

By: Robert Patterson – Head of Internal Audit

To: Governance and Audit Committee – 2nd October 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 2015/16 financial year to date.

FOR ASSURANCE AND DECISION

Introduction

1. This report summarises:

- the key findings from completed Internal Audit reviews
- the key findings from completed counter fraud investigations
- progress against the 2015/16 Internal Audit Plan;
- achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- work in progress and future plans and improvements for 2015/16, and
- approval for a revised anti-fraud and anti-corruption strategy

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 18 audit reviews have been completed, including 14 substantive reviews. A further 2 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 16 audits. In relation to counter fraud work there have been 44 irregularities reported and investigated since the start of 2015/16 of which 17 have been concluded. Overall the unit has reviewed systems or activities with a combined spend of an estimated £900 million since the start of 2015/16.
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. There has been a marked increase in special investigations for the counter fraud team and in addition work has continued on the implementation of the pan Kent local authority fraud intelligence network (KIN) including formal procurement and commissioning of the key software. This initiative is due to go live in November 2015.
5. Progress against the Audit Plan for 2015/16 is nearly a third complete as at end of August 2015; this is broadly on target to achieve the Audit Plan key performance targets by 31st March.

6. Progress against targets for other agreed Internal Audit Key Performance Indicators (KPIs) for the 2015/16 year are also detailed within Appendix 1.

Implications for Governance

7. Summaries of findings from completed work since April 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 together with four levels of prospects for further improvement representing a projected 'direction of travel'. Definitions are included within the attached report.
8. Although at this stage drawn from a relatively small sample of audits, the outcomes to date have been positive. In particular:
 - 79% of systems or functions have been judged with a substantive assurance
 - A continuing pattern of general robustness of key financial systems
 - Positive assurance over safeguarding controls in children's services
 - General sustained improvements evidenced from follow up work
9. From our coverage we have concluded there is continuing evidence to substantiate that the County Council has adequate and effective controls and governance processes as well as systems to deter incidences of substantive fraud and irregularity.

Further improvements

10. Our initiative to use internal audit as a management development vehicle through the use of peer auditors has been particularly successful. Following our advertisement for volunteer peer auditors from middle management grades across the County Council we were oversubscribed and following selection procedures we now have 11 peer auditors allocated to 10 audits over the remainder of the year.

Anti-Fraud and Anti-Corruption Strategy

11. We have completed our annual review of the Council's Anti-Fraud and Corruption Strategy and a number of amendments have been recommended.
12. In these circumstances it is appropriate for the strategy to be presented to the Committee for review and agreement. A copy of the Anti-Fraud and Corruption Strategy (with tracked revisions) is attached at Appendix C for the Committee to approve.

Recommendations

13. Members are asked to note:
 - Progress and outcomes against the 2015/16 Audit Plan and proposed amendments.
 - progress and outcomes in relation to Counter Fraud activity
 - the assurances provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date
14. Members are asked to approve revisions to the Council's anti-fraud and anti-corruption strategy

Appendices

Appendix 1 Internal Audit Progress Report January 2015

**Robert Patterson
Head of Internal Audit**

(03000 416554)



Kent County Council

Internal Audit and Counter Fraud Progress Report

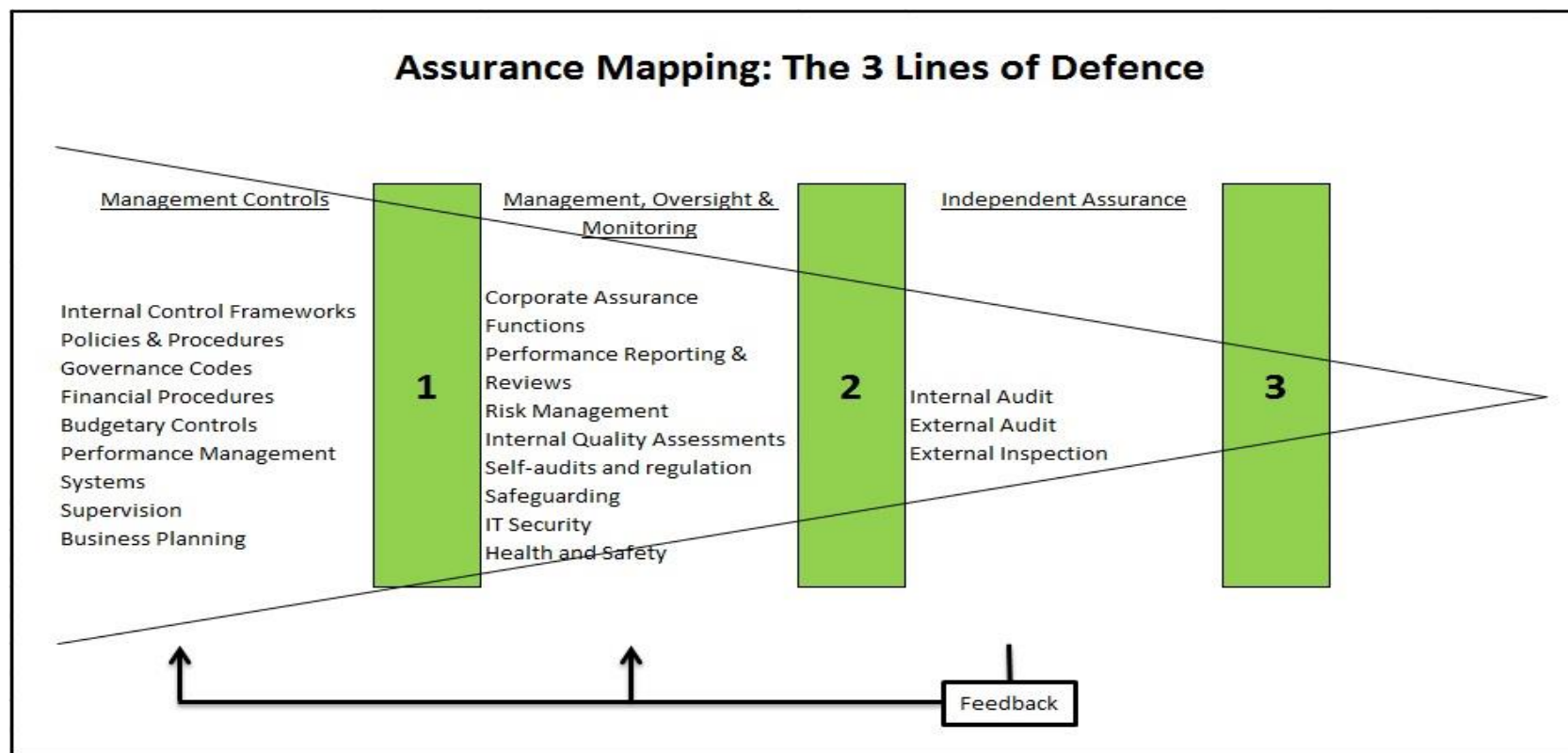
October 2015

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1 Introduction and Purpose

- 1.1. This report details cumulative internal audit and counter fraud outcomes for 2015/16 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since April 2015. It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.
- 1.2. As a reminder, internal audit is the 'third line of defence' in Kent County Council's governance, as per the table below:



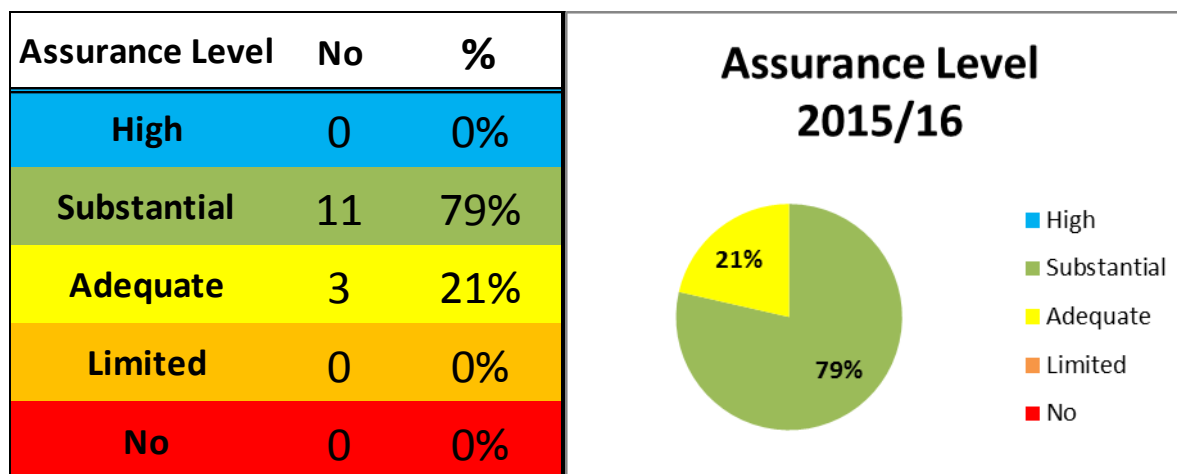
- 1.3. To date we have completed 18 internal audits (including 4 establishment visits) and 17 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £900 million of KCC turnover to date.

