controls in these circumstances. Relevant corporate directors have accepted the need to improve the control environment in relation to remote sites and have instigated more central controls and checks to address these issues. This has also been supported by Internal Audit providing fraud and controls awareness training both centrally to managers and to staff at remote sites.

Governance arrangements over companies and trading vehicles

As a result of audits and investigations undertaken in the year, it has been noted that there is a lack of understanding across the Council of the governance requirements in relation to companies and other entities in which KCC has an interest. In one instance, this has resulted in a KCC company being used inappropriately and there have been concerns over the adequacy of governance arrangements at others. This risk has now been prioritised and actions are being taken to review all such entities and monitor, regulate or dissolve as appropriate. Going forward Internal Audit will undertake compliance reviews of such entities on a cyclical basis as well as providing assurance on the adequacy and effectiveness of KCC's shareholder controls.

Summary of Internal Audit work undertaken

Core work

Opinions	No. of audits	% of audits
High / compliant	7	8%
Substantial	23	26%
Adequate	26	30%
Limited	14	15%
No	1	1%
Opinion not applicable	13	15%
Assurance opinion pending completion of work	4	5%
Total	88	100%

Limited/No opinions were given to:

- *Supporting People – procurement review*
- *Longfield Academy – post build evaluation*
- *Professional and Highways Consultancy – contract compliance*
- *Leaving Care – contract compliance*
- *Developer Contributions*
- *Personal Budgets*
- *Payments Process*

- *Case file audit*
- *Special Educational Needs (SEN)*
- *Foster Care Payments*
- *5 establishments**

Appendix A sets out the summaries of all reports issued since the last report to Governance & Audit Committee in April 2012. Appendix B lists all internal audits and the overall assurance rating for them.

*A total of 21 establishment audits were undertaken during 2012-13. A summary of assurances and key themes can be found at page 27.

Follow ups

As detailed previously, at the end of each audit we make recommendations to improve the control environment. We follow up on all high and medium priority recommendations as they fall due and report progress to Governance and Audit Committee. The results of the follow ups are detailed in the table below.

	High	Medium
Number of recommendations falling due in 12/13	70	160
Recommendations with revised implementation dates or in process of being followed up	40	59
Number of recommendations implemented	30	96
Number of recommendations outstanding at time of report	0	5

At the time of writing this report 5 medium priority recommendations were outstanding, 79 recommendations had been rescheduled and will be followed up in 2013-2014 and 20 recommendations are in the process of being followed up. Of the 79 rescheduled, 30 are high priority; in all cases we consider the revisions to be reasonable and will follow up at the revised due date.

Anti Fraud work

In common with most large organisations the Council is subject to fraud. During 2012-13, 49 irregularities were reported to Internal Audit. The Council adopts a zero tolerance approach to irregularities. Accordingly, all reported irregularities were or are still in the process of being investigated.

To date, 3 of these have been reported to the police, another 5 resulted in disciplinary action and, of these, 5 staff were dismissed for gross misconduct. Internal Audit has continued to proactively address fraud during 2012-13. This proactive work included raising the level of fraud awareness within the Council, assessing fraud risks and promoting the Council's anti-fraud strategy. This approach has led to an increase in the level of reported suspicions of irregularity to Internal Audit compared with previous years. This does not however indicate an increased level of fraud, but rather an increased level of awareness which is very encouraging.

An analysis of the types of irregularities reported is shown below:

Type of Fraud	Number
Procurement	10
Fraudulent insurance claims	0
Social care fraud	4
Economic and third sector support fraud	3
Debt fraud	0

Pension fraud	1
Investment fraud	0
Payroll and contract fulfilment fraud	3
Employee expense fraud	2
Abuse of position for financial gain	14
Manipulation of financial or non financial data	2
Disabled parking concessions	6
Recruitment	0
Other	4
Total	49

(Categorised in accordance with the Audit Commission's Fraud and Corruption Survey 2011/12).

The Council is required to take part in the Audit Commission's National Fraud Initiative which is a bi-annual exercise. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The subsequent 'matches' are made available to the Council to review and consider investigating. It is important to note that a match does not automatically indicate that fraud is taking place and there is usually a reasonable explanation for the match. All high priority matches have been reviewed and the remaining reports remain available for further analysis. No potential frauds have been identified so far.

Liaison with External Audit

We have continued to work very closely with the External Auditors and have developed a very good working relationship with them.

With the move from the Audit Commission to Grant Thornton, there has been a revised external audit approach which the Council is still learning about. In 2013/2014 we plan to create a revised protocol between Internal and External Audit in accordance with the new firm's procedures.

III. Internal Audit Performance

Internal audit performance

Members of the Governance and Audit Committee receive regular reports on Internal Audit's performance against a range of indicators throughout the year. Internal Audit's performance against those targets for the year ended 31 March 2013 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted	98%	99%
Efficiency		
% of plan delivered	90%	94%
% of available time spent on direct audit work	85%	87%
% of draft reports completed within 10 days of finishing fieldwork (Note 1)	90%	86%
Preparation of annual plan	By March	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
Quality of Service		
Average Client satisfaction score (Note 2)	90%	84%

During 2012/13 Internal Audit has continued to carry several vacancies as well as secondments and the section is still not at full establishment. Despite these changes the section had delivered 94% of the plan by 31st March 2013 enabling the overall audit opinion to be given. At the end of June 2013 the Plan is 99% complete.

Note 1

Performance compared to 11/12 (50%) improved through focusing more effort on this target, identifying where problems may be occurring and implementing corrective action wherever appropriate. This focus will be maintained in 2013/14 to ensure the positive direction of travel continues.

Note 2

The issue of several limited and adequate 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 improved within the year.

Compliance with the Code of Practice for Internal Audit

Each year Internal Audit carries out a self assessment using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit. The Code is divided into 11 sections and covers the expected standards to which Internal Audit should be working and is mandatory.

The assessment confirmed compliance with the Code of Practice in most material respects. Certain exceptions were highlighted and these are summarised as follows:

- Where services are provided in partnership there is no formal mechanism for identifying how assurances will be sought or for ensuring rights of access.
- The Head of Audit has not sought to establish a dialogue with all regulatory and inspection agencies that interact with the Council. In practice the responsibility for liaison of this nature fell to the Audit Commission in their capacity as Local Government lead regulator. With the abolishment of the Audit Commission, we will await further guidance in relation to this issue.
- Although the Head of Internal Audit has defined a standard for audit documentation and working papers there are no independent quality reviews undertaken to monitor adherence with this standard. However managers review processes on individual assignments and reviews of audit reports by the Head of Internal Audit are designed to ensure a good quality output is achieved. During 2013-14 Internal Audit will be introducing a Quality Assurance Improvement Programme in order to address this.

Other areas where there were compliance gaps have been

addressed through changes to the Internal Audit Manual or the Internal Audit Charter.

