

By: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 29th April 2015
Subject: **Internal Audit and Counter Fraud Progress Report**
Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit and Counter Fraud activity for the 2014/15 financial year to date.

FOR ASSURANCE

Introduction

1. This report summarises:
 - the key findings from completed Internal Audit reviews
 - the key findings from completed counter fraud investigations
 - progress against the 2014/15 Internal Audit Plan since the last report to the Governance and Audit Committee;
 - achievement against the Internal Audit and Counter Fraud Key Performance Indicators; and

Overview of Progress

2. Appendix 1 details the outcome of Internal Audit and Counter Fraud work completed for the financial year to date. In total 63 audit reviews have been completed, including 54 substantive reviews. A further 9 substantive audits are at final draft stage and significant fieldwork is in progress for a further 12 audits. In relation to counter fraud work there have been 82 irregularities reported and investigated since the start of 2014/15 of which 64 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £ 1.35 billion (excluding Treasury Management) since the start of 2014/15
3. Appendix 1 has also mapped the outcomes from this work against the more significant corporate risks where it is practical for internal audit work to provide assurance against the progression of the management and mitigation of such risks
4. Progress against the Audit Plan for 2014/15 is 90% complete at end March 2015; and has therefore achieved the set target. This performance has also incorporated unplanned work in relation to a number of additional work requests and special investigations throughout the year.
5. In relation to counter fraud. work is progressing to implement the pan Kent fraud intelligence network including initial market analysis of data matching software prior to the formal procurement. Recruitment to an additional fraud post has also taken place.

6. Satisfactory progress against targets for agreed Internal Audit and Counter Fraud Key Performance Indicators (KPIs) for the 2014/15 year are detailed within Appendix 1. Reporting of the counter fraud performance data is now a statutory requirement under Transparency Regulations. Of note in addition to the deterrent and control advantages, the counter fraud unit continues to (more than) cover its costs in fraud and irregularity recoveries.

Implications for Governance

7. Summaries of findings from completed work since January 2015 have been included within Appendix 1. Where audits completed in the year have identified areas for improvement, management action has been agreed. All audits are allocated one of five assurance levels, for which definitions are included within the attached report.

Follow Ups

8. Included in Appendix 1 is a new format for tracking implementation of issues and recommendations from previous audits and counter fraud work. This provides a more focused assessment of management's progress in implementing improvements and enhancing controls.

External Quality Assessment.

9. Under Public Sector Internal Audit Standards (PSIAS) it is now a requirement for internal audit to be subject to an independent review (External Quality assessment – EQA) against best practice standards once every 5 years. Such an assessment provides independent assurance to an organisation that the outcomes and judgements from internal audit can be relied upon.
10. In March we commissioned the Institute of Internal Auditors (IIA) to carry out an assessment. As such we are one of the first County Councils to be subject to such review. The outcomes were extremely positive. The overall assessment was that the section “generally conforms to the IIA’s professional standards”. This is the highest possible grading from the IIA methodology. In general the assessors found that the quality of reporting and adherence to Internal Audit standards was good and that there are very good prospects for further improvements.
11. A number of recommendations were made to make further improvements and we have asked the IIA to undertake a light touch follow up next year. The full copy of the IIA report has been given to the Chair and Vice Chair and we are happy to share with other Members on request.

Recommendations

12. Members are asked to note :
 - progress and outcomes against the 2014/15 Audit Plan
 - progress and outcomes in relation to Counter Fraud activity
 - the positive outcomes and assurances provided against international and public sector internal audit standards from the external quality assessment.

Appendices

Appendix 1 Internal Audit Progress Report April 2015

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APPENDIX 1



Kent County Council

Internal Audit and Counter Fraud Progress Report

April 2015

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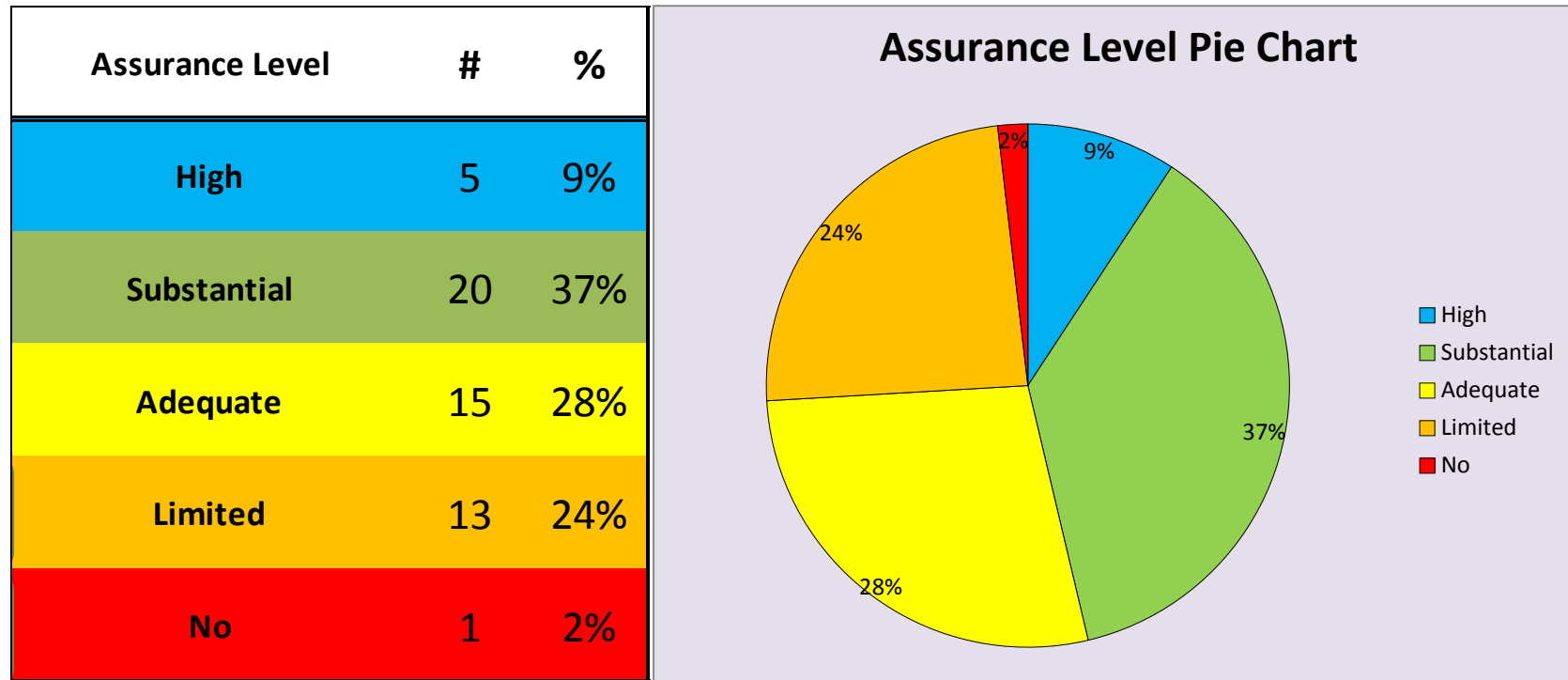
1 Introduction and Purpose

- 1.1. This report details cumulative internal audit and counter fraud outcomes for 2014/15 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since the January 2015 Governance and Audit Committee (G&AC). It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.
- 1.2. To date we have completed 63 internal audits (including establishment visits) and 82 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £ 1.35 billion of KCC turnover to date (excluding Treasury Management).
- 1.3. A further 19 audits and counter fraud proactive projects are currently in progress, and a further 18 counter fraud investigations remain ongoing.
- 1.4. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide appropriate assurance against key corporate risks or significant systems.
- 1.5. Internal audit also remains involved in monitoring the works in progress of selected significant change programmes and projects so as to provide timely pre-event challenge during the establishment of new control frameworks.

2 Overview

Internal Audit

1.6. Table 1 (see page 9) maps the assurance levels from the 54 substantive internal audits (i.e., excluding establishment visits) undertaken to date. This results in an overall distribution of:



A breakdown of each individual audit assurance level can be found in Appendix A

1.7. Particular strengths include:

- 74% of systems or functions have been judged with adequate assurance or better
- A pattern of general robustness of key financial systems audited

- Strong controls over systems related to procurement
- A number of exemplar areas identified ranging from employment contracts to controls over pupil premium additional funding.

1.8. Areas for further improvement relate to :

- The 26% or systems or functions that have been judged with limited assurance or worse
- Ensuring transformational change and managing demand in areas within Social Care are sustainable
- Financial and non-financial controls within in-house foster care.
- Enhancing local financial controls within establishments; where 50% of those audited this year have exhibited weaknesses

Counter Fraud

- 1.9. The counter fraud function has provided particularly positive outcomes as detailed on pages 24 to 30. This includes publication of statutory transparency data on counter fraud.
- 1.10. The business as usual activity (82 irregularities) and thematic pro-active counter fraud work provides assurance that there have been no material incidences of fraud or corruption reported through or uncovered.
- 1.11. The section is progressing with its project management on the implementation of the pan Kent intelligence sharing network (KIN) for which we were awarded £480,000 in funding from the DCLG 'Counter Fraud Fund'. As a reminder, the County Council will be at the hub of co-ordinating and disseminating data matching from a variety of sources to better target known fraud and error areas such as Council Tax single person discounts
- 1.12. Initial procurement and recruitment activity has commenced and we remain confident in having initial data matching activity in progress by the autumn of 2015

Overview Assurance

- 1.13. The breadth of coverage and outcomes from our work to date have provided sufficient evidence to support an interim opinion that Kent County Council continues to have:
- Adequate and effective financial and non-financial controls
 - Adequate and effective governance processes
 - Adequate and effective processes to deter incidences of substantive fraud and irregularity
- 1.14. Management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.