- 1.4. A further 18 audits and 3 counter fraud proactive projects are currently in progress, and a further 35 counter fraud investigations remain ongoing (includes 8 from 2014/15).
- 1.5. 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.
- 1.6. We continue to undertake selected follow up work and in particular during this period we have reviewed progress in relation to the foster care service, client financial affairs and payroll. As previously agreed we will undertake a fundamental follow up review of all outstanding actions from previous audits for the January 2016 meeting.
- 1.7. 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

2.1. Table 1 maps the assurance levels from the 14 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

2.2. Particular strengths include:

- 79% of systems or functions have been judged with substantial assurance
- To date there have been no internal audits with a resultant assurance level lower than 'adequate'
- A continuing pattern of general robustness of key financial systems audited
- Positive assurance over the key non-financial safeguarding controls in Children's Services
- General sustained improvements evidenced from follow up work, including improvements in foster care controls

2.3. Areas for further improvement relate to :

- The continuing need to learn the lessons from transformational change
- The need for the consistent application of financial and non-financial controls in establishments

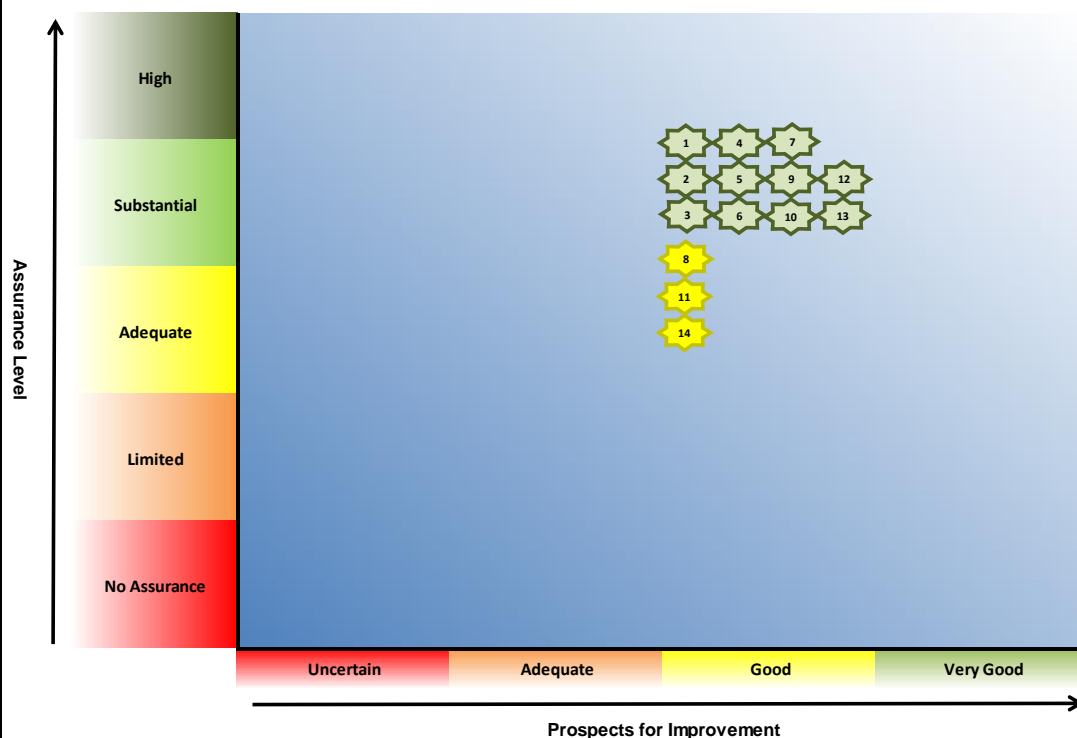
Counter Fraud

- 2.4. The counter fraud function has provided particularly positive outcomes as detailed on later pages.
- 2.5. Although there have been no material incidences of fraud or corruption reported or uncovered, there has been a noticeable increase in special investigations since April, particularly within schools, grants related to external bodies and trading activities. A number of these investigations are still in progress but are inevitably resource intensive.
- 2.6. In relation to the DCLG funded Kent Intelligence Network project, software procurement for data matching exercises have taken place during the summer and it is now targeted to start initial matching with partners from November 2015.
- 2.7. It has also been agreed that the Counter Fraud function will also be independently evaluating the business cases put forward and monitoring the outcomes and yields from District Council's applying for County Council funding to further tackle fraud and error in Council Tax and Business Rates discounts and exemptions.

Overview Assurance

- 2.8. 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
- 2.9. Management have developed appropriate action plans in response to all the high priority issues raised from our audits and counter fraud work.

2015/16 Audit Assurance Levels and Prospects for Improvement of Audits



No	Audit	Judgement	Prospects for Improvement
1	Community, Learning and Skills	Substantial	Good
2	Capital Projects - Schools Build	Substantial	Good
3	Transparency Code Compliance	Substantial	Good
4	Pensions Payroll	Substantial	Good
5	IT Oracle	Substantial	Good
6	Business Continuity Planning	Substantial	Good
7	KCC Payroll - Follow up	Substantial	Good
8	Debt Recovery	Adequate	Good
9	Learning and Development	Substantial	Good
10	Safeguarding	Substantial	Good
11	Foster Care (Follow up)	Adequate	Good
12	Household Waste & Recycling Contract Management	Substantial	Good
13	Client Financial Affairs (Follow up)	Substantial	Good
14	Home Care Contract	Adequate	Good

Total Turnover Audited (£)	£900,000,000
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Assurance Level	No	%
High	0	0%
Substantial	11	79%
Adequate	3	21%
Limited	0	0%
No	0	0%

Assurance Level 2015/16

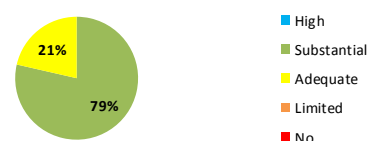


Table 1

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 April, but 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.

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

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

	Assurance Level	Prospects for Improvement	Issues Raised	
Home Care contract	Adequate	Good	High: 1 Medium: 0	All accepted

- 3.3. The review of the transformational changes within Home Care was found to be generally positive with improvements in the quality of providers and with 90% of users clustered under contracts with reduced travel time and costs. However there has been no reconciliation between projected and actual savings although it appears such savings, whilst substantive, are 30% less than originally estimated. The Directorate has commissioned a post implementation review to foster learning.
- 3.4. We are currently finalising a review of the partnership contracts with consultants and organisations involved in assisting strategic transformation.
- 3.5. We have also brought together the learning from our first 4 reviews of the outcomes from Phase 1 of the transformation programme to present a report to Transformation Advisory Group (TAG).
- 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:
- Advice to personnel developing shadow LATCo or equivalent models
 - The 0-25 Unified Portfolio Financial Monitoring Group (FMG)
 - Adults FMG
 - Input into checkpoint reviews

- 3.7. Clearly our role in these groups is to provide timely 'pre event challenge' in the formation of controls in the roll out of these change and improvement programmes.

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	Prospects for Improvement	Issues Raised	
IT Oracle	Substantial	Good	High: 0 Medium: 3	Accepted
Business Continuity Planning	Substantial	Good	High: 1 Medium:4	Accepted

- 3.9. The judgements from both of our IT related reviews have been positive. Oracle applications drive general ledger, accounts payable / receivable, payroll and human resources systems. Overall, the controls over user access, maintenance, data processing, backup, recovery and governance were found to be strong.
- 3.10. The review of wider Business Continuity Planning was generally positive, particularly when judged against the resources and capacity available. There was a communicated policy in place, corporate working and sharing of good practice and with a number of robust mature Divisional and service BCP's. There was a need however for the corporate BCP to be approved and communicated, to ensure individual plans are regularly reviewed, updated and tested and that a number of critical service level BCP's still require further development.

Safeguarding

- 3.11. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have undertaken one targeted piece of work and two follow up related to this area and with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Safeguarding in Children's Services	Substantial	Good	High: 1 Medium: 7	Accepted
Foster Care Follow Up	Adequate	Good	N/A	Good progress being made
Client Financial Affairs (follow up)	Substantial	Good	High: 0 Medium: 2	Accepted

- 3.12. We have undertaken a substantive review of safeguarding controls within Specialist Children's Services incorporating the safeguarding team, resultant case file reviews and missing children procedures. Overall the outcomes have been positive with quality assurance work clearly based on risk and being well recorded, substantive with good performance information. In addition the SCS safeguarding team embraces a culture of scrutiny, challenge and continual improvement. We identified issues related to Improvements in practice in areas such as follow ups and overarching reporting.
- 3.13. In addition we have undertaken a follow up of issues emanating from our foster care audit undertaken in early 2015. From our testing it is evident that improvements are being made and that current actions and initiatives should ensure that this positive direction of travel continues. There are still a small number of critical issues that remain to be rectified, particularly around training of foster carers and consulting the LADO on reporting of allegations.
- 3.14. Our follow up on client financial affairs (previously judged as adequate) showed there has been a clear improvement in controls in relation to reconciliation of client bank accounts together with authorisation and monitoring of payments. .

Access to resources to aid economic growth and enabling infrastructure

- 3.15. We have not yet undertaken direct work related to this risk but an audit on RGF funding in relation to monitoring controls will commenced in late September.

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	Prospects for Improvement	Issues Raised	
Pensions / Payroll	Substantial	Good	High: 1 Medium: 4	Accepted
KCC Payroll – follow up	Substantial	Good	High: 0 Medium: 0	Accepted
Debt Recovery	Adequate	Good	High: 1 Medium: 3	Accepted
Learning and Development	Substantial	Good	High: 0 Medium: 1	Accepted

- 3.17. In general these assurance levels point to the robustness of underlying financial and corporate systems.
- 3.18. The Pensions Payroll Team (within the Business Service Centre) is responsible for setting up, amending and ceasing payments acting on instructions from the Kent Pension team. Overall we found that responsiveness and customer care with associated controls was good but with minor amendments and changes to system access required.
- 3.19. The payroll audit follow up was positive with previously agreed actions implemented resulting in an overall strengthening of internal controls.
- 3.20. Testing of debt recovery highlighted it is a manual process which is not integrated into the Council's finance systems. This is the root cause for the efficiency issues and delays in follow up and recovery of debts.