Compliance with the CIPFA statement on the Role of the Head of Internal Audit in public service organisations

We have reviewed the Council's compliance against the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2010). As reported to the Governance and Audit Committee in April 2012, the Council's arrangements comply in all significant respects with the principles set out in the CIPFA statement. Remaining gaps include:

- Responsibilities for drawing up and reviewing key corporate strategies, statements and policies do not currently include the Head of Internal Audit
- The basis on which the Head of Internal Audit can place reliance on assurances from others has not been documented or agreed
- The Head of Internal Audit's responsibilities relating to partners including joint ventures and outsourced and shared services have not been documented or agreed.

We do not consider these areas of non compliance to be significant and will monitor in line with the new Public Sector Internal Audit Standards which are the standards that will be applicable from 1 April 2013.

Public Sector Internal Audit Standards

From 1 April 2013, the Relevant Internal Audit Standard Setters have adopted a common set of Public Sector Internal Audit Standards (PSIAS). The purpose of these standards is to supersede the previous CIPFA Code of Practice and to:

- Define the nature of internal auditing in the UK public sector
- Set basic principles for internal audit
- Establish a framework for providing internal audit which add value
- Establish a basis for the evaluation of internal audit performance

From 2013/2014, we will assess and report on conformance against these standards as part of the annual reporting process. In order to prepare ourselves for the new standards we have already undertaken an evaluation against the standards which has highlighted certain gaps. These gaps are being considered and where possible have already been addressed through changes to the Internal Audit Manual or the Internal Audit Charter

Internal Audit Charter

Each year the Internal Audit Charter is reviewed to ensure that it is up to date and meets the needs of the Council. The Charter has been amended to ensure compliance with the CIPFA Code of Practice for Internal Audit in Local Government as well as the Public Sector Internal Audit Standards. A revised version can be found at Appendix C.

Changes made were minor and related to the following clarifications:

- The Purpose of Internal Audit and Professional Standards have been updated to reflect the new Public Sector Internal Audit Standards.
- Internal Auditors will not assess operations for which they were previously responsible, within the last year.
- Internal Audit work also includes consultancy to directorates, including project assurance and controls advisory requests.

- The use of third parties to deliver aspects of the plan.
- Provision of assurance to third parties.

2012/13 Acknowledgements

We are grateful for the assistance and cooperation provided by the Council's staff during the course of our work. This has been much appreciated, in particular, the ongoing challenge and support of the Governance and Audit Committee.

Appendix A - Summary of individual internal audit projects issued since April 2013

Risk Management

Scope

The overall objective of the audit was to provide assurance that the Council has adequate, robust risk management arrangements in place to support delivery of objectives and the Annual Governance Statement.

Overall Assessment – Adequate

The Corporate Risk Team, headed by the Corporate Risk Manager, has day to day responsibility for developing and coordinating risk management across the Council, providing advice, support and training. Individual Directorates and Divisions are responsible for their own risk registers and the implementation of required actions.

The 'Adequate' assurance is based on sample testing of risk registers to ensure that controls are in place and operating as intended. There have been a number of improvements in risk management arrangements since the 2011/12 audit with a positive direction of travel reflected by an improved assurance level and an increase in the organisation's risk maturity. The Risk Management Team have developed central processes and there is clear leadership for risk management with performance measures in place and roles and responsibilities defined.

We have made six recommendations to further improve controls, one of which is high priority. These include defining a process for escalating and approving risks that sit outside of the Council's risk appetite, ensuring all relevant information required in risk registers is complete and clearly evidencing the implementation of mitigating actions.

Business Continuity and Resilience Planning Audit

Scope

The overall objective of the audit was to provide assurance over the development of Business Continuity Plans (BCP) which is led and facilitated by the Business Continuity team, part of the Emergency Planning team at Kent County Council.

Overall Assessment – Adequate

The Civil Contingencies Act (2004) requires that Local Authorities make provision for the continuity of critical services. To this end, Local Authorities are required to have robust business continuity arrangements in place. The lack of such arrangements could mean the Council is unable to provide services for an extended period resulting in significant costs to re-establish operations, as well as reputational damage.

The 'Adequate' assurance is based on sample testing and interviews with key officers, which confirmed that the system of control is sufficiently sound to manage key risks. There is a dedicated business continuity team within Emergency Planning and a programme plan to ensure plans for the service units will have been developed and tested by the end of October 2013. A Business Impact Analysis (BIA) has also been completed by each service unit and details from the BIA have been uploaded into the relevant system. In addition, a Cross Directorate Group (CDG) meets regularly to provide input to developing the template and building the BCPs.

We have made seven recommendations to further improve controls, none of which are high priority, which include the need to review and update the business continuity strategy at least annually and to establish a consistent and strategic approach for the development of the plan supported by risk analysis. In addition all Directorate and Corporate level BCPs should be developed, signed off and then communicated and tested periodically.

Performance Management

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the Council's Performance Management Framework, including data quality processes.

Overall Assessment – Substantial

The Council's Performance Management framework includes the setting of Key Performance Indicators (KPIs) and accompanying targets and floor standards, a data quality policy and a reporting framework. This audit focused on directorate dashboards presented to Cabinet Committees.

The 'Substantial' assurance is based on sample testing which showed KPI calculations were accurate and that issues identified with data quality did not materially impact the information reported. There was evidence of appropriate consultation and links to business planning processes.

We have made 5 recommendations to further improve controls, none of which are high priority. These include ensuring alignment between corporate and directorate dashboards, scrutinising the rationale for targets, and including commentary in dashboards where performance information could potentially be misinterpreted.

Information Governance

Scope

The overall objective of the audit was to provide assurance on the adequacy and effectiveness of the key controls being applied regarding the Information Governance (IG) environment.

Overall Assessment – Adequate

The IG Framework determines how to collect and store data and specifies how data is to be used and when it can be shared. It also provides guidance to the Council and individuals to ensure personal information is processed legally, securely, efficiently and effectively. This audit evaluated the current control framework in relation to both the Department of Information Governance Toolkit and IT Governance best practice (ISO:38500).

The 'Adequate' assurance is based on sample testing which demonstrated that the system of control is sufficiently sound to manage key risks although there remain a number of areas for further development and improvement.

The current IG Framework of defined, documented policies, standards and procedures is in place but is yet to become embedded. The framework will be rolled out during 2013/14 and includes IG awareness training and improved monitoring arrangements.

We have made six recommendations to further improve controls, none of which are high priority. These include: developing IG success criteria and key performance indicators, developing an annual IG survey, implementing an IG training and awareness regime, considering a 'one stop shop' to capture all Security and IG incidents; and establishing the status of actions that are currently shown as 'unknown'.

Procurement

Scope

The overall objective of the audit was to provide assurance on the development and implementation of planned actions detailed in the Finance & Procurement (F&P) Annual Plan 2012/13.

Overall Assessment – Adequate

Given the requirement to deliver significant savings, the F&P Annual Plan contains a number of key priorities to deliver the overall objective of leading and continuously improving the procurement strategy, in line with overall Council objectives.

