By:	Robert Patterson – Head of Internal Audit
To:	Governance and Audit Committee – 27th January 2016
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 and themes 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

   - follow up on management progression of previously agreed audit actions

   - further benchmarking comparisons

   - emerging themes for the 2016/17 Internal Audit Plan

   - approval for continuation with the current anti–money laundering Policy

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 36 audit reviews have been completed, including 28 substantive reviews. A further 6 substantive audits are at draft reporting stage or awaiting final management feedback and significant fieldwork is in progress for a further 15 audits. In relation to counter fraud work there have been 95 irregularities reported and investigated since the start of 2015/16 of which 55 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £1.15 billion 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. Progress against the Audit Plan for 2015/16 is satisfactory with over half the plan underway as at the end of December and with 46% of priority 1 and 28% of lower priority audits complete or substantially complete.

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

Implications for Governance

6. Summaries of findings from completed work between September and December 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.

7. Cumulatively, the outcomes to date have been positive with the following strengths and areas for development underlying these conclusions:

   Strengths
   - 57% of systems or functions have been judged with a substantive assurance or better
   - A continuing pattern of general robustness of key financial systems
   - Positive assurance over non-financial safeguarding controls in children's services
   - No incidences of material fraud, irregularities or corruption have been discovered or reported to date

   Areas for Development

   - The 2 (7%) of systems / functions that have received a 'limited' assurance level
   - The need to improve the overall standards and consistency of contract management and monitoring
   - The continuing need for consistency in devolved financial and non-financial controls in establishments. (Cumulatively, of the 8 establishments audited this year, only one has received a substantial assurance rating)
   - Mixed performance in the implementation of agreed actions from audits by management

8. In relation to contract management issues we are currently undertaking commissioned work with the Procurement Team over 'lessons learnt' from previous and current contract management weaknesses so as to help focus preventative resources such as enhanced training into areas of greatest need.

9. In relation to counter fraud, the potential value from the 95 reported irregularities is £810,829. This value has been skewed by a number of potential grant frauds.

10. There has been a marked increase in the detection of Blue Badge misuse and reflects the work in supporting a number of District Councils with associated media publicity

11. Overall, 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.

Follow Ups

The overall results are mixed, as per the table below:

12. Appendix 1 details the results of follow ups on management's progression on actions agreed within previous audits. The summary results are:

Action Priority		Complete	In progress	Not yet Due	No action
High	72	32 (44%)	17 (24%)	5	18 (25%)
Medium	95	61 (64%)	10(11%)	4	20 (21%)

13. Within the totality of the 167 agreed actions, 72% have been implemented by their scheduled date or are in progress. Unfortunately no progress or action has been made on nearly a quarter of agreed actions.

14. This performance has been raised with the Corporate Management Team (CMT) who have requested that these outcomes are disseminated to Directors and relevant management teams, expressing concern over the levels of 'no action' and that this is not acceptable. We will also be changing our follow up methodology in future to re-inforce the need for management accountability for the implementation of agreed higher priority actions.

Service Enhancements and Improvements

15. In relation to detection of fraud and error with Council Tax single person discount (SPD) and business rates, work on the DCLG funded Kent Intelligence Network (KIN) continues. Contracts for the provision of the data analytics software were awarded in October and governance documents drafted for agreement with all the participating local authorities. A pilot exercise with 3 Districts has also commenced. However, unexpected information security challenges have emerged that are proving time consuming to resolve. (This has been a common problem for other similar data matching bids across the country). We are hopeful that this can be resolved allowing initial data loading this month

16. We have also developed a business case to spend the remaining DCLG grant on a further Council Tax and SPD initiative utilising data held by Specified Anti-Fraud Organisations (SAFO)

17. As per Appendix 1 we have formally reviewed the anti-money laundering Policy and would recommend that following the fundamental re-drafting last year, there is no need for any further alterations.

18. Our initiative to use internal audit as a management development vehicle through the use of peer auditors has also been successfully implemented and the outcomes planned are being realised. Although there will be a formal evaluation it is likely these opportunities will be repeated for 2016/17.

Plans for 2016/17

19. We have commenced work and consultation on the audit plan for 2016/17 and the final plan will be brought to the April G&A Committee. It is likely that in addition to the 'business as usual' cyclical and risk based core assurance work on key financial and non-financial systems and services, themes will emerge around:

- The delivery and sustainability of transformation plans now they are being embedded into the Council
- Risk based work around meeting increasing demand for services with reduced resources
- Systems put in place during 2015 in response to the unaccompanied asylum seeker children (UASC) challenges
- Strategic Commissioning
- Cyber security

20. In addition during 2016 our counter fraud data matching work on SPD and business rates should also start to impact on the local taxation base across the County.

21. As such we would aim to put in place a plan that will not only provide core assurance and governance work but also focus on the key challenges affecting the County Council in the coming years.

22. **Recommendations**

23. Members are asked to note:

- Progress and outcomes against the 2015/16 Audit Plan and relevant performance indicators

- Progress and outcomes in relation to Counter Fraud activity

- Management's performance in implementing agreed actions from previous audits

- The overall 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

- The proposed service enhancements and emerging plans for 2016/17;

- Following internal review, the positive assurance around the current anti-money laundering Policy;

and to approve

- the Anti-Money Laundering Policy without amendment since it was last agreed in January 2015.

Appendices

Appendix 1 Internal Audit Progress Report January 2016

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Head of Internal Audit

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Kent County Council

Internal Audit and Counter Fraud Progress Report

January 2016

Contents

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 October 2015. 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 36 internal audits (including 8 establishment visits) and 45 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 £1.15 billion of KCC turnover to date.

1.3. Other key performance data for the unit is detailed in Section 8.

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.

2 Overview

Internal Audit

1.5. Table 1 maps the assurance levels from the 28 substantive internal audits (i.e., excluding establishment visits) undertaken to date. This results in an overall distribution of:

Assurance Level	No	%
High	1	3%
Substantial	15	54%
Adequate	10	36%
Limited	2	7%
No	0	0%
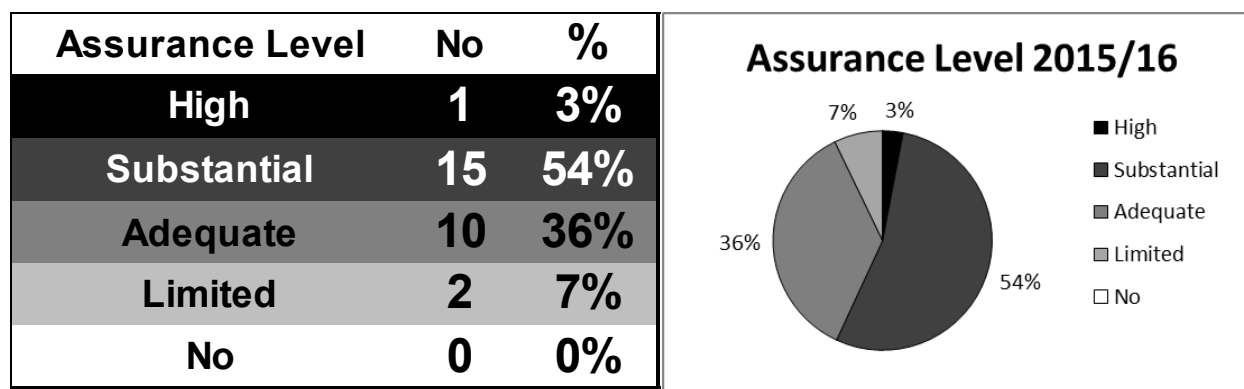
A breakdown of each individual audit assurance level can be found in Appendix A

1.6.   Particular strengths include:

- 57% of systems or functions have been judged with substantial assurance or better
- A pattern of general robustness of key financial systems audited
- Positive assurance over the key non-financial safeguarding controls in Children's Services
- No incidences of material fraud, irregularities or corruption have been discovered or reported to date