- 3.21. The outcomes from the audit of Learning and Development were positive with robust processes for approving and monitoring training with a multi supplier framework developed for sourcing such training.

Better Care Fund

- 3.22. We will be reviewing Better Care funding during October including a review of allocations to related KCC services from such resources.

Procurement and Contract Management

- 3.23. The effective management of procurement and commissioning is critical to the Council. We have undertaken the following audit:

	Assurance level	Prospects for Improvement	Issues Raised	
Household waste and re-cycling contract management	Substantial	Good	High: 0 Medium: 3	Accepted

- 3.24. The above contract displayed enhanced management and monitoring arrangements based on risk. Bespoke systems have been developed with elements of effective performance monitoring of the contractor. There was however a need to document the new systems, formalise site inspections and implement deductions relating to site cleanliness.

4. Other Audit Work

4.1. A further 3 pieces of work have been undertaken with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Community, Learning and Skills	Substantial	Good	High: 0 Medium:3	Accepted
Transparency Code - Compliance	Substantial	Good	High: 0 Medium:3	Accepted
School Capital Project Delivery	Substantial	Good	High: 0 Medium:1	Accepted

- 4.2. Our review of compliance to the new Transparency Code for Council information found full compliance for three of the 10 stipulated information areas with partial compliance for the remainder and with no significant breaches. Land and building data which demonstrated some of the more significant shortfalls is due for rectification in September 2015. Overall the Council is striving to comply with recommended as well as mandatory information within the Code, demonstrating a willingness to be open and transparent where possible and practical.
- 4.3. The school capital review examined four different projects totalling £313 million. Overall controls were found to be good through the life cycles of these projects.

Establishment Visits

4.4. During the past 5 months we have concluded audits of 4 establishments with the following outcomes:

	Assurance level	Directorate
Shorne Woods Country Park	Adequate	GET
Kiln Court	Adequate (Draft)	SC
Blackburn Lodge	Adequate (Draft)	SC
Wayfarers	Adequate (Draft)	SC

4.5. These establishment visits, a number incorporating the new protocols of minimal / no notice, are part of three themes around Country Parks, Homes for Older People and Youth Services. Overall the level of control across the establishments is adequate. General trends relate to:

- Assets – adequately recording, reconciling and security marking assets remain a general weakness
- Training – inconsistencies in training of staff on what is considered to be essential training e.g. data protection, information governance, equality and diversity and Safeguarding continues to be a general weakness in SC establishments
- Personal Property Account – controls around accurately recording and reconciling spend is below standard in Care Homes
- Medication Audit Reviews – weekly audits were either inconsistent or not being completed at all sites
- Delivery notes – evidence that deliveries are checked for quantity and quality is not always maintained
- Risk assessments – the quality varied, with risk assessments not being completed in all instances or being out of date

4.6. In addition we have undertaken training sessions in association with care home management to raise awareness of maintaining key local controls in such establishments.

Other Audit Activity

- 4.7. We continue to diversify our work by offering a proportion of our services to other public sector related or associated bodies, including
- A 'Group Audit' activity to Kent Commercial Services
 - Appointed auditor to 13 Parish Council's
 - Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
 - Internal audit of Kent and Medway Fire and Rescue Service
 - Management of the audit and fraud service at Tonbridge and Malling Borough Council
 - A current audit of financial systems for 'Visit Kent'

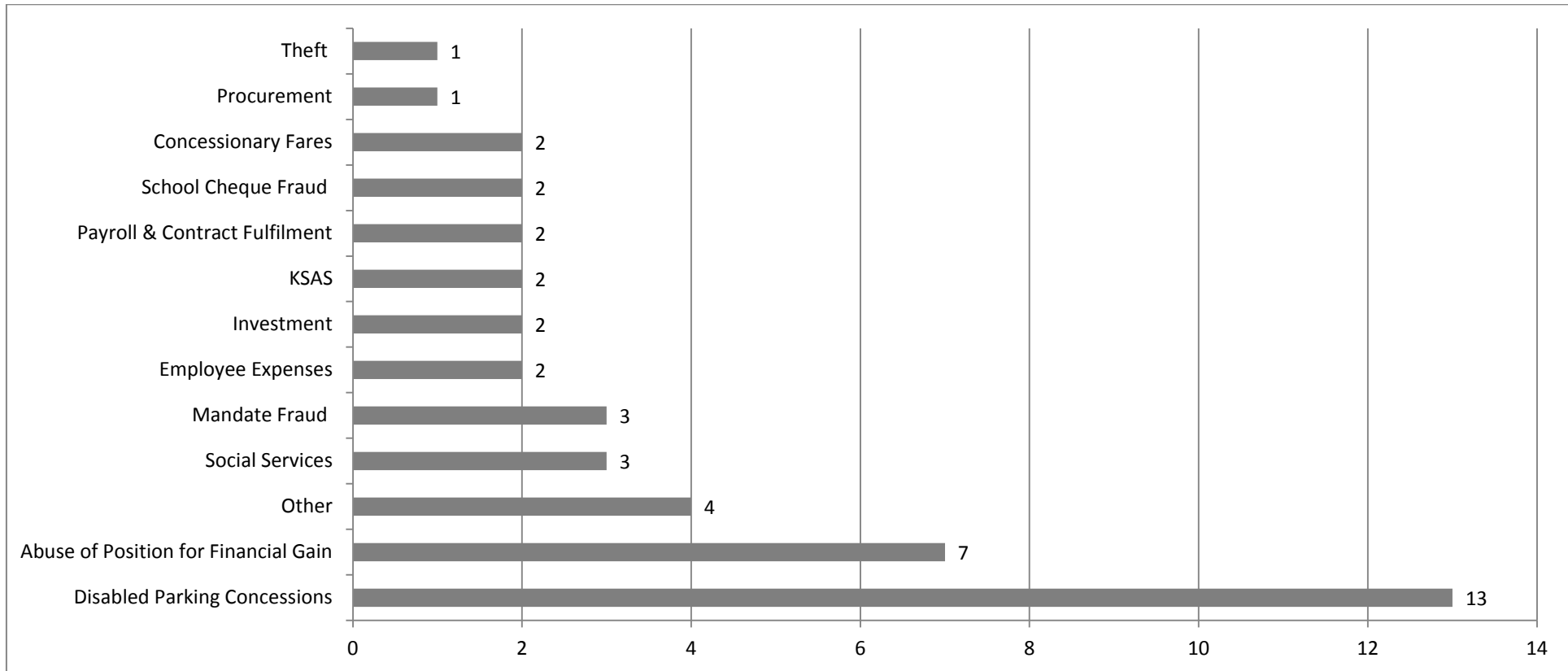
5. Counter Fraud and Corruption Fraud and Irregularities

- 5.1. Tables CF1 to CF4 summarises current works in progress and the outcomes of concluded irregularities.
- 5.2. Appendix B details the more notable fraud and irregularity cases we have investigated and brought to a conclusion.
- 5.3. The most common type of fraud recorded currently relates to Disabled Parking Concessions (Blue Badges). This increase has occurred because we have been supporting district councils in tackling Blue Badge misuse by instigating targeted enforcement activity. This activity has also impacted on the most common source of referral (outside agencies) and the number of referrals recorded against Social Care, who have overall responsibility for the Blue Badge Scheme in Kent. Numerous referrals are still being received from staff which is indicative of a good level of fraud awareness across KCC.

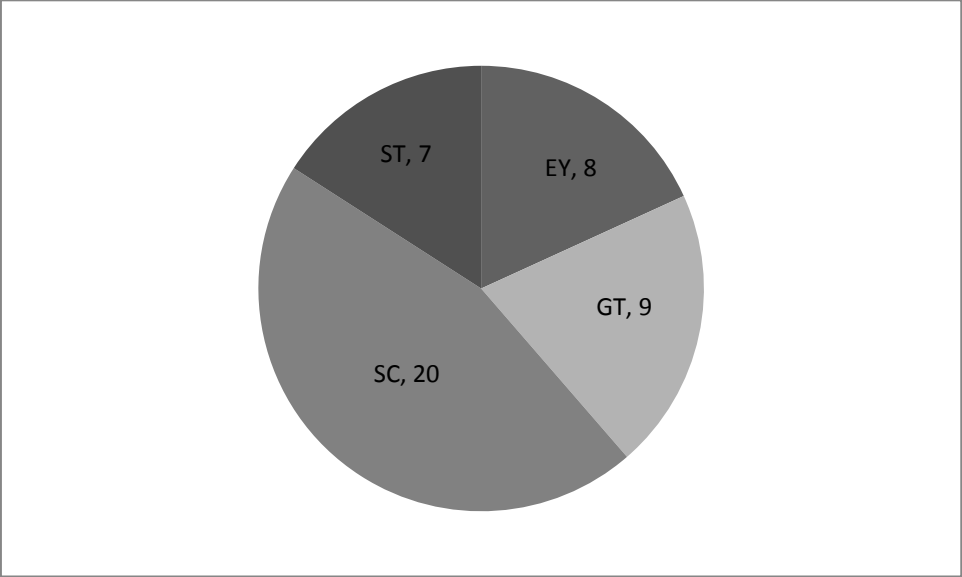
CF1 - Summary of Financial Irregularity Activity 2015/16

	No. of Irregularities
Brought forward at 1 April 2015	18
New irregularities recorded in period	44
Concluded in period	27
Carried forward at 11 September 2015	35