Audit Assurance Levels of 2014/15 Audits

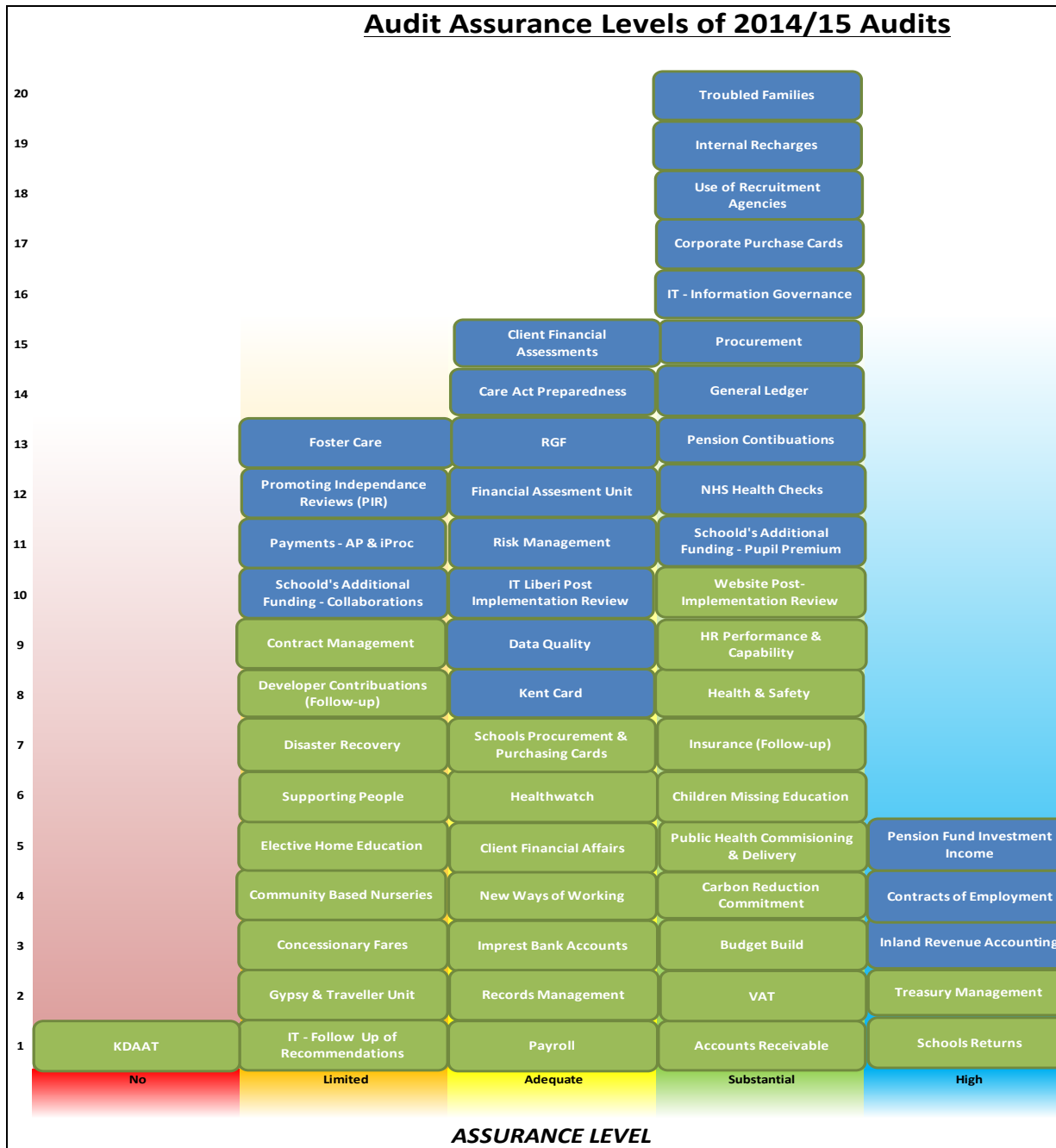


Table 1

3 Mapping Audit (and Counter Fraud) outcomes against corporate risks.

- 3.1. Appendix A provides detailed summaries on the outcomes from internal audit work completed since the January 2015 report to this Committee.
- 3.2. It is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the year to date. The tables below show these patterns on a cumulative basis with audits previously reported to the Committee in the shaded areas.

Future operating environments – in particular Change Management and Governance of Change

- 3.3. During the year to date we have reviewed the following areas that have a common theme connected to the management of change.

	Assurance level	Issues Raised	
Promoting Independence Reviews (PIR)	Limited	High: 2 Medium: 0	All Accepted
Care Act Preparedness	Adequate	N/A	N/A
KDAAT	None	High: 7 Medium: 0	All accepted
Supporting People	Limited	High: 1 Medium: 1	Draft
Healthwatch	Adequate	High: 0 Medium: 3	All Accepted

New Ways of Working	Adequate	High: 1 Medium: 4	All Accepted
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- 3.4. The above outcomes continue to echo the findings from previous audits in that there is a need to improve how the Council sometimes responds to and plans for change. In particular the Promoting Independence audit focused on the delivery of planned outcomes from third party initiated fundamental re-designs of systems and working practices. This audit found that the sustainability of such improvements could be put at risk due to the new practices and routines not being comprehensively embedded into teams together with shortfalls in accompanying IT systems. Overall the management response has been positive and in relation to PIR a wholesale review of care package recording has been enacted. Clearly the successful implementation of such systems is also fundamental to addressing the corporate risk around managing the demand for Council services.
- 3.5. In relation to the Care Act we have undertaken two interim reviews to provide assurance over the implementation of one of the biggest changes to Local Government social care. Our first review found that project management disciplines had not been fully embedded, there was a lack of clarity over project reporting and risk logs were not up to date. Our subsequent follow-up provided assurance that management were progressing in rectifying these issues, although the late delivery of IT solutions remains an on-going risk.
- 3.6. In addition to the above, internal audit are also involved in change programmes by making input towards, or as part of the following:
- Adult Social Care Transformation Group
 - The 0-25 Unified Portfolio
 - Input into checkpoint reviews for a number of transformation programmes
 - Accommodation Commissioning Group
 - The Care Act Steering Board
 - The Financial Monitoring Group for Children’s Social Care and Early Help services
 - Continuing liaison with the Corporate Portfolio office
- 3.7. Any control issues arising are queried with the relevant groups and where we are undertaking ‘watching briefs’ over the roll out of change and improvement programmes we will, in future , produce periodic reports on selected lines of enquiry as well as feeding into an opinion in our annual report.

Data and Information Management

3.8. Assurance over the integrity and reliability of the Council's information systems has been provided by audits of:

	Assurance level	Issues Raised	
Data Quality Education and Young People	(Overall) Adequate	High: 5 Medium: 3	All Accepted
IT Liberi Post Implementation Review	Adequate	High: 1 Medium: 1	All Accepted
IT – Information Governance	Substantial	Medium: 2	All Accepted
Disaster Recovery	Limited	High: 3 Medium: 2	All Accepted
IT Follow Ups	Limited	No new issues raised	N/A
Records Management	Adequate	High: 0 Medium: 1	1 Medium Risk issue accepted by management and no action proposed
Website Post Implementation Review of Controls	Substantial	High: 0 Medium: 1	Partially Accepted

- 3.9. The outcomes from these audits also point to some important areas for further improvement. Data quality is clearly critical for the Council in that decisions need to be based on sound and accurate management information. For 2014/15 we examined data quality across 4 key systems in use within Education and Young Peoples Services. Although the overall judgement was 'adequate', the results for each individual system were:

Impulse (Pupil Management System)	Limited
Capita ONE (Integrated case management system with schools)	Substantial
IYSS (Tracking system and statutory forms for caseload information)	Adequate
Careworks (Youth offending and prevention system)	Adequate

- 3.10. In essence areas of good practice in some systems were offset by inconsistent controls in others. In particular there were a number of instances where there was a lack of clarity over responsibilities for data quality. The Impulse system also had particular weaknesses over training and weak data validation routines with poor action taken on exception reporting.
- 3.11. The Liberi system is the case management system for Specialist Children's Services. Overall the system has been well received and meeting current user requirements. However the original project documentation and business case were missing such that it was not possible to provide assurance that the project had been delivered to the original specified time, budget or requirements.

Safeguarding related

3.12. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have completed one work area associated to this risk:

	Assurance level	Issues Raised	
Foster Care	Limited	High: 7 Medium:2	Partially accepted. No action proposed on one high risk issue
Children Missing Education and Education Programme	Substantial	High: 1 Medium: 3	All Accepted
Elective Home Education	Limited	High: 3 Medium:3	All Accepted
Client Financial Affairs	Adequate	High: 2 Medium: 2	All Accepted

3.13. The more substantive Foster Care audit found there were efficient and timely processes in place for the assessment and approval of carers that meet statutory requirements. However core training was weak, complaints, allegation and DBS reporting was incomplete and data quality and associated record keeping needed improvement. There was no risk register in place for the service. Management action and response has been generally positive.

Access to resources to aid economic growth and enabling infrastructure

3.14. We have undertaken one related audit in this period:

	Assurance level	Issues Raised	
Regional Growth Funding	Adequate	High: 1 Medium: 3	All Accepted
Developer Contributions follow up audit (S106 Agreements)	Limited	No new issues raised	N/A

3.15. The various Regional Growth Fund initiatives are important to Kent’s economic growth and stimulating small and medium sized businesses. Such funding is supplied by central Government but KCC is the Accountable Body. Overall we found the process for dealing with applications for funding was robust such that over 76% are rejected and in relation to the successful bids and the £33 million advanced to date, only 2.6% had resulted in liquidation. With the exception of the companies in liquidation, all repayments due had been received. Nevertheless we have raised issues around strengthening due diligence and declarations of interest over members appointed to Advisory Panels and that the recording of criteria and reasons for acceptance of bids should be strengthened to mirror that for when bids are rejected. Management have accepted all the issues raised.