The 'Adequate' assurance is based on evidence that in certain areas, development and progress against the agreed priorities had been met. Standard base documents and processes are now in place and key electronic tools to support procurement have been implemented along with the Kent Portal. Basic iProcurement improvements have been made but it is as yet to be rolled out to the whole of the Council and capabilities and solutions for e-Invoicing and i-Supplier have been assessed but not yet implemented. Training has been developed, however it had only been delivered to a small number of users. It could not be confirmed whether savings are on target at this stage as the target is cumulative for the three years and included some savings over four years. Outstanding priorities have been included within the 2013/14 unit operating plan for action.

We have made four recommendations, none of which are high priority. These include; authorising procurement plans with approval to proceed, reviewing and updating the contract register, standardising the referencing of documents kept electronically and ensuring the overall savings target details year on year targets with savings apportioned accurately.

Partnerships

Scope

The overall objective was to give assurance on the governance and management of strategic/significant partnerships. However, as this information was not available centrally, the 2012-13 audit work comprised information gathering and handover to the business to take forward agreed actions.

Overall Assessment – N/a Advisory only

Information was requested from all Directorates and the results shared with the Strategic Relations team. Actions were then agreed for implementation to develop robust governance of partnerships and an appropriate management framework.

Agreed actions included the production of a partnerships policy and the establishment and maintenance of a database of strategic partnerships. The Strategic Relations team plan to implement a rolling programme of 'light touch' reviews of each of the strategic partnerships the scope of which will include whether meetings are continuing, what agenda items are being covered and who attends, etc, with a view to ensuring partnerships generally remain focussed and provide value for money.

A follow-up to this work will be undertaken in 2013-2014.

Learning and Development

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the strategy, delivery and quality of training activities, in order to meet corporate objectives.

Overall Assessment – Adequate

The KCC Training Plan for 2012-13 was developed to set out clearly the workforce development priorities for KCC to deliver Bold Steps. An Organisational Development Workforce Development (ODWD) Team, has been formed to plan, commission and evaluate the effectiveness of all training and development, along with a new centralised Learning & Development team.

The 'Adequate' assurance is based on evidence that identified certain areas where controls were operating adequately and effectively. Processes are outlined within the KCC Training Plan and Training Strategy and Directorate training plans are being authorised by Senior Management. It is recognised that the newly established ODWD Team was still within transition at the time of the audit and therefore many of the expected processes were not in place for 2012-13. We were informed that these are being put in place for 2013-14.

We have made four recommendations, one of which is high priority. These include; business objectives to be stipulated in all cases on Directorate training plans and explanations as evidence of why training is being requested as mandatory/core.

Workforce Planning

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the Resourcing and Retention drivers in the Organisational Development and People Plan (ODPP).

Overall Assessment – Adequate

The ODPP 2011-2015 is a people strategy to help ensure that the workforce can deliver Bold Steps for Kent. The key aims of the Resourcing and Retention drivers are: to ensure that employees with the right skills can be deployed around the organisation, that managers identify and succession plan for key posts and that the Council retains skilled staff but is able to recruit high quality external candidates where necessary.

The 'Adequate' assurance is based on evidence that tools to help managers with issues such as workforce and succession planning are being developed and on areas of good practice identified across the organisation in, for example, talent management and reward.

We have made 8 recommendations, none of which are high priority. These included identifying measurable outcomes, ensuring clear timeframes for delivery, embedding succession planning across the organisation and developing analytical work on responses to exit surveys.

General Ledger

Scope

The overall objective of the audit was to provide assurance on the integrity of the Oracle General Ledger and the accuracy of transactions recorded in the system

Overall Assessment – Substantial

Oracle continues to be developed as the single financial system for use throughout the Council and is an integral part of the move to a central finance function. The information in Oracle forms the basis for the production of monitoring reports comparing budgets with actual spend throughout the year and the end of year financial statements.

The 'Substantial' assurance is based on sample testing that confirmed the key controls in these areas are operating as intended. For the sample tested there are effective controls in place to ensure that access to Oracle is limited to authorised staff; journals had an adequate explanation and an identified originator; bank and suspense account reconciliations were being carried out within the required timescales.

We have made 4 recommendations to further improve controls, one of which is high priority. These include confirming Budget Manager approval for journal transfers, documented independent reviews of reconciliations and procedures to ensure that persons responsible for reconciliations are not authorised signatories on the same account.

Corporate Purchase Cards

Scope

The overall objective of the audit was to provide assurance that expenditure on Corporate Purchase Cards is appropriate, authorised and supported by relevant documentation.

Overall Assessment – Adequate

KCC currently has 500+ active procurement cards. Procurement card spend is approximately £1m per annum and accounts for less than 1% of overall expenditure on goods and services. The eSolutions system is used for recording, reconciling and authorising purchase card expenditure and operational procedures require that only the designated card holder should use the card.

The 'Adequate' assurance is based on sample testing of key controls which established that the majority of transactions are reviewed and reconciled by the cardholder and separately approved within the required timescales. No inappropriate spend was identified in the sample of transactions tested, although it is noted that this does not provide absolute assurance that all spend is appropriate.

We have made five recommendations, two of which are high priority, which include management review of supporting documentation, including provision of VAT receipts, enhancing descriptions on eSolutions and compliance with individual transaction limits.

Capital Planning and Monitoring

Scope

The main objective of this audit was to provide assurance that there are adequate controls in place for Capital Bids and Projects, and that following entry onto the Medium Term Financial Plan, progress of Capital Projects is monitored and followed up.

Overall Assessment – Substantial

The value of the Capital Budget for the three years 2012/15 is £692.5m, as reported in the Budget Book.

The 'Substantial' assurance is based on sample testing which confirmed that the key controls are in place and operating as intended. New capital bids are submitted to the Project Advisory Group which considers bids in line with the Council's strategic objectives. Milestones and targets had been identified for each agreed bid and progress against targets is monitored. In addition, monthly capital monitoring meetings are held with representatives from directorates and a consolidated capital progress report is made to Cabinet each quarter.

Two recommendations have been made which will further improve controls, neither of which are high priority. These include maintaining and circulating formal records of the items discussed at the Project Advisory Group and Capital Away Day and retaining copies of the 'Approval to Plan' forms for all projects on the Medium Term Financial Plan.

Revenue Budget Monitoring

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the arrangements for revenue budget monitoring.

Overall Assessment – Adequate

The restructure of finance in 2012 changed the approach to revenue budget monitoring. Budget Managers are now expected to take ownership and monitor budgets proactively with support, guidance and training from Finance based on a banded risk profile calculated for each budget. This requires the Budget Manager to be provided with the right tools to undertake their role effectively and includes making use of Collaborative Planning (CP).

The 'Adequate' assurance is based on evidence that defined criteria were applied consistently to all budgets. Formal training has been provided on financial principles and the use of CP. Forecasts and reports to Cabinet are being produced in line with the published timetable.