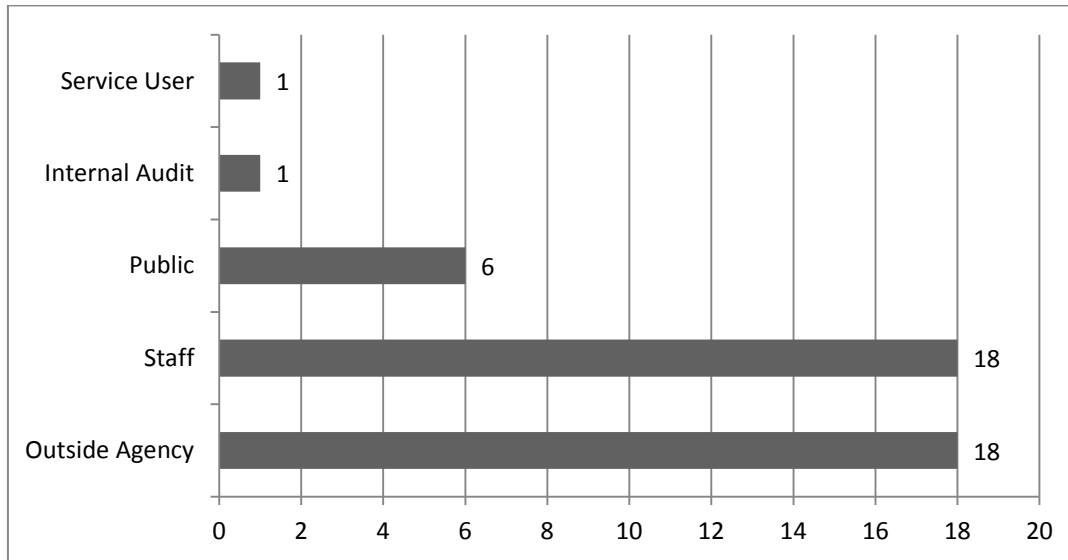
CF2 – Irregularities by Type



CF3 - Irregularities by Directorate



CF4 – Irregularities by Source



Anti-Fraud and Anti-Corruption Strategy

- 5.4. We have completed our annual review of the Council's Anti-Fraud and Corruption Strategy and a number of amendments have been recommended which can be summarised as follows:
- The fraud response plan has been removed from the strategy as the response plan is an operational procedure and not a policy stance.
 - Consolidated the Council's various commitments to reduce fraud into a policy statement at the beginning of the strategy.
 - Clarified and moved the definition of fraud to the beginning of the strategy so that the reader of the document more quickly understands what activity the council recognises as fraud.
 - Renamed the 'Culture' section to 'Standards' and amended the standards to align with the 7 principles of public life.
 - Signposted the reader to further reading.

- 5.5. It is appropriate for the strategy to be presented to the Committee for review and agreement. A copy of the Anti-Fraud and Corruption Strategy (with tracked revisions) is attached at Appendix C for the Committee to approve.

Blue Badges

- 5.6. In conjunction with Maidstone Borough Council we undertook our first Blue Badge enforcement day which was designed to reduce incorrect and fraudulent use of the Blue Badge scheme. Throughout the day we spoke with 31 drivers, the vast majority were using the Blue Badge correctly. The misuse we did identify included using a disabled bay to pick someone up who did not have a badge, displaying another person's badge when the badge holder was not present, displaying another person's badge to collect them at a later point and parking in a prohibited loading bay. As well as talking to people about using the badge correctly, a number of expired badges were removed from circulation where the legitimate badge holder had kept hold of them following the issuing of a new badge. The response from the public was positive. Further enforcement days will be held in the County over the next few months.
- 6.1. It will be noted that there have been three formal follow up audits over the period under review (foster care, client financial affairs and payroll), all of which show improvements on previous assessments.
- 6.2. As previously agreed we will undertake a wholesale review on the progress on the implementation of all outstanding agreed audit recommendations and issues during the autumn for reporting at the January 2015 G&AC.

7 Internal Audit and Counter Fraud Performance

7.2. Performance against our targets to the end of August 2015 are shown below:

Performance Indicator	Target	Actual
Outputs		
100% of Priority 1 audits completed (by year end)	34%	27%
50% of Priority 2 audits completed	17%	19%
Time from start of fieldwork to draft report to be no more than 40 days	100%	78%
No of fraudulent incidents / irregularities recorded	N/A	44
Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	Report January
% of all other issues agreed	N/A	90%
% of all other issues implemented	N/A	Report January
Client satisfaction	90%	89%
Total Number of occasions in which a) Fraud and b) B) irregularity were identified		12 5
Total monetary value of (a) Fraud (b) Irregularity detected		£25,618 0
Total monetary value of (a) Fraud (b) Irregularity recovered		£22,953 £0

7.3. In general the output outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2015/16.

8 Internal Audit and Counter Fraud Resources

- 8.1. Staff recruitment and retention has stabilised during this period with only one resignation. A consequential restructure has resulted in a consolidation and parity in middle audit management (Principal Auditor) grades together with a small saving on the budget.
- 8.2. Our advertisement across KCC middle management for peer auditors as part of a management development role for internal audit as well as bolstering resources has been extremely successful and we are currently inducting the 11 peers that have been successful in their applications. They will be assigned to 10 audits over the remainder of the year.

9 Work in progress and future planned coverage

- 9.1 Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planned coverage.
- 9.2 For the next quarter of the year we have a number of substantive audits to complete including
 - Strategic Transformation Partnership Contracts
 - RGF Monitoring
 - Recruitment controls and DBS checks
 - Better Care Funding
 - LAC – Children’s Finances
 - Mental Health services
 - Disabled Children’s Services
 - OP Nursing and residential contract re-let

10 In Conclusion

- 10.2 We are satisfied that over the past 6 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.

10.3 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.

10.4 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 2015/16 Internal Audits issued April 2015 - September 2015

Community, Learning and Skills

Audit Opinion	Substantial
Prospects for Improvement	Good

To provide assurance that the key financial control risks are being adequately managed. In particular the review will consider the recommendations made in relation to financial controls as a result of previous audits.

Strengths

- Setting up of standing orders is monitored, chase letters sent and action taken to ensure payment
- Claims for Discretionary Learner Support (DLS) funding are authorised appropriately and supporting documentation retained
- Returns to funding authorities are accurate
- Terms and Conditions are signed for room lettings before invoices are raised
- There is a process in place to verify all cash income with amounts banked
- Department debt is now tracked and regularly reported by age of debt so it can be reviewed

Areas for Improvement

- Date stamping of supporting documents and invoices are not being raised in a timely manner
- The Sale of Arts and craft equipment in Adult Education Centres lacks sufficient controls regarding stock and money taken from learners
- The insurance limit for cash held in Centres is regularly exceeded
- Monthly reconciliations are not carried out on cash when no spend declared

There are Good prospects for improvement, because:

- Substantial improvements have been made since the last audit
- There is a positive attitude amongst management and staff encountered during the audit
- Acceptance of issues raised from the audit, with a prompt management response

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk			n/a
Medium Risk	3	3	n/a
Low Risk	2	2	n/a

Capital Projects – School Build

Opinion	Substantial
Prospects for improvement	Good

The audit reviewed four different school capital projects involving different contractors, choosing a mix of different programmes of differing values all of which were either finished or coming to an end.

Strengths:

- Regular meetings were being held with the contractors and site meetings and inspections were also completed on a regular basis.
- Extensions of time were requested and approved in the appropriate way.
- The projects were regularly assessed by consultants to ensure that the Council was only invoiced for completed work.
- Adequate performance bonds were in place for all projects with the exception of John Wallis, where a Performance Bond is not required due to the contracting process.
- The Capital Finance team regularly liaise with the relevant project manager or budget manager for financial and delivery information.
- Monthly and final certificates were provided by the consultants and payments made in line with contract and milestone certificates

Areas for Improvement:

- Project risk registers were completed but not always updated, meaning that risk monitoring was not clearly evidenced
- There were a few occasions where not all tender documentation was found and provided.

Prospects for improvement are considered Good because:

- Substantial improvements have been made since the last audit, with action being taken to address the issues raised.
- There is a positive attitude amongst management and staff encountered during the audit

Summary of management responses

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

Transparency Code Compliance

Opinion	Substantial
Prospects for Improvement	Good

Strengths

- The Council is fully compliant with the Transparency Code for three out of the ten information titles we are required to publish and partial compliance in the remaining five information titles. In general areas of non-compliance had not committed any significant breaches.
- We are complying with some areas of the Code that are recommended rather than mandatory, demonstrating a willingness to be open and transparent where possible.
- With the exception of one information title, data had been published within the timescales of the Code requirements. The area of non-compliance had been placed in the public arena, but not on the website.

Areas for Improvement

- Communication of the Code's requirements has been focused towards the responsible Directors and Heads of Service and has not consistently been filtered down to staff responsible for extracting the data, resulting in some staff not being sufficiently aware of requirements and following incomplete guidance notes.
- Data published for Land and Buildings is not currently compliant with six mandatory requirements.

There are good prospects for improvement because;

- The track record to date in reaching current levels of compliance
- The culture of complying with elements of recommended rather than mandatory requirements.
- The rectification of land and building data is due by Sept 2015.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	6	5	1

Pensions Payroll

Audit Opinion	Substantial
Prospects for Improvement	Good

When a Kent LGPS member retires, their pension is set up and paid through the Pensions Payroll process which is run by the Business Service Centre and recorded on the Altair pensions system. The Pension Payroll Team is responsible to acting on instructions from the Kent Pensions team which administers the pension fund. They set up new pensions, process changes (such as pensioner address and bank account details), cease pensions for deceased pensioners and the Control Team process the monthly pay-run for all Kent County Council pensioners.

