

Kent County Council

Internal Audit Progress Report April 2014

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1. Introduction

1.1 Purpose of this report

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

This report summarises the work that the Council's Internal Audit service has undertaken in 2013/14 to date. It also highlights any key issues with respect to internal control, risk and governance arising from that work.

1.2 Overview of work done

The Internal Audit Plan for 2013/14 includes a total of 80 projects at April 2014. We communicate closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

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

The following amendments are proposed:

Deletions/Deferral

The audit of Client Financial Affairs has been postponed to 2014/15 as a new system is currently being introduced.

Three IT audits have been postponed; the CRM system watching brief due to delays in determining the proposed solution for customer feedback, audit of the Website due to the recent re-launch in March

2014 and User IT Literacy due to the restructuring changes affecting many teams in the Council.

Work in relation to Sports Grants and Section 17 payments, intended to be undertaken as proactive work considering fraud risk, has been deferred to 2014/15 due to the number of reactive investigations impacting on availability of relevant staff.

The following work has been undertaken year to date:

- 48 final reports/assurance/advisory work completed
- 17 draft reports issued or in the process of being finalised
- Fieldwork is in progress on a further 15 audits

In addition to the above, 19 audits have been completed at establishments. Detail of this and summaries of all final reports issued since the last Committee meeting can be found at Appendix A.

Overall progress on the 2013/14 Plan can be found at Appendix B.

1.3 Objectives

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

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

2. Internal Audit Performance

Internal Audit's performance against our targets at end of March 2014 is shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted (Note 1)	98%	97%
Efficiency		
% of plan delivered (Note 2)	90% by year end	92%
% of available time spent on direct audit work	85%	86%
% of draft reports completed within 10 days of finishing fieldwork	90%	93%
Preparation of annual plan	By April	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 3)	90%	87%

Note 1

This metric reflects the changing risk appetite of the Council as Managers are encouraged to accept more risk in an informed and managed way. As an Internal Audit function we will continue to flag up areas of risk so that management can determine whether they wish to accept or treat the risk. Hence over the coming year, we will need to review whether this target remains realistic.

Note 2

Actual figure at 31st March; therefore we are above target and on track to deliver 100% in time to complete the annual Head of Internal Audit Opinion.

Note 3

The target is difficult to achieve for a service which by its very nature relies on feedback from the teams it has to review and challenge. However, the average score has improved ongoing through the year and no performance concerns have been highlighted from the client feedback responses.

Appendix A

Summary of individual 2013/14 Internal Audits issued since December 2013

Business Continuity Planning

Scope

The overall objective of the audit was to provide assurance that the current arrangements the Council has over business continuity are adequate and effective to manage relevant risks and the extent to which progress has been made since our last audit in March 2013.

Overall assessment – Substantial

The Civil Contingencies Act (2004) requires that Local Authorities make provision for the continuity of the critical services that they provide to their communities in the event of a disruption or disaster. The lack of such arrangements may result in the Council being unable to provide services to the community for an extended period of time.

The Substantial opinion is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. Considerable progress has been made to ensure relevant Business Continuity Plans (BCP's) are in place for service units and Divisions and the Business Continuity team have developed a policy and programme to ensure plans are co-ordinated with the service units. Business Impact Assessment (BIA) has been undertaken to identify critical services to assist in the development of planning and a Cross Directorate Resilience Group is in place which meets regularly to influence the development of plans and as a forum for the team and service units to communicate any developments and changes in process.

We have made five recommendations to further improve controls, none of which are high priority. These include ensuring all key stakeholders are in receipt of the relevant BC plan, undertaking a review of the BCP's to ensure that the 'Urgency' is indicated in the BIAs and prioritising the formal testing of the BCP's.

Records Management

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively in order to comply with organisational and statutory requirements.

Overall assessment – Adequate

A Code of Practice was issued under section 46 of the Freedom of Information Act 2000 which gives guidance on good practice in records management. Whilst not a statutory requirement, this would be referred to by the Information Commissioner in the event of a breach and non-compliance to this Code would reflect badly on the Council. The 'adequate' assurance is based on there being a number of areas where controls were operating adequately and effectively. There are policies and procedures in place, which are published on KNet, for staff to refer to and the Information Asset Register is nearing completion. The Records Manager had completed a self assessment against the Code prior to the audit and therefore had a good understanding of the work which still needed to be done to achieve full compliance.

We made two recommendations to further improve controls, one of which was high priority and related to ensuring records were only removed from Council buildings when necessary and using proper sign out procedures where relevant. The other recommendation was an update to the Information Security Policy to bring it in line with the Information Management Manual.

Workforce Planning

Scope

The overall objective of the audit was to provide assurance that there are adequate and effective controls over Performance, as defined in the Organisation Development and People Plan, to meet corporate objectives. The focus of the audit was on whether staff engagement and recognition is working and making a difference.

Overall assessment - Substantial

The Human Resources Division provides the framework and tools that will be used towards achievement of the Organisation Development and People Plan. This framework is focused into 5 themes: Retain, Resource, Transform, Performance and Develop. Managers are responsible for developing and delivering the plan and are accountable for its implementation within their business area. This year's audit focused on the Performance section of this Plan.