We have made six recommendations, none of which are high priority. These include notifying Budget Managers of all changes to cash limits, recording evidence to support variance analysis and documenting changes to the reported statements.

Payment Process

Scope

The main objective of this audit was to provide assurance that there were controls in place regarding the Payments Process, including amendments to standing data, processing of payments and cheque processing. The audit also incorporated review of the iProcurement module.

Overall Assessment – Limited

Accounts Payable is an integrated module of the Oracle Financial Information System. Payments are input to Accounts Payable through either automated interfaces or manual invoice processing. The iProcurement Oracle module is an online automated purchase requisition management facility through which goods and services can be purchased via online catalogues and preferred suppliers. It provides for orders to be created, submitted and approved online.

The 'Limited' assurance is based on several issues that require prompt management attention including more independent verification of new supplier requests, improving controls around the authorisation of payments and seeking approval from Budget Managers before setting up new users on iProcurement.

We have made twenty one recommendations to improve on existing controls, nine of which are high priority. The high priority recommendations include enhancements to processes for authorised signatories, new supplier set-up, amendments to standing data, independent checks and access levels on iProcurement.

Treasury Management

Scope

The overall objective of the audit was to provide assurance that there are adequate and effective controls in place for the Council's Treasury Management processes such that activities are carried out in line with the treasury management framework and investment strategy.

Overall Assessment – High

The Treasury Management function manages the Council's cash flow and investments as well as its long term and short term debt management. Treasury management decisions should be taken in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services. As part of this framework, Prudential Indicators are set to control and direct treasury operations. Treasury activity also needs to comply with relevant statute, guidance and accounting standards.

The 'High' assurance is based on interviews with key officers and sample testing which established that effective controls were in place to help ensure that Treasury Management processes are undertaken in compliance with the Treasury Management framework and investment strategy.

We have made one recommendation, which is not high priority. The recommendation is for improvements to be made to the timeliness of completion and review of treasury management reconciliations.

Pension Investments Income

Scope

The main objective of this audit was to provide assurance that there are controls in place to ensure pension investment income is being managed adequately and effectively, that pension income is correctly accounted for, fund performance is monitored and procedures are in place to produce the annual Pension Fund accounts in an accurate and timely manner.

Overall Assessment – Substantial

The Local Government Pension Scheme (LGPS) is a nationwide pension scheme for people working in local government or for other specified types of employers. With the exception of a small amount of internally managed cash, the investments are managed by external fund managers who provide monthly reports to the Council's Treasury and Investments team and private equity and infrastructure fund managers who report quarterly.

The 'Substantial' assurance is based on interviews with key officers and inspection of relevant documents which established that controls were in place to manage risks adequately and effectively in relation to Pension Fund Investment processes.

We have made three recommendations to further improve controls, none of which are high priority. These include reviewing and updating the procedure notes for monthly reconciliations, ensuring that all investment journals are appropriately authorised and improving the timeliness of completion and review of investment fund reconciliations.

Pensions contributions

Scope

The main objective of this audit was to provide assurance that there are controls in place to ensure that contributions for pensions are being correctly deducted and paid over to the Pensions Fund.

Overall Assessment – High

The Local Government Pension Scheme (LGPS) is a nationwide pension scheme for people working in local government or for other specified types of employers. The Scheme is administered through regional pension funds, one of which is run by KCC for approximately 400 employers and 35,000 employees. Both employees and employers contribute to the LGPS. Employees' contributions are fixed while the Fund Actuary sets each employer's contribution rate as part of the actuarial valuation which takes place every three years.

The 'High' assurance is based on sample testing which demonstrated that in all the key areas, controls are in place and operating as intended. There were effective controls in place to ensure that contributions were being correctly deducted by KCC and paid over to the Pension Fund.

We have made one recommendation to further improve controls, which was not high priority. This related to the annual data input of the pension contribution bands being independently checked to confirm accuracy.

Social Care Client billing (excluding debt recovery)

Scope

The overall objective of this audit was to provide an assurance that there are sufficient processes and controls in place with regards to the accuracy and validity of charges to service users or their representative. This audit did not include a review of controls over collecting social care client debt.

Overall Assessment – Substantial (Draft)

SWIFT is the adult social care client database, which is used to calculate charges that clients are billed every four weeks for their care. The Council charges for the provision of residential and nursing home care and non-residential services. Client contributions are calculated according to the individual's capital and income.

The 'Substantial' assurance is based on sample testing which identified that key controls were in place and operating as intended. New clients are added to SWIFT promptly when care packages are set up and Financial Assessments are completed with the client's contribution and entered onto SWIFT on a timely basis. For the sample selected, clients were being charged correctly and income due for social care provision under existing contract conditions was billed in a timely manner, with the exception that initial billing may be delayed if an individual contract is required.

We have made two recommendations to further improve controls, neither of which are high priority. This includes ensuring that individual contracts are requested on a timely basis and developing a process to confirm that a check of the adjustments has been completed by the Senior Assessment Officers.

Schools Compliance

Scope

The overall purpose of this work was to establish whether reliance could be placed on visits to schools undertaken by Schools Financial Services as an 'adequate system of audit', required by the Schools Financial Value Standard.

Overall Assessment – N/a Advisory only

During 2012-2013 we worked with the Schools Financial Services (SFS) team in developing a work programme to deliver a robust system of audit. The work programme addresses key financial controls and details appropriate levels of testing. On a risk basis, SFS then selected a sample of 50 schools for audit using the agreed work programme.

Working in liaison with SFS has allowed us to place reliance on the work undertaken and provide assurance that in 2012-2013 there was an 'adequate system of audit' for the purposes of the Schools Financial Value Standard.

VAT

Scope

The overall objective of the audit was to provide assurance that there are adequate and effective systems and controls operating over the Council's VAT transactions.

Overall Assessment – Substantial

The Chief Accountant's Team has overall responsibility for ensuring that monthly VAT returns are submitted to HMRC which are accurate and timely. The key objectives of the system are to ensure that VAT returns are complete and accurate, the returns are made in a timely manner and reasonable care is taken to prevent error or fraud.

The 'Substantial' assurance is based on sample testing that showed in most areas controls are in place and operating as intended. There were effective controls in place to ensure returns made to HMRC are compiled using the correct figures from Oracle for Kent County Council, as well as Kent Fire and certain aspects of Kent Commercial Services. Checks are completed on high value invoices to determine if the correct VAT code is used and the monthly VAT return is amended where appropriate.

We have made ten recommendations to further improve controls, one of which is high priority. These include updating the Document Retention Schedule to reflect current law in relation to revenue invoices, ensuring all documentation processed has a correct VAT code and succession planning.

Regional Growth Fund – Expansion East Kent

Scope

The overall objective of the audit was to provide assurance on governance, decision making and outcomes in relation to grant funding for the Expansion East Kent Project.