Governance and Internal Control - critical systems and services

3.16. As would be expected from an internal audit function, a considerable proportion of our work is centred on reviews of core critical financial and corporate systems:

	Assurance level	Issues Raised	
Risk Management	Adequate	High: 1 Medium: 3	All Accepted
General Ledger	Substantial	No high or medium risk issues	N/A
Client Financial Assessments	Adequate	High: 0 Medium: 3	All Accepted
Internal Recharges	Substantial	High: 0 Medium: 1	All Accepted
Inland Revenue Accounting	High	High: 0 Medium: 1	All Accepted
Payments – AP and iProc	Limited	High: 3 Medium: 3	All Accepted
Pension Contributions	Substantial	High: 0 Medium: 2	All Accepted
Pension Fund Investment Income	High	No high or medium risk issues	N/A
Contracts of Employment	High	No high or medium risk issues	N/A

Treasury Management	High	High: 0 Medium: 0	N/A
Accounts Receivable	Substantial	High: 0 Medium: 1	All Accepted
VAT	Substantial	High: 0 Medium: 2	All Accepted
Budget Build & Medium Term Financial Plan	Substantial	High: 0 Medium: 1	All Accepted
Imprest Bank Accounts	Adequate	High: 1 Medium: 5	All Accepted
Payroll	Adequate	High: 3 Medium: 3	All Accepted
Insurance	Substantial	High: 0 Medium: 1	Issue not accepted - no further action proposed
HR Performance and Capability	Substantial	High: 0 Medium: 1	All Accepted
Health and Safety (follow up review)	Substantial	High: 0 Medium: 1	All Accepted
Declarations of Interest	N/A - Counter Fraud Review	No significant issues highlighted	N/A

- 3.17. In general these assurance levels continue to point to the robustness of underlying financial and corporate systems, the only exception being the AP and iProc payments processes which have received 'limited' assurance for the third successive year. Nevertheless the gaining of high or substantive assurance for a number of critical systems is evidence of sound and embedded controls.
- 3.18. Our audit of corporate risk management is important element of the assessment of underpinning governance systems. Overall we found corporate and top level risk management to be robust and risk registers were present for most of the major transformation projects, although they were not always consistently assembled and presented. However we found there was an inconsistent understanding the Council's risk appetite and audit work highlighted material services and areas where risk management and resultant registers were not present.

Better Care Fund

- 3.19. We have continued to undertake a watching brief on this significant change programme as well as keeping up to date with national developments and assessments.

Management of demand - adult social care and specialist children's services

- 3.20. As per paragraphs 3.3 – 3.5 our work on the risk of management of change has embraced those projects similarly tackling the management of demand, particularly adult social care which featured in Phase 1 of the transformation programme.

Procurement and Contract Management

- 3.21. The effective management of procurement and commissioning is critical to the Council. We have undertaken the following related audits:

	Assurance level	Issues Raised	
Procurement	Substantial	High: 0 Medium: 3	Draft
Corporate Purchase Cards	Substantial	High: 0 Medium: 1	All Accepted
Highways - Term Maintenance Contract Payments	Substantial	High: 0 Medium: 2	All Accepted
Schools Procurement and Purchase Cards	Adequate	High: 2 Medium: 2	All Accepted
Contract Management	Limited	High: 1 Medium: 0	All Accepted
Concessionary Fares	Limited	High: 2 Medium: 1	All accepted

The procurement audit provided substantive assurance over controls and overall compliance to the Council's policies and practice. Corporate purchase card systems also demonstrated adequate and effective controls with appropriate receipting and approvals being sanctioned on a timely basis.

4 Other Audit Work Other

3.22. A further 5 pieces of work have been undertaken with the following outcomes:

	Assurance level	Issues Raised	
NHS Health Checks	Substantial	High: 0 Medium: 6	All Accepted
Use of recruitment agencies – Sen Staff	Substantial	No high or medium risk issues	N/A
Kent Card	Adequate	High: 2 Medium: 4	Draft
Schools Additional Funding - Collaborations	Limited	High: 1 Medium: 2	Draft
Schools Additional Funding – Pupil Premium	Substantial	High: 1 Medium: 2	Draft
Schools Returns	High	High: 0 Medium: 0	N/A
Gypsy and Traveller Site Allocations	Limited	High: 1 Medium: 1	All Accepted
Community Based Nurseries	Limited	High: 6 Medium: 2	All Accepted

Public Health Commissioning and Delivery	Substantial	High: 1 Medium: 0	All Accepted
Carbon Reduction Commitment	Compliant	High: 0 Medium: 0	N/A
Kent Resource Partnership	Advisory	High: 0 Medium: 2	All Accepted

- 3.23. The Kent Card is used in Specialist Children’s Services as a means of paying the Essential Living Allowance and in Adults as a method of service users receiving direct payments. A number of areas of good practice were identified with good integrated systems to the Client Commissioning Groups. Some improvements were required, more particularly the formal agreement for the health budget pilot has expired, KPI’s are not fit for purpose and the previous Kent Card operator is still accepting erroneous contributions.
- 3.24. The two school additional funding systems audited demonstrated markedly different standards of control. The Pupil Premium systems were operating effectively with schools being able to demonstrate the raising of attainment. Conversely funding to stimulate school collaborations was not well documented with an inability to effectively demonstrate clear outcomes.
- 3.25. Under DCLG requirements we have also audited KCC’s self-declaration on its payments by results claim for Troubled Families. We found issues with attendance data such that the department could have claimed an additional £239,000. Action is being taken by management to address these errors.

3.26. Establishment Visits

During the year we have concluded audits of 10 establishments with the following outcomes:

	Assurance level	Directorate
Osborne Court	Limited	Social Care, Health and Wellbeing
Hardelot Centre	Limited	Growth, Environment & Transport
Kent Mountain Centre	Limited	Education & Young Peoples Services
Guru Nanak Day Centre	Substantial	Social Care, Health & Wellbeing
Cranbrook Childrens Centre	Adequate	
Southfields Respite Centre	Substantial	
Whitstable Road Respite Centre	Adequate	
Meadowside Respite Centre	Substantial	
Dorothy Lucy Centre	Limited	
Westview Integrated Care Centre	Limited	

3.27. The final establishment visit for 2015/16 (Osbourne Court) continued to highlight the variability of controls across establishments with particular weaknesses in this case around purchasing controls coupled with out of date adult protection training and incomplete DBS checks.

Other Audit Activity

3.28. KCC Internal Audit currently offers a comprehensive internal audit service for smaller Local Councils and other bodies. We are the appointed auditor for 13 of Kent's parish councils, a role we have fulfilled for some of these councils for over 10 years. In addition we provide internal audit services to the Kent & Essex Inshore Fisheries and Conservation Authority and to the Stag Community Arts Centre. At the time of compiling this report we were also holding preliminary discussions with a nearby District Council over the future management of their internal audit service commencing May 2015.

3.29. We also provide the internal audit service for the Kent and Medway Fire and Rescue Service. The plan for 2014/15 comprises 95 days made up of 9 audits, plus management time and contingency and has been delivered.

3.30. The Internal Audit team certifies a number of grant claim forms and returns, working closely with the Council's External Funding team. This year to date the total value verified is approximately £2.5m

5 Group Audit Work - Commercial Services and other LATCo's

3.31. The Group Audit function, established in January, has developed its role over this period. In relation to Commercial Services an audit plan for 2015/16 has been approved by the relevant audit committee and a formal service level agreement has been ratified. Progress reports have been presented to both the audit committee and the Shareholder Board.

3.32. In relation to emerging and future LATCo's initial work has been undertaken around Property Services and Infrastructure where we are providing advice on future governance structures with particular reference to 'lessons learnt' from Commercial Services. We will make similar input to other emerging LATCo's and associated delivery vehicles in future.

6 Counter Fraud and Corruption

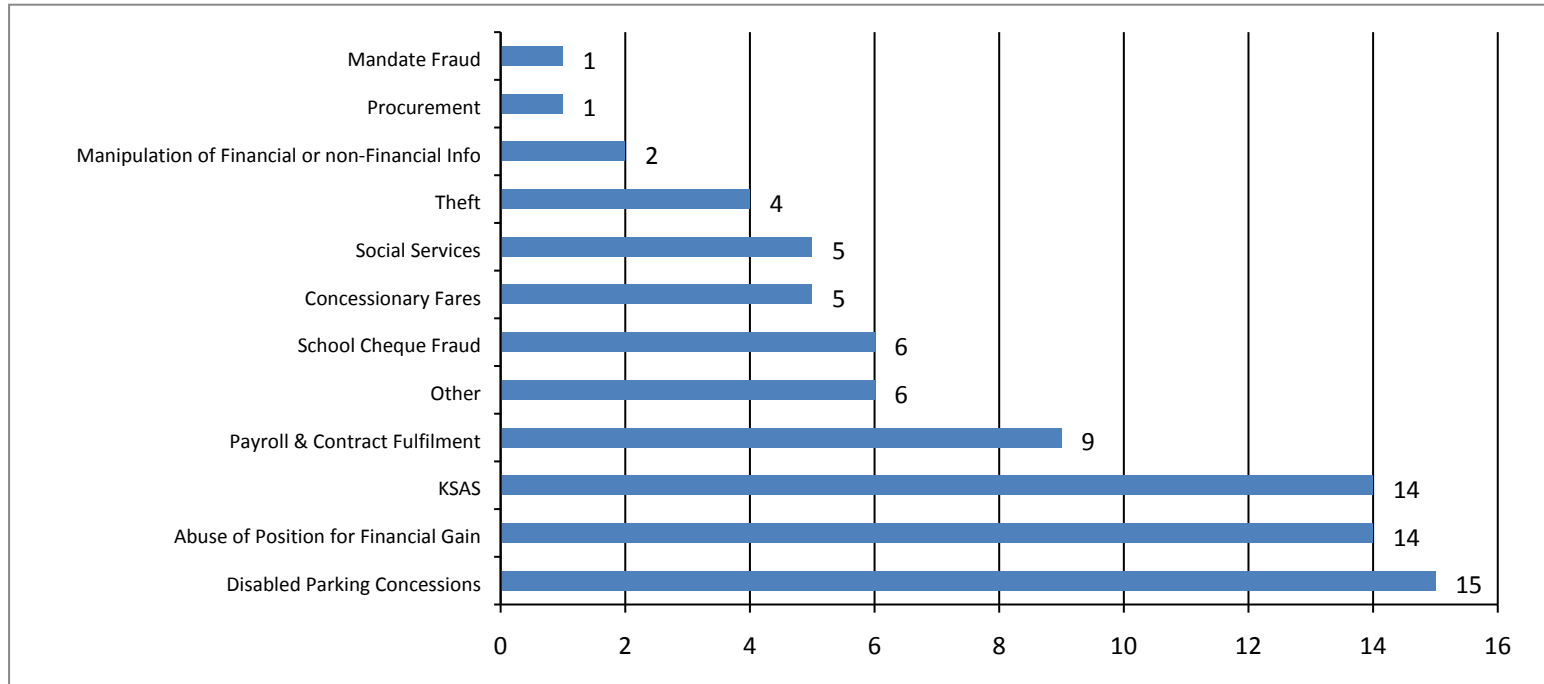
Fraud and Irregularities

- 6.1. Tables CF1 to CF5 summarises current works in progress and the outcomes of concluded irregularities.
- 6.2. Appendix B details the more notable fraud and irregularity cases we have investigated and brought to a conclusion.
- 6.3. The most common types of fraud in 2014/15 were 'Disabled parking concessions (Blue Badges), 'abuse of position for financial gain' and incidents related to the Kent Support and Assistance Service (KSAS). The most common source of referral continues to be from staff which is indicative of good levels of fraud awareness across KCC, and which have been enhanced as a result of the 'Spot It, Stop It' fraud awareness campaign.
- 6.4. Table CF5 shows patterns of fraud referrals over periods of the year. This demonstrates how remarkably 'seasonal' fraud reporting can be, but also the beneficial impact of the result of the launch of the fraud awareness campaign in November 2014.