The 'Substantial' assurance is based on the number of areas where controls were operating effectively. The Employment Value Proposition (EVP) survey was completed by a number of staff across KCC and the results were analysed and shared with managers and staff. In some divisions the results of the survey were used to take action to improve staff recognition and engagement. There are frameworks in place to recognise and engage with staff and, whilst it is difficult to measure the direct impact of these frameworks, levels of interest from staff have been maintained and there is evidence of positive feedback from award winners. Facing the Challenge information is provided via KMail and KNet and is controlled to ensure that there are consistent messages to staff from a single source of information.

We have made two recommendations to further improve controls, neither of which are high priority, which are working with divisional managers to ensure buy-in to the EVP process and ensuring results are presented in a way that is easy to understand.

Completeness of Contracts and Contract Compliance

Scope

The overall objective of the audit was to provide assurance that authority-wide procurement has taken place in accordance with the requirements of 'Spending the Council's Money'.

Overall Assessment – Substantial

The audit identified all cases of aggregated supplier spend for supplies and services in excess of £8000 over a full financial year and testing was subsequently undertaken on a random sample of suppliers to establish the procurement processes followed in each case. Testing involved interviews with officers and the review of documentary evidence in relation to quotes, tenders and contractual agreements.

The 'Substantial' assurance is contingent on the continuing involvement of Strategic Sourcing and Procurement (SSP) in the scrutiny and overview of procurement and the provision of advice in relation to non-standard spend. The audit confirmed that the procurement of all sampled contracts followed the requirements set out in 'Spending the Council's Money' and that the (SSP) team are actively reviewing areas of cross-directorate spend to identify cost and efficiency savings. Improvements are being made to the procurement process in cases where a single supplier has been invited to bid for the supply of goods or services. We have made three recommendations to improve controls, none of which are high priority, and the recommendations made reflect that SSP already had ongoing involvement in each of the areas highlighted.

Debt Recovery

Scope

The overall objective of the audit was to provide assurance that debt recovery risks are being managed adequately and effectively in order to meet service and corporate objectives. This included ensuring that there is sufficient and accurate monitoring and reporting of aged debt to appropriate areas of the Council and that debts are only written off after recovery processes have been exhausted.

Overall Assessment - Substantial

The Debt Recovery team is part of the Assessment and Income unit within Finance & Procurement. It is responsible for debt recovery of both social care and sundry debts (excluding EduKent, penalty notices, highways/utilities/permits and insurance debts). The responsibility of any debt is with the budget holder.

The substantial assurance is based on sample testing of both social care and sundry debts which showed that debt recovery procedures are being followed and debts are followed up regularly. Debts are only written off where all appropriate recovery actions have been exhausted and there is good oversight of the activity of Debt Recovery Officers.

We have made seven recommendations to further improve controls, none of which are high priority, which include; modifying the Business Intelligence (BI) reporting from Oracle to adjust for credit balances so that the total value and ageing of debts reported is correct; liaising with FSC to develop the criteria for identifying cases where a current property valuation should be obtained; and developing additional performance indicators, covering both social care and sundry debt.

Treasury Management

Scope

The overall objective of the audit was to provide assurance that all investments and borrowings are undertaken and authorised in accordance with organisational policy. This included 'the management of liquidity, systems reconciliations and performance against prudential indicators.

Overall Assessment – High

The Corporate Director of Finance & Procurement is responsible for the treasury management operations with day to day responsibility delegated to the Head of Financial Services and the Treasury and Investments Manager.

The 'High' assurance is based on sample testing that in all the key areas controls are operating adequately and effectively. Formal policies and procedures are in place, investment activity is limited to approved counterparties and limits, cash flow and liquidity is monitored daily and regular Treasury Management reports are produced.

No recommendations have been made as a result of this audit.

Pension 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 is that the annual data input of the pension contribution bands should be independently checked and confirmed as being accurate.

Pension Investments Income

Scope

The aim of the audit was to provide assurance that there are controls in place to ensure pension fund investment income is accurately accounted for.

Overall Assessment – High

The Local Government Pension Scheme is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The Kent County Council scheme covers KCC employees, other Councils, Schools (excluding teaching staff), Further Education Colleges and a number of other bodies. The strategic asset allocation of the Fund includes UK Equities, Global Equities, Fixed Income, Property and Cash/Other Assets.

The 'High' assurance is based on sample testing and interviews with key officers, which identified that in most areas, controls are operating adequately and effectively. In particular, there are regular reconciliations between the investment monitoring system Shareholder and fund manager statements; journals to post pension fund income to Oracle are accurately recorded and coded; quarterly performance reports are used to identify variances from the benchmark asset allocation and performance; and the challenging timetable for the 2012-13 accounts production was met.

We have made three recommendations to further improve controls, all of which were low priority. These include improvements to journal authorisation, documentation of procedure notes for staff and maintaining up to date policies on the website.

Foster Care Payments

Scope

The overall objective of the audit was to provide assurance that controls are in place to ensure accuracy, appropriateness and completeness of payments made. The audit reviewed payments made directly to Carers but did not include expense claims or payments made directly to children.

Overall Assessment – Limited

The Foster Payments System (FPS) is used by the Council to pay various fees to Carers for child placements and payments directly to children when they reach 'independence'. The Foster payments budget for 2013/14 is just under £21m and 775 individual carers had received payments since April 2013.

The 'Limited' assurance is based on several issues that require prompt management attention to help ensure that service objectives are achieved. Particular areas for attention include authorisation of payments, notification of changes, checking and review of payment exception reports, overpayment recovery when Carers no longer have a placement, password standards and disaster recovery. In addition formal evaluation of the costs and benefits of implementing the Finance module of the new Liberi system should be considered.