Strengths

- New pensions are set up promptly and accurately based on instructions from the Pensions team.
- Pensions are suspended promptly after notification of a death.
- Payments are calculated correctly.

Areas for Improvement

- Procedure notes require updating.
- System access for staff within the control team is not appropriate.
- A robust process needs to be implemented regarding the recovery or write off of pension overpayments.
- The current authorisation arrangements for pension payments via BAC's are not sufficient.

There are Good prospects for improvement, because:

- The change of management to the Business Service Centre in April 2015 was undertaken successfully with no service deterioration.
- The issues arising have been accepted and actions agreed to address them.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	n/a
Medium Risk	4	4	n/a
Low Risk	3	3	n/a

Oracle Application Review - covering General Ledger, Accounts Payable, Accounts Receivable, Payroll & Human Resources modules

Audit Opinion	Substantial
Prospects for Improvement	Good

The audit opinion is based on a review of relevant documentation, interviews with key officers and sample testing, which confirmed that in the areas of user access, application maintenance, data processing, backup and recovery and governance, controls are in place and operating as intended for Oracle GL, AP, AR, Payroll and HR modules.

Strengths

- User permissions for the Oracle modules are tightly controlled and appropriate
- Change management governance is thorough, documented, and followed for changes to the Oracle modules
- The import and export of data into and out of the Oracle modules is controlled and processes are in place to reconcile data to ensure that these transfers are complete and accurate
- Oracle data backups are regularly performed, validated and secured
- The governance of Oracle is well-documented

Areas for Improvement

- Oracle audit logs are not securely stored.
- The Oracle Data Retention Policy has not been implemented; in particular there are no arrangements to delete old data which is no longer required.
- Governance reference documents with details of standards and procedures in use within the Oracle Business Services Team are in place, but there is no evidence that they have been agreed or signed off.

Prospects for improvement are considered to be Good overall, because:

- There is a high level plan governing the Oracle Business Services team that is robust and up to date;
- Capacity for future licenses is good;
- However, there are disaster recovery actions still outstanding after a 2014 audit and Oracle data retention plans do not comply with KCC requirements.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	2	1
Low Risk	2	2	0

Business Continuity Planning

Opinion	Substantial
Prospects for improvement	Good

The overall opinion is based on a review of relevant documentation for a sample of the more mature continuity plans and interviews with key business continuity plan coordinators. Our audit opinion of Substantial is based on the following:

Strengths

- Business continuity policy has been approved and communicated.
- A Cross Directorate Resilience Group meets bi-monthly to discuss issues related to business continuity and share good practice.
- The Resilience and Emergencies Unit has developed a business continuity template and guidance notes to help divisions and services develop their own business continuity plans.
- For the sample of mature Business Continuity Plans (BCPs) reviewed we found:
 - Divisional and service plans have been approved and communicated.
 - BCP coordinators are appointed or nominated.
 - Business impact analysis has been completed.
 - Communication responsibilities and procedures are in place.

Areas for Improvement

- The Corporate BCP has not yet been approved and communicated.
- Some key stakeholders have been omitted from plan distribution lists.
- BCPs have not all been regularly reviewed and updated.
- Key third party partners and suppliers also need to be made aware of KCC's divisional and service business continuity plans.
- Division and service business continuity plans have not yet been tested.
- We understand that there remain a number of Service level BCPs that require further development.

The Prospects for Improvement rating of Good is based on :

- The receptiveness of the Resilience and Emergencies team and management to continual improvement, despite the limited resources available.
- Links to the Kent Resilience Forum to share best practice and support.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	
Medium Risk	4	4	
Low Risk	0	0	

Payroll Follow-Up

Opinion	Substantial
Prospects for Improvement	Good

There are Good prospects for improvement, because:

- HRBC management have a strong track record of continuous improvement and have taken action to satisfactorily address the issues raised in our previous report.

This follow-up audit has confirmed that action has been taken to resolve all the issues previously identified, although two new minor issues have been raised. The KCC Staff Payroll has been judged as Substantial because:

Strengths

- System access is appropriately controlled.
- Buddy checking of new joiner processing and payroll amendments is carried out.
- Payroll exception reports are produced and action taken to address any exceptions raised.
- Payroll amendments are processed correctly and promptly.

Areas for Improvement

- Absence records of the date that buddy checks are carried out some cases.
- The Counter Fraud Manager is not notified of all salary overpayments.

Summary of management responses

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

Debt Recovery

Opinion	Adequate
Prospects for Improvement	Good

The Debt Recovery process is well established and supported by a detailed training manual which provides guidance to staff. However it is a manual process (there is no dedicated Debt Management system) which uses excel spreadsheets and Oracle reports, making it difficult to operate efficiently. Staff shortages in the area have contributed to delays in the follow-up of Sundry debts in recent months, but have since been addressed.

Strengths

- The Debt Management Policy is regularly reviewed and updated.
- Reporting of Debt Recovery progress and write offs is appropriately detailed and timely.

Areas for Improvement

- Debt write offs have been processed without the appropriate authorisation and during the course of the audit an irregularity was discovered resulting in a resignation.
- The staff manual is in the process of being updated to properly reflect recent changes in the team structure.
- There have been delays in progressing Legal action and where costs exceed 15% of the debt it is unclear whether there has been appropriate approval to continue with legal action.
- Due to the manual nature of the processes (and lack of a Debt Management system) the processes are inefficient. 40% of Sundry debts sampled did not have timely follow-up action taken, although the position was better for Social Care debts.

The Prospects for Improvement are considered to be Good because:

- Action has been taken to increase staff capacity and fill existing vacancies, including a restructure to ensure clear ownership of tasks
- Performance management and reporting shortfalls are being addressed through implementing a new CRM system and improved Business Intelligence reporting.
- Longer term options are also being actively considered but any significant change is likely to take several months to take effect.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	0
Medium Risk	3	3	0
Low Risk	1	1	0

Learning and Development

Opinion	Substantial
Prospects for improvement	Good

The budget for training was transferred to the Organisation Development (OD) team from April 2015; the OD team and the Learning and Development team work closely together to ensure that the training meets the needs of KCC's strategic and business objectives.

Strengths

- A detailed and inclusive process is followed to ensure training meets strategic and business needs.
- There is a robust process for approving and monitoring the take up of training.
- Regular reports are produced to monitor training activity, including course attendance, non-attendance and cancellations.
- Detailed reports are produced to inform budget monitoring.
- A 10 week 'window' has been introduced for staff to arrange their training, after which funding may be withdrawn and re-allocated if this does not take place.
- A multi supplier framework has been developed for sourcing the training.

Areas for Improvement

- Lack of consistency of approach in evaluating mini tenders to provide training courses and inconsistent record keeping and storage of information in relation to mini tenders
- Low number of responses for evaluating training from both staff and their managers.
- Recovery of training costs from staff that leave the Council is not monitored to ensure they are received back into the L&D budget.

Prospects for improvement are considered to be Good because:

- Staff and management in both L&D and OD are open and receptive to change and improvement.
- There is a strong focus on budget and performance management within OD.

Summary of management responses

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

Safeguarding Children

Opinion	Substantial
Prospects for Improvement	Good

Strengths

Safeguarding Quality Assurance Process

- Risk is considered from a variety of appropriate sources when planning quality assurance work and key risks are covered
- Records of allegations kept by the Local Authority Designated Officer (LADO) are detailed and rationales for decisions are clear
- Independent Reviewing Officer (IRO) and Child Protection Chair quality assurance processes had been completed as per the process
- Performance information is comprehensive and there is an appropriate level of scrutiny and challenge

Online Case file audit process

- There had been significant improvements since our previous audit reported in October 2012
- All cases graded 'Inadequate Critical' had been subject to immediate action and management oversight
- Completion rates for the first stage of the process are 20% higher than in 2012 and are currently 95%
- Reporting is complete and comprehensive, and reports demonstrate an overall positive direction of travel

Missing Children

- The service has carried out a significant amount of work to reduce risks associated with missing children
- There are quality assurance processes in place, both on going and in development, to monitor the impact of improvement work

There are Good prospects for improvement because;

- The team has a culture of continual improvement and development
- A restructure is in progress to ensure that work is focused on key areas and that quality assurance staff are able to provide a higher level of scrutiny and challenge

Areas for Improvement

Safeguarding Quality Assurance Framework

- There is no nominated overarching function that reviews or challenges the coverage and the outputs of the work completed by the Safeguarding Unit, to provide assurance to the Council that work is sufficiently risk based and that weaknesses identified are addressed
- There is no formal follow-up process in place to ensure that actions have addressed weaknesses identified as a result of case review or audit work

Online Case file audit process

- We were unable to evidence that timely action had been taken to address identified weaknesses in all cases graded inadequate
- 21% of peer reviews had not been completed and 20 peer reviewers had not completed three or more

Missing Children

- There is no performance information available to monitor the timeliness of returner interviews; 40% of our sample had not been completed within the statutory 72 hours

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	7	7	0
Low Risk	1	1	0

Foster Care Follow-Up

Opinion	Adequate
Prospects for Improvement	Good

Previous Issue	Conclusion from testing
Data Quality and Record Keeping (High)	This is continuing to improve.
Training (High)	Historic training records still require updating on Liberi and some Foster Carers have outstanding Core Training.
Regulatory and Practice Compliance (High)	Improvements in performance monitoring
Complaints and Allegations (High)	Whilst the case records have improved the LADO should be consulted in relation to all potential referrals .
DBS Checks (other members of the household) (High)	There is now a tracker in place and there were relevant DBS checks in the sample.
Expenses (High)	There have been some updates to the Foster Care handbook in relation to expenses.
Policies and Procedures (Medium)	These have been reviewed and are now up to date.
Payments to Foster Carers (Medium)	Phase 1 of contrOCC has been implemented and this is in the Audit Plan to be separately audited this year.
Risk Management (High)	The need for this in the form of a register is still disputed by management, but we saw evidence of risk awareness in other documentation.