Overall Assessment – High

Expansion East Kent is part of the Central Government's Regional Growth Fund initiative. The scheme was launched in April 2012 with a sum of £35million to be used to provide assistance through interest-free, repayable business finance. Funding provided will be based on submitted investment proposals that meet the scheme's criteria.

The 'High' assurance is based on the review establishing that governance arrangements for the project are in place and operating appropriately. Key controls for approval, authorisation, and monitoring of loans are in place and are sufficiently robust. Supporting procedures notes are in place to ensure that officers are able to progress applications correctly.

Two low priority recommendations were made to further improve processes, which include enhancements to feedback on informal conditions to the Investment Advisory Board and to written procedures.

S106 Developer Contributions

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are in place and operating effectively regarding the administration and management of S106 developer contributions.

Overall Assessment – Limited

Section 106 (S106) of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation with a landowner or interested party in association with the granting of planning permission.

The 'Limited' assurance is based on a number of issues that require prompt management attention to help ensure more robust recording, monitoring and reporting, in particular development of central monitoring arrangements and reconciliation between the amounts recorded and reported would enhance current controls.

We have made nine recommendations to improve controls, five of which are high priority. These include the arrangements to monitor contributions centrally to enhance Directorate level monitoring, including relevant deliverable projects nearing deadline to spend and reviewing the likelihood of receiving agreed contributions on current S106 agreements.

Personal Budgets

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating over the governance and administration of Personal Budgets, to ensure that the scheme contributes effectively towards both the strategic objectives outlined in Bold Steps for Kent.

Overall Assessment - Limited

Personal budgets are a key part of the Government's wider personalisation agenda. Government objectives for personal budgets have been set out and focus on improving outcomes through individual choice and control. The Draft Care and Support Bill (July 2012) proposed statutory requirements. Local authorities were targeted to ensure 70% of relevant clients had a personal budget by April 2013.

The 'Limited' assurance is based on a number of issues that require immediate management attention to ensure appropriate controls are in place. Particular areas for attention are ensuring all relevant documentation is held on client files and is of appropriate quality, implementation of a point based system to calculate the cost of support based on need and integration of budget planning into support planning.

We made eight recommendations, five of which are high priority. These include raising awareness of support planning criteria, implementing a quality assurance programme targeted at support plans, ensuring support plans are authorised appropriately in line with the Actual Personal Budget (APB), integrating budget planning into the support plan and reviewing information provided on personalisation.

Strategic Commissioning

Scope

The main objective of the audit was to provide assurance that risks are being managed adequately and effectively in order to meet the Adult Social Care Transformation Programme (ASCTP) objectives. This report provides an update on the audit work completed on Strategic Commissioning and the ASCTP during 2012-2013.

Overall Assessment – N/a Advisory only

The ASCTP had a Transformation Programme Blueprint and Preparation Plan in place for the work due to be completed and met its deadlines in relation to compiling 'understand' reports and reporting to the Budget Programme Board and Transformation Board. Stakeholder consultation took place prior to the Plan being written and issued and a Board had been established to ensure continuous engagement.

At the time of the audit the Plan needed to be updated and to include more detail following the completion of the Understand phase. There was a need to ensure continuity for the future of the project which has subsequently been addressed. In addition issues were identified in relation to data quality and obtaining/analysing information.

Five advisory recommendations were made. These have since been superseded by diagnostic work undertaken to inform future stages and the appointment of an efficiency partner. Further work was planned for but due to timing of the efficiency partner procurement this has been deferred to 2013-14.

Families and Social Care Directorate (FSC) Data Quality

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are in place, and operating consistently to ensure that all data held within identified systems and data sources in FSC is accurate, reliable and complete.

Overall Assessment – Adequate

Quality data is essential to provide reliable performance and financial information to support decision making, plan services and complete statutory return submissions. This audit included review of a sample of key FSC systems, including SWIFT (Adult Social Care), E-Start (Children's Centres) and the Direct Payments Advisory Service system (Children's Direct Payments).

The 'Adequate' assurance is based on sample testing which showed that appropriate controls are generally in place to maintain data quality for the systems reviewed. New users are only granted access after the successful completion of user training and data quality reports are generated on a regular basis to monitor and confirm the quality of data held.

We have made four recommendations, one of which is high priority, covering the migration of records to new systems, data quality responsibilities where the service is provided by a third party and the periodic testing of system backups.

Establishments

Scope

The programme of compliance audits for 2012-2013, included Children Centres, Adult Day Care and Pupil Referral Units (PRUs). The overall objective of the audits was to provide assurance that key financial controls are in place in all establishments, KCC performance monitoring standards are being met, and establishments comply with KCC safety and security policies.

21 reports have been issued to 16 Children Centres, one Adult Day Care Centre, two PRUs and a further two on the financial controls for Children Centre districts where this activity is centralised.

Overall Assessment

The reports included two High assurance, seven Substantial and seven Adequate opinions. Four establishments received limited assurance and one received no assurance, for which a follow-up audit is planned imminently.

Overall themes from the work undertaken in 2012-13 included: establishments were able to demonstrate that they are engaging with service users and partner organisations, including hard to reach groups; they were promoting diversity and using evaluation tools positively to identify areas for improvement. Training plans were in place and related to personal action plans and service priorities.

Recommendations have been made in relation to safety and security policies and procedures to further enhance controls. Areas for improvement include numbering and reporting of accident and incident forms and retaining evidence of the most recent health & safety and other inspections, including in shared premises.

In relation to financial control, recommendations have been made to enhance current controls in relation to income, use of commitment budgeting, purchasing, including the use of petty cash and purchase cards, declarations of business interests and fixed asset registers.

Public Health

Scope

The overall objective of the audit was to give assurance that adequate and effective controls are in place in relation to the reporting and monitoring of public health targets. The 2012-2013 audit focussed on smoking cessation.

Overall Assessment – Substantial (Draft)

The smoking cessation service is provided by by Kent Community Health Trust (KCHT). At the time of the audit responsibility for public health sat with the NHS and therefore the SLA (contract) was between the relevant Primary Care Trust(s) (PCT) and KCHT. Responsibility transferred to KCC on 1 April 2013.

The 'Substantial' assurance is based on testing of key controls in relation to quality assurance of data and supporting governance processes. There were effective controls in place in relation to appropriate up to date policies and procedures, training and support for GPs and Pharmacies, data quality assurance and performance monitoring undertaken by KCHT and performance reports are being generated regularly and submitted monthly at Committee and Board level.

We made two recommendations, neither of which are high priority, which include ensuring all required training is included within the training matrix and that target dates and RAG ratings are completed for all actions within the service plan.

Troubled Families

Scope

There is a requirement by the DCLG for Internal Audit to verify the self declarations of results submitted for the Payment by Results. The overall objective of the audit was to review the organisation's ability to support any future claims to the DCLG.