We have made eleven recommendations, four of which are high priority, which include appropriate authorisation of all payment instructions and ensuring that the authorised signatory list is kept up to date; fully checking and investigating items raised on the exception reports produced after each pay run; ensuring prompt notification of changes to placements and implementing checks to ensure that there is a future placement to offset any arranged overpayment instalment payments against.

Payroll – Leavers, Starters, Overpayments and follow up

Scope

The overall objective of the audit was to provide assurance on key financial controls in the Council payroll system, focussing on controls over starters, leavers and the recovery of payroll overpayments

Overall assessment – Substantial

Kent County Council employs over 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county. The Human Resources Business Centre process the payroll for Council staff as well as 64 schools, eight Academies, four district councils and East Kent Housing Ltd. The Council staff payroll is the largest at approximately £26m gross pay per month. The district councils and East Kent Housing payrolls are run on iTrent.

The 'substantial' assurance is based on there being a number of areas where controls were operating adequately and effectively. All starters sampled were set up on Oracle Payroll correctly and a monthly self-audit is completed by team leaders on a sample of new starters. Staff leaver processing was also found to be accurate for the sample with appropriate checks in place.

We have made three recommendations to further improve controls, one of which is high priority and related to implementing a robust recording system which can track the progress of leaver overpayment recovery actions and highlight instances where action needs to be taken.

Local Budgetary Reviews

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively at a local level in order to meet service objectives. This audit focused specifically on the management of budgets assessed as medium, low and very low risk.

Overall Assessment – Substantial

Budget Managers of Medium, Low and Very Low risk budgets and some High and Very High risk budgets have been provided with access to the Collaborative Planning (CP) system. Training has been delivered to enable budget managers to update CP each month in order to produce budget forecasts and enter explanations where actual expenditure or income is not in line with their original budgets. Support, advice and challenge for budget managers is available from Front Line Support teams within Revenue Finance. These teams validate the CP data and support managers to ensure that a robust forecast is produced each month.

The 'Substantial' assurance is based on the existence of several key controls which should improve financial management across directorates. A user guide is available and most Budget Managers interviewed knew where to access support and were happy with the level of support received from the Front Line Support teams within Revenue Finance. Training had also been completed by most users and was offered to all. Budget Managers are now using CP on a monthly basis and it is being rolled out to more users.

We have made seven recommendations to further improve controls, one of which is high priority and relates to CP budget forecast submissions being approved on a monthly basis. Other key recommendations include review of budget forecast submissions by Finance staff to ensure they are robust and clarification of the use of explanation comments.

Regional Growth Fund (RGF)

Scope

The main objective of the audit was to provide assurance on the governance arrangements, decision making and outcomes for the Thames Gateway Innovations, Growth and Enterprise Project (TIGER) as part of the Regional Growth Fund (RGF) initiative. This audit did not include a review of grants awarded or equity investments made.

Overall Assessment – High

Launched in March 2013 and with £20 million of RGF monies available to invest, TIGER offers financial assistance to businesses looking to invest in new products, processes or markets, or potentially looking to expand existing activities which will lead to increased sustainable employment, in the Dartford, Gravesham, Medway, Swale and Thurrock area. TIGER loans will be interest-free and normally unsecured.

The 'High' assurance is given as testing has shown Governance arrangements for the TIGER project are in place and are operating effectively. Key controls for approval, authorisation and monitoring of loans is in place and is sufficiently robust and the decision making process for a sample of TIGER loan awards identified no areas for concern.

Three recommendations have been made to further improve the control environment, none of which are high priority. These are to regularly present the TIGER risk register to the Strategic Board, develop a formal register of interests and improve the declaration of interests form currently in use.

Property Statutory Compliance

Scope

The overall objective of the audit was to provide assurance that statutory property risks are being managed adequately and effectively, including the associated policies and procedures, compliance programmes, payments and performance monitoring.

Overall Assessment – Adequate

Statutory compliance for the Council's property portfolio is maintained through the engagement of three property Consultants, each of which are responsible for the buildings in an area of Kent. In addition to the Consultants, Kent Facilities Management (KFM) has been engaged to provide building services for the main KCC buildings in Kent.

The 'Adequate' assurance is based on testing that showed adequate policies and guidance in place detailing statutory requirements, work commissions have been raised, the invoices for completed works are appropriately authorised and regular performance monitoring meetings are held with the Consultants.

We have made nine recommendations to further improve controls, 2 of which are high priority which were to ensure future agreements entered into have SLAs in place that detail the roles and responsibilities of all parties and the service expectations and to establish a protocol to complete an annual contract review of the service with each of the Consultants. Other recommendations related to retaining evidence of works and inspections completed across all KCC buildings and statutory requirements and finalising and issuing the procedure documents for Asbestos, Lift Maintenance and Water Safety.

Joint Commissioning of adolescent Support Services (KIASS)

Scope

The overall objective of the audit was to review current commissioning of adolescent services to ensure commissioning is being managed adequately and effectively in order to meet service and corporate objectives, including a consideration of integration across the Authority.

Overall assessment – Advisory only

The review took place in two parts – firstly to support the concurrent review undertaken by the Business Service Transformation Team and secondly to sample test services currently commissioned.

There was a clear rationale behind the commissioning of services sampled, and commissioning resulted from a competitive process. Outcomes and objectives were identified in the service specifications, and reviews were held with providers. However, it was not clear at the outset of many contracts how outcomes were to be measured, and therefore there is currently limited information as to the overall success of the services. Furthermore, there was no evidence of value for money analysis either prior to commissioning or during the term of the contract. There is currently no single governance arrangement for services commissioned for adolescents and therefore commissioning is not carried out in a prioritised way across the Council.