An on-line auditing tool is due to be implemented shortly which will improve data quality and record keeping. Sample checking of 10 newly registered Foster carers found that home checks had been completed in all cases. A revised performance framework with weekly tracking tools are in place which monitors supervisions, DBS checks, Annual Reviews and Unannounced Home Visits etc. Testing found that all of the sample of 10 foster carers reviewed were receiving regular supervisions or there was evidence of reasons for any delays. Similarly, 9 out of 10 had annual reviews with the one outstanding booked. All in the sample had appropriate DBS checks and guidance in relation to expenses had been updated and enhanced.

Areas for Improvement

It is evident that improvements have been made since the previous audit and that current actions and initiatives should ensure that this continues. However testing found that two key areas require further action:

- Of a sample of 20 foster carers all had some gaps in core training and the training records on Liberi are not fully complete for historic cases.
- Teams should be reminded to consult the LADO when making decisions on whether to refer potential allegations.

There are good prospects for improvement, because:

- There is clear progress in relation to issues raised previously
- An interim Assistant Director is in place leading on further developments
- Data Quality has improved and there is enhanced performance monitoring and activity tracking through Liberi
- The issues arising from the follow-up have been accepted and actions agreed to address them

Home Care Contract

Audit Opinion	Adequate
Prospects for Improvement	Good

Key social care provision of Home Care in 2013/14 cost £41M. There were 130 plus providers in a fragmented market consisting of old, legacy contracts and a need to reshape the market through retendering (Wave 1) to achieve better control and to achieve sustainable savings through economies of scale and geographical clustering whilst maintaining or improving the levels of quality

Strengths

- Robust contracts are in place with twenty providers down from over one hundred.
- 90% of current clients are on the new Domiciliary Contracts
- The new unit cost is £0.91 less than prior to the re-let, meaning a proportion of the planned savings has been achieved
- There is quarterly monitoring of provider performance using set criteria and action is taken where necessary.

There are good prospects for improvement, because:

- The Homecare project has resulted in significant research and investigation into the causes of difficulties providers encounter including the inability to recruit staff in some areas and thus being unable to deliver the contract fully. However, the solutions might involve having to pay higher rates in some areas.
- The many lessons learnt can assist staff with future projects
- The issues arising have been accepted and actions agreed to address them.

Areas for Improvement

- Levels of anticipated budgeted savings do not appear to have been realised in the first year in the accounts for domiciliary care as savings have been downgraded due to mobilisation delays by £0.67 million and more clients than expected switching to Direct Payments by £0.55 million.
- The contracted unit cost has reduced by £0.91 from the baseline blended average of £14.92 but this is 20% less than the initial intended reduction of £1.15.
- There is more market control than before but there are capacity issues in West Kent South in particular, due to potential staff being able to obtain higher hourly rates of pay elsewhere.
- There is currently no clear project plan as to the completion dates of the remaining phases / waves
- Risk registers are in place but do not comply fully with the recommended KCC format though risks are adequately described. There is no evidence that risk ratings have changed over time or that evaluations are independently validated.

Summary of management responses

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

Client Financial Affairs Follow-Up

Audit Opinion	Substantial
Prospects for Improvement	Good

This audit followed up on the issues raised in our Client Financial Affairs audit in 2014/15.

The audit confirmed that there is clear improvement in controls with regards to the regular reconciliation of client bank accounts and the authorisation and monitoring of payments made via the CFA Imprest account. However there is still scope for further improvement in some areas.

Strengths

- Client bank accounts are being reconciled accurately and regularly
- Expenditure from the Imprest account is being appropriately authorised and subsequently recovered from the client.

Areas for Improvement

- Regular high client current account balances are being held with transfers to the reserve account not actioned
- Reserve accounts have not been set up in all cases where required
- Lack of evidence to support the reconciliation of personal monies paid made to the care homes on behalf of the client.

Prospects for improvement are considered Good because:

- Substantial improvements have been made since the last audit, with action being taken to address the issues raised.
- There is a positive attitude amongst management and staff encountered during the audit.

Summary of management responses

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

Household Waste and Recycling Contract Management

Opinion	Substantial
Prospects for Improvement	Good

Strengths

- New contract management structures have been developed to support these two large contracts. The arrangements adopted are more robust, better defined, applied, monitored and reported than those seen for earlier contracts.
- Bespoke systems (database and spreadsheets) have been developed and further refined for monitoring tonnages and related data and for reconciliation to other data sources, including KCC financial systems.
- Formal Contract Board meetings have been established with the contractor which covers all aspects of contract management and performance in detail.
- Risk management processes for individual contracts and for the overall waste service have been developed and can be adapted to suit changing circumstances.

Areas for Improvement

- The data relationships and dependencies within bespoke systems need to be documented to help ensure accuracy and provide for succession planning;
- The process for dealing with rejected contaminated loads of garden waste should be defined to ensure that all additional disposal costs were recovered promptly.
- Arrangements for regular site inspections need to be formalised to ensure that all monthly KPIs can be monitored correctly.
- Contract deductions for site cleanliness need to be agreed, in line with the KPI.

Prospects for Improvement have been assessed as Good because::

- Waste management and staff are receptive to feedback and have demonstrated continued process improvement.
- The arrangements made and lessons learned from managing these contracts will inform future procurements and contracts.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	3	3	0
Low Risk	1	1	0

Appendix B -Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
948	External	A member of the public gained access to a KCC payment terminal in a remote service and refunded £5,500 to a pre-paid payment card (similar to a gift card but useable in most retailers).	Working with the service and Kent Police we identified a potential suspect but were unable to obtain sufficient evidence to prosecute. £3,500 was recovered from the card provider. The service immediately secured the terminal in question. Work continues to identify and secure the remaining terminals.
1010	External	Tonbridge and Malling Borough Council observed a vehicle displaying a deceased person's Blue Badge. A Penalty Charge Notice was issued and the incident was referred to KCC for further investigation.	The subsequent investigation identified the owner of the vehicle was the wife of the Blue Badge holder. The Badge Holder had died in 2008. An interview was conducted. The wife admitted using the Blue Badge that belonged to her deceased husband and altering the date to extend the badge's validity. As this was a first offence a simple caution was issued.
1018	Internal	A member of staff was alleged to have used one of the council's purchase cards to withdraw cash and spend it on personal items.	The subsequent investigation confirmed that personal purchases had been made and losses of £1,100 had been incurred. The member of staff was dismissed for gross misconduct. As this was a first offence and the member of staff has confirmed their agreement to repay the losses a simple caution was issued.

Appendix C – Anti-Fraud and Corruption Strategy

Anti-Fraud and Corruption Strategy

Document Owner	Robert Patteron, Head of Internal Audit Tel: 01622-694664 robert.patterson@kent.gov.uk
Version	Version 4

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A. IntroductionPolicy Statement

1. Fraud against Local Government is estimated to cost £2.1 billion per year. This is a significant loss to the public purse. To reduce these losses Kent County Council is committed to:

- The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.
- The prevention of fraud and the promotion of an anti-fraud culture.
- A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.
- The investigation of all instances of actual, attempted or suspected fraud and will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.
- The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council:
 - **Acknowledges** the threat of fraud and the opportunities for savings that exist.
 - Will **prevent** and detect all forms of fraud.
 - Will **pursue** appropriate sanctions and recover any losses.

The Council is committed to ~~the highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets. This strategy promotes:~~

- ~~A zero-tolerance attitude to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.~~
- ~~The prevention of fraud and the promotion of an anti-fraud culture.~~
- ~~The investigation of all instances of actual, attempted and suspected fraud committed by staff, Members, consultants, suppliers and other third parties and the recovery of funds and assets lost through fraud.~~

Definition of Fraud

2. The council defines fraud as 'a criminal activity where deception is used for personal gain or to cause loss to another.' The Fraud Act 2006 introduced a single offence of fraud which can be committed in one of three ways:

- **Fraud by false representation** – Examples include providing false information on a grant or Blue Badge application, staff claiming to be sick when they are in fact fit and well, or submitting time sheets or expenses with exaggerated or entirely false hours and/or expenses.

- **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with, or failing to disclose a personal relationship with someone who is applying for a job at the council.
 - **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring from, or staff who order goods and services through the council's accounts for their own use.
3. While fraud is often seen as a complex financial crime in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that isn't true.

B. Culture Standards

4. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following from all employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC.
- **Selflessness** - Act solely in terms of the public interest.
 - **Integrity** - Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
 - **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
 - **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
 - **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
 - **Honesty** - Be truthful.
 - **Leadership** - Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

- ~~Members and staff to lead through example by acting with integrity at all times and ensuring adherence to legal requirements, policies and procedures, rules and good practice.~~
- ~~All individuals and organisations (eg suppliers, contactors and service providers) with whom it comes into contact will act with integrity in all dealings with the Council.~~
- ~~Members, staff, bodies and organisations external to the Council, to report suspected fraud, corruption or other irregularity to the Head of Internal Audit in accordance with the Council's Financial Regulations, and Fraud Response Plan for Managers (Annex 1).~~
- ~~Senior managers to deal promptly and firmly with those who defraud, or seek to defraud the Council, or who are corrupt. The Council will always be robust in dealing with financial malpractice or those who breach statutory and legal obligations and its code of conduct.~~

Further reading

5. In addition to this strategy there are a range of policies and procedures that help reduce the Council's fraud risks. These include:

- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy and Procedure
- Kent Code
- Disciplinary Policy
- Financial Regulations
- Code of Member Conduct

C. Roles and Responsibilities

The Role of Elected Members

- 4.6. As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.
- 5.7. This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

The Role of Employees

- 6.8. Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.
- 7.9. Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.