Overall Assessment – N/a Advisory only (Draft)

The Troubled Families financial framework is a results-based funding scheme for extra funding to deal with "Troubled Families". Funding will be paid primarily on a results basis to incentivise achieving outcomes. To assist with the set up costs, a proportion of the funding is paid upfront as an attachment fee for the number of families who the Council start working with. The rest is paid once they have achieved positive outcomes with a family.

This was an advisory review aimed at supporting the development of the "Troubled Families" programme and providing an assessment of the current control environment, with recommendations to assist the team in developing the process further. The audit identified that a number of processes were in development, including formal written agreements to support District bids for funding and establishing a suite of performance indicators to monitor progress on outcomes.

We have made four recommendations to further improve controls, one of which is high priority, covering retention of evidence to support agreement of Business Cases, standard financial monitoring reports, monitoring of individual project outcomes and milestones to monitor delivery of the overall Kent Troubled Families Programme

Social Media

Scope

The overall objective of the audit was to provide an assurance over the controls in place regarding the use of Social Media within the Council.

Overall Assessment - Adequate

Social media can be accessed by anyone with an internet-enabled device and through social media the Council is able to directly connect with its staff and the wider general public. The corporate use of social media technologies as a communication tool is managed by the Digital Services team who are a part of the Council's Communications and Engagement Division. The use of the social media is governed by Council policies and procedures and is monitored by the Council's ICT Division.

The 'Adequate' assurance is based on sample testing and interviews with key officers which confirmed that system of control is sufficiently sound to manage key risks over the use of Social Media. These were effective controls in place in relation to Social Media policy, identification of appropriate technology, the use of a media funnel platform to monitor how the Council is mentioned in posts by other users and the monthly production of a report on the performance and security of the Council's network infrastructure.

We have made six recommendations to further improve controls, none of which are high priority. These include undertaking risk assessments prior to commencement of projects, training on the use of social media, defining prohibited social media and related improvements to configuration to manage user access expected password standards for social media accounts, and the need to bring user account passwords for the media funnel application into line with the Council's standards.

IT BACS and Oracle Payments Application

Scope

The objective of the audit was to provide assurance that the controls in relation to the Oracle Payments and BACS applications, are adequate and meet corporate and industry best practice standards and requirements. The audit focused on the technical IT application system controls.

Overall Assessment - Substantial

The BACS product is supplied by Microgen. The Microgen Bacway-IP software is used for a wide range of applications including: payroll, supplier payments, setting up or cancelling direct debit instructions on customers' accounts, collecting direct debit payments and bureau functionality. The Oracle Payments system is part of the corporate Enterprise Resource Planning (ERP) e-business suite. BACS and Oracle Payments are considered to be critical systems as they enable the Council to make all its payments.

The 'Substantial' assurance is based on sample testing and interviews with key officers which confirmed that key controls are in place and operating as intended. There are effective controls to ensure that access to the system is restricted, separation of duties is maintained and only authorised users can gain access to the system. There are also effective input and validation controls to maintain the integrity of data entered and over the creation and processing of data and data transfer. Effective back up and change control processes exist and the system is well supported by the supplier.

We have made five recommendations to further improve controls, none of which are high priority, which include access to the BACS application back-end, options to promptly confirm that the BACS submission totals received by the bank match the totals transmitted via the Bacway-IP system and locking user accounts after three unsuccessful sign on attempts including reporting unsuccessful access attempts.

IT Oracle Human Resources (HR) Application

Scope

The overall objective of the audit was to provide assurance that the controls in relation to the Oracle HR application, are adequate and meet corporate and industry best practice standards and requirements. The audit focused on the technical IT application system controls.

Overall Assessment - Substantial

The Oracle HR module of the e-business suite is used for setting up new starters, restructuring personnel records, facilitating self service operations, managing staff expenses and performance management. This module is considered to be critical as it enables the Council to maintain and manage all its staff costs via a single repository for better availability and accuracy of information.

The 'Substantial' assurance is based on sample testing and interviews, confirming that in areas relating to first line support, database maintenance and the day to day operations of Oracle HR, key controls are in place and operating as intended. There are effective controls in place to ensure that user access is adequately managed, back up and change control processes are in place and the system is well supported by the supplier, Oracle. There are also effective controls to ensure the accuracy and integrity of data entered and the completeness and security of outputs reported and distributed from the system.

We have made two recommendations to further improve controls, neither of which are high priority. These include that users should sign to confirm they have read and understood the user responsibility statement and expanding the scope of reporting and review of the changes to master data (such as grades changes).

Disaster Recovery

Scope

The overall objective of the audit was to provide assurance over the Council's disaster recovery (DR) processes. This audit is separate to the recent business continuity audit, which addressed continuity of service operation.

Overall Assessment – Substantial

Disaster recovery planning enables the recovery of ICT systems in the event of a business disruption. Given that information and communication technology plays an increasingly important role in the delivery of Council services, the ability to recover these systems in a timely manner is a key component of disaster recovery. All KCC applications are housed within servers which are either controlled by ICT or are fully hosted by third parties. These are backed up regularly either by ICT or the hosting partners.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which confirmed that Disaster Recovery plans have been established for the Council's key/critical systems.

We have made five recommendations to further improve controls, none of which are high priority. These include improving the completeness of records kept of the Council systems covered by disaster recovery plans; carrying out a wider risk analysis of the potential disaster threats to IT systems; storing IT disaster recovery plans in a more secure manner; and introducing more regular reviews and tests of disaster recovery plans.

Bring Your Own Devices

Scope

The aim of this audit was to provide a framework of controls and a management plan in the form of suggested actions to assist KCC in managing the risks associated with the Bring Your Own Device (BYOD) approach and movement within the Council.

Overall Assessment – N/a Advisory only

BYOD relates to employees using their own mobile devices (smart phones, laptops and tablets) to access Council systems and data in order to perform their work. This shift introduces new risks that require an updated approach to information security, as sensitive Council data is made available on devices not owned or managed by the Council. Furthermore, the variety of devices that may be used brings added complications to the implementation of security controls across the life of an asset.

The review found that BYOD deployment is at an early stage and conceptual phase at the Council. Whilst there was a strategy in place, this has not been formally approved and a technical solution has yet to be procured, configured and implemented for the administration, management and security of BYOD. As a result suggested actions were provided for management consideration and no formal opinion was issued.

The suggested actions included: formal review and approval the BYOD Strategy, carrying out a full risk assessment for BYOD; developing a formal BYOD Policy and User Agreement, procurement of an industry standard Mobile Device Management (MDM) solution to centrally manage, administer and secure BYOD at KCC, and development of periodic monitoring and management reporting.

Supporting People – Procurement and contract compliance

Scope

The overall objective of this audit was to provide assurance on the contract management and procurement practices that were in place and their effectiveness, within the Supporting People Programme.

Overall Assessment – Limited

The Supporting People Programme was initially a national government initiative via a ring fenced grant with 1400 contracts inherited from CLG in 2003. In 2010 the funding became part of the area based grant. The programme has approximately 279 contracts with an expenditure of £25m p.a. There have been budget and staff reductions in recent years and the team has merged with the Kent Drugs & Alcohol Team (KDAAT) to create a single unit. Overall, the programme's aims are to focus on prevention of homelessness and achieving or maintaining independence.