1.7.   Areas for further improvement relate to :

- The 7% of systems / functions that have been judged with a limited assurance level (Strategic transformation partnership contracts and Total Facilities Management contract management)
- The need to improve the overall standards and consistency of contract management and monitoring
- The continuing need for improved consistency and quality in devolved financial and non-financial controls in remote establishments
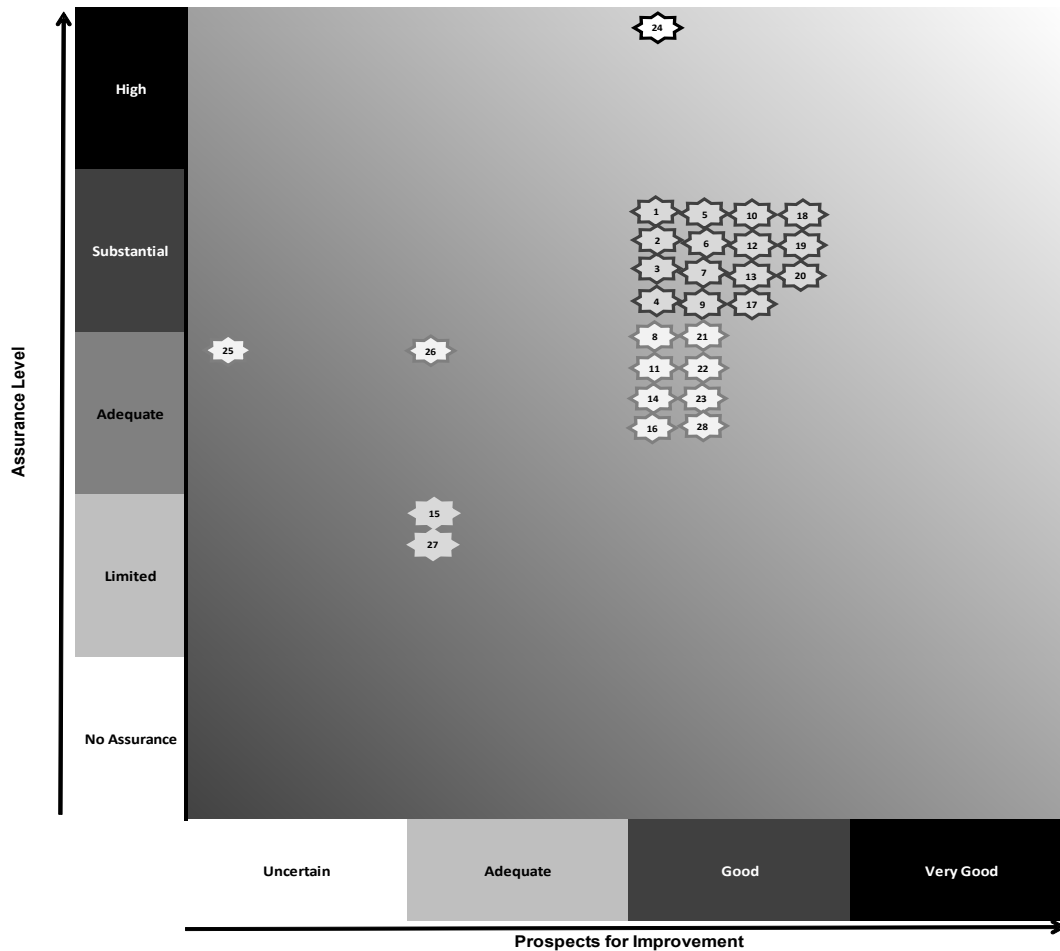- Mixed performance in the implementation of agreed actions from audits by management

Counter Fraud

1.8.   The counter fraud function has provided positive outcomes as detailed on later pages. In particular 95 irregularities have been recorded with a potential value of £810,829.

1.9.   Section 5 details progress being made in implementing the Kent Intelligence Network (KIN) where the data matching has the potential to reduce fraud and error with Council Tax single person discount (SPD) and Business Rates discounts and exemptions. Currently the project is running behind schedule due to information security challenges, but which are in the process of resolution.

Overview Assurance

1.10.   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

1.11.   Management have developed appropriate action plans in response to all the high priority issues raised from our recent audit and counter fraud work.

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

Assurance Level (vertical axis): High, Substantial, Adequate, Limited, No Assurance

Prospects for Improvement (horizontal axis): Uncertain, Adequate, Good, Very Good

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 SCS	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

Audit Opinion September G&A Committee

No	Audit	Judgement	Prospects for Improvement
15	Consultancy & Partnership Contract Arrangements	Limited	Adequate
16	Programme Management & Corporate Assurance	Adequate	Good
17	New Ways of Working Follow-up	Substantial	Good
18	ICT Data Centres	Substantial	Good
19	ICT Change Control	Substantial	Good
20	Data Quality - HR Oracle	Substantial	Good
21	Looked After Children (LAC) Finances	Adequate	Good
22	Recruitment Controls & DBS Checks	Adequate	Good
23	Payment Processes	Adequate	Good
24	Treasury Management	High	Good
25	Better Care Fund	Adequate	Uncertain
26	OP Residential & Nursing Contract re-lets	Adequate	Adequate
27	Total Facilities Management - Contract Management	Limited	Good
28	Sexual Health	Adequate	Good

Audit Opinion January G&A Committee

Total Turnover Audited (£)	£1,149,210,978

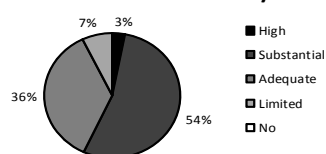| Assurance Level	No	%
High	1	3%
Substantial	15	54%
Adequate	10	36%
Limited	2	7%
No	0	0%

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	
Consultancy and Partnership Contract Arrangements	Limited	Adequate	High: 5 Medium:5	All accepted
Programme Management and Corporate Assurance	Adequate	Good	High: 0 Medium:6	All accepted
New Ways of Working (follow up)	Substantial	Good	High: 1 Medium:0	Accepted
Home Care contract	Adequate	Good	High: 1 Medium: 0	All accepted

3.3.   The Consultancy and Partnership contracts audit covered the near £18 million paid to date to four consultancy firms to aid the Council's transformation programme. Fortunately the contract for the largest element of £15 million has been appropriately controlled with adequate governance and oversight arrangements. For a number of the smaller contracts

there was a theme of poor training for contract managers, an absence of disclosure in contract registers and poor contract documentation. These findings mirror a number of themes we have found in other contract reviews (see paragraph 3.16)

3.4. We are also present on a number of working groups in change programmes with elements of assurance responsibilities, including the 0-25 change programme. The notion of our involvement is that it is more beneficial where practical to make more timely 'upstream' input towards controls in change programmes.

Data and Information Management

3.5. 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	
ICT Data Centres	Substantial	Good	High: 0 Medium:3	All accepted
ICT Change Control	Substantial	Good	High: 0 Medium:1	All accepted
Data Quality (Oracle HR)	Substantial	Good	High: 2 Medium:2	All accepted
IT Oracle	Substantial	Good	High: 0 Medium: 3	Accepted
Business Continuity Planning	Substantial	Good	High: 1 Medium:4	Accepted

3.6. A positive aspect in this period has been the substantial assurance gained over the data and ICT reviews undertaken, including data quality.

Safeguarding

3.7. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have undertaken one targeted piece of work with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Looked After Childrens (LAC) Finances	Adequate	Good	High: 0 Medium: 1	Accepted
Safeguarding in Children's Services	Substantial	Good	High: 1 Medium: 7	All 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

3.8. This audit related to assurances over the approximate £500,000 of funds held for children in care that KCC administers. Although our testing found no specific issues, risks were increased due to the need to update relevant procedures to social workers and carers to include guidance on money matters and how to maintain appropriate records. The data quality from Child Trust Fund information was also in need of improvement.

Access to resources to aid economic growth and enabling infrastructure

3.9. The audit relating to RGF monitoring and management arrangements is substantially complete but still requires report finalities with management. We will report the outcomes to the April G&AC meeting.

Governance and Internal Control - critical systems and services

3.10. 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	
Recruitment Controls and DBS	Adequate	Good	High: 2 Medium:2	All accepted
Payments Processes	Adequate	Good	High: 0 Medium:2	All accepted
Treasury Management	High	Good	High: 0 Medium:0	N/A
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

3.11. In general these assurance levels point to the robustness of underlying financial and corporate systems. Clearly the Treasury Management outcomes are particularly positive. The further audit of the payments processes has also resulted in an upgrade in the assurance rating from the 'limited' judgement of the past two years.

Better Care Funding

3.12. One substantive element of audit work relates to Better Care Funding arrangements and Section 75 agreements with Kent CCG's:

	Assurance level	Prospects for Improvement	Issues Raised	
Better Care Funding	Adequate	Uncertain	High: 0 Medium: 3	Response not yet due

3.13. In summary allocations of BCF between Health and KCC still remain effectively ring fenced as arrangements are at an 'aligned budgeting' stage but have yet to progress to full joint commissioning and pooled arrangements. This clearly minimises the risk to KCC of any diversion of funds but could equally limit the potential benefits of joined up working across the community.

3.14. In terms of future governance arrangements appropriate financial and performance monitoring dashboards have been put in place but associated finance, performance and assurance bodies and groupings have met infrequently or are lying dormant as a result of the lack of such pooled arrangements. In addition there is no independent verification of either CCG or KCC spend against the BCF plan and allocations.

Procurement and Contract Management

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

	Assurance level	Prospects for Improvement	Issues Raised	
OP Residential Nursing Re- Let	Adequate	Adequate	High: 3 Medium:5	All accepted

TFM Contract Management	Limited	Good	High: 2 Medium:8	All accepted
Household waste and re-cycling contract management	Substantial	Good	High: 0 Medium: 3	Accepted

3.16.   The findings from these two audits combined with that from the Consultancy and Partnership Contract arrangements (Section 3.3) are reflective of the need for improvements in the way contracts are managed in certain areas in the Council. We are currently undertaking an assignment with a joint working group including the Procurement Team to review learning from these and other poorer areas of contract management with the aim of helping the targeting of preventative resources and controls, such as enhanced training, into the areas of greatest need. This will ultimately be reported into the Commissioning Advisory Board. We also have an audit review of contract variations and extensions in progress.

4. Other Audit Work

4.1.   As a precursor to our governance review of Public Health, during this period we completed an audit on sexual health:

	Assurance level	Prospects for Improvement	Issues Raised	
Sexual Health	Adequate	Good	High: 0 Medium:2	All accepted
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 sexual health found that overall clinical governance frameworks were sound, contracts were flexible and efforts had been made to open them up to new providers. Many of the areas for improvement were indicative of issues found in the later governance review, more particularly that relating to poorer performance monitoring around the quality of service provision.