We made eight recommendations, all of which were high priority due to the rapid pace of change required across the Council. These include clarifying governance arrangements, determining a review framework and decommissioning strategy, ensuring there are mechanisms to review internal and external services together and ensuring value for money is analysed before commissioning or decommissioning decisions are made.

Coastal Protection Loans

Scope

The overall objective of the audit was to provide assurance that payments made to Coastal Authorities for coastal protection loans are accurate and are based on the actual costs to those authorities. In addition we assessed the cost effectiveness of the loan repayments.

Overall Assessment – Substantial

There are five Coastal Authorities in Kent: Canterbury, Dover, Shepway, Swale and Thanet. Under the Coastal Protection Act of 1949, KCC contributes 50% to the repayment of loans taken out prior to 2006 for the purpose of coastal protection projects. The total principal and interest paid by KCC for coastal protection loans in 2012/13 was £605k and the estimate for 2013/14 is just under £600k.

The 'Substantial' assurance is based on sample testing and review of documentation. Our audit work confirmed that appropriate records are maintained of the Council's share of coastal protection loan repayments. All invoices paid in 2013/14 had been correctly calculated at 50% of the cost to each Coastal Authority and the payments were accurately processed in Oracle.

We have made two recommendations to further improve controls, neither of which are high priority. These are to compile procedure notes detailing the processes and checks involved in the administration of coastal protection loans and to explore alternative funding arrangements to achieve potential savings.

BACS/CHAPS review – Commercial Services

Scope

The overall objective of the audit was to provide assurance over key controls in relation to BACS and CHAPS payments made by all of the Commercial Services companies. In addition, the number, amount and details of cheque payments were examined to assess whether the BACS system could have been used to process these payments more efficiently.

Overall Assessment – Limited

There are several BACS payment runs each week covering all of the Commercial Services business units and CHAPS payments made for items such as international payments, HMRC, payroll adjustments and other payments that cannot be paid via BACS. Some cheque payments are made for each of the business units

The 'Limited' assurance is based on a number of issues that require prompt attention including those found by Commercial Services' own Internal Audit Team involving accounting system access and audit trail, accuracy and completeness of authorisation signatory lists, and authority levels. A number of other areas for improvement were identified, including segregation of duties in the CHAPS system, timeliness and completeness of bank reconciliations and reducing the volume of payments made by cheque.

We have made six recommendations to further improve controls, four of which are high priority; these include implementing segregation of duties; ensuring at least the same authority limits for CHAPS as for BACS payments; and completing bank reconciliations on a timely basis. Further recommendations were made in relation to reducing the use of cheques (Management accept the risk of not implementing this recommendation) and reviewing cheque signatories to ensure consistency with KCC's levels.

Laptops, Notebooks, PCS

Scope

The overall objective of the audit was to identify, examine and evaluate key controls for the use of these devices. These controls include procedures for managing the devices, roles and responsibilities and security standards as well as the support provided by system administrators.

Overall Assessment – High

Assets, such as desktops, tablets and laptops are common place in any organisation and widely used at the Council by management and staff. However, a number of high profile data security breaches have been recently reported in the press within the public and private sectors. These events have raised awareness of the importance of securing organisational information assets and highlighted the need for organisations to review their existing data security arrangements.

The High assessment is based on sample testing and interviews with key officers, which identified a number of areas where controls are in place and operating as intended. There are effective controls to ensure clear responsibility for the management of devices, new users, changes and deletion of access. Policies are in place and standard build procedures exist, including security measures such as encryption and standard access control settings. There is an anti-virus solution in place covering both enterprise and endpoint devices as well as security and incident management procedures, with a record is kept of reported incidents

We have made one recommendation to further improve controls, which was not high priority, this related to procedures to identify devices which have not logged onto the KCC network for over 90 days.

User Remote Access

Scope

The overall objective of the audit was to provide assurance on the degree to which the Council manages risks associated with remote working and access and whether the current control environment supports and promotes the achievement of the Council's strategic objectives.

Overall Assessment – Substantial

Remote working is the ability to access an organisation's IT services (including the internal network, business applications and corporate data) when away from the organisation's premises. Users need to access IT services in different settings outside of the Council, using private and public networks and from their homes. The Council is responsible for delivering technical solutions to enable secure access to IT services remotely from KCC

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. There are security policies and procedures in relation to remote working, including the overarching Information Security Policy and the Remote Desktop Access and Access to Kent (A2K) User Guides for staff. A risk assessment of remote working has been completed and procedures have been established for the management and administration of remote working services, including the provision of secure remote working fobs.

We have made three recommendations to further improve controls, none of which are high priority. These include updating the Homeworking Data Protection Guide and reviewing options for re-introducing screening to verify that appropriate anti-virus software is in place on all devices remotely connecting to the KCC network via A2K.

Swift Application

Scope

The overall objective of the audit was to identify, examine and evaluate key controls for the SWIFT application. These controls include day to day operations, the support provided by system administrators as well as third party support arrangements for SWIFT.