- | ~~8-10.~~ Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies they should also follow the standards of conduct laid down by them.
- | ~~9-11.~~ Employees should follow instructions given to them by management. They are under a duty to properly account for and safeguard the money and assets under their control/charge.
- | ~~10-12.~~ Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.
- | ~~11-13.~~ Failure to disclose an interest or the acceptance of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality.
- | ~~12-14.~~ Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of this strategy.
- | ~~13-15.~~ Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

Kent County Council's Commitment

- 14. Fraud and corruption are serious offences and employees and Members will face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected consideration will be given to pursuing criminal sanctions which may involve referring the matter to the police.
- 15. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss.
- 16. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions made will be publicised where it is deemed appropriate.

D. Prevention

Responsibilities of management

- 19. The primary responsibility for the prevention and detection of fraud is with management. They must ensure that they have the appropriate internal controls in place, that they are operating as expected and being complied with. They must ensure that adequate levels of internal checks are included in

working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

Internal Audit

20. Internal Audit is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.
21. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

Working with others and sharing information

22. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds. The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including the Audit Commission, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

23. Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (~~to the currently to the Audit Commission but in future to the Efficiency and Reform Group, which is a joint Cabinet Office and Treasury initiative~~) for example payroll, pension, and accounts payable (but not limited to these) which is then matched to data held by other public bodies. Any positive matches (eg an employee on the payroll in receipt of housing benefit) are investigated.

Training and awareness

26. The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.
27. Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.
28. Internal Audit will provide fraud awareness training on request and will publish its successes to raise awareness.

E. Detection and Investigation

29. The Council is committed to the investigation of all instances of actual, attempted and suspected fraud committed by staff, Members, consultants, suppliers and other third parties and the recovery of funds and assets lost through fraud.
30. Any suspected fraud, corruption or other irregularity should be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate

course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.

31. Action could include:

- Investigation carried out by Internal Audit staff;
- Joint investigation with Internal Audit and relevant directorate management;
- Directorate staff carry out investigation and Internal Audit provide advice and guidance;
- Referral to the Police.

32. The responsibility for investigating potential fraud, corruption and other financial irregularities within KCC lies mainly (although not exclusively) with Internal Audit. Staff involved in this work will therefore be appropriately trained, and this will be reflected in training plans.

F. Raising Concerns and the Whistleblowing Policy

Suspensions of fraud or financial irregularity

33. All suspected or apparent fraud or financial irregularities must be brought to the attention of the Head of Internal Audit in accordance with Financial Regulations. Where the irregularities relate to an elected Member, there should be an immediate notification to the Head of Paid Service or the Monitoring Officer.

34. If a member of the public suspects fraud or corruption they should contact the Head of Internal Audit or Counter Fraud Manager in the first instance. They may also contact the Council's External Auditor, who may be contacted in confidence.

35. The Council's Internal Audit Section can be contacted by telephone on **01622 03000 694694 414500** or by mail to internal.audit@kent.gov.uk.

Whistleblowing Policy

36. Employees (including Managers) wishing to raise concerns should refer to the Council's Whistleblowing Policy and associated procedures.

37. The Council's Whistleblowing Policy encourages individuals to raise serious concerns internally within KCC, without fear of reprisal or victimisation, rather than over-looking a problem or raising the matter outside. All concerns raised will be treated in confidence and every effort will be made not to reveal the individual's identity if this is their wish. However, in certain cases, it may not be possible to maintain confidentiality if the individual is required to come forward as a witness.

38. Employees wishing to raise concerns can obtain a copy of the Whistleblowing [policy and Procedure](#) on KNet.

G. Conclusion

39. Kent County Council will maintain systems and procedures to assist in the prevention, detection and investigation of fraud. This strategy will be reviewed annually and is available on the Council's Intranet (KNet).

Fraud Response Plan

A.— Introduction

- 1.— This Fraud Response Plan forms part of the Council's overall Anti-Fraud Strategy and covers the Council's response to suspected or apparent irregularities affecting resources belonging to or administered by the Council, or fraud perpetrated by contractors and suppliers against the Council.
- 2.— It is important that Managers know what to do in the event of fraud, so that they can act without delay. The Fraud Response Plan for Managers provides such guidance to ensure effective and timely action is taken. Other documents that should be referred to when reading the Plan include:
 - Officers' Code of Conduct
 - Disciplinary procedure
 - Financial Regulations

B.— Objective of the Fraud Response Plan

- 3.— To ensure that prompt and effective action can be taken to:
 - Prevent losses of funds or other assets where fraud has occurred and to maximise recovery of losses
 - Identify the perpetrator and maximise the success of any disciplinary or legal action taken
 - Reduce adverse impacts on the business of the Council
 - Minimise the occurrence of fraud by taking prompt action at the first sign of a problem
 - Minimise any adverse publicity for the organisation suffered as a result of fraud
 - Identify any lessons which can be acted upon in managing fraud in the future

C.— How to Respond to an Allegation of Fraud

Management

- 4.— Where it is appropriate to do so, and where this can be done without alerting the perpetrator to the investigation, and staff involved have sufficient experience to do so without compromising any potential disciplinary or criminal investigation, initial enquiries may be made to determine if there actually does appear to be an issue of fraud or other irregularity.
- 5.— The purpose of the initial enquiry is to confirm or repudiate the suspicions that have arisen so that, if necessary, further investigation may be instigated.

~~6. During the initial enquiry, managers should:~~

- ~~• Determine the factors that gave rise to the suspicion~~
- ~~• Examine factors to determine whether a genuine mistake has been made or whether a fraud or irregularity has occurred (i.e. any incident or action that is not part of normal operation of the system or the expected course of events)~~
- ~~• Where necessary, carry out discreet enquiries with staff and / or review documents.~~

~~14. If the results of the initial inquiry indicate that a more detailed investigation should be undertaken, managers should contact Internal Audit.~~

~~15. Internal Audit should be informed as soon as possible of all suspected or discovered fraud or corruption, in order that they may offer advice on any specific course of action that may be necessary. Managers must inform Internal Audit of:~~

- ~~• All the evidence that they have gathered.~~
- ~~• The actions they have taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.~~

~~Internal Audit~~

~~16. Depending on the size of the fraud or the circumstances of its perpetration, the Head of Internal Audit will consider whether Internal Audit staff should undertake the investigation. If appropriate, advice and guidance will be provided to enable an investigation to be undertaken by the manager's own staff.~~

~~17. Internal Audit will review the outcome of the investigation (irrespective of whether undertaken by its own staff or directorate staff), to ensure that appropriate action is taken to help disclose similar frauds and make recommendations to strengthen control systems.~~

~~Investigating Officer~~

~~11. The respective Investigating Officer (either from the directorate or from Internal Audit) will:~~

- ~~• deal promptly with the matter~~
- ~~• record all evidence that has been received~~
- ~~• ensure that evidence is sound and adequately supported~~
- ~~• secure all of the evidence that has been collected~~
- ~~• where appropriate, contact other agencies~~
- ~~• when appropriate, arrange for the notification of the Council's insurers~~

- ~~report to senior management, and where appropriate, recommend that management take disciplinary/criminal action in accordance with this strategy and the Council's Disciplinary Procedures.~~

~~12. Where circumstances merit, close liaison will take place between the Investigating Officer, the respective Directorate and Human Resources as appropriate.~~

Evidence

~~13. The best form of evidence is original documentation. Where it is not possible to obtain originals, for whatever reason, a copy will normally suffice. The copy should be clearly endorsed as a copy and if possible certified as a true copy of the original. This should preferably be certified by the person who took the copy from the original source document.~~

Interviews

~~14. Managers should not conduct any interviews with any suspect or potential witness without seeking advice before hand from Internal Audit.~~

~~15. The matters under investigation may constitute criminal acts, and consequently any interview of potential suspects must be conducted and recorded under specific guidelines as detailed in the Police and Criminal Evidence Act 1984 (PACE). Criminal proceedings may be compromised by conducting interviews outside of the scope of PACE.~~

~~16. Normal practice will be that Internal Audit staff conduct and/or control any interview related to suspected criminal offences.~~

~~D. If Evidence of a Criminal Offence is Discovered~~

~~17. At the conclusion of an investigation it may be appropriate to pursue a criminal prosecution. This can be achieved by referring the evidence to the police or alternatively KGC could instigate its own criminal proceedings.~~

~~18. Section 222 of the Local Government Act 1972 empowers local authorities, where they consider it "expedient for the promotion or protection of the interests of the inhabitants of their area to:~~

- ~~prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name, and~~
- ~~in their own name, make representations in the interests of the inhabitants at any public inquiry held by or on behalf of any Minister or public body under any enactment".~~

Police referral

~~19. Where there is evidence that a criminal act has taken place and referral to the police is considered appropriate by the Head of Internal Audit, any necessary Police liaison will be undertaken by Internal Audit staff.~~

~~20. Once referred to the police the decision whether to charge, caution or discontinue any case will rest solely with the police and the Crown Prosecution Service and their decision is final.~~