The 'Limited' assurance is based on several issues that require prompt management attention to develop the controls in place and inform processes going forward. In particular the majority of current contracts require review and re-tendering with appropriate authorisation processes. A needs analysis is currently being commissioned to undertake work that will inform a future commissioning plan and set out the commissioning activity over the next five years. This should be supported by consistent application of quality assurance and contract monitoring processes.

We have made three recommendations to improve the existing controls, all of which are high priority.

Longfield Academy, inc Ashford Gateway – post build procurement and contract compliance review

Scope

The overall objective of this audit was to provide assurance on the contract management and procurement practices that were in place and their effectiveness through a post build review of Ashford Gateway Plus and Longfield Academy.

Overall Assessment – Limited

The Department for Children, Schools and Families (DCSF) and Partnerships UK set up Partnerships for Schools (PfS) to manage the delivery of the "Building Schools for the Future" (BSF) programme. The DCSF asked PfS to take on delivery of Academies in March 2006, following the proposal made in June 2005 by the Secretary of State to more closely align investment in Academies with the BSF programme. KCC took five separate Academy projects through a framework advertised by PfS during 2008/09, under a batched programme. One of these was Longfield Academy.

Ashford Gateway Plus was designed to provide a quality, holistic service to the customer and a number of services were brought together under one roof including other public service providers and agencies. The project was complex with many partners and stakeholders.

The 'Limited' assurance is based on certain issues that require prompt management attention for future builds, to help ensure objectives are met and further develop the current controls in place. Particular areas for development include that contract files should be comprehensive ensuring information can be sourced in a timely fashion and all key documents to demonstrate the procurement processes should be easily accessible. In addition, contracts should be signed promptly.

We have made three recommendations to improve the existing controls, all of which are high priority.

Leaving Care Service – Procurement and contract compliance

Scope

The overall objective of this audit was to provide assurance on the contract management and procurement practices that were in place and their effectiveness, for the contracted Leaving Care Services within the Families and Social Care Directorate.

Overall Assessment – Limited

Kent County Council has a legal duty under the Children (Leaving Care) Act 2000 to provide support services to looked after children in their transition from being in care to becoming independent. This service is currently outsourced to a 3rd party provider under a contract originally worth £30,000,000

The 'Limited' assurance is based on several issues that require prompt management attention to improve existing controls and assist in achievement of service objectives. In particular procurement planning, approval and decision making could be further developed and this should be supported by appropriate evidence. There have been several improvements in the performance and financial management processes and this should be regularly and consistently applied to ensure further improvements are obtained from this and other contracts. The findings of the report are aimed at helping to inform the procurement of other services going forward.

We have made twelve recommendations to improve the existing controls, ten of which are high priority.

Appendix B - Detailed Analysis of internal audit projects in 2012/2013

Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment	Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment
Core Assurance				Core financial assurance			
Corporate Governance Phases 1&2	Complete	Sept 2012	Substantial	General ledger	Complete	July 2013	Substantial
Annual Governance Statement	Complete	Sept 2012	Substantial	Payments process (formerly AP)	Complete	July 2013	Limited
Schemes of delegation	C/f 13/14	N/A	N/A	iProcurement	In payments audit		N/A
Risk Management	Complete	July 2013	Adequate	Corporate Purchase Cards	Complete	July 2013	Adequate
Business Continuity and resilience planning	Complete	July 2013	Adequate	Capital Programme – planning and monitoring	Complete	July 2013	Substantial
Performance Management Framework	Complete	July 2013	Substantial	Revenue Budget Monitoring	Complete	July 2013	Adequate
Information Governance	Complete	July 2013	Adequate	Treasury Management	Complete	July 2013	High
Data quality authority wide	In perf mgt audit		N/A	Pensions Investments	Complete	July 2013	Substantial
Procurement	Complete	July 2013	Adequate	Pensions Contributions	Complete	July 2013	High
Business & Financial Planning	Complete	April 2013	High	Fixed Assets	Cancelled		N/A
Partnerships	Complete	July 2013	N/A - Advisory	Payroll	Complete	April 2013	Substantial
Managing Absence	Complete	Dec 2012	Substantial	East Kent Payroll	Cancelled		N/A
Learning and Development	Complete	July 2013	Adequate	Social care client billing	Draft report	July 2013	Substantial
Other leave	Complete	April 2013	Adequate	Foster care payments	Complete	Dec 2012	Limited
Leaving the organisation	Complete	Sept 2012	Substantial	Schools compliance	Complete	July 2013	N/A - Advisory
Workforce planning	Complete	July 2013	Adequate	Local budgetary reviews	C/f 13/14	N/A	N/A

Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment	Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment
Core Financial Assurance				Risk Based assurance			
Financial Control Audits	Reported separately			Commercial Services LASER follow up	Complete	Dec 2012	Adequate
VAT	Complete	July 2013	Substantial	Carbon Reduction Commitment	Complete	April 2012	Compliant
Risk Based assurance				SEN Transport	In progress		
Service Re-design	Complete	April 2013	Substantial	Special Education Needs	Complete	Dec 2012	Limited
Locality Boards	Complete	N/A	N/A - Advisory	Consultation	Complete	Dec 2012	Adequate
Regeneration & Economy (RGF)	Complete	July 2013	High	No use Empty	Complete	Sept 2012	Adequate
Property Disposals	Complete	April 2013	Adequate	Troubled Families	Draft report	July 2013	N/a - Advisory
Developer Contributions	Complete	July 2013	Limited	Broadband Delivery UK	Complete	N/A	N/A - Advisory
Personal Budgets	Complete	July 2013	Limited	Communication Strategy	C/F 13/14	N/A	N/A
Strategic commissioning	Complete	N/A	N/A - Advisory	Complaints, comments & compliments	C/F 13/14	N/A	N/A
Case File audit process	Complete	Dec 2012	Limited	Safeguarding Adults	In progress		
Financial Management	Incorporated into financial controls audits		N/A				
FSC Data Quality	Complete	July 2013	Adequate	Contract Compliance			
Management of complaints FSC	Incorporate into corporate complaints	N/a	N/a	Professional and Highway Consultancy contract	Complete	September 2012	Limited
Establishment visits	Complete	July 2013	Various	Network Management Term Maintenance	In progress		
Public Health	Complete	July 2013	Substantial	East Kent Waste Partnership	Complete	April 2013	Adequate

Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment	Project – Directorate	Progress at July 2013	Date to G&A	Overall Assessment
Biffa Household Waste Recycling Centre	Complete	December 2012	Adequate	IT Assurance			
Paper and card	Cancelled	N/A`	N/A	Social Media	Complete	July 2013	Adequate
Kent Connexions	Complete	December 2012	N/a – Advisory	BACS/Oracle payments application	Complete	July 2013	Substantial
Leaving care service	Complete	July 2013	Limited	Oracle HR module application review	Complete	July 2013	Substantial
Kings Hill	Complete	April 2013	N/a – Advisory	Network Security	Complete	Dec 2012	Substantial
Highways New Contract	Complete	April 2013	N/a – Advisory	ICT Procurement	In progress		
Recycling Waste Supplier Advice	Complete	April 2013	N/a – Advisory	Disaster Recovery	Complete	July 2013	Substantial
Highways Contract Closure	Complete	April 2013	N/a – Advisory	Bring Your Own Devices	Complete	July 2013	N/A - Advisory
Ashford Gateway Plus	Incorporated into Longfield Academy		N/A	User Equipment Asset Management	C/f 13/14	N/A	N/A
Supporting People	Complete	July 2013	Limited	Unified Communications	Complete	N/A	N/A – Advisory
Longfield Academy	Complete	July 2013	Limited				

Key	Audit Assurance definitions
High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level on non-compliance with some controls that may put system/service objectives at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.

Appendix C - Internal Audit Charter

Introduction:

This charter formally defines the purpose, authority and responsibility of Internal Audit within Kent County Council.

Purpose:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.¹

Kent County Council's Internal Audit mission statement is, "To support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives and manage their risks effectively".

Authority:

The requirement for the Council to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2011. This supplements the requirements of Section 151 of the Local Government Act 1972 for the Council to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The council has delegated this responsibility to the Corporate Director of Finance & Procurement.

Responsibility

It is the responsibility of management to establish and maintain systems of corporate governance, risk management and internal control to provide assurance that the Council's objectives are being achieved and to minimise the risk of fraud or irregularity.

Internal Audit will contribute to the corporate governance process by providing an assurance on the effectiveness of these systems of risk management and internal control, making practical recommendations for enhancements where considered necessary. Management has responsibility to implement audit recommendations or accept the risks resulting from not taking action. However, Internal Audit will consider taking matters to higher levels of management or to the Governance and Audit Committee, if it is felt that the risk should not (or need not) be borne.

Professional Standards:

The Council's Internal Audit activity will conform to standards and guidance contained in the Public Sector Internal Audit Standards. This is structured around four attribute and six performance standards, including criteria for measuring the performance of the internal audit function and

conduct of internal auditors.

Independence and Objectivity

Internal Audit will be sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations.

The Head of Audit and Risk will have free and unrestricted access and freedom to report in his/her own name to the Corporate Director of Finance, Head of Paid Service and Chairman of the Governance and Audit Committee.

In addition, Internal Audit will be responsible for determining its priorities based on an evaluation of risk. Auditable areas which are deemed to represent the most significant controls that are operating in order that KCC delivers its business objectives are identified from directorates', annual operating plans, consultation with managers and Internal Audit's experience of the directorates. These are used to determine the strategic and annual audit plans. The audit plan will be flexible enough to accommodate the needs of senior management and Members depending on the relative significance of emerging risks. The Governance and Audit Committee will approve the plan and at each of its meetings will receive reports summarising significant findings of audit work undertaken.

Internal Audit will also report to the Governance and Audit Committee, at each of its meetings, progress on the directorates' implementation of recommendations made by Internal Audit.

Objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit, including where members of staff have been involved in, for example working groups, consultancy etc. Internal Auditors will also refrain from assessing specific operations for which they were previously responsible, within the previous year.¹

Audit Scope

Internal Audit activity will be undertaken to provide assurance to senior management (Corporate Directors) and the Governance and Audit Committee (Board) as to the adequacy and effectiveness of the Councils' systems for corporate governance, risk management and internal control. It will include:

- Reviewing the soundness, adequacy and application of financial and other management controls;
- Reviewing the extent of compliance with, relevance and financial impact on strategic and operational goals of established policies, plans and procedures;
- Reviewing the extent to which the organisation's assets and interests are accounted for and safeguarded from losses arising from:

- Fraud and other offences
- Waste, extravagance and inefficient administration, poor value for money and other causes
- Reviewing the suitability and reliability of financial and other management data developed within the organisation
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new systems are being developed or where improvements are sought in the efficiency of existing systems
- Promote and raise fraud and corruption awareness
- Investigating allegations of fraud and corruption
- Providing advice (consultancy) to Directorates for a variety of issues, such as project assurance, controls advisory requests, areas of concern and lessons learnt reviews.

Internal Audit's activities extend to all remote establishments, subsidiary companies and trading activities.

Internal Audit is not relieved of its responsibilities in areas of the Council's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of Internal Audit will provide an annual audit opinion as to the adequacy of the Council's internal controls and risk management processes. This will be used to support the Annual Governance Statement.

Fraud and Irregularity

Internal Audit does not have to investigate all cases of potential frauds and irregularities, however they must all be reported to the Head of Internal Audit or the Counter Fraud Manager who will determine if an investigation needs to take place. Internal Audit will report to the Governance and Audit Committee at the conclusion of each investigation, a summary of the fraud/irregularity, control weaknesses and the outcome. If a significant fraud or irregularity is identified this will be brought to the attention of the Chairman of the Governance and Audit Committee at the time of the investigation.

Right of Access

To fulfil its objectives, Internal Audit will be granted unrestricted access to all staff, Members records (documentary and electronic), assets and premises, deemed necessary in the course of its duties. Internal Audit will ensure that all information received as part of their work is treated confidentially at all times.

Internal Audit Resources

An internal audit plan is developed annually which takes into account the work that is needed to enable the Head of Internal Audit to provide an assurance on the control environment and governance across the Council. To ensure that there are adequate Internal Audit resources available to deliver the plan, an assessment is made to determine the number of staff days available; and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the plan. On occasion, the Head of Internal Audit may use partner or third parties to deliver aspects of the plan. In these circumstances, the Head of Internal Audit will ensure the partner has the appropriate knowledge and experience to deliver the engagement, applies the quality assurance standards of the section and has access to all information and explanation required to undertake the engagement (coordinated through Internal Audit managers).

Review of the Effectiveness of the System of Internal Audit

In accordance with the Accounts and Audit Regulations (2006), there is a requirement for an annual review of the effectiveness of the system of internal audit. This is also part of the wider annual review of the effectiveness of the system of internal control. The Head of Internal Audit will carry out an annual review of the Internal Audit function which will be reported to the Governance and Audit Committee to enable it to consider the findings of the review. In addition, the Head of Internal Audit will arrange for an independent review to be carried out, at least every five years which will be reported to the Governance and Audit Committee. The Head of Internal Audit will review the Charter annually and attach a revised document to the annual internal audit report.

Provision of assurance to third parties

The Council's Internal Audit section is sometimes requested to undertake Internal Audit and assurance activity for third parties, such as Kent Fire and parishes. These include internal audit services, grant certification and financial account sign-off. The same principles detailed in this Charter will be applied to these engagements.