Overall Assessment – Substantial

SWIFT is predominantly used by Adult services in Families and Social Care (FSC) and is supplied by Northgate. Although the application has approximately 60 modules, it is presented to the user as a single seamless system, performing a range of functions for case management, finance and performance monitoring. SWIFT was originally introduced in 2006 and was last upgraded in January 2011. There are currently over 3,000 registered trained users with approximately 1,100 concurrent users.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. The Business Applications team has responsibility for daily operations management of SWIFT and access is controlled through security settings managed by this team. There are validation controls in place to assist with data input and reasonableness checks, as well as data quality procedures to identify and resolve erroneous data on caseload records. Data processing is performed in real time and there are controls in place to monitor and reconcile the data transferred between the application's interfaces. There are arrangements in place to ensure that regular backup copies of data are taken and procedures for handling system upgrades and changes.

We have made four recommendations to further improve controls, none of which are high priority; these include enhancements to the default password and user lock-out settings, to switch on the audit log facility and to obtain performance reports of the system from the supplier.

Unified Comms - pre Implementation

Scope

The overall objective of the audit was to provide assurance on the proposed arrangements the Council has developed for the Unified Communications solution.

Overall Assessment – Substantial

Unified Comms is a system that provides easy to use telephony services for office, mobile and home workers. The goal is to ensure that staff can be easily contacted in a manner that is convenient to all parties.

KCC and Unify (formerly Siemens) entered into a contract to initiate the delivery of a programme of works to deliver the implementation of an OpenScape Dual Node Telephony and Unified Communications Solution, SIP-enable DX voice network, implementation of a managed service solution to support the above and user and administrator training for the new systems.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which identified a number of areas where controls were operating adequately and effectively. Initial project risks and issues have been identified and documented in the approved Business Case and a process has been established with testing of the solution performed by Unify and witnessed by relevant KCC ICT staff. A project implementation plan has been established and adequate resources have been made available for the implementation. In addition various guidance and end-user manuals have been established and are available on the KCC intranet for users to access, training has been provided and an online training solution has also been developed.

We have made three recommendations to further improve controls, none of which are high priority. These are to set the scope and objectives for each User Acceptance Test, report and review access to the User Management system and agree critical success factors or Go-Live criteria with the supplier.

Communications

Scope

The overall objective of the audit was to provide assurance on compliance with organisational policy and guidance on internal and external communications. The review also followed up the recommendations made in the 2011/12 audit of Communications to ensure that they have been implemented where still relevant.

Overall assessment - Substantial

The aim of the Communications Team is to control all internal and external communications centrally, which includes new brand guidelines and templates for leaflets, posters and reports, to support the overall objective of 'One Council One Voice'.

The 'Substantial' assurance is based on testing which showed that controls are in place and operating as intended. There is sufficient information and guidance available to all staff with a standardised process for External Communications staff being designed at the time of the audit. A process was introduced to manage and monitor time spent on individual jobs in September 2013 and we were advised that there are plans to purchase a system to manage the workflow later this financial year.

We have made five recommendations to further improve controls, none of which are high priority. These include enhancing the detail recorded in the job book, ensuring sufficient information is recorded in the job brief, and including timeliness of job completion in performance monitoring reports.

Unaccompanied Asylum Seekers Minors (USAM)

Scope

The overall objective of the audit was to provide assurance that the budget for UASM is being properly monitored and controlled, that pressures reported are fairly represented and that the costs that are currently unfunded from the Home Office are valid and have been incurred legitimately.

Overall Assessment – Limited

The UASM budget is funded by grants from the Home Office and has been in deficit for the last two financial years and forecast to be so for 2013-2014. Explanations for the ongoing deficit position predominantly relate to either gaps or shortfalls in grant funding and the majority of the current overspend relates to ineligible and Appeal Rights Exhausted cases, where no grant funding is received. In addition the greater proportion of UASM currently funded by KCC are care leavers, where funding reduces. The overspend is off-set considerably by Gateway Grant funding.

The 'Limited' assurance is based on several issues that require prompt management attention to ensure that service objectives are achieved. Issues specifically identified were in relation to budget monitoring, costing and financial information/reporting (for example in relation to accommodation and related costs, including void properties) and foster care placements. Areas of overspend indicate financial controls need improvement and currently infrastructure and staffing costs are not fully allocated, meaning costs at age group or individual level are not complete.

We have made 18 recommendations to further improve controls, nine of which are high priority, including the presentation of information in monthly reports and allocation of direct costs to ensure clarity and transparency and consideration of areas of a number of areas where potential cost savings could be made.

Recruitment and Selection

Scope

The overall objective of the audit was to provide assurance that controls are in place over new appointments, including disclosure and barring checks where appropriate, to ensure that recruitment risks are being managed effectively to meet service and corporate objectives.

Overall Assessment – Adequate

Kent County Council is a leading local employer with more than 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county; recruitment activity is carried out by line managers with support from the HR Recruitment Team.

The 'Adequate' assurance is based on sample testing which confirmed that controls were operating adequately and effectively in a number of areas. There are policies and procedures in place for both the Recruitment team in the HR Business Centre and for Recruiting Managers and appropriate scoring mechanisms are used for shortlisting and to assess the responses to interview questions. Performance Monitoring is undertaken on a monthly basis within the Recruitment team.

We have made eight recommendations to improve controls, none of which are high priority. These include improvements to document retention for the Recruitment process by Recruiting Managers, fully completing Vacancy Clearance Request forms and ensuring that all interview panels include an officer with up to date recruitment training. The Recruitment team are currently in the process of implementing a new system to replace the Recruitment Management System and this will resolve some of the issues identified in this audit.