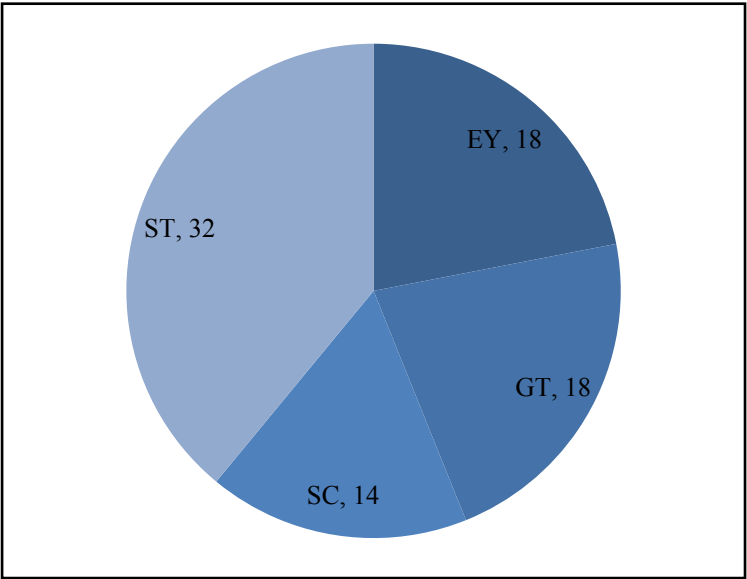
CF1 - Summary of Financial Irregularity Activity (2014/15)

	No. of Irregularities
New irregularities recorded	82
Concluded in period	64
Carried forward at 1 April 2015	18

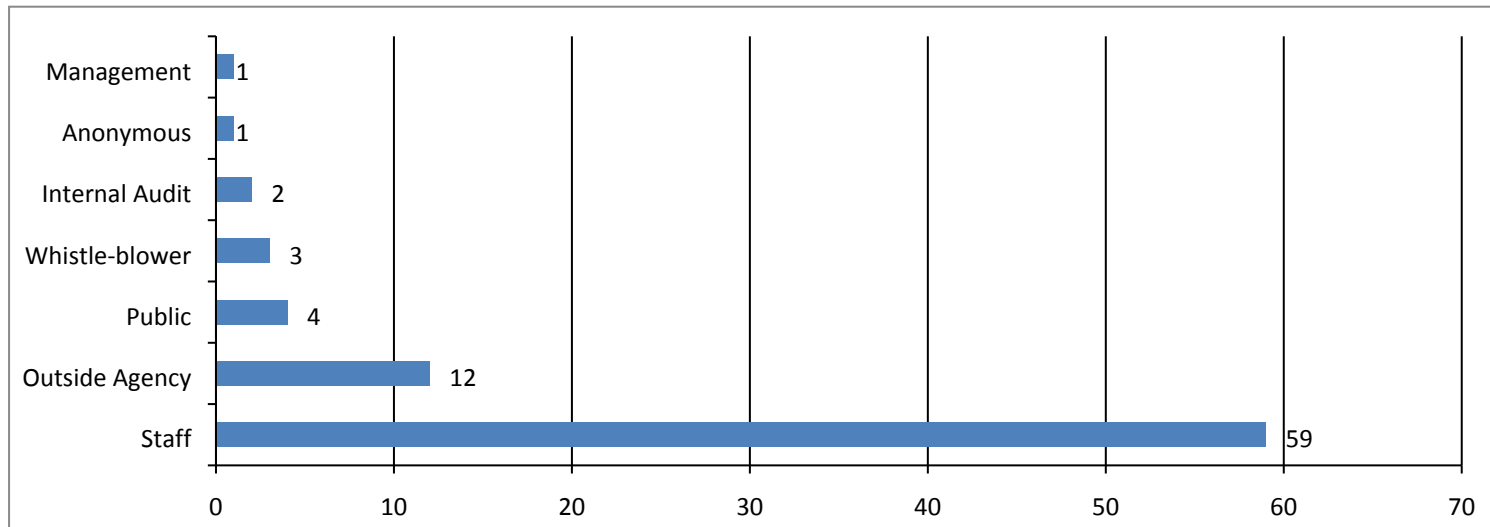
CF2 – Irregularities by Type



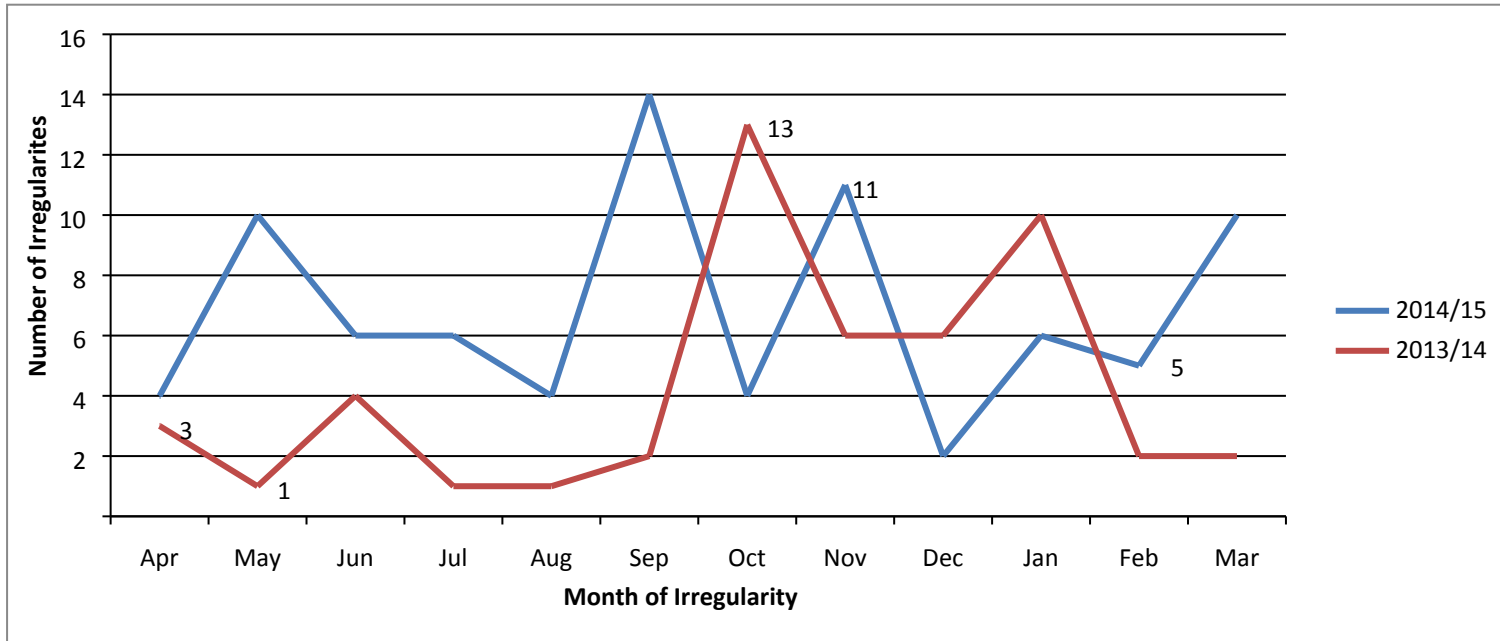
CF3 - Irregularities by Directorate (2014/15)



CF4 – Irregularities by Source (2014/15)



CF5 – Irregularities by Month (2013/14 & 2014/15)



Kent Intelligence Network

- 6.5. We previously reported our success in a bid to the DCLG 'Counter Fraud Fund' to facilitate the creation of a county wide counter fraud intelligence network working in partnership with all the Kent districts and Medway. We are the lead authority and anticipated host.

- 6.6. We have been working with KCC's Business Analyst and Procurement teams to identify the IT requirements for the project and have now finalised this work. We anticipate issuing the invitation to tender in May 2015 and launching the network in autumn 2015. In order to resource this project, and minimise impact on the Counter Fraud Team's day-to-day counter fraud work, we have successfully recruited a Fraud Data Analyst who will join internal audit in May 2015.
- 6.7. In addition to pursuing an in-house IT solution we are exploring a data matching pilot with the Cabinet Office's National Fraud Initiative

Declarations of Interest

- 6.8. In 2013 Internal Audit undertook a review of the controls, policies and procedures in relation to declarations of interest for both officers and Members. A number of recommendations were made and accepted. Internal Audit agreed to perform a further data matching exercise in 2014/15 to assess the progress made in capturing declarations of interest.
- 6.9. We completed the data matching exercise which involved a comparison of Companies House data against payroll data, and subsequently against accounts payable information. The comparison identified a number of cases where a declaration of interest may be appropriate. These matches were then compared to interests declared and recorded to establish if declarations had been made and ensure that potential conflicts of interest were being managed.
- 6.10. The results of the data match were provided to Corporate Directors and the Director of Governance and Law for review and action. While accepting that the interests identified may not fall clearly within the definition of a 'Disclosable Pecuniary Interest', to maintain public confidence in the Council and demonstrate a commitment to the Seven Principles of Public Life, we recommended that Officers and Members were asked to consider declaring the interests identified.
- 6.11. The results were received favourably and action has been taken to address the interests identified. We are pleased to report that we found no evidence of fraud.

7 Follow Ups

- 6.12. We have developed in Appendix D a more focused follow up reporting regime which focuses on those areas judged in the past as adequate or worse and provides an assessment on managements progress in rectifying issues raised. This provides Members with more powerful reporting in this area and moves away from a 'one size fits all' approach previously adopted.
- 6.13. In general the progress being made in these areas highlighted is satisfactory, although the high number of 'in progress' issues will be noted.