Establishment Visits

4.3.   During the past 9 months we have concluded audits of 8 establishments with the following outcomes:

	Assurance level	**Directorate**
Thanet Youth Hub	Adequate	EY
Lullingstone (Country) Park	Substantial	GET
Minnis Bay Day Centre	Limited	SC
Westbrook Centre	Adequate	SC
Shorne Woods Country Park	Adequate	GET
Kiln Court	Adequate	SC
Blackburn Lodge	Adequate	SC
Wayfarers	Adequate	SC

4.4.   These establishment audit visits, a number of which were carried out with minimal or no notice, are part of three themes this year around Country Parks, Homes for Older People and Youth Services.   The most significant findings related to the following areas:

- Cash Controls - including adequacy of petty cash records and the regular banking of cash receipts
- Assets – the adequacy of recording and security marking assets
- Stock records – missing or incomplete records for food and cleaning stocks
- Staff time recording – incomplete records to support staff overtime payments.
- Staff training –lack of a staff skills and training matrix and poor completion of mandatory training such as Data Protection, Information Governance, Equality & Diversity, Infection Control and Safeguarding.
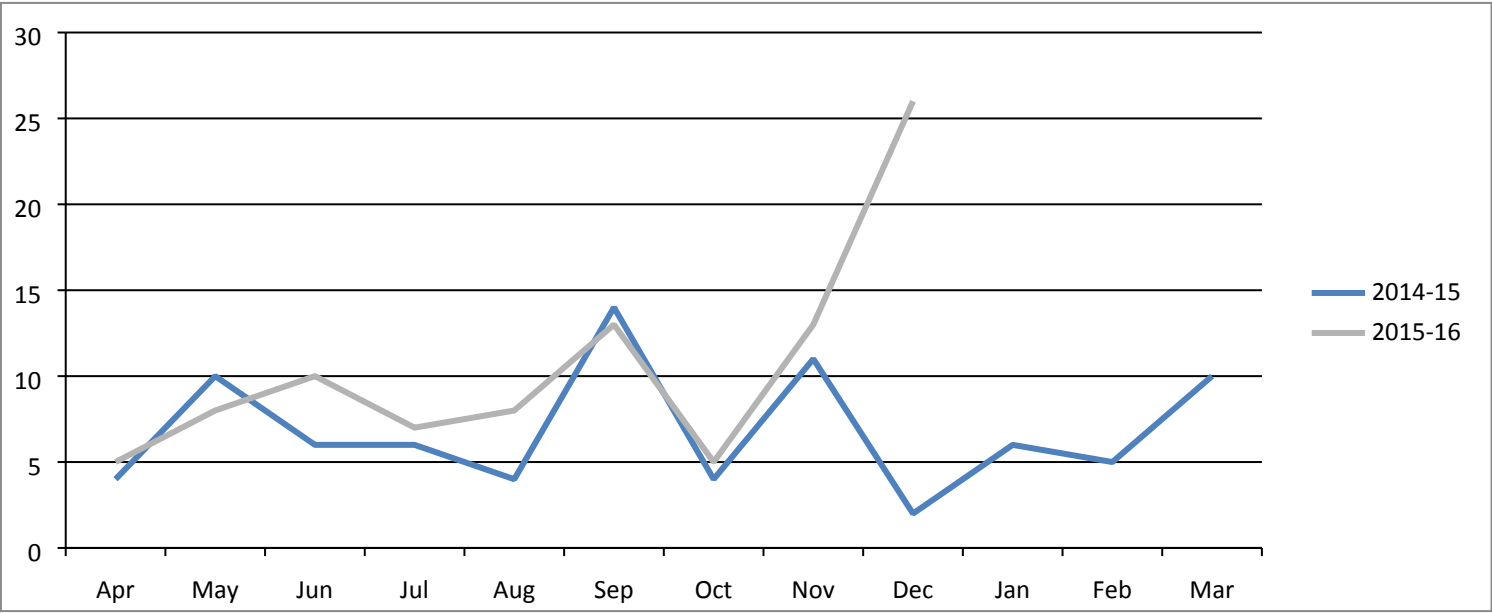

Other Audit Activity

4.5.   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

5. Counter Fraud and Corruption Fraud and Irregularities

5.1.   We have recorded 95 irregularities in 2015/16 of which 40 remain under investigation and 55 have been closed. The potential value for these cases is £810,829. This figure includes actual losses (from opened and closed cases) and prevented losses (where no actual loss occurred). The figure has recently increased because of potential grant frauds we are investigating. Two irregularities remain ongoing from 2014/15 but we are reliant on police support to progress and close these cases.

5.2. In addition to the investigation activity we are currently reviewing the fraud risks for a sample of local administered and funded grant schemes across KCC.

5.3. Tables CF1 to CF4 compares activity from 2014-15 to 2015-16 and summarises the irregularities by type of fraud, source and directorate.

CF1 – 2014/15 & 2015/16 Irregularities

CF2 – Irregularities by Type

Type	2014-15	2015-16
Disabled Parking Concessions	15	24
Social Care	6	21
Abuse of Position for Financial Gain	15	8
Payroll & Contract Fulfilment	9	6
Other	4	5
Grant Fraud		5
Theft	5	5
Concessionary Fares	5	5
Kent Support & Assistance		4
Mandate Fraud	1	3
Employee Expenses		3
School Cheque Fraud	6	2
Procurement	1	2
Manipulation of Financial or non-Financial Info	1	1
Debt Fraud		1

Legend: ▨ 2014-15   ■ 2015-16

CF3 – Irregularities by Directorate

2014/15

- EY, 18
- ST, 32
- GT, 18
- SC, 14

2015/16

- ST, 11
- EY, 12
- GT, 16
- SC, 56

CF4 – Irregularities by Source

Bar chart showing Irregularities by Source for 2014/15 and 2015/16:

Source	2014/15	2015/16
Staff	59	57
Outside Agency	12	25
Public	4	10
Whistle-blower	3	1
Service User	0	1
Internal Audit	2	1
Anonymous	1	0
Management	1	0
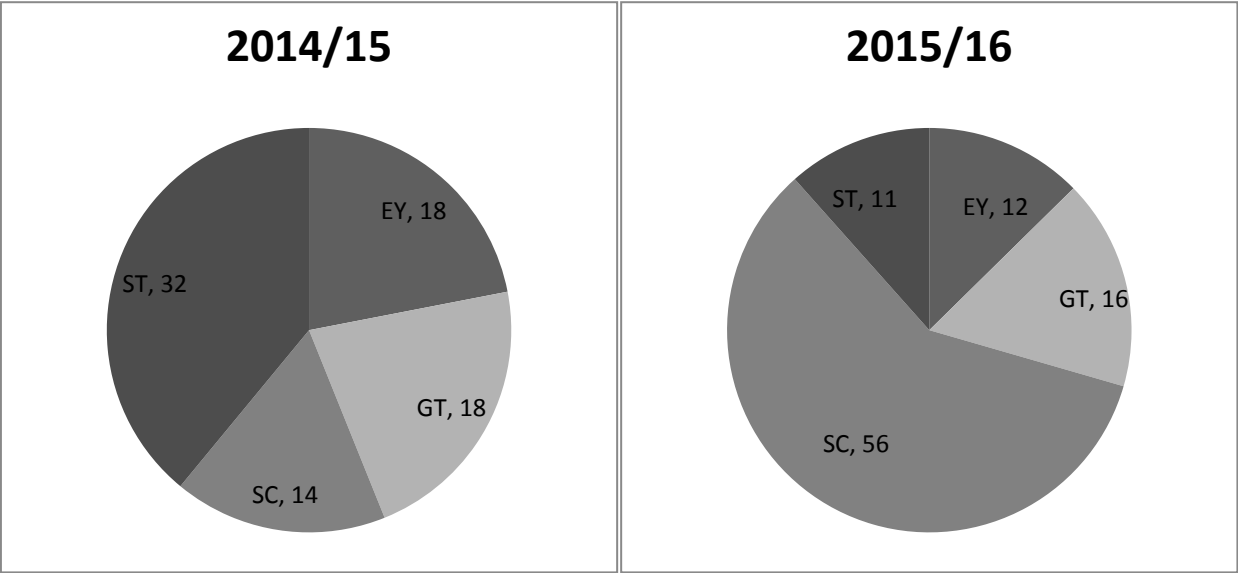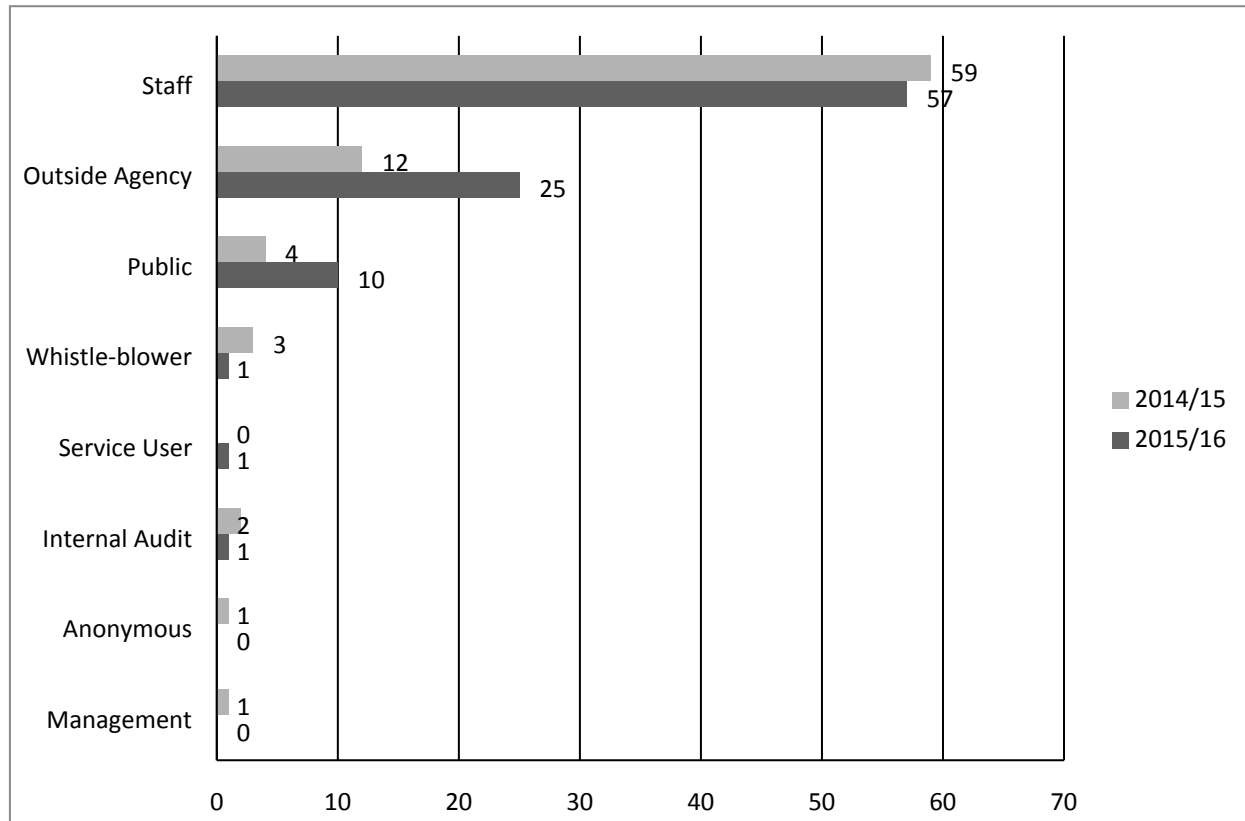
5.4.   There has been a notable increase in reports of Blue Badge misuse. This is a direct result of our work to support District, Borough and City Councils in tackling Blue Badge fraud (summarised below). The figures and charts also identify a significant increase in Social Care fraud, this is because we have recently re-evaluated the classification of Direct Payment misuse and aligned our classification of this type of fraud with other County Councils. There has not been a significant increase in fraud in this area and our level of support and investigation remains the same as previous years but the figures now properly represent the fraud risk and activity.