Cashiering and Bank Income

Scope

The overall objective of the audit was to provide assurance that cashiering and bank income processing risks are being managed adequately and effectively in order to meet service and corporate objectives. The audit looked at the entire process from receipt of income by the council, coding to the Oracle finance system, banking and reconciling income to the bank statements. This covered all sources of income.

Overall Assessment – Substantial

Income is received by the Council through various payment methods including BACS receipts, cheques, cash, card payments, Direct Debits, payment direct to bank and through salary deductions. The Cashiers Team in the Assessment and Income Unit is responsible for receiving, receipting, banking and processing income in the Oracle financial system. All income is paid into the Council's general bank account. Cashiers perform a daily reconciliation of income and full monthly reconciliations of the general bank account are completed by the Accounts Team in Central Finance.

The 'Substantial' assurance is based on sample testing which confirmed that the key controls are in place and operating as intended. Income collection processes were performed accurately and within the required timescales for the sample of transactions tested. For the same sample, income was banked regularly and accounted for correctly. Sources of income other than cash and cheques (such as Direct Debits, card payments, and direct BACS payments) are processed in line with the agreed procedures. The reconciliations carried out in the Cashiers and Central Finance Teams are up-to-date and accurate and there is evidence of good co-operation and communication between the two areas.

We have made three recommendations to further improve controls, none of which are high priority. These include securing the storeroom used to store for cash receipting documents and ensuring that all cheques are banked promptly.

EduKent

Scope

The overall objective of the audit was to provide assurance that risks are being managed adequately and effectively in order to meet service and Corporate objectives.

Overall Assessment – Advisory

EduKent is a customer led unit within KCC acting as the sales and marketing function for schools' services and was created from the previously established Kent Services for Schools. EduKent's objectives represent the strategic intent within Bold Steps for Education for "KCC to shape its school support provision so that it is competitive and attractive".

The report was issued as 'Advisory' to help inform the approach going forward due to the service review process which commenced during the finalisation of the report. Particular areas for attention include governance, performance monitoring and forecasting.

We made seven recommendations, four of which were high priority, which included agreement and sign-off of detailed terms of reference for the EduKent Board and clarity around governance arrangements, revision of assumptions on which forecast figures are based, agreement of a suite of performance indicators and to consider mandating the use of EduKent for relevant services.

Post-Audit Update:

Timing of the implementation of recommendations will now be dependent on the outcome of the Market Engagement and Service Review process for EduKent, which is currently in progress with an outline business plan due imminently.

Subsidised Local Bus Contracts – Cyclical Review

Scope

The overall objective of the audit was to provide assurance that contract risks for subsidised local bus contracts were being managed adequately and effectively in order to meet service and corporate objectives. The review concentrated on the provision of subsidised local bus contracts, examining the contract management processes.

Overall assessment – High

Local Authorities have specific duties relating to the provision of public transport defined in the Transport Act 1985. The Transport Act 2000 sets additional duties around the provision of local bus services and associated areas.

The 'High' assurance is based on there being robust contract management processes in place, with appropriate monitoring, inspections and management action being taken where required. Where service failures had been identified the contract management arrangements in place were operating effectively to enforce the contractual requirements.

We have made one low priority recommendation to improve control. This recommendation concerned establishing a contract monitoring timetable to ensure each contract is monitored on an annual cycle.

Oracle - Payroll

Scope

The overall objective of the audit was to provide assurance that the current arrangements the Council has in place over the Oracle Payroll application are adequate and effective.

Overall Assessment – Substantial

The Oracle Payroll system is part of the corporate Enterprise Resource Planning (ERP) e-business suite. The Oracle HR module was implemented in January 2003 and the Oracle Payroll module in November 2004, the latest upgrade was performed in February 2013. This module is therefore running on the latest version.

The 'Substantial' assurance is based on sample testing and interviews with key officers, which confirmed that in areas relating to first line support, database maintenance and the day to day operations of Oracle Payroll, key controls are in place and operating as intended. There are effective application management governance arrangements in place with training for staff. Appropriate controls are in place to maintain a separation of duties and limit access to the payroll system to authorised users. There are good controls relating to data input and output as well as interface reconciliation. Data backups covering the Oracle Payroll application are performed and a Business Continuity and Disaster Recovery Plan is in place.

We have made one recommendation to further improve controls, which is not a high priority, this relates to maintaining records of Functionality Testing for changes to evidence that this has been carried out and was appropriate for the change in question.

Establishments

Scope and Progress

A programme of compliance audits is undertaken ongoing throughout the financial year; this includes, but is not limited to, Children's Centres, Adult Day Care, outdoor education centres, country parks, youth hubs and libraries. To date we have completed nineteen audits at seven Children's Centres, two outdoor education centres, two country park and four adult day care centres, two libraries and two youth hubs. The audits review financial controls as well as quality/performance elements and safety and security controls. Thirteen final reports have been issued, and the remainder are complete with the draft report pending.

Summary of findings

Key strengths include engagement with service users as well as cleanliness/infection control, health and safety risk assessments and building security.

Areas for improvement include:

- Improving asset registers, stock records and stock checks.
- Recording expenditure at point of commitment.
- Implementing controls over authorisation/verification of timesheets.
- Arrangements for data protection and records management, including adequately securing records and laptops out of office hours.
- Improving gaps in key training and in training records.
- Retaining records of fire alarm testing and of fire drills.