8 Internal Audit and Counter Fraud Performance

Internal Audit

- 6.14. Internal audit performance against our targets to the end of March 2015 are shown below:

Performance Indicator	Target	Actual
<i>Effectiveness</i>		
% of recommendations / issues accepted	98%	98%
<i>Efficiency</i>		
% of plan delivered	90% by year end	90%
% of available time spent on direct audit work	85%	85%
% of draft reports completed within 10 days of finishing fieldwork	90%	83%
Preparation of annual plan	By April 14	met
Periodic reports on progress	G&A Cttee meetings	met
Preparation of annual report	Prior to AGS 2014	met

Quality of Service		
Average Client satisfaction score	90%	93%

6.15. In general the achievement of these outcomes are in line with our plans. For 2015/16 we are aiming to overhaul the performance targets for the unit. This will be reported back to the Committee at the same time as the presentation of the 2015/16 plan.

Counter Fraud Transparency Measures

6.16. As a result of the new Transparency Regulations there is now an obligation to publicly report on a suite of 11 indicators in relation to Counter Fraud work on an annual basis. These indicators are detailed below together with the results achieved in 2013/14 and 2014/15. The figures for 2014/15 currently record 18 ongoing investigations. We will publish updated results each quarter.

New counter fraud transparency measures	2013/14	2014/15
Total number of employees undertaking fraud investigations	3	3
Total number of professionally accredited counter fraud specialists	2	2
Amount spent on investigation and prosecution of fraud	£127,597	£128,781
No of fraud cases investigated	35	53

No of irregularity cases investigated		51		82
Total No of occasions on which (a) fraud and (b) irregularity was identified	(a)	35	(a)	53
	(b)	15 ¹	(b)	20 ²
Total monetary value of (a) and (b) detected	(a)	£409,072	(a)	£84,908
	(b)	£43,739	(b)	£90,735
Total monetary value of (a) and (b) recovered	(a)	£113,625	(a)	£73,946
	(b)	£31,680	(b)	£84,433

¹ One incident remains under investigation.

² Nine incidents remain under investigation.

This illustrates that the performance of the Counter Fraud Team is good and the level of detected irregularities is increasing (most likely as a result of the 'Spot it, Stop it' campaign) the value of individual frauds can vary significantly.

9 Internal Audit and Counter Fraud Resources

- 9.1 The high levels of staff turnover previously experienced by the section have diminished although in the past months two Senior Auditors have resigned to take on promotions to more senior roles in other organisations. Recruitment for replacements is already underway

10 Work in progress and future planned coverage

- 9.2 Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.
- 9.3 We have a number of substantive 2014/15 audits still being completed as at mid-April:
- Direct Payments

- Supervision systems – Social Care
- Enablement
- Unaccompanied Asylum Seekers Children (UASC) – follow up
- Home Care contract
- Youth Justice
- Waste Contract Management
- Customer Feedback
- Data Protection Act Compliance
- Capital Projects – school build

11 External Quality Assessment

- 11.1 Under Public Sector Internal Audit Standards (PSIAS) it is now a requirement for internal audit to be subject to an independent external quality assessment (EQA) against best practice standards once every 5 years. Such an assessment provides an overall opinion of internal audit's independence, scope, profile and resources and the reliance that can be placed on its work and the resultant impact on the Council.
- 11.2 In March we commissioned the Institute of Internal Auditors (IIA) to carry out such an assessment. The outcomes were extremely positive with the section judged to be fully compliant with 52 of the 56 audit principles and partially compliant with the remainder. As such we were awarded the highest possible grading from the IIA being "generally conforms to the IIA's professional standards".
- 11.3 In general the assessors found that the quality of reporting and adherence to internal audit standards was good and that there were very good prospects for further improvements. A number of limited improvements were recommended including enhanced risk based planning, and a consequential move away from more traditional rotational audits, together with better co-ordination with other (internal) assurance providers
- 11.4 The full copy of the report has been given to the Chair and Vice Chair and we are happy to share with other Members on request.

12 In conclusion

- 11.5 We are satisfied that over the past 12 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.
- 11.6 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 11.7 We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Appendix A - Summary of individual 2014/15 Internal Audits issued Jan - Mar 2015

Promoting Independence Reviews

Scope

The aim of the audit was to provide assurance that reviews are being undertaken as prescribed by the project, choice and lifestyle improvement are provided, and savings identified are realisable and sustainable.

Overall Assessment – Limited

The PIR process has the potential to provide improved outcomes for vulnerable people by enabling them to live a longer independent lifestyle as well as delivering savings of at least £3 million per annum to the Council.

Initial work has been successfully completed and administration is satisfactory with nearly a third of PIRs recording revised solutions with savings on existing care packages. However there isn't a single, comprehensive guidance document and this may be contributing to inconsistencies in application and completion as well as data to help target reviews.

There is no interface between SWIFT and the Tracker which records outcomes of reviews. Testing established discrepancies between the two with a potential shortfall at the time of the audit, of over £1.25 million. The reason for such discrepancies is not completely clear although some evidence was provided care partially or wholly re-instated as a result of subsequent case reviews and PIR outcomes not being logged on Swift. There may also be timing differences between systems.

Two issues have been identified as high risk

Care Act Implementation (Phase One)

Scope

The overall aim of the audit was to review progress relating to programme arrangements and associated risk and governance measures. Advice provided was aimed to assist in ensuring that significant risks were properly identified during the lifecycle of the programme and being managed adequately and effectively in order to deliver the Care Act to the delivered outcomes.

Overall assessment – Adequate (Draft)

We issued an interim report in December 2014 where we identified weaknesses in programme management and governance arrangements, including incomplete risk registers and no overall programme plan to show overall progress. A programme group met weekly to manage the process however there were no terms of reference or minutes for this group. Interim recommendations were made and, in the main, these have been actioned including implementation of a full programme plan meaning greater clarity regarding progress and delivery of overall objectives. This also addresses phase two, i.e. the further elements of the Act required to be in place for April 2016. Workstream project updates were also developed. Separate reports submitted to the Adults Transformation Board (ATB) and the Corporate Portfolio Board (CPB) were provided to the Steering Group from January. Some elements of implementation have interim solutions and these will need to be further addressed.

The Senior Responsible Officer has commissioned a review of governance in order to consider the approach taken in phase one and identify any lessons to be learnt for phase two.

Scope

The aim of the audit was to provide assurance that data quality is being effectively controlled within these systems, so that the Council is not exposed to making decisions based on inaccurate information, or providing inaccurate statutory reports.

Overall assessment – Capita ONE – Substantial
IYSS – Adequate
Careworks – Adequate
Impulse – Limited

The systems reviewed generally had appropriate owners defined, but there were also inconsistencies in the business plans and job descriptions across the EY directorate. This coupled with the number of separate modules has led to a lack of clarity with regard to data quality responsibilities for individual teams and roles.

There was training in place for all systems. For Capita ONE, Careworks and IYSS, where input access was requested there was 1:1 training. For Careworks this was formal and accompanied with documentation. Impulse only required the completion of an overview e-learning course which did not provide staff with the knowledge and expertise to input the required data. In addition there were adhoc user guides. Where there were no formal training records we were unable to test whether training was appropriate.

All systems reviewed in the audit had data validation built in that helped to prevent the entry of erroneous data. Although the validation in the majority of the systems was sufficiently robust, the controls in Impulse were found to have weaknesses, with key information able to be overlooked or only partially completed.

Data quality and validation reports were produced regularly for all systems reviewed during the audit. Although errors were identified through exception reports it was apparent from testing these reports

Scope

The objective of the audit was to provide assurance that controls are in place to ensure that the Liberi system meets both Service and Corporate Objectives and that any issues identified can be considered in the future implementation phases.

Overall assessment - Adequate

Liberi is a workflow based case management system which records details of Specialist Children's Service involvement with, and any concerns relating to, the children of Kent. It holds sensitive personal data that should only be accessed by authorised personnel. The requirement to replace the old ICS system was identified following an Ofsted report in 2010 and Liberi Phase 1 was implemented in late 2013. Plans are underway to implement further modules to add additional functionality.

Our audit opinion of Adequate is based on the conclusion that overall the system has been well received and is meeting user expectations and requirements. However, we noted that some expected project documentation could not be found or had not been produced, such as the original Business Requirements document, Project Closure Report and a record of 'lessons learned' from the project.

During the course of our audit we were made aware of a data breach that had been reported to the Information Commissioner's Office. Although the source of the data disclosed was Liberi, we are satisfied that the breach was a result of a procedural failure, rather than a failure of in-built controls within the Liberi system.

We have raised two issues, one of which is rated as high risk:

- It was not possible to confirm that the project was delivered on time, to budget and that key user requirements were satisfied because expected key initiation documentation was not

that for Careworks and Impulse there was no, or limited action taken on such reports.

There were 8 issues raised, 5 of which were high

available for review or had not been produced. This included requirements specification and a project closure report.

Information Governance Toolkit Compliance Review

Scope

The overall objective of the audit was to provide assurance as to the adequacy and effectiveness of the key controls being applied regarding Information Governance (IG). As the NHS IG Toolkit and Public Service Network (PSN) certification offer externally assured assessments of the council's technical and organisational measures, these provide a useful benchmark for assessing maturity.

Overall assessment - Substantial

The new Local Authority version of the NHS IG Toolkit (v12) required a single submission for all relevant services by 31 March 2015. At the time of the audit, completion of the IG Toolkit was in progress in preparation for submission by the 31st March 2015 deadline. The Council was aiming to achieve a level 2 'satisfactory' assessment score against each requirement.

The 'Substantial' assurance is based on a review of the evidence submitted to support the self-assessed scores for a sample of the IG Toolkit requirements. For the sample of requirements reviewed during our audit, the evidence to support the self-assessed scores on the Council's Information Governance Toolkit was found to be appropriate where it had been provided. At the time of the audit (10 February 2015) the evidence uploaded in the IG Toolkit was incomplete, although the missing evidence was subsequently received in time for the Toolkit submission.

We have raised two low priority issues, being that some evidence necessary to substantiate the self-assessment scores had not yet been obtained and that Information Sharing Agreements are not in

Foster Care

Scope

The overall objective of the audit was to provide assurance on the adequacy and effectiveness of processes around in-house foster care that minimise associated safeguarding, reputational and financial risks.

Overall assessment – Limited

There is an efficient and timely process in place for the assessment and approval of carers which meets statutory requirements. Signed agreements were available on file for all carers in our sample. Since the introduction of weekly performance reports, there was evidence of an overall positive direction of travel against the key activity indicators contained in the report. Actions identified in supervisions had been completed and information was shared with the child's social worker in most instances where relevant. There are local processes in place to review the registration of carers who are not active.