Blue Badge Fraud

5.5.   In conjunction with Maidstone Borough Council, Dover District Council and Tunbridge Wells Borough Council we have undertaken 3 Blue Badge enforcement days which are designed to reduce incorrect and fraudulent use of the Blue Badge scheme. During the course of these exercises we have spoken with over 100 drivers and it is pleasing to report that the vast majority were using the Blue Badge correctly.

5.6.   Some misuse was detected which included members of the public 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 and displaying a photocopied (and therefore counterfeit) Blue Badge. As well as talking to people about using their 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. A further enforcement day will be held in the County over the next few months. As stated above this activity is designed to both raise awareness and create a deterrent effect. As a result of these exercises Parking Enforcement Officers across Kent now have a better understanding of what constitutes misuse and this has increased levels of detection

Kent Intelligence Network

5.7.   We previously reported successfully applying for funding from the Department for Communities and Local Government (DCLG) to set up the Kent Intelligence Network (KIN) which is a data analytics partnership between all local authorities in Kent designed to tackle fraud by sharing data. Our progress to date with this project can be summarised as follows:

   o   The contract to provide the data analytics software was awarded to Connexica in October 2015.

   o   A first draft of the governance documents has been circulated to the partnership and is being amended to reflect the issues raised.

   o   The software has been deployed and we now have access and can technically start to share and analyse data (subject to agreeing governance arrangements across the partnership).

   o   Training has been provided to key users at KCC.

   o   A pilot exercise has been operating with three district councils to determine the best data to share and analyse and identify any issues we may encounter with information security and data quality.

   o   We have developed and agreed a business case to spend the remaining DCLG funds to increase detection of Council Tax fraud across Kent utilising data from Specified Anti-Fraud Organisations (SAFO).

5.8.   We had hoped to be in a position to technically and legally share data by November 2015 however there have been some unexpected information security issues to resolve and, in addition, it is proving longer than anticipated to reach agreement for the governance of the project between all 14 partners. Nevertheless we are hopeful these issues will be resolved by the end of January.

Anti-Money Laundering Policy

5.9.   The policy was last amended and later approved by the Governance and Audit Committee in January 2015. There have been no changes to legislation of best practice in this time and therefore no further amendments are required.

6 Follow Ups

6.1   Appendix C details the results from 28 past audits subject to programmed formal follow ups. This has involved tracking the progress on actions previously agreed by management. The results are:

Action Priority		Complete	In progress	Not yet Due	No action
High	72	32 (44%)	17 (24%)	5	18 (25%)
Medium	95	61 (64%)	10(11%)	4	20 (21%)

6.2   The overall outcomes are mixed – 72 % of agreed actions have been implemented by the scheduled date or in progress but 23% have made no progress. As a result 16 of the 28 audits are at 'amber' status with one – (Developer Contributions – Sect 106 agreements) at red.

6.3   Such follow up data can provide useful indicators of the governance cultures in an organisation and it is expected that Corporate Directors will take forward areas of poor progression as well as reflecting relevant outcomes in their annual governance statement returns.

7 Work in progress and future planned coverage

7.1   Appendix D details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.

7.2   Current works in progress that have reached final reporting stages include:
- The wholesale governance and performance review of Public Health
- Regional Growth Fund – management and monitoring
- Settlement Agreements
- A themed review of payroll and income controls in schools (involving visits to 20 establishments)

7.3   For the next quarter of the year we have a number of substantive audits to complete including
- Leaving Care
- Services to disabled children
- Adoption services
- Adult safeguarding
- Risk Management
- Corporate Governance (selected controls)

7.4   In relation to the 2015/16 audit plan we will not be progressing two priority 1 audits being
- Care Act Implementation (owing to changes in legislation)
- Contact Point – at the request of management due to the workloads following on from outsourcing

8 Internal Audit and Counter Fraud Performance

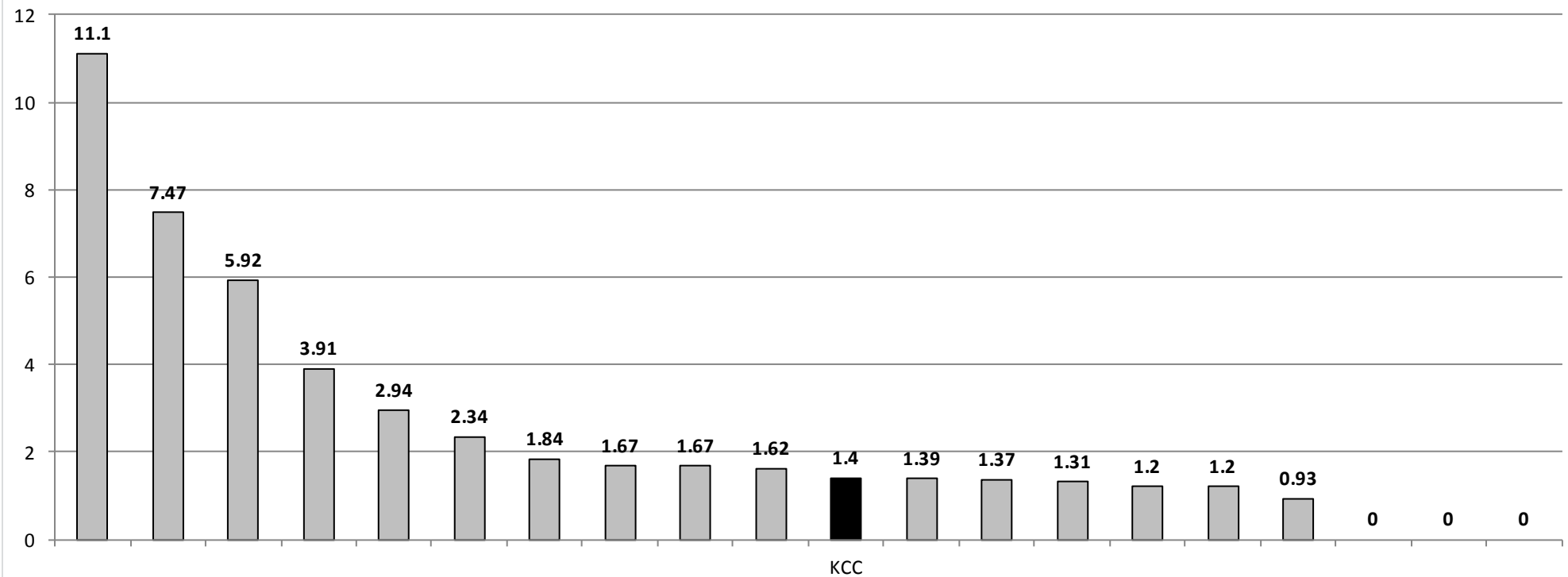8.1   Performance against our targets to the end of December 2015 are shown below:

Performance Indicator	Target to Dec	Actual
Outputs		
100% of Priority 1 audits completed	67%	52%
50% of Priority 2 audits completed	34%	31%
Time from start of fieldwork to draft report to be no more than 40 days	100%	56%
No of fraudulent incidents / irregularities recorded	N/A	95
Outcomes		
% of high priority / risk issues agreed	N/A	99%
% of high priority / risk issues (fully) implemented	N/A	43%
% of all other issues agreed	N/A	93%
% of all other issues implemented	N/A	63%
Client satisfaction	90%	93%

Total Number of occasions in which
        a) Fraud and
        b) irregularity
were identified
		39
		16

Total monetary value of
   (a)   Fraud
   (b)   Irregularity
detected
		£64,135
		£482

Total monetary value of (a) Fraud (b) Irregularity recovered		£43,371 £482
Value for money savings identified to date		£138,288

8.2   In general the 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.

9 *Further Benchmarking*

9.1   The CIPFA internal audit benchmarking data reported to the October G&AC meeting was of limited use to us due to the low number of participants and the absence of most County Councils.

9.2   An alternative 'benchmarking club' is the County Chief Auditors Network (CCAN) which we joined this year and provides comparable data with 14 County Councils and a further 6 unitary Boroughs. There are two key indicators that should be considered, being the levels of coverage (expressed in the form of audit days per £ million spend) and the cost of the service, (expressed in the form of an average daily rate).

9.3   Although KCC has the second highest number of planned audit days (3,291), when expressed in the form of days per £million spend the results shows the following distribution:
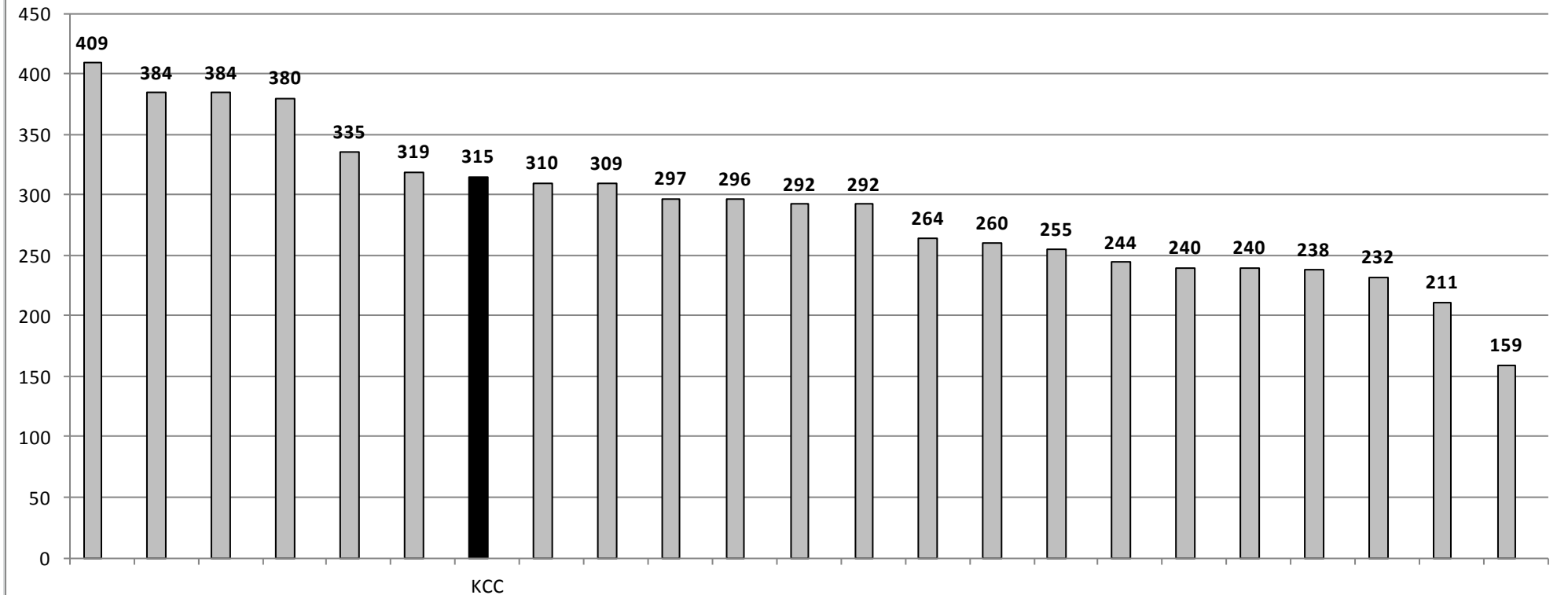
Days per £m spend

Bar chart showing "Days per £m spend" with values: 11.1, 7.47, 5.92, 3.91, 2.94, 2.34, 1.84, 1.67, 1.67, 1.62, 1.4 (KCC), 1.39, 1.37, 1.31, 1.2, 1.2, 0.93, 0, 0, 0.

9.4   This indicates that the County Council's coverage of 1.4 audit days per £ million spend is at about average levels.

9.5   In relation to the net cost of the internal audit service expressed in a cost per audit day, the KCC level of £315 is approximately 8% higher than the average of £287.

Net Cost of Service

20 Resondents (Average £287 per Day)

Bar chart showing Net Cost of Service values: 409, 384, 384, 380, 335, 319, 315 (KCC), 310, 309, 297, 296, 292, 292, 264, 260, 255, 244, 240, 240, 238, 232, 211, 159.

9.6 This is potentially reflective of higher costs in the South East. It should also be remembered that following our shared service agreement with Tonbridge and Malling Borough Council we are aiming to reduce our costs by a further 5% during the next year.

10   In Conclusion

10.1   We are satisfied that over the past 9 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.

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

10.3   We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Strategic Transformation Partnership Contracts

Audit Opinion	**Limited**
Prospects for Improvement	**Adequate**

We have identified the following strengths and areas for improvement in relation to consultancy and partnership contract arrangements.

Strengths
Contractor One
- A signed contract which clearly defines roles and responsibilities and a clear charging structure.
- Good governance and oversight through various formal meetings, with standard agendas and minutes.
- KPI metrics had been signed-off appropriately.
- Risks are recorded and actively managed.

Contractor Two
- Contracts have been appropriately approved with clearly defined roles and responsibilities.
- Reporting is focused on outcomes; data that is reported was verified.
- We were able to verify the payments made under the original contract (excluding variations - however see Areas for Improvement below.

There are **Good** prospects for improvement as all key issues had been accepted with action already been taken to address these.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	5	4.5	0.5
Medium Risk	5	5	0
Low Risk	2	2	0

Contractor Three
- Visibility by the appropriate senior Officers and Members of the Council and monitoring of the individual pieces of work undertaken.
- All invoices and accompanying cost breakdowns are adequately checked and approved.

Contractor Four
- Senior Officers have frequent oversight and engagement with this contract with supporting papers on the initiatives being delivered.

Areas for Improvement

Overall themes identified
- Training - Contract managers had not received any formal contract management training although this is currently being developed.
- Contract Register - The contracts for three contractors are not on the Register in line with the Transparency Code and the Public Contract Regulations 2015.
- Contract documentation – Overall there was an absence of formal documentation, including variations and supporting documentation (with the exception of Contractor One).
- Formal contract management meetings – Formal meetings were not being held in line with the contract.

Contractor One
- Sustainability to help build an in-house consultancy style skill set is a key deliverable; the risk of this not being achieved was not included in the risk register. It is acknowledged that HR are developing a plan for this.
- There were no formal arrangements for the Call-off Agreements to be signed-off by the SRO.
- The payment profile was overstated by £46,496 (although no overpayment had been made).

The contract manager has already addressed the issues identified and supplied appropriate evidence to support this.

Contractor Two
- Contract variations are not being appropriately managed.
- Overreliance on the contractor providing documentation, specifically in relation to finance information and performance of the contract.
- The price being paid against the Pricing Schedule could not be reconciled.
- A 3% price increase totalling £12,691 on the contract was made, but the formal contract variation process was not followed.

Contractor Three
- The contract was signed by an officer who does not have the appropriate authority.
- The contract was extended until September 2015 and a contract extension letter issued. As a result the contract exceeded £1m and no evidence was supplied to substantiate enhanced approval.
- Sufficient evidence of approval of each piece of work was not retained, although a retrospective email has been supplied.

Contractor Four
- Contracts have been supplied, although signed versions could not be located during the audit.
- A Voluntary Ex Ante Transparency Notice (VEAT) should have been completed, following the single source justification process.

Programme Management & Corporate Assurance

Audit Opinion	**Adequate**
Prospects for Improvement	**Good**

Each change portfolio is overseen by a Portfolio Delivery Manager (PDM) and the Corporate Assurance Function has a remit to oversee and provide assurance on the most significant programmes in each portfolio working closely with the PDMs. This structure has now been in place for a few months and the audit took place before the structure was fully embedded.