Appendix B

Detailed Analysis of Internal Audit Progress on 2013/2014 Plan

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Assurance							
Corporate Governance	Fieldwork in progress						
Annual Governance Statement	Complete	September 2013	Substantial				
Schemes of Delegation	Fieldwork in progress						
Risk Management	Fieldwork in progress						
Business continuity and resilience planning	Complete	April 2014	Substantial				
Performance Management Framework inc data quality	Fieldwork in progress						
Information Governance	Draft Report						
Records Management	Complete	April 2014	Adequate				
Procurement	Draft Report						
Business Planning	Complete	September 2013	Substantial				
Recruitment and Selection	Complete	April 2014	Adequate				
Appraisal Process	Draft Report						
Workforce Planning	Complete	April 2014	Substantial				
Completeness of contracts	Complete	April 2014	Substantial				
Contract compliance (below £50k)	Complete	April 2014	Substantial				
Company Governance	Complete	N/a	Guidance produced				

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Financial Assurance							
Accounts Payable inc iProcurement (Payments process)	Fieldwork in progress			Local budgetary reviews	Complete	April 2014	Substantial
Debt Recovery	Complete	April 2014	Substantial	Compliance programme	Complete	Update in each paper	Various*
Cash and Bank (inc reconciliations)	Complete	April 2014	Substantial	Half year journal and AP IDEA testing	Cancelled	N/a	N/a
Treasury Management follow-up	Complete	April 2014	High	Corporate Purchase Cards – follow-up	Draft Report		
Pension Contributions follow-up	Complete	April 2014	High				
Pension Fund Investments follow-up	Complete	April 2014	High				
Foster Care Payments	Complete	April 2014	Limited				
Social Care Client Billing	Fieldwork in progress						
Transaction Data Matching	Draft Report						
Client Financial Affairs/CMS	C/f to 14/15						
Payroll Schools	Complete	September 2013	Adequate				
Payroll – starters, leavers and overpayments follow-up	Complete	April 2014	Substantial				
Schools Financial Services	Fieldwork in progress						
Revenue Budget Monitoring follow-up	Fieldwork in progress						

* Relates to the annual programme of establishment visits, progress and key themes are summarised on p.10

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Risk/Priority Based Audit							
Broadband Delivery UK	Complete	N/a	Advisory only	Schools themes review – Procurement	Draft Report		
Regional Growth Fund	Complete	April 2014	High	ELS Capital Projects	Draft Report		
Property – statutory compliance	Complete	April 2014	Adequate	Community Learning Services	Complete	December 2013	Adequate
Enterprise replacement – watching brief	Complete	N/a	Advisory only	Locality Boards	Cancelled	N/a	N/a
Total Facilities Management	Deferred to 14/15	N/a	N/a	Complaints, comments and compliments	Draft Report		
Public Health Outcomes	Merged with Operational	N/a	N/a	Troubled families	Complete	N/a	Compliant
Public Health Governance	Fieldwork in progress			Integrated Youth Services	Fieldwork in progress		
Public Health Operational Arrangements	Draft Report			Communications	Complete	April 2014	Substantial
Good Day Programme	Draft Report			Grant funding (inc Turner and Big Society)	Draft Report		
Supervisions	Deferred to 14/15	N/a	N/a	Highways – Customer claims handling	Complete	December 2013	Substantial
Enablement Service	Deferred to 14/15	N/a	N/a	Coastal Protection Loans	Complete	April 2014	Substantial
Direct Payments follow-up	Complete	N/a	Advisory only	Haulage and Transfer Stations	Cancelled	N/a	N/a
UASC Budget	Complete	April 2014	Limited	Waste – Contract Management Process	Cancelled	N/a	N/a
Children's Services Improvement Programme	Complete	December 2013	Adequate	Transport Contracts – Cyclical Review	Complete	April 2014	High

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Strategic Commissioning-Operational Frameworks	Complete	December 2013	Advisory only	Adverse Weather, winter service delivery	Complete	December 2013	Substantial
Strategic Commissioning – Quality Assurance Framework watching brief	Ongoing			BACS/CHAPS Review – Commercial Services	Complete	April 2014	Limited
Contract letting and compliance Adult's	Complete	December 2013	Substantial	Carbon Reduction Commitment	Complete	December 2013	Compliant
Contract letting and compliance Children's	Draft Report			Kent Support and Assistance Service	Fieldwork in progress		
Adult Social Care Transformation Programme	Ongoing			Culture and Sports	C/f to 14/15		
Early Years	Complete	December 2013	Substantial	Schools Deficit Budgets	Cancelled	N/a	N/a
Conversions to Academy	Draft Report			Member Grants	Draft Report		
EduKent	Complete	April 2014	Advisory only	Member Highways Fund	Draft Report		
KIASS	Complete	April 2014	Advisory only	Section 17 Payments	C/f to 14/15		
Healthwatch	Fieldwork in progress			Declaration of Interests	Complete	September 2013	N/a – Fraud Prevention Review

Project	Progress at April 2014	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
IT Audit							
Website	Deferred to 14/15	N/a	N/a				
E-Payments	Cancelled	N/a	N/a				
Laptops, Notebooks and PCs	Complete	April 2014	High				
User Remote Access	Complete	April 2014	Substantial				
ICT Governance	Deferred to 14/15	N/a	N/a				
User IT Literacy	Cancelled						
User equipment asset management	Complete	December 2013	Substantial				
Oracle General Ledger – application	Draft Report						
Oracle Accounts Receivable – application	Draft Report						
Oracle Payroll – application	Complete	April 2014	Substantial				
SWIFT application	Complete	April 2014	Substantial				
WAMS application	Complete	December 2013	Substantial				
ICS Watching Brief	Complete	N/a	Advisory only				
CRM Watching Brief	Cancelled	N/a	N/a				
Unified Comms – pre-implementation	Complete	April 2014	Substantial				

Appendix C

Other 2013/2014 Work Undertaken by Internal Audit

Grants

The Internal Audit team is responsible for auditing and signing off grant claims to enable the Council to recover money from a number of sources, in particular Interreg projects. This year to date the total value verified is approximately £2.91m. With a 50% grant recovery rate, this equates to grant income to the Council of approximately £769,000 and £330,000 for other bodies including Visit Kent, Locate in Kent and Kent Fire and Rescue Service. Time spent on verifying and signing off grant claims is chargeable.