However the Limited assurance is based on the nine issues raised, seven of which are high priority. In particular only 13 of 45 carers reviewed had completed all core training. Information regarding complaints and allegations was incomplete in four out of twelve cases reviewed and there was no evidence to support that three relevant cases had been appropriately reported. There is no robust process in place to identify where DBS checks for members of the foster carers household are outstanding. The scheme of expenses has not recently been reviewed and there is limited guidance available to staff and foster carers regarding expenses; testing identified inconsistencies in application. There is no risk register for the Fostering Service. There is

place with all third parties with whom KCC shares data

an inherent issue around the adequacy of data quality and record keeping.

Management have agreed to action the majority of issues raised but dispute the need for a dedicated risk register, preferring to place reliance on a more generic Directorate version.

Scope

The overall objective was to provide assurance that the governance arrangements in place for all the Regional Growth Fund Schemes, for which KCC as the Accountable Body is responsible, are appropriate and operating as required. In addition, an assessment was carried out of the adequacy of controls over loans, grants and investments made.

Overall assessment – Adequate

The governance arrangements put in place by KCC are required to meet a range of criteria specified by the Department for Business, Innovation and Skills (BIS). These are comprehensive and independent due diligence of the arrangements was carried out as part of the BIS approval process.

The application process is well documented with clear, concise and appropriate guidance for applicants. The process follows a staged approach of pre-application, full application with evidence, an independent appraisal of the project and consideration by an Investment Advisory Panel (IAP). The decisions of the IAP are recommendations to the Accountable Body (KCC) with agreed limits on delegated approvals and key decisions. The audit sample tested confirmed this process, with 76% of applications being rejected.

There were 4 approved projects where the companies have since gone into liquidation. Overall the amounts involved in liquidations (before any recovery) totals £0.864m, representing 2.61% of the total advanced over all schemes. This current level of failure is considered exceptionally low given that applicants are unable to obtain full financial funding from main stream financial institutions. In these circumstances Regional Growth Funds are provided as a 'lender of last resort'

At the time of the audit 98.6% of repayments due had been received other than for the companies in liquidation. In some cases flexible arrangements were made to help companies and payments on these cases are being received as agreed. The controls in place for monitoring repayments are robust.

The assurance level is based on the 5 issues raised of which 1 was

Scope

The aim 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

There is a risk framework in place which includes a clear process for assessing and reviewing risk and adequate guidance available to all staff. There was evidence that this process is followed for the Corporate Risk Register. Risks are regularly reviewed and the Corporate Risk Register is monitored by relevant bodies. Risk had been appropriately considered in the key decisions reviewed and there were risk registers in place for the Transformation projects that members of Corporate Management Team perceived as being highest risk.

However, there is currently no detailed risk appetite statement (although we were advised that this was being worked on at the time of the audit) and our audit identified some inconsistency in understanding. Not all key risks identified during our interviews with Corporate Management Team were on relevant risk registers. The risk registers for significant Transformation projects were not consistent in their approach to assessing risk.

Internal Audit work throughout the year has identified significant operational areas where risk was not being managed adequately or effectively.

Five issues were raised, one of which is high priority. This was risk management not fully embedded throughout the Council.

high priority. Action plans have been agreed with management for all issues. The issues were around:

- improvements to the governance arrangements covering appointments to Investment Advisory Boards/ Panels,
- documentation of positive application decisions,
- enhancements to declarations of interest for panel members

General Ledger

Scope

The overall objective of the audit was to provide assurance that the

Income & Assessment Unit – Financial Assessment

Scope

The aim of the audit was to provide assurance that processes and

risks associated with the General Ledger are being managed adequately and effectively in order to meet system, service and corporate objectives.

Overall assessment – Substantial

The Oracle General Ledger holds data on the financial position, assets, liabilities, income and expenditure of the Council including data from subsidiary feeder systems. This financial information is used as the basis for the production of the budget monitoring reports throughout the year and the financial statements at year end.

The “Substantial” assurance originated from findings that audit testing showed that controls are working effectively in respect of journals, feeder systems and suspense accounts. A small number of areas for improvement were identified although none were high risk. These included the timeliness of bank account authorisations, the time taken to clear suspense and that some of the evidence provided in support of pre-authorised journals was insufficient.

A total of 4 issues have been raised, all of which are all low priority.

controls are in place to ensure accurate financial assessment and communication of client financial contributions.

Overall Assessment - Adequate

Clients are financially assessed to determine the contribution they need to make towards to costs of their residential or non-residential care. KCC has the power to charge an individual for non-residential services based on a means test which ensures they are left with a protected income level which cannot be taken into account. Clients’ financial circumstances are assessed by an Officer within the Financial Assessment Unit and their main role is to accurately calculate the clients’ contribution towards the cost of their care.

The adequate assurance is based on the controls in place in a number of areas. Financial assessments are being carried out promptly for each newly referred client and relevant training is provided to all staff. For the assessments sampled, client contributions were seen to be accurately calculated based on the figures provided and the results were effectively communicated to the client / representative. Benefit maximisation is provided during the assessment process and DWP referrals are made where necessary. Access to client files is restricted and records are held securely. The team’s performance is measured and appropriately reported.

Our audit testing did, however, identify some areas for further improvement. We noted that the newly created financial assessment form (FAF) and checklist were not being fully completed in all cases and the recording of DWP verification was inconsistent. For face to face visits, the Assessors review relevant documents and verify the figures whilst on site; however it was not always clearly shown on the FAF exactly what documents they have verified during the visit. Prominent age reports have recently been re-introduced which would trigger a full re-verification. However these are not run at set points in the year and the process for identifying cases for desk-top full re-verification has not yet been developed.

Three medium priority issues have been raised.

Internal Recharges

Scope

The overall objective of the audit was to identify internal recharges and provide assurance that adequate and effective controls are in place and operating effectively regarding the administration and accurate recharging of internal costs.

Overall assessment – Substantial

The “Substantial” assurance is based on sample testing of internal recharges with Legal Services and ICT. Audit testing found that overall the controls are working well regarding calculating recharge rates, retaining supporting documents and processing recharge journals. Within ICT there were occasions where supporting documents could not be located. Processes are already being introduced to deal with this issue.

One issue was raised of Medium priority.

Inland Revenue Accounting

Scope

The overall objective of the audit was to provide assurance that the risks associated with Inland Revenue Accounting processes and payments are being managed effectively in order to ensure that all appropriate income tax and NIC payments are made to HMRC and that P11D requirements are met.

Overall assessment – Substantial

Payroll plays a key role in employment tax compliance and is the method by which employers withhold Pay As You Earn income tax (PAYE) and Class 1 National Insurance Contributions (NICs). Payment of these deductions and of Employers NICs must be made to HMRC on a monthly basis within specified deadlines.

Certain expenses and benefits are reportable by employers to HMRC on forms P11D, which state the expenses and benefits provided to each employee in the course of a UK tax year. Class 1A NICs are payable in respect of benefits-in-kind. There are penalties to employees for inaccuracies in P11D forms.

The Substantial assurance is based on sample testing and interviews with key officers, which identified that controls are operating effectively. Formal, up to date procedures are in place for staff to follow and the PAYE and NI deductions from Employees gross pay are accurately calculated. Employer NICs are also correctly calculated and the total payments made to HMRC for tax and NI are appropriately reconciled to Oracle and made in a timely manner. One issue was identified where in 2 instances (from a sample of 60) the employee’s tax code had not been updated in Oracle, indicating that the procedure for processing updates from HMRC should be strengthened.

The arrangements in place for the production of P11D forms for the 2013/14 tax year were found to be appropriately controlled with the required information being collated and accurately input to the P11D

Interface in line with HMRC deadlines.
One medium priority issue has been raised regarding processing tax code notifications.

Payments Process (Accounts Payable and iProcurement)

Scope

Accounts payable (AP) is an integrated module of the Oracle Financial Information System. The iProc Oracle module is an online automated purchase requisition management facility. The overall objective of the audit was to provide assurance that there is an adequate system of controls in place regarding the payments process and that risks are being managed adequately and effectively. Within the previous audit carried out in 2013/14 a Limited opinion was given with a total of 9 recommendations, 4 of which were high priority.

Overall Assessment – Limited

There have been some improvements since the last audit in 2013/14, however 4 of the previous recommendations made have yet to be implemented, 2 of which were high priority. In addition it was identified that there were iProc users with inappropriate self-approval limits.

The 'Limited' assurance is based on the fact that although progress has been made since the previous audit was completed, it has been at a significantly slower pace than anticipated. Therefore the original risks identified still remain.

7 issues have been raised, 3 High, 3 Medium and 1 Low Risk. The arrangements in place for the production of P11D forms for the 2013/14 tax year were found to be appropriately controlled with the required information being collated and accurately input to the P11D Interface in line with HMRC deadlines.

One medium priority issue has been raised regarding processing tax

Pension Contributions

Scope

The overall objective of the audit was to provide assurance that controls are in place to ensure that contributions for pensions are being correctly deducted and paid over to the Kent Pension Fund.

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. 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. Employee's 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 'Substantial' assurance is based on sample testing. A new Excel spreadsheet based system was developed internally for the 2014/15 year recognising the need for a more robust system which could cope with the increasing number of employers and the need for additional controls. Sharepoint is now used as a library for Pension Fund documents.

We have made four recommendations none of which are high priority, which relate to the bedding in of the new system and the adequacy of the review process.

code notifications.

Pension Fund Investment 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 Kent County Council 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 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; a 6 monthly Oracle to Shareholder reconciliation is performed; quarterly performance reports are used to identify variances from the benchmark asset allocation and performance; and the challenging timetable for the 2013-14 accounts production was met.

No recommendations were made.

Contracts of Employment

Scope

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

Overall assessment – High

KCC is required to provide all employees with a formal contract of employment which sets out key employment particulars for a member of staff including their specific employment arrangements along with their terms and conditions of employment.

The High assurance is based on sample testing and interviews with key officers, which identified that controls are operating effectively. Formal, up to date procedure notes are in place for HR staff to follow and there is appropriate guidance and a comprehensive e-learning package for recruiting managers. New contracts of employment are being issued with appropriate arrangements to secure the sensitive data contained. Monthly KPI packs are produced from Oracle HR data, including monitoring the timeliness of issuing contracts in line with the statutory eight week limit for new staff.

