By:	Robert Patterson – Head of Internal Audit
To:	Governance and Audit Committee – 27th April 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

Introduction

1. This report summarises:
    - the key findings and themes from completed Internal Audit reviews
    - the key findings from completed counter fraud investigations
    - dedicated follow up work
    - works in progress
    - overall progress against the 2015/16 Internal Audit Plan;
    - achievement against the Internal Audit and Counter Fraud Key Performance Indicators

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 60 audit reviews have been completed, including 48 substantive reviews. A further 5 substantive audits are at draft reporting stage or awaiting final management feedback and significant fieldwork is in progress for a further 6 audits. In relation to counter fraud work there have been 120 irregularities reported and investigated since the start of 2015/16 of which 77 have been concluded. Overall the unit has reviewed systems or activities with a combined turnover of an estimated £2.52 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 80% of the plan underway or completed as at the end of March and with 90% of priority 1 and 55% of lower priority audits complete or substantially complete.

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

Implications for Governance

6. Summaries of findings from completed work between January and March 2016 have been included within Appendix 1. 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 satisfactory, with the following over–arching strengths and areas for development underlying these conclusions:

   Strengths

   - 43% of systems or functions have been judged with a substantive assurance or better
   - A continuing pattern of general robustness of key financial systems
   - Positive outcomes from the operation of selected financial systems in schools and the financial support and review services utilised to support them
   - Substantial assurance over underlying Directorate risk management 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 17% of systems / functions that have received a 'limited' assurance level
   - Evidence of shortfalls in the way the Council controls and monitors the contracts that it awards
   - Weaknesses in the methods of awarding and controlling grants
   - The need to ensure recruitment and retention incentives are value for money and are achieving the desired outcomes
   - Following transfer into the Council, the need to further improve and enhance the underpinning systems in our Leaving Care services to young people
     The continuing need for consistency in devolved financial and non-financial controls in establishments. (Cumulatively, of the 12 establishments audited this year, only one has received a 'substantial' assurance rating)

8. During this period we also completed our governance review of the Council's Public Health services. Overall we found there was a good vision for the future direction for the service coupled to effective commissioning. We also concluded that the service would be better prepared to meet the challenges it faces if there was more cohesive working across senior and middle management and that accountabilities for critical quality management systems were clarified.

9. In relation to counter fraud, the potential value from the 120 reported irregularities to date is £1.5m. This includes a notional value from prevented frauds and not an actual cash loss and has been skewed by a number of potential high value grant frauds.

10. In relation to enhanced and integrated counter fraud measures, work continues on the set up of the Kent Intelligence Network (KIN) data matching project. This project is critical to improving the yield from the local taxation base across the County, particularly in deterring fraud and error in relation to Council Tax single person discount and business rates. As detailed in Appendix 1 there have been practical challenges in implementation but we are hopeful that we will be able to report that data matching has commenced by the July meeting.

11. Overall, we have received satisfactory responses and proposed actions from management over the issues we have raised from individual audits and counter fraud assignments.

12. As such, 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.

Recommendations

13. 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
- 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

Appendices

Appendix 1 Internal Audit Progress Report end March 2016

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APPENDIX 1

Kent County Council

Internal Audit and Counter Fraud Progress Report

April 2016

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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 January 2016. 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 60 internal audits (including 12 establishment visits) and 120 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.

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

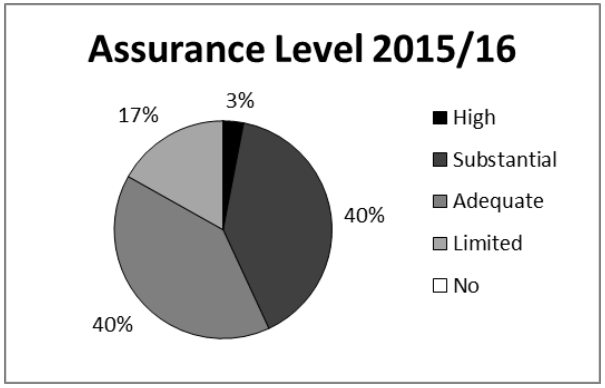
1.4. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide appropriate assurance against key corporate risks or significant systems.