~~*Instigating Criminal Proceedings and the Decision to Prosecute*~~

- ~~21. This section is not intended to be prescriptive and each case will be considered on its individual merits. This section describes criteria relating to the alleged offence, alleged offender and value of the fraud that will be taken into account.~~
- ~~22. When the Council is considering instigating criminal proceedings the case will be objectively assessed by the Head of Internal Audit who will separately assess the circumstances and the evidence in relation to each potential defendant and each alleged offence.~~
- ~~23. The Head of Internal Audit will give due regard to aggravating and mitigating factors; any evidence pointing towards a statutory (or other) defence; and the Code for Crown Prosecutors. In relation to the Code for Crown Prosecutions consideration will be given to:~~
 - ~~• whether there is sufficient evidence to provide a realistic prospect of conviction, what the defence may be and how it is likely to affect the prospects of conviction~~
 - ~~• whether the prosecution is in the public interest.~~
- ~~24. It has never been the rule that a prosecution will automatically take place once the evidential stage is met. A prosecution will usually take place unless the prosecutor is satisfied that there are public interest factors tending against prosecution which outweigh those tending in favour.~~
- ~~25. When deciding the public interest the following questions will be considered. The questions are not exhaustive, and not all the questions may be relevant to every case. The weight to be attached to each of the questions, and the factors identified, will also vary according to the facts and merits of each case.~~
 - ~~• How serious is the offence committed?~~
 - ~~• What is the level of culpability of the suspect?~~
 - ~~• What are the circumstances of and the harm to the victim?~~
 - ~~• Was the suspect under the age of 18 at the time of the offence?~~
 - ~~• What is the impact on the community?~~
 - ~~• Is prosecution a proportionate response?~~
 - ~~• Do sources of information require protecting?~~
- ~~26. If during the course of the prosecution process new information becomes available, or the defendant's circumstances alter, a re-assessment of the course of action will be made and, if necessary, a prosecution withdrawn or a different allegation substituted.~~

~~*After the Decision*~~

- ~~27. Once the Head of Internal Audit has decided whether a criminal prosecution should be pursued by the Council, the appropriate Corporate Director will be consulted. If a prosecution is to be pursued the case will be referred to Legal Services who will review the case and if appropriate instigate criminal proceedings on behalf of the Council.~~

28. It should be noted that the final decision regarding whether or not a case is presented in court rests with the prosecuting solicitor. Where the prosecuting solicitor is the Council's Legal Services, a decision not to proceed with a case will only be taken after discussion in the first instance with the instructing officer.

Simple and Conditional Cautions

29. Where a prosecution could succeed and the offender admits their guilt, but the individual circumstances of the case suggest that a more lenient approach may be appropriate, in accordance with the Code for Crown Prosecutors consideration will be given to offering a simple caution or referring the matter to the police requesting they deal with the case by way of a conditional caution.

30. No simple caution will be offered unless there is admissible evidence of sufficient weight to suggest that a court would be more likely than not to convict, and there are no statutory bars (e.g. in relation to time limits or statutory notices).

Monitoring

31. The Head of Internal Audit will report annually on the number of cases referred for prosecution and their outcomes to the Governance and Audit Committee.

Glossary of Terms

Fraud

The term 'fraud' is commonly used to describe the use of deception to deprive, disadvantage or cause loss to another person or party. This can include theft, the misuse of funds or other resources or more complicated crimes such as false accounting and the supply of false information.

The legal definition of fraud contained within the Fraud Act 2006 includes; fraud by false representation; fraud by failing to disclose information and fraud by abuse of position. Fraud is typically associated with financial loss however the strategy relates to acts of dishonesty whether or not financial loss is incurred.

Bribery and Corruption

The terms bribery and corruption are often used interchangeably. For example, corruption usually involves two or more people entering into a secret agreement. The agreement could be to pay a public official to secure a favour of some description, such as the award of a contract.

The Bribery Act 2010 replaced the Prevention of Corruption Acts 1889 to 1916 with a new consolidated scheme of bribery offences. The Bribery Act 2010 makes it an offence to;

- Offer, promise or give a bribe (section 1).
- Request, agree to receive, or accept a bribe (section 2).
- Bribe a foreign public official in order to obtain or retain business (Section 6).

- ~~The Act also introduced a new corporate offence (section 7) of failure by a commercial organisation to prevent bribery in the course of its business. The Council's anti-bribery policy and procedures can be accessed on KNet.~~

Appendix D - Audit Plan 2015/16 Progress

Project	Progress at September 2015	Date to G&A	Overall Assessment	Project	Progress at September 2015	Date to G&A	Overall Assessment
Core Assurance							
Annual Governance Statement	Complete	<i>July 2015</i>	Substantial	Consultation	Planning		
Business Continuity	Complete	October 2015	Substantial/ Good	Strategic Transformation – Partnership Contracts	In progress		
Transparency Code Compliance	Complete	October 2015	Substantial/ Good	Contact Point			
Information Governance				Recruitment and Retention Incentives	Planning		
Performance Management and KPI Reporting				Recruitment Controls	In progress		
Risk Management				Payroll Key Controls Follow-up	Complete	October 2015	Substantial/ Good
Corporate Governance – KCC				Pensions Payroll	Complete	October 2015	Substantial/ Good
Departmental Governance Review – Public Health	Planning			Pension Scheme Administration			
Corporate Governance – Alternative Service Delivery Models				Member and Officer Expenses – Follow-Up			
Implementation of Strategic Commissioning Strategy				Disclosure and Barring Service Process	Merged with Recruitment Controls		
Declarations of Interest				Oracle Right Now			

Project	Progress at September 2015	Date to G&A	Overall Assessment	Project	Progress at September 2015	Date to G&A	Overall Assessment
Programme Management and Corporate Assurance	In progress			Learning and Development	Complete	October 2015	Substantial/ Good
Portfolio and Programme Checkpoint Reviews	In progress			Compromise Agreements and Disciplinary Process			
Transformation and Change – Major outsource arrangements				Contract Extensions and Variations	Planning		
Core Financial Assurance							
Schools Financial Services – System of Audit				Client Financial Affairs Follow-up	Complete	October 2015	Substantial/ Good
Schools Themed Review – Payroll and Income	Planning			Debt Recovery	Complete	October 2015	Adequate/ Good
Payment Processing				Financial Assessments Follow-up			
Family Placement Payments				Grants			
Pension Contributions				Insurance			
Treasury Management				iSupplier			
Capital Finance							

Risk/Priority Based Audit							
Total Facilities Management (TFM) – Contract Management	Draft Report			Home Care	Complete	October 2015	Adequate/ Good
TFM – Property Service Desk	Planning			Public Health Advice to CCGs	Merged with Public Health Governance Review		
New Ways of Working Follow-Up	In progress			Sexual Health	In progress		
Data Quality – Oracle HR	In progress			Kent Drug and Alcohol Service Follow-up	Merged with Public Health Governance Review		
Blue Badges	In progress			Clinical Governance Process	Merged with Public Health Governance Review		
Safeguarding Framework – Adults				Health Inequalities	Merged with Public Health Governance Review		
Care Act – Pre and Post Implementation	On hold			SEN Assessment and Funding			
Better Care Fund	Planning			Elective Home Education Outcomes			
Integrated Discharge Scheme				School Admissions – Fair Access			
Independent Living Scheme				Community Learning and Skills	Complete	October 2015	Substantial/ Good
Pooled Equipment Budget	Planning			School Improvement Team	Planning		
Boundary Re-alignment and Change Management				Troubled Families	In Progress		
Mental Capacity Act and Deprivation of Liberty				Contract Management – Household Waste and Recycling	Complete	October 2015	Substantial/ Good
Autism Service				Developer Contributions and Community Infrastructure Levy			

KCC/KMPT Partnership agreement and AMHP (Approved Mental Health Professionals) service	Planning			Local Growth Fund and Local Enterprise Partnership	Planning		
Transformation and Integration of Disabled Services	In Progress			Regional Growth Fund	Planning		
Adult Social Care Transformation Phase 2	In Progress			Broadband Delivery UK Watching Brief	In progress		
0-25 Change Portfolio	In Progress			Coroners Service			
Quality Assurance Framework Safeguarding Children	Draft	October 2015	Substantial/ Good	Allington Waste Incinerator Contract			
On-line Case File Audit – Children	Merged with Safeguarding Children			Transformation and Change – Transport inc SEN			
Missing Children	Merged with Safeguarding Children			Transformation and Change – Libraries, Registration and Archives	On Hold		
Adoption Service				Transformation and Change – Property			
Looked After Children's Finances	In Progress			Economic Development Contract Management			
Section 17 Payments Follow-up				International Development Team			
Leaving Care Service				Kent Resilience Team	Planning		
Foster Care Follow-up	Complete	October 2015	Adequate/ Good	Carbon Reduction Commitment – Annual Return	In progress		
Older Persons Residential and Nursing Contract Re-let	In Progress			Community Wardens			
Supporting People Follow-up				EduKent Follow-up			

ICT Audit							
Oracle Application Review	Complete	October 2015	Substantial/ Good	Review of Third Party ICT Contracts			
ICT Strategy and Governance				Data Centres			
ICT Change Management				Swift Application Review			
Software Lifecycle Management				WAMS Application Review			

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 on non-compliance with some controls that may put system/service objectives at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant 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.

Prospects for Improvement

Very Good

The operation displays strong building blocks for future improvement with exceptional leadership, direction and capacity

Good

The operation has satisfactory building blocks present for future improvement, there are minor improvements required in leadership, direction and capacity

Adequate

The operation has limited building blocks present for future improvement and there are weaknesses in leadership, direction and capacity

Uncertain

There are no building blocks evident for future improvement, leadership and direction is absent and there is no capacity.