Although we found that there were some delays in the receipt of information from managers and a small number of instances where HR Buddy Checks were delayed, all the new contracts of employment tested within the audit sample, were issued in line with statutory requirements. Similarly, new contracts for staff that had changes to their pay or hours of working were generally issued promptly by HR. The root cause of the delays in receiving full information or completing Buddy Checks is already being addressed by HR Business Centre

management as a result of the recent Payroll audit (ref CS08 2015).

No new issues have been identified during this audit for management action.

Procurement – SS&P Team

Scope

The aim of the audit was to provide assurance that the four medium priority recommendations from the 2013/14 audit of Strategic Sourcing and Procurement (SS&P) have been fully implemented and that new developments are appropriately controlled.

Overall Assessment – Substantial (DRAFT)

The central Strategic Sourcing and Procurement (SS&P) team are responsible for ensuring that spend is effective and that best value is achieved through effective category management, reviewing expenditure across the whole Council, standardising systems and processes, and improving governance.

The last audit of the SS&P team was carried out in 2013/14 and was given Substantial assurance. Five recommendations were made, four of which were medium priority and one was low priority. This audit followed up on the four medium priority recommendations.

The substantial assurance is based on the controls in place in a number of areas and that there was evidence to support a clear positive direction of travel in regards to compliance with the Council's procurement policy and consistency of good practice throughout the SS&P team. A clear, readily accessible and up to date procurement policy is in place incorporating process flow charts. An exception report is generated periodically and checked to ensure that all orders over £50K are validated and released appropriately. Electronic

Corporate Purchase Cards

Scope

The overall objective of the audit was to provide assurance that the risks associated with Corporate Purchase Cards are being managed adequately and effectively in order to meet system, service and corporate objectives.

Overall assessment – Substantial

There are approximately 470 Corporate Purchase Cards in use across the Council's directorates. The average monthly expenditure incurred in 2014/15 using corporate purchase cards has been about £187,000 with over 1,700 transactions each month. The eSolutions application is used to view transactions made on all Corporate Purchase Cards and allocate them to the correct budget code. The system is also used by managers to approve card transactions.

The "Substantial" assurance is based on audit testing that showed a number of areas where controls are working effectively in respect of receipts and evidence being approved in a timely manner, cards being held securely and Pin numbers not being divulged. All the transactions sample tested were confirmed as being for valid expenditure, cards were set up for the categories required to meet cardholder's needs and expenditure was within cardholder limits.

A small number of areas for improvement were identified although none were high risk. VAT was not being recorded for some transactions, so the VAT paid cannot be reclaimed and valid VAT

systems to support procurement (such as iProc and iSupplier) continue to be rolled out throughout the authority and ways to improve further have been reviewed, assessed and implemented where feasible.

However, some areas were identified where there is still scope for further improvement. From our review of five recent projects, procurement plans were not authorised in two cases, a financial assessment was not carried out in full for all suppliers for three projects and an authorised award report was not available for one project. There was also one instance where the contract had not been signed appropriately in line with the delegated authority matrix.

As noted in the previous audit in 2013/14, there is no formal process to record declarations of interest for members of the SS&P team and the source data used as the basis for KPI monitoring against targets is not being retained in all cases.

Three medium priority issues have been raised.

receipts were not available for all transactions tested during the audit, notably for on-line purchases. In addition it was not clear whether approvers were validating the expenditure by checking receipts and descriptions, which should be done on at least a sample basis.

A total of 3 issues have been raised, one medium and two low priority.

Highways – Term Maintenance Contract Payments

Scope

The overall objective was to provide assurance that payments made under the contract are accurate and legitimate. This audit covered work ordering, approval and ensuring that payments are accurate,

NHS Health Checks

Scope

The overall objective of the audit was to provide assurance that KCC has adequate and effective arrangements in place over the commissioned NHS health check service provided by Kent Community Health NHS Trust (KCHT).

timely, in line with the contract schedules and properly recorded in the Council's financial systems.

Overall assessment - Substantial

Full use is made of the Works Asset Management System (WAMS) for ordering and approving highway works. Orders are based on the contractually agreed Schedule of rates. Variations, disputed claims and completions are all registered in WAMS.

The audit included reviewing the submission from AMEY, interfaces with WAMS, Oracle Payments, Oracle Project Accounting, management approvals of payments and the final payment via CHAPS to the Contractor. This payment is adjusted for all unresolved previous and current disputes. The process followed was accurate with appropriate reconciliations at all stages and payments were made within the contractual timescale.

Inspections of completed works are carried out on a sample basis and the results of these inspections are collected and monitored centrally. Larger projects are all monitored on a regular basis and are not subject to a sample approach.

Procedure notes are in place for the full payments process and for the related inspection procedures. These have been regularly updated, but the audit identified scope for improvement in the documentation of the range of bespoke spreadsheets used to manage and reconcile payments. In addition the links, data requirements and interfaces between the main systems (WAMS, Oracle Payments, Oracle Project Accounting, and Oracle General Ledger) are not fully described. Two medium priority issues were raised both of which were accepted by highways management.

Overall assessment - Substantial

There is a contract in place for KCHT to provide the NHS health checks service on behalf of KCC and KCHT has a standard contract in place with providers which specifies the need to comply with statutory requirements and best practice guidance.

We confirmed that payments made by KCC for invoices submitted by KCHT for invitations and health checks carried out are timely and are verified to supporting information and source data records prior to payment being made. We also confirmed that financial monitoring arrangements are in place. Data on health checks which is used for internal and external reporting has been subject to rigorous verification and senior management approval. We confirmed that there were valid explanations where practices had a low uptake of invitations and checks.

Nine issues were raised, none of which were high priority. These include the use of management information from the iCAP data repository to identify and investigate any significant variances from the monthly spreadsheet of health check totals submitted to KCC by KCHT has also been raised as an issue.

Outreach locations where health check clinics are run by KCHT are identified from knowledge and experience but results show there is variable uptake. The use of available data to identify individuals of high risk and in areas of deprivation should be considered. The identification and reporting of outcomes from health checks requires improvement. Patient satisfaction survey arrangements are not comprehensive.

Appointment of Senior Staff – Use of Recruitment Agencies Kent Card

Scope

The overall objective of the audit was to provide assurance on

Scope

The aim of the audit was to ensure adequate controls are in place for

compliance with the Council's procurement policies and procedures on the use of recruitment agencies for the appointment of senior staff and the contract management processes in place.

Overall assessment - Substantial

The audit reviewed three senior appointments during 2014/2015 where recruitment agencies were used as part of the full appointment process, including a Members' panel to decide on the final appointment.

The audit found that the use of recruitment agencies for the appointment of senior staff is well co-ordinated within HR and all agency selections reviewed complied with the Council's procurement policies and procedures.

In all cases the work required from the recruitment agencies was defined with appropriate timescales. Contract management processes are in place to ensure that information is provided within these timescales. All payments reviewed during the audit were in line with the rates and timetable agreed.

The audit raised one low priority issue for the use of recruitment agencies for senior appointments could be included as part of a wider based framework currently being considered for other areas where recruitment agencies are used within KCC.

the use of Kent Card and they were operating effectively to ensure associated risks are mitigated, and to seek assurance the NHS are recharged for clients on the integrated health budget pilot.

Overall Assessment –Adequate

Areas of good practice were identified in relation to controls for creating and cancelling Kent Cards. Client accounts on the integrated health budget pilot are reconciled monthly with invoices to the Clinical Commissioning Groups CCG'S raised timely. There is no long term outstanding debt from CCG's.

However, some issues were identified where improvements are required. The current written agreement for the integrated health budget pilot is out of date. Merchant category code restrictions have not been applied to cards that require blocks. There is an outstanding balance of £132k on the previous providers (RBS) cards. Key performance indicators in the contract with PFS are not sufficient and are not being monitored.

Ten issues have been identified and two of these are high risk.

Schools Additional Funding – Pupil Premium and Collaborations

Scope

The overall objective of the audit was to provide assurance that additional funding provided to schools for pupil premium and collaborations is being utilised appropriately and effectively.

Overall assessment - Additional Funding – Substantial Collaborations - Limited

Pupil Premium

- a) The process in place to distribute pupil premium funding to schools via the monthly school advance is operating effectively. We visited twenty-five schools to assess how pupil premium funding was being managed and accounted for and whether the practices in place were reasonable. Our overall observation is that the level of detail schools maintain over how pupil premium funding is spent and how this relates to individual pupils varies between schools; however the majority were able to demonstrate how attainment had been raised in line with national indicators. Those schools that had been visited by Ofsted documented more detailed information on pupil premium spend.

Collaborations

- b) From the sample of collaborations reviewed, we found that evidence of the decision making process and amount of funding which had been approved is not documented, making it difficult to reconcile effectively. Additionally, progress reports submitted by collaborations did not always demonstrate how funding had been spend or whether the outcomes had been achieved. However, on reviewing the outcomes they appear reasonable and would lead to the assumption that attainment would be raised.

We have raised three issues to improve on existing controls, one of which is high priority.

Appendix B -Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
955	External	Internal audit were alerted to a concessionary fare user who had been issued with 33 bus passes in two years. Some of the passes had been used after the date they had been reported as lost or damaged.	The investigation revealed that the service user, a learning disability client, had not intended to act dishonestly. Recommendations were made and agreed with management to produce additional guidance for staff to assist them in identifying misuse and fraudulent activity.
977	Internal	Internal audit investigated an allegation that a member of staff had fail to bank letting income after KCC premises were let out for a number of private functions.	The investigation confirmed that the letting income was not banked in a timely manner and the event was not an appropriate use of KCC premises. The member of staff resigned prior to the completion of the disciplinary action.
1000	External	Internal audit were alerted to a social care client who had allegedly failed to declare an occupation pension payment and associated capital.	The subsequent investigation confirmed the client had failed declare his pension and capital however the client died before any further action could be taken. The overpayment (around £30,000) will be recovered from the client's estate.