Parishes

Kent County Council Internal Audit currently offers a comprehensive internal audit service for Local Councils and other bodies. We are the appointed auditor for 12 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre.

In 2013/14 we have undertaken 32 visits in total; 14 of which were to sign off annual returns for 2012/13.

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

Other significant ad hoc/advisory work undertaken includes ongoing advice and support in relation to a number of areas of service change/improvement, for example ongoing support and advice in relation to Broadband Delivery UK and replacement of the Property system, Enterprise. We have also reviewed self-certifications submitted by KCC to support the Payment by Results element relating to Troubled Families and found these to be compliant. Internal audit also attend, or are virtual members of, the following groups in an advisory capacity:

- Accommodation Commissioning Group
- Risk Management Group
- Business Continuity Management/Emergency Planning
- Information Governance Cross Directorate Group
- Procurement standard working papers working group
- Kent Support and Assistance Service
- Spending the Council's Money
- Direct Payments Steering Group
- Libraries, Archives and Registrations review/new system project group

Appendix D

Internal Audit Assurance Levels

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

APPENDIX E

Progress with Implementation of Recommendations

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Authority Wide						
Schemes of Delegation and Limits on Approvals		2		1	New Scheme of Delegation documents being developed and will review once published	30 th June 2014
County Council Election Payments 2005 & 2009		4			Recommendations implemented.	
Declarations of Interest		5		5	Report to be taken to the next appropriate Standards Committee for their approval.	30 th September 2014
Core Systems						
Payroll Schools	1				Recommendation implemented.	
General Ledger		1			Recommendation implemented.	
Capital Programme - Planning and Monitoring		2			Recommendations implemented.	
Treasury Management and Pension Investments		1			Recommendation implemented.	

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
VAT	1				Recommendation implemented.	
Policy						
Communications Toolkit	1	3			Recommendations implemented.	
Risk Based						
Term Maintenance Contract and Adverse Weather Service Delivery Compliance Review		3			Recommendations implemented.	
Highways Customer Fault Handling		6			Recommendations implemented.	
Property Disposals	4	1			The high priority recommendations have been implemented. The medium priority recommendation relates to having a consistent property description, which cannot be implemented due to Legal and Property using different descriptions. The risk is therefore accepted.	
Developer Contributions (s106)	5	3	4	3	The recommendations are currently in the process of being implemented and will be followed up as part of the planned 14/15 audit.	30 th September 2014
Case File Audit Process	7	1	3		4 high and 1 medium completed, 3 high partially implemented and in progress	30 th June 2014
Data quality		1			Recommendation implemented	
Children's Services Improvement		5		4	1 medium recommendation complete, 4 remain in progress due to changed responsibilities and therefore and revised implementation	30 th June 2014

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Programme - key stages (including case file audit follow up)					date has been agreed	
LASER - Follow Up Review		2			Recommendations implemented.	
Customer Service Interface Procurement	1		1		This recommendation is included as part of review of Spending the Council's Money. This has been completed but is awaiting formal Committee approval.	31 st May 2014
Core Assurance						
Business Continuity and Resilience Planning		2			Recommendations implemented.	
Information Governance		5			Recommendations implemented.	
IT Audits						
SWIFT - application		2		2	Implementation of the recommendations relating to Password Settings and Security Violation Reporting is planned and is due to be in place by the end of June 2014.	30 th June 2014
WAMS - application		2		1	Implementation for the recommendation related to Security Violation is planned for the end of April 2014.	30 th April 2014
B.Y.O.D		7		7	Recommendations on hold as dependent on Central Government decisions.	31 st March 2015
CareWorks Application		4		2	Due dates have been extended to allow implementation of system upgrade and further advice from CareWorks	31 st December 2014
Firewalls and Firewall Management		2			Recommendations implemented	

Audit	Recommendations to be implemented by 28 February 2014		Recommendations overdue as at 28 February 2014		Comments	Revised implementation date
	H	M	H	M		
Oracle		1		1	Business Continuity Plans have been developed at service level using a corporate template. The most critical services will have plans tested by March 2015.	31st March 2015
Registrations	1	10		6	Implementation of remaining recommendations has been extended to allow for system upgrade	30 th June 2014
Network Security and Infrastructure (LAN)		11		11	Internal and external pressures (e.g. Facing the Challenge, PSN CoCo, PCI-DSS, and Pay Review etc.) have taken the focus away from this audit's recommendation. Following an assessment, the responsible manager considers the risk of these recommendations to be sufficiently low to allow a delay of its resolution by a year.	28th February 2015
Unified Communications		2			Recommendations implemented.	
Contract Compliance						
Total	21	88	8	43		

H = High risk
M = Medium risk