Strengths
- The Corporate Assurance team is currently putting a new system in place, including a programme for assurance of projects.
- The PDM role is seen as helpful by Project Managers for support and guidance.
- Some good examples of project management and project management documentation have been seen across all Portfolios.

Areas for Improvement
- Corporate Assurance now needs to move forward with completing checkpoint reviews for key Tier 1 projects.
- Greater support and training is needed for Project Managers in some areas.
- Some common project documentation weaknesses were identified and objectives, costs and benefits have not been formally documented in a material number of projects. Greater clarity on the approach to benefits realisation would help project managers.
- Better definition of stakeholders and understanding of impact and interdependencies is required in a number of projects sampled.

Prospects for Improvement are considered to be **Good** due to the following factors:
- The Corporate Assurance team has a clear, documented and approved vision of its role and where is it headed. This now needs to be clearly communicated across the Council.
- The PDMs are all clear about their roles and have set up reporting systems to regularly obtain project updates and report to senior management.
- The Corporate Assurance staff and the PDMs have good knowledge for undertaking their roles and have completed the Better Business Case training, used by HM Treasury, but:
- Reliance in some areas is placed on Project Managers who are not trained or experienced in project management and are undertaking the role in addition to their day job.

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	6	6	0
Low Risk	1	1	0

New Ways of Working Follow-up

Audit Opinion	**Substantial**
Prospects for Improvement	**Good**

Internal Audit carried out a review of New Ways of Working as part of the agreed 2014/15 annual audit plan, for which the final report was issued in January 2015. The opinion arising from the audit was 'Adequate' assurance and, as a result of this and potential risks due to the nature of the service, Internal Audit agreed at the 29th April 2015 Governance and Audit Committee that a follow-up audit would be undertaken.

Further testing and enquiries demonstrate that the majority of the high and medium priority issues have been satisfactorily addressed as follows:

Previous Issue	Conclusion from testing
Risk registers (Medium Risk)	A consolidated Programme Risk Register is now in place. The Risk Register is updated monthly. *Issue closed*
Lessons learnt (Medium Risk)	A "Lessons Learned" report has been produced. Examples on how this has improved current projects were provided. *Issue closed*
Dependencies (Medium Risk)	A dependancy log was created in conjunction with the Corporate Portfolio Office. *Issue closed*

Measuring project outcomes and project manager performance (High Risk)	The customer feedback questionaire is still in development. *Issue remains open*
Overall programme financial management (Medium Risk)	Risk accepted and no action to follow up. However, there is now more emphasis on delivering revenue savings. *Issue closed*

Areas for Improvement

- Preliminary customer feedback questionnaires have been issued for two completed projects. However, the Programme has developed a wider questionnaire to gauge the efficacy and 'softer' aims of the Programme in facilitating a 'New Ways of Working' ethos. The questionnaire is in final stages of development.

Summary of management responses

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

ICT Data Centres

Audit Opinion	**Substantial**
Prospects for Improvement	**Good**

The audit opinion is based on a review of relevant documentation, interviews with key members of staff and visits to both data centres. We confirmed that controls are in place for physical access, physical security and environmental controls.

Strengths
- Regular monthly meetings are held.
- An agreement is in place for hosting KCC critical systems at Medway Council DC.
- There is ample floor space for expansion at the Medway Council DC.
- An ICT asset register is maintained for the Sessions House DC and the KCC hosted services at Medway.
- Closed circuit television (CCTV) cameras are installed and monitored inside both data centres.
- Electronic door access control systems are installed at both the DCs and access is limited.
- Appropriate environmental control systems are installed at both DCs.

Areas for Improvement
- The policy and procedures for the Sessions House DC is out of date and does not to reflect outsource arrangements.
- Access to valves on pipes connecting the cooling plant to the air-conditioning units in the Sessions House DC is not restricted.

- The hosting agreement for Medway DC does not include providing a monthly monitoring/performance report to the client.
- High temperatures were noted at the Medway DC, in excess of the acceptable range set out in the service agreement.
- KCC backup and recovery procedures are not documented consistently

Prospects for Improvement are rated as **Good** due to the following factors:
- KCC management have agreed appropriate action plans to address the issues identified in this report and action has already been taken to address one of the issues.
- KCC and Medway ICT teams have a track record of working well together to resolve any problems with the Data Centres.
- There is room to expand at Medway DC.

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	2	2	0

ICT Change Control

Audit Opinion	**Substantial**
Prospects for Improvement	**Good**

The audit opinion is based on a review of relevant documentation, interviews with key officers and the use of Computer Aided Audit Techniques (CAATs) to identify trends and risk indicators. Our audit opinion of Substantial is based on the following strengths and areas for improvement:

Strengths
- The governance framework is well described and supported by clearly documented processes.
- All changes are appropriately documented and tested prior to implementation.
- Authorisation has been clearly aligned to specialist areas and supports the approval and risk appraisal processes.
- The Change Advisory Board is well attended and all attendees were found to be engaged.

Areas for Improvement
- The review of failed changes requires improvement as this may hamper any attempt at root cause analysis.
- The Terms of Reference (TOR) for the Change Advisory Board have not been formalised.
- Risk Assessment of ICT changes is not quantified.
- Metrics associated with business case development and testing have not yet been formalised. The Business Services Centre is still developing and gaining approval for their metrics.

The Prospects for Improvement rating of Good is based on:
- Staff and management were receptive to the issues raised and open to the potential to improve their processes further.
- There is good attendance at Change Advisory Board (CAB) meetings and attendees are engaged with the change process.

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	3	2	1

Data Quality – HR Oracle

Audit Opinion	**Substantial**
Prospects for Improvement	**Good**

Strengths
- Team responsibilities are clearly defined and linked to process documents.
- Job descriptions include adequate reference to data quality and align to the corporate data quality policy.
- Training is required before access is granted to the Oracle HR system.
- Audits of system access are carried out quarterly and the recent Oracle application review found that access granted to staff was appropriate.
- Exception reports are run for critical data and issues identified are dealt with in a timely manner.
- There are sufficient internal processes for checking data input.
- Mandatory and statutory reporting follows the appropriate guidance and definitions.

Areas for Improvement
- Some members of HR staff have not yet completed mandatory Data Protection Act and Information Governance training.
- All essential qualifications required for a role should be entered onto Oracle as part of the recruitment process, but this was not consistent.
- There is no clear guidance on manager and employee responsibilities for accurately updating and maintaining personal information via Oracle Self Service.

Prospects for improvement are Good due to:
- The issues raised are being addressed through the management action plan
- Development of the CRM system has been requested to automate the data checking processes.
- Monthly monitoring of training completion to ensure mandatory training has been completed.
- Additional training and checking in place to ensure key data is entered onto the system.

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	2	2	0

Looked After Children (LAC) Finances

Audit Opinion	**Adequate**
Prospects for Improvement	**Good**

KCC has responsibility for administering funds of approximately £500k. The Official Solicitor maintains the Child Trust Funds which we estimate are worth £250k. While we have adequate strategies, procedures and systems in place there is a need for them to include guidance for social workers and carers on ensuring funds are being clearly and consistently recorded and managed with no likelihood of waste, theft or misuse.

Strengths

- KCC responsibilities for administering LAC Finances are documented.
- Audit testing found no material errors and key underpinning systems and controls were adequate

Areas for Improvement

- A need to update the strategy and any relevant procedures to include 'money matters'.

- Include guidance for social workers and carers in the procedures regarding records to be kept.

- Data quality of Child Trust Fund information held.

- Share Foundation Valuation reports understanding and usefulness.

- Kent Pledge update of payment information for closed accounts.

- Records of balances for residual trustee accounts.

Prospects for Improvement

The prospects for improvement are **good** because of the action plans put in place and the short timescales for implementation.

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	4	4	0

Recruitment Controls & DBS Checks

Audit Opinion	**Adequate**
Prospects for Improvement	**Good**

Kent County Council (KCC) is a leading local employer with more than 12,000 staff working in a wide range of jobs which provide services for residents, workers and visitors to the county. Recruitment processes are a fundamental high level key control and essentially should ensure that the right people are brought into the organisation following appropriate checks.

Strengths
- Detailed procedure notes are available.
- New non TUPE staff are set up on Oracle promptly and accurately following the appropriate checks.
- DBS checks are dealt with promptly, were appropriate to the role and suitable action has been taken for disclosures with content.
- A record is held on Oracle of all DBS checks.

Areas for Improvement
- No clear library of guidance documents on KNet or version control.
- There is no process in place in the HRAT team to ensure that staff being TUPEd into KCC are subject to pre-employment checks.
- There have been delays in the renewal of DBS checks for some existing staff.
- Two references are not obtained in all cases.

There are **Good** prospects for improvement as all issues had been accepted with action already been taken to address these.

Summary of management responses

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

Payments Processes

Audit Opinion	**Adequate**
Prospects for Improvement	**Good**

Strengths
- Financial authorisation limits for revenue codes are aligned to iProc and the delegated authority matrix.
- iProc users have the correct self-approval limits.
- New iProc users are checked for accuracy when they are set up.
- Processes for identifying duplicate payments are effective.
- Manual invoices over £50,000 are checked by AP.
- The control team perform sample checking on invoices under £50,000, although it is noted that this sample is small.