Appendix C – Audit Plan 2014/15 Progress

Project	Progress at April 2015	Date to G&A	Overall Assessment	Project	Progress at April 2014	Date to G&A	Overall Assessment
Core Assurance							
Strategic Partnership Governance	Cancelled	N/A	N/A	Contract Management/ Individual Contracts	Complete	January 2015	Limited
Corporate Governance	Fieldwork	July 2015	TBC	Company Governance/ADSM Advice	Cancelled	N/A	N/A
Annual Governance Statement	Complete	October 2014	Substantial	Remote Site Compliance Visits	Complete	April 2015	Various
Schemes of Delegation	Fieldwork	July 2015	TBC	Transformation Programme and CPO Support	Complete	July 2015	TBC
Risk Management	Complete	April 2015	Adequate	Contracts of employment - new contracts and changes	Complete	April 2015	High
Business Continuity & Resilience Planning	C/F to 2015/16	N/A	N/A	Equality and Fairness at Work - Performance and Capability	Complete	January 2015	Substantial
Information Governance	Complete	April 2015	Substantial	Health & Safety Follow-up	Complete	January 2015	Substantial
Records Management	Complete	January 2015	Adequate	Use of Recruitment Agencies – Senior Appointments	Complete	April 2015	Substantial
Customer Feedback	Fieldwork	July 2015	TBC	Use of Recruitment Agencies – Temp and Hard to Fill	Planning	July 2015	TBC

Core Financial Assurance


Payroll	Complete	January 2015	Adequate	General Ledger	Complete	April 2015	Substantial
Revenue Budget Monitoring	Draft	July 2015	TBC	Budget Build	Complete	October 2014	Substantial
VAT	Complete	October 2014	Substantial	Inland Revenue Accounting (PIID, PAYE, NIC)	Complete	April 2015	Substantial
Payments Processing	Complete	April 2015	Limited	Accounts Receivable (manual invoices and AR wizard, billing from SWIFT)	Complete	October 2014	Substantial
Bank Accounts	Complete	January 2015	Adequate	Financial Assessment Unit	Complete	April 2015	Adequate
Client Financial Affairs	Complete	January 2015	Adequate	Corporate Purchase Cards	Complete	April 2015	Substantial
Insurance - managing insurances and claims handling	Complete	January 2015	Substantial	Treasury Management	Complete	January 2015	High
Pension Fund Investment Income	Complete	April 2015	High	Pension Contributions	Complete	April 2015	Substantial
Schools Financial Services	Fieldwork	July 2015	TBC	Schools Financial Services (Returns)	Complete	January 2015	High
Procurement	Draft Report	April 2015	Substantial	Recharges	Complete	April 2015	Substantial
Risk/Priority Based Audit							
Capital Project Delivery	Fieldwork	July 2015	TBC	Property Service Desk	Merged with Total Facilities Management	N/A	N/A
New Ways of Working	Complete	January 2015	Adequate	Total Facilities Management	C/F 2015/16	N/A	N/A
Direct Payments	Fieldwork	July 2015	TBC	Enablement	Fieldwork		
Supervisions	Fieldwork	July 2015	TBC	H&SC Integration – Kent Card	Final Draft	April 2015	Adequate
H&SC Integration – Better Care Fund	Complete	April 2015	N/A	H&SC Integration – Health Monies spend/audit	Cancelled	N/A	N/A
Optimisation	Final Draft	July 2015	TBC	Care Act Preparedness	Complete	April 2015	Adequate
Promoting Independence Reviews	Complete	April 2015	Limited	Safeguarding – Financial Abuse	Draft	July 2015	N/A

Foster Care	Complete	April 2015	Limited	Adoption	C/F to 2015/16	N/A	N/A
0-25 Transformation Portfolio – Watching Brief	Ongoing therefore c/f to 2015/16	Planned for July 2015	N/A	Children’s Services Transformation Programme – Baseline Assurance	Cancelled	N/A	N/A
Children’s Payments – s17	Final Draft	July 2015	TBC	Commissioning & Quality in Care Frameworks	Draft	July 2015	N/A
Supporting People	Complete	January 2015	Limited	Kent Drug and Alcohol Action Team (KDAAT)	Complete	January 2015	No
Adult Social Care Transformation Programme – Watching Brief	Ongoing therefore c/f to 2015/16	Planned for July 2015	N/A	Domiciliary Care – Post Contract Review	Planning	July 2015	TBC
Sexual Health (replaced by Health Checks)	Cancelled	N/A	N/A	Health Checks	Complete	April 2015	Substantial
Prescribing	C/F to 2015/16	N/A	N/A	NICE Guidance	C/F to 2015/16	N/A	N/A
Serious Untoward Incidents	Fieldwork	July 2015	N/A	Home-to-School Transport, including Special Educational Needs	C/F to 2015/16	N/A	N/A
Elective Home Education/ Home Teaching & Children Missing Education	Complete	October 2014	Split Substantial/ Limited	Data Quality – Education & Social Care	Complete	April 2015	Various
Apprenticeships	Planning	July 2015	TBC	Workplace Nurseries	Complete	January 2015	Limited
Additional Funding, including Premiums & Collaborations	Final Draft	April 2015	Split – Substantial/ Limited	SEN Assessment & Funding	C/F to 2015/16	N/A	N/A
Schools Themed Reviews, including purchase cards and procurement	Complete	January 2015	Adequate	Troubled Families	Complete	April 2015	Compliant
KIASS, including Checkpoint Review	Cancelled	N/A	N/A	Broadband Development UK	Draft	July 2015	TBC
Regional Growth Fund	Final Draft	April 2015	Adequate	Developer Contributions	Complete	January 2015	Limited

AMEY Contract Payments	Complete	April 2015	Substantial	Gypsy & Traveller Unit (allocation of Sites)	Complete	October 2014	Limited
Concessionary Fares	Complete	January 2015	Limited	Expenses – Members & Officers	Fieldwork	July 2015	TBC
Household Waste & Recycling Contract	C/F to 2015/16	N/A	N/A	Waste Contract Management	Fieldwork	July 2015	TBC
West Kent Waste Partnership	Planning	N/A	N/A	Kent Resource Partnership	Complete	January 2015	Advisory
Libraries Programme – Checkpoint Review	Complete	N/A	N/A	Carbon Reduction Commitment	Complete	January 2015	Compliant
Commercial Services - Watching Brief	No Longer Applicable	N/A	N/A	Sports Grants	C/F to 2015/16	N/A	N/A
Healthwatch Kent (carried forward from 13/14)	Complete	January 2015	Adequate	Public Health Governance – Deliver and Commissioning	Complete	January 2015	Substantial
IT Audit							
Website (carried forward from 13/14)	Complete	January 2015	Substantial	Liberi Post-Implementation	Complete	April 2015	Adequate
Follow-up Post Implementation Review (Carried Forward from 13/14)	Complete	January 2015	Limited	PCI DSS Compliance	Fieldwork	July 2015	TBC
ICT Governance and Strategy	C/F 2015/16	N/A	N/A	Network Security	Draft	July 2015	TBC
IT Disaster Recovery	Complete	January 2015	Limited	DPA Compliance	Draft	July 2015	TBC

Appendix D – Internal Audit & Counter Fraud Follow-up on Implementation of Agreed Actions



 No Assurance






Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
KDAAT	07/2014	7	0	5 2*	0	Interim follow-ups in Jan and March 2015 indicate good progress on rectifying issues through robust improvement plans under new management. The two outstanding recommendations are in progress and nearing completion.	 GREEN
Total All No Assurance Audits		7	0	5 2*	0		












Limited Assurance

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Foster Care Payments	01/2014	4	7	3 1*	6 1*	The two actions in progress are dependent on the implementation of Controcc and therefore the date has been extended to September	AMBER
IT Disaster Recovery	02/2015	2	2	1 1*	1 1*	The two actions in progress are due for implementation at end of April	AMBER
UASC	01/2014	9	9	9*	9*	The follow-up is in progress with additional evidence awaited prior to sign-off on implementation however indications are that progress is being made	AMBER
Children Missing Education and Elective Home Education	09/2014	5	7	5	6 1*	Good progress has been made in all areas. The one action in progress is close to completion and due to be implemented by end of June	GREEN
Community Based Nurseries	12/2014	6	2	1 5*	2*	An options appraisal has been undertaken with decisions on delivery going forward and a change of management, as such we have agreed to revise implementation to end of June	AMBER

Gypsy and Traveller Unit	09/2014	1	1	1*	1*	Good progress has been made at this stage in relation to both actions, full implementation due at end of June	
Schools Themed Reviews - Procurement	06/2014	1	2	1	2	Implemented	
Total All Limited Audits		28	30	11 17*	15 15*		

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Records Management	11/2014	1	0	1*	0	Follow-up of the outstanding action is in progress	
Payroll	11/2014	3	3	3*	1 2*	It has been reported to us that all actions have been implemented however we await evidence for review prior to full sign-off	
Imprest Bank Accounts	01/2015	1	5	1*	1 4*	The one high priority action and one of the medium are not due for implementation until end of June. Of the remaining three medium actions in progress two require the publication of guidance and training which has been drafted, one has not been implemented	
Schools Financial Services - Compliance	09/2014	3	4	1 2*	4	Although good progress has been made overall, two high priority actions remain outstanding	
Property Statutory Compliance	12/2013	2	5	2	3 2*	For the two actions in progress one requires production of guidance which has been approved and will be published in May. The second has been delayed due to the letting of	

						the new facilities management contract and should be implemented by end of May.	
New Ways of Working	01/2015	1	4	1*	3 1*	While progress has been made further action is required before full implementation can be signed off	
Children Services Improvement	10/2013	0	5	0	4 1*	All actions reported as implemented, the one in progress requires confirmation only	
Contract Letting and Compliance – Adult Social Care	10/2013	1	5	1	5	Implemented	
Contract Letting and Compliance – Children’s Services	06/2014	0	5	0	4 1*	Good progress has been made however full implementation of the final medium action requires verification before sign-off	
Community Learning Services	11/2013	1	12	1*	12*	Due to potential changes to delivery model follow-up has been delayed to Q1 of 2015/16 when implementation will be confirmed	
Schools Themed Review – Procurement and Purchase Cards	02/2015	2	2	2	2	Implemented	
Information Governance	05/2014	2	3	2	3	Implemented	
Good Day Programme	07/2014	0	5	0	5	Implemented	
EY Capital Projects – Cost	06/2014	0	5	0	5	Implemented	

Overruns							
Total All Adequate Audits	17	63	8 9*	40 23*			

No reports of follow-up on substantial or high assurance audits with judged good prospects of improvement.

Total All Follow-ups	Management Actions		Implemented/ In Progress*	
	High	Medium	High	Medium
	52	93	24 28*	55 38*

Appendix E - 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.