2 Overview

Internal Audit

1.5. Table 1 maps the assurance levels from the substantive internal audits undertaken to date. This results in an overall distribution of:

Assurance Level	No	%
High	2	3%
Substantial	19	40%
Adequate	19	40%
Limited	8	17%
No	0	0%



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

1.6. Particular strengths include

- 43% of systems or functions have been judged with a substantial assurance or better
- A continuing pattern of general robustness of key financial systems
- Positive outcomes from the operation of selected financial systems in schools and the financial support and review services utilised to support them
- Substantial assurance over underlying Directorate risk management 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

1.7. Areas for further Improvement relate to:

- The 17% of systems / functions that have received a 'limited' assurance level
- Further evidence of shortfalls in the way the Council controls and monitors the contracts that it awards
- Weaknesses in the methods of awarding and controlling grants
- The need to ensure recruitment and retention incentives are value for money and are achieving the desired outcomes
- The need to further improve and enhance underpinning systems in our Leaving Care services to young people
- The continuing need for consistent and robust devolved financial and non-financial controls in establishments.

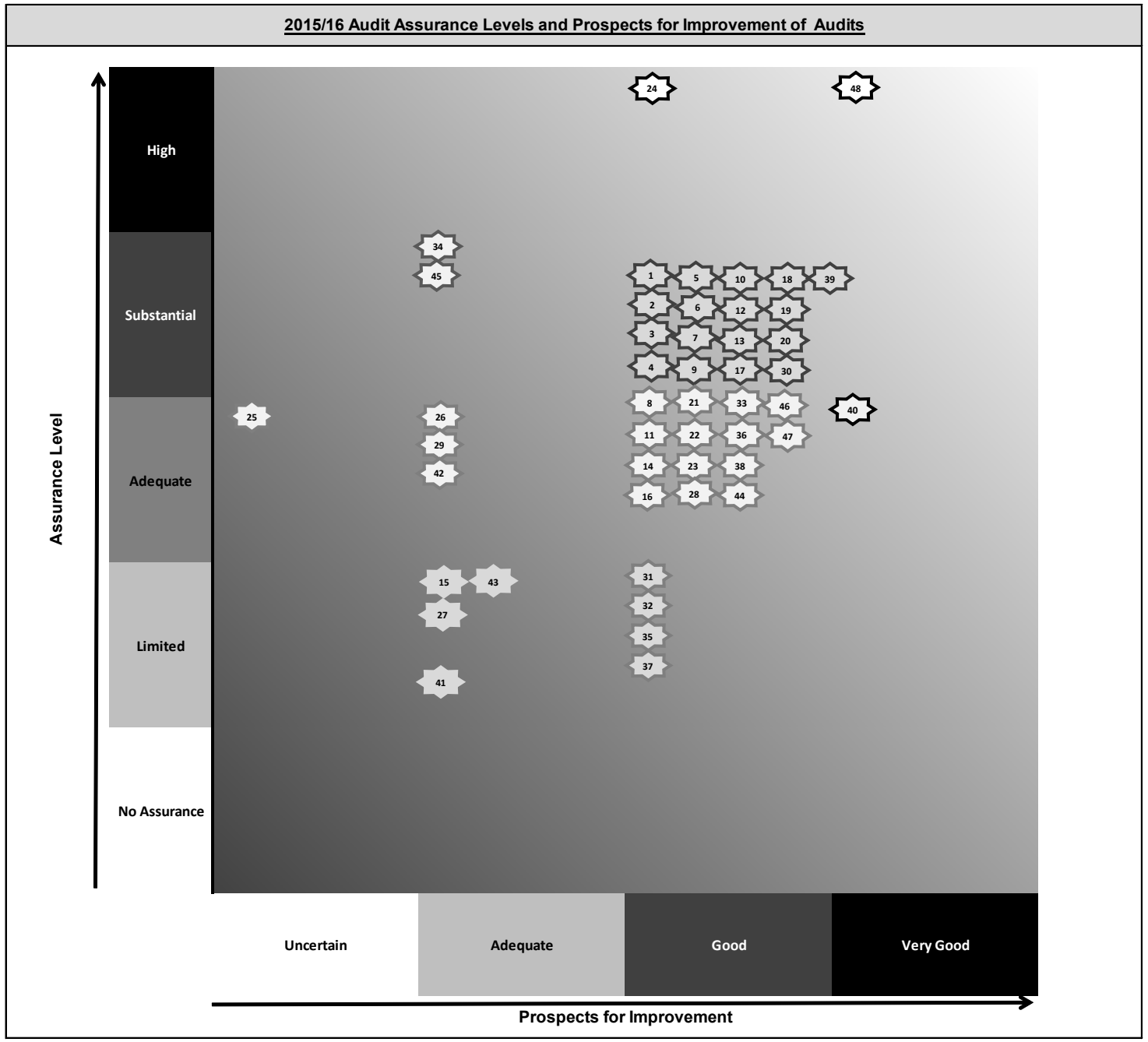
1.8. The counter fraud function has provided positive outcomes as detailed on later pages. In particular 120 irregularities have been recorded with a potential value of £1.5m.