Areas for Improvement
- Testing showed that around 15% of invoices paid did not have the correct authority.
- There is no flexfield dashboard for capital codes.
- Poor record keeping of the checks made to verify new commercial suppliers.
- The proposal for new supplier set ups to be processed through the P2P team has not been implemented.
- Supplier credit balance remains high.

There are **Good** prospects for improvement as all issues had been accepted and action already been taken to address these.

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	2	2	0

Treasury Management

Audit Opinion	**High**
Prospects for Improvement	**Good**

This audit only considered the management of KCC funds. The function is overseen by the Head of Financial Services and comprises the Treasury and Investments Manager and two dedicated staff. The Council made £1.7 billion of KCC investment transactions between 1 January 2015 and 16 November 2015.

Strengths

- Detailed and up to date policies and procedures are in place.
- Investment activity is limited to approved counterparties and is within approved limits.
- Cash flow and liquidity is monitored daily.
- Regular, timely and accurate Treasury Management reports are produced.

Areas for Improvement

- There is currently no formal succession plan to ensure staff are recruited and trained appropriately.

Prospects for improvement have been assessed as **good** due to the following factors:

• The treasury management team has strong leadership.

Risks exist if there was a significant change in investment strategy to use more complex financial instruments then current processes may not be suitable.

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	1	1	0

Better Care Fund (Draft)

Audit Opinion	**Adequate**
Prospects for Improvement	**Uncertain**

Strengths
- There is a sound section 75 agreement in place with CCG specific schedules reflecting local approaches to delivery and governance.
- There is adequate financial and performance monitoring reporting in place with monitoring data reported to NHS England quarterly distributed to all partners for sharing with local H&WBs.
- A dashboard containing relevant key performance indicators will be the primary reporting tool to the Health & Wellbeing Boards.
- An Assurance Group has been set up with formal terms of reference.

Areas for Improvement

- The agreement is based on aligned budgets rather than a true pooled budget arrangement.
- The relevant Performance and Assurance Groups had met only once as at the time of the audit.
- There is limited verification of BCF spend from KCC and CCG's against the BCF plan. However it is recognised each partner retains complete accountability and responsibility for their own resources.
- BCF risks are included in the corporate risk register but there isn't a discrete BCF S75 risk register. The risks are not due to be reviewed until early 2016
- A post implementation review is still pending – KCC are awaiting guidance and tools from NHS England

Prospects for Improvement
Prospects for Improvement have been assessed as **uncertain** (provisional), due to the following factors:

- Uncertainty regarding whether the next S75 agreement is for a lead commissioning arrangement with a true pooled budget or whether current arrangements will continue
- Delays in learning from a post implementation review might impact on the next iteration of the agreement
- The confirmation in the Autumn Statement that the BCF arrangements will continue after 2015/16 will require the governance oversight and financial management and performance monitoring procedures to be fully functioning which is currently not the case.
- The general willingness of the partners to continue to try and make the arrangements work

Summary of management responses

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

OP Residential & Nursing Contract re-lets

Audit Opinion	**Adequate**
Prospects for Improvement	**Adequate**

The audit included review of the effectiveness of contract management of the Dynamic Purchasing System (DPS) contract which commenced in October 2014, and the plans for the new contract from April 2016.

Strengths

- Contract adequately defines roles and responsibilities.
- Accommodation Commissioning Group meets monthly with relevant standing agenda items.
- Good engagement with providers and two KPIs have been reviewed and removed following provider feedback.
- Sound knowledge of the compliance visit process with all care homes on the DPS to be visited by the end of Oct 2015.
- Equality Impact Assessment completed appropriately.

Areas for Improvement

- We have not been able to corroborate the number of care homes on the DPS with various internal records.
- Improvements needed to ensure KPIs address desired outcomes, and are accurate and complete with themes/trends identified.
- Regular management information on performance has not been defined by key stakeholders, which has led to inconsistencies.
- There are no documented procedures accompanying the compliance visit process, which has led to inconsistencies.

- Not all lessons learnt captured in the informal Issues Log.
- Programme delivery plan does not capture revised dates, completion dates or impact to critical activities.
- Not all risks associated with the re-let have been identified and considered.

Prospects for Improvement

Prospects for Improvement have been assessed as **Adequate**, due to the following factors:

- KCC's credibility and reputation in the market due to paying a lower than benchmarked national average rate for care.
- Culture of the market due to historic lack of formal contract management and resistance to enhanced processes.
- Market awareness of the legislative restrictions placed on KCC as a customer.
- Culture within KCC is resistant to change and providers are aware of circumvention of the process.
- Lack of investment in a contract management IT system to enable dynamic and consistent monitoring.

Summary of management responses

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

Total Facilities Management Contract Management

Audit Opinion	**Limited**
Prospects for Improvement	**Good**

Facilities management services for most properties where KCC is the Corporate Landlord are provided under Total Facilities Management (TFM) contracts. The total contract value is approximately £11 million per year for the fixed costs element.

Strengths
- Consistency between the three contracts, with a notable exception being the maximum deductions chargeable to the contractors.
- Regular meetings are held with contractors with an appropriate level of challenge.
- Governance arrangements are in place for the three contracts.
- Robust budget monitoring processes are in place with support from the Finance team where relevant.

Areas for Improvement
- Access to the contractors' systems for East Kent and West Kent has been provided but further training and access is required.
- A lack of evidence to support some of the KPI data provided.
- Risk registers are not in place for the three area contracts.
- There is no schedule for regular site visits or audits.
- Day to day responsibilities for management of the contracts have not been formally defined.
- There is no formal record of issues noted or retained and contractors are not providing notes from their meetings in a timely manner.

- Logs containing information on the Change Control Notices and works orders are not consistent and are not kept up to date.
- Errors were identified in the KPI spreadsheets provided by the contractors, which may have been caused by unprotected formulas.
- Customer accessibility to the complaints procedures is confusing.

Prospects for improvement have been assessed as **Good** because of the following factors:
- There is currently a lack of capacity to resolve known contract management weaknesses, however this is being addressed through the current Infrastructure restructure.
- Issues with the contracts have been noted by the contract managers and the team are aware of areas that require improvement.
- Management have commenced actions to mitigate the issues identified in this report.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	8	8	0
Low Risk	3	3	0

Sexual Health

Audit Opinion	**Adequate**
Prospects for Improvement	**Good**

Strengths
- A clinical governance framework is in place
- Risk management policies and procedures are adhered to.
- Extensive work has been undertaken to assess service requirements and the needs of service users.
- An integrated specialist service has been developed with increased access and availability. The new model requires providers to be flexible to meet changing needs, improve sexual health and help reduce inequalities.
- The market has been opened up to new providers via sub-contracting.

Areas for Improvement
- Sexual Health commissioning does not come under the Head of Commissioning, though the team have worked alongside the Head of Sexual Health Commissioning to achieve the outcomes.
- The current commissioning strategy document is not significantly different to the previous strategy despite changes above.
- More work needs to be done to develop the market.
- Due to differing contract award dates a post implementation review of the service has not been completed.
- Arrangements with GPs require a signature from the practice.
- The role of the Quality Committee had not been developed fully and the terms of reference has not been taken to the committee for approval, though it was approved at DMT.

- Public Health does not formally agree or approve the provider's clinical audit programmes.
- Public Health risk management processes do not include independent validation of risk scoring for consistency.

Prospects for Improvement

Prospects for Improvement have been assessed as **Good**, due to the following factors:

- Basic building blocks are in place to improve the commissioning process
- There may be a need to revisit the strategy and a post implementation review is required.
- Quality Committee set up but its role needs to be embedded.
- Good rapport with providers and other stakeholders.
- Adequate performance monitoring is in place.
- Significant service redesign and improved access to services
- Some success in developing the market but there may be limits on further development.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	8	8	0
Low Risk	3	3	0

Appendix B – Summary of Significant Concluded Financial Irregularities

Ref	Internal or External	Allegation	Outcome
1022	External	A number of Social Care clients in the Ashford area were victims of a Kent Card related fraud where their cards were misused by unknown perpetrators to order tickets, book holidays and other luxury purchases.	Working with the provider we were able to recover all but £600 of the £40,000 stolen. We identified at least one suspect and have provided their details to a specialised card fraud unit in the Police.
1024	External	A Social Care client's mother fraudulently altered invoices from her son's care provider to increase their value and keep the difference.	The client's mother admitted the offence and the fraudulently obtained sum (£2,350) is being recovered. As this was a first offence a simple caution was offered and accepted.
1048	Internal	It was alleged a member of staff forged a senior member of staff's signature falsely authorising a key debt related document.	The member of staff informally admitted their actions but denied any dishonesty and personal gain and resigned before the investigation could be completed.

Appendix C – Follow-ups Analysis

🟠 **Limited assurance reports**

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium		
Direct Payments (Childrens)	30/07/2015	3	2	0	0	One High and one medium priority issue were not due. Of the remaining three issue, two High Priority issues are to be followed up as part of the 2016/17 audit plan and one medium to be picked up as part of a planned audit in Q4.	Amber
Payments Process	26/03/2015	2	3	1	2	2015/16 audit completed and found one High and one Medium issue had not been implemented. Issues have therefore been raised again with revised implementation	Amber
Schools Additional Funding	28/04/2015	1	2	1	2	Implemented	GREEN
Foster Care Payments	14/01/2014	4	7	3	6	The two outstanding issues are to be followed up as part of the 2015/16 audit of Family placement payments in Q4	Amber
Personal Budgets	05/04/2013	5	3	5	3	Service has undertaken its own follow up work which shows improvement. Personal Budgets to be re audited at later stage	GREEN
UASC	15/01/2014	9	9	6	6	Follow-up audit completed, this identified that 6 actions were outstanding and these have been raised again with revised dates due to a change in the service. The follow-up audit is shown in the next table.	Amber
Gypsy & Traveller Unit - Allocation of Sites	04/09/2014	1	1	1	1	Implemented	GREEN
Community Based Nurseries	31/12/2014	6	2	1 5*	2*	To be followed up as part of the establishment programme 2016/17	Amber
Optimisation	17/06/2015	5	2	1 3*	1 1*	One High and One Medium priority issue implemented with the remaining issues are to be followed up during 2016/17.	Amber
Developer Contributions (s106)	13/01/2015	5	4	1	3	Revised implementation dates have now been agreed for the outstanding five issues and will be followed up as part of a planned audit in Q4.	RED
IT Disaster Recovery Planning	13/02/2015	2	2	1	1	Remaining two issues given revised implementation dates as a meeting with the service is proposed to re-allocate the issues to a new responsible officer.	TBC
Foster Care	16/04/2015	7	2	2 4*	1	A follow-up audit was completed and found that two high and one medium issue had been implemented. Four high priority issues were found to be in progress. One medium priority issue will be followed up as part of a planned audit of Family Placement payments in Q4.	Amber
Promoting Independence Reviews	24/02/2015	2	0	2*	0	The two issues still have on going actions and will be followed up once complete in 2016/17	Amber
Total All Limited Audits		52	39	22 14*	24 3*		

Audit	Date	Management Actions		Implemented/ In Progress*		Comment on Progress/ Improvement	Overall Opinion on Actions R.A.G.
		High	**Medium**	**High**	**Medium**		
Risk Management	23/03/2015	1	3	1*	3*	A follow-up audit is in progress, additional evidence is awaited to confirm sign-off on implementation for the 4 actions shown as in progress.	TBC
Records Management	14/01/2014	1	0	1	0	Implemented	GREEN
Payroll	03/11/2014	2	4	2	4	Implemented	GREEN
Direct Payments (Adults)	30/07/2015	1	1	0	1	The outstanding high issue has been followed up by the service, this found the action had not been implemented and this is now being reviewed by the relevant DivMT.	Amber
Bank Accounts	09/01/2015	1	5	1*	4 1*	The remaining two actions have been partially implemented and we are awaiting evidence for full closure.	Amber
Income & Assessment Unit	25/03/2015	0	3	0	3	Implemented	GREEN
Client Financial Affairs	31/10/2014	1	1	0	0	Two remaining outstanding issue has not been implemented and revised dates have been agreed. These are now being monitored in line with the revised dates agreed as part of the follow-up audit and that one High has been reduced to medium.	Amber
School Financial Services	10/09/2014	3	4	1	3	One High and one medium had not been agreed by the service. Three medium had been implemented whilst the remaining two high priority issues had not been implemented	Amber
Property - Statutory Compliance	19/12/2013	2	5	2	4	One remaining outstanding issue has not been implemented due to restructure and TFM contract developments.	Amber
New Ways of Working	09/01/2015	1	4	0	4	Follow-up audit completed and identified 1 outstanding high priority issue which is to be followed up Q4	Amber
Community Learning Services	12/11/2013	1	12	1	8	A follow-up audit established that nine issues had been implemented. However four had not been implemented and have been re-raised as part of the audit.	Amber
Regional Growth Fund (RGF)	24/04/2015	1	3	0	1	One medium priority had been implemented whilst a revised date of implementation has been agreed for the outstanding one high and two medium issues.	Amber
Liberi	16/03/2015	1	1	1	1	High priority issue implemented and management accepts the risk of medium priority non-functional testing issue.	GREEN
Customer Feedback	21/07/2015	1	3	0	1*	Action taken in relation to the one issue due but this needs time to embed. Remaining three issues not due for implementation	GREEN
UASC Follow-up	05/08/2015	1	4	0	1	One medium priority implemented and the remaining issues are not due until end of December 2015	GREEN
Enablement (KEaH) Service	28/07/2015	2	3	1 1*	1 2*	One High and One Medium priority issue implemented with the remaining three issues to be followed up as part of 2016/17 audit plan.	GREEN
Total All Adequate Audits		**20**	**56**	**9 3***	**35 7***		

	Management Actions		Implemented/ In Progress*	
Total All Follow-ups	**High**	**Medium**	**High**	**Medium**
	72	95	31 17*	59 10*

Appendix D – Audit Plan 2015/16 Progress

Project	Progress at January 2016	Date to G&A	Overall Assessment	Project	Progress at January 2016	Date to G&A	Overall Assessment
Core Assurance							
Annual Governance Statement	Complete	July 2015	Substantial	Consultation	Planning		
Business Continuity	Complete	October 2015	Substantial/ Good	Consultancy & Partnership Contract Arrangements	Complete	January 2016	Limited/ Adequate
Transparency Code Compliance	Complete	October 2015	Substantial/ Good	Contact Point	Deferred to 2016/17		
Information Governance	Planning			Recruitment and Retention Incentives	Planning		
Performance Management and KPI Reporting				Recruitment Controls	Complete	January 2016	Adequate/ Good
Risk Management	In progress			Payroll Key Controls Follow-up	Complete	October 2015	Substantial/ Good
Corporate Governance – KCC	Planning			Pensions Payroll	Complete	October 2015	Substantial/ Good
Departmental Governance Review – Public Health	Draft Report			Pension Scheme Administration	In progress		
Corporate Governance – Alternative Service Delivery Models	Ongoing			Member and Officer Expenses – Follow-Up			
Implementation of Strategic Commissioning Strategy	Deferred to 16/17			Disclosure and Barring Service Process	Merged with Recruitment Controls		
Declarations of Interest				Oracle Right Now			
Programme Management and Corporate Assurance	Complete	January 2016	Adequate/ Good	Learning and Development	Complete	October 2015	Substantial/ Good
Portfolio and Programme Checkpoint Reviews	Ongoing			Compromise Agreements and Disciplinary Process	Draft Report		
Transformation and Change – Major outsource arrangements	Replaced by Contract Management Themed Review			Contract Extensions and Variations	In progress		

Project	Progress at January 2016	Date to G&A	Overall Assessment	Project	Progress at January 2016	Date to G&A	Overall Assessment
Contract Management Themed Review	In progress						
Core Financial Assurance							
Schools Financial Services – System of Audit	Planning			Client Financial Affairs Follow-up	Complete	October 2015	Substantial/ Good
Schools Themed Review – Payroll and Income	Draft Report			Debt Recovery	Complete	October 2015	Adequate/ Good
Payment Processing	Draft Report	January 2016	Adequate/ Good	Financial Assessments Follow-up			
Family Placement Payments				Grants	In progress		
Pension Contributions	Planning			Insurance			
Treasury Management	Final Draft	January 2016	High/ Good	iSupplier	Merged with Payment Processing		
Capital Finance	In progress						

Risk/Priority Based Audit

Total Facilities Management (TFM) – Contract Management	Complete	January 2016	Limited/ Good	Home Care	Complete	October 2015	Adequate/ Good
TFM – Property Service Desk	In progress			Public Health Advice to CCGs	Merged with Public Health Governance Review		
New Ways of Working Follow-Up	Complete	January 2016	Substantial/ Good	Sexual Health	Complete	January 2016	Adequate/ Good
Data Quality – Oracle HR	Complete	January 2016	Substantial/ Good	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	Planning			Health Inequalities	Merged with Public Health Governance Review		
Care Act – Pre and Post Implementation	Deferred due to delayed implementation of legislation			SEN Assessment and Funding	Planning		
Better Care Fund	Draft Report	January 2016	Adequate/ Uncertain	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 and ongoing		
Mental Capacity Act and Deprivation of Liberty	Planning			Contract Management – Household Waste and Recycling	Complete	October 2015	Substantial/ Good
Autism Service	Planning			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	In progress		

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	Complete	October 2015	Substantial/ Good	Allington Waste Incinerator Contract			
On-line Case File Audit – Children	Merged with Safeguarding Children			Transformation and Change – Transport inc SEN	Planning		
Missing Children	Merged with Safeguarding Children			Transformation and Change – Libraries, Registration and Archives	On Hold		
Adoption Service	Planning			Transformation and Change – Property	Planning		
Looked After Children's Finances	Draft Report	January 2016	Adequate/ Good	Economic Development Contract Management			
Section 17 Payments Follow-up	In progress			International Development Team			
Leaving Care Service	In progress			Kent Resilience Team	In progress		
Foster Care Follow-up	Complete	October 2015	Adequate/ Good	Carbon Reduction Commitment – Annual Return	Complete	January 2016	Compliant
Older Persons Residential and Nursing Contract Re-let	Complete	January 2016	Adequate/ Adequate	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	Planning		
ICT Strategy and Governance				Data Centres	Complete	January 2016	Substantial/ Good
ICT Change Control	Draft report	January 2016	Substantial/ Good	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 of non-compliance were noted during the audit that may put a system/service objective at risk
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.
Not Applicable	Internal audit advice/guidance - no overall opinion provided.

Definition of Prospects for Improvement

Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.