1.9. 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

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

Table 1


2015/16 Audit Assurance Levels and Prospects for Improvement of Audits
High
Substantial
Adequate
Limited
No Assurance
Assurance Level
Uncertain
Adequate
Good
Very Good
Prospects for Improvement
24
48
34
45
1
5
10
18
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Audit Opinion September G&A Committee

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 January 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 April G&A Committee

No	Audit	Judgement	Prospects for Improvement
29	Public Health	Adequate	Adequate
30	Information Governance Toolkit	Substantial	Good
31	I.T Third Party Contracts	Limited	Good
32	Leaving Care	Limited	Good
33	Regional Growth Fund	Adequate	Good
34	Risk Management	Substantial	Adequate
35	Recruitment and Retention Incentives	Limited	Good
36	Settlements Agreements	Adequate	Good
37	Grants	Limited	Good
38	Financial Assesments Follow Up	Adequate	Good
39	Pension Contributions	Substantial	Good
40	Pension Scheme Administration	Adequate	Very Good
41	TFM Helpdesk	Limited	Adequate
42	Contract Extensions and Variations	Adequate	Adequate
43	Contract Management Themed Review	Limited	Adequate
44	SEN Assessments and Funding	Adequate	Good
45	Schools Financial Services	Substantial	Adequate
46	Payroll and Income in Schools	Adequate	Good
47	Section 17	Adequate	Good
48	Capital Finance	High	Very Good

Total Turnover Audited (£)	£2,516,812,978

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 January, 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	All accepted
Home Care contract	Adequate	Good	High: 1 Medium: 0	All accepted

3.3. We have no new completed work to report for this quarter, although an associated audit on consultations is at final reporting stages. We are also observers on the programme management groups of the 0-25 and Adults Phase 2 transformation projects.

3.4. As a reminder, our programmed work on the newly outsourced Contact Point service has been deferred to 2016/17 on the request of management.

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**	
Information Governance Toolkit	Substantial	Good	High: 0 Medium: 0	N/A
IT Third Party Contracts	Limited	Good	High: 1 Medium: 1	All accepted
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. The review of IT contracts mirrored the findings of our on-going contract management work (see below). Although individual contracts contain appropriate clauses relating to confidentiality and protection of data, the central contract register did not include most of the IT contracts reviewed, meetings with contractors are rarely, if ever, recorded and take up of contract management training to date has been poor.

Safeguarding

3.7. Safeguarding of vulnerable children and adults is a critical risk for the Council. We have undertaken the following work relating to services to vulnerable young people and adults:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
Leaving Care	Limited	Good	High: 2 Medium: 4	All accepted
Looked After Childrens (LAC) Finances	Adequate	Good	High: 0 Medium: 1	All 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. The Leaving Care service has been recently transferred from the voluntary sector and is experiencing a number of issues including recruitment problems at Area Manager level, deficiencies in local budget monitoring and certain financial controls relating to cash payments. We found a high proportion of 'Pathway Plans' for young people were out of date or incomplete and support plans for young people transferring to Adult social care did not always adhere to statutory

requirements. On a positive note, all cases reviewed had an allocated Personal Advisor and there is considerable evidence of management working to address shortcomings and re-design and simplify current processes.

3.9. Our Governance review of Public Health (see below) identified the need to strengthen quality assurance and monitoring including engagement and accountability. This issue clearly touches on elements of safeguarding risks.

Access to resources to aid economic growth and enabling infrastructure

3.10. The audit relating to RGF monitoring and management arrangements was completed in this period with the following outcome:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
Regional Growth Fund	Adequate	Good	High: 0 Medium: 3	All accepted

3.11. This report built on our previous work on applications for funding and focused on monitoring, loan repayments and arrangements to identify potential liquidations. Bearing in mind the inherent risks and nature of the companies involved we concluded that controls were well defined and operating satisfactorily. Currently actual repayments are running at 85% of target and liquidations represent 3% of defrayed funds over all schemes. Areas for improvement related to the need for consistent monitoring processes across the schemes supported by up to date process notes. The audit trail for monitoring reports to the relevant Cabinet Committee also needs strengthening.

Governance and Internal Control - critical systems and services

3.12. 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**	
Public Health : Departmental Governance	Adequate	Adequate	High: 2 Medium: 5	All accepted

Risk Management	Substantial	Adequate	High: 0 Medium: 2	All accepted
Recruitment and retention incentives	Limited	Good	High: 2 Medium: 1	All accepted
Settlement Agreements	Adequate	Good	High: 0 Medium: 2	All accepted
Grants	Limited	Good	High: 3 Medium: 2	All accepted
Financial Assessments Follow Up	Adequate	Good	High: 1 Medium: 3	All accepted
Capital Finance	High	Very Good	High: 0 Medium: 0	n/a
Pension Contributions	Substantial	Good	High: 0 Medium: 0	n/a
Pension Scheme Admin	Adequate	Very good	High: 1 Medium: 3	All accepted
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

3.13. In this cycle we are reporting on the first of our governance reviews within Directorates – in this case Public Health. Overall we found the Division displayed a clear and well-grounded vision for the future of Public Health across Kent and a number of successes and improvements have been achieved, particularly around commissioning. The deficiencies related to challenges in achieving cohesive team working which was a root cause to many of the improvement issues identified and if not resolved will impede the speed and effectiveness in achieving such improvements.

3.14. Our assurance work for risk management this year related to a review of the robustness of underlying Directorate risk registers that provide the foundations for the over-arching corporate risks. In relation to the Directorates examined we found the risk management and monitoring processes were robust with a good understanding displayed by staff. However there were isolated examples of incomplete registers and a number of situations where the sustainability of the risk registers was largely due to direct intervention from the corporate risk team.

3.15. We undertook two HR related audits, one relating to settlement (formerly 'compromise') agreements together with a review of the effectiveness of recruitment and retention incentive payments within Specialist Children's Services (SCS). In relation to settlement agreements we found that the £700k spent in the last three years had been subject to correct processes and value for money judgements (although these are not always quantified) and from our testing we found no evidence of such staff being subsequently re-employed.

3.16. Conversely the £ 2 million spent over the past 12 months on recruitment and retention initiatives did not outwardly demonstrate value for money. Both turnover levels and permanent staff occupancy rates have shown very little change since the introduction of the scheme. We found material inconsistencies in the application of a number of key controls and minimal action to undertake recoveries with breaches of 'Golden Hello' conditions. We understand the scheme is currently under review and management have been vigorous in rectifying the issues we have highlighted.

3.17. In relation to spending on grants we reviewed the £ 7.1 m spent to date in 2015/16. We found an inconsistent approach and generally poor controls applied to grants such that none of the schemes tested complied fully with expected controls making them susceptible to error and fraud (although it should be emphasised no incidences of fraud were found). A material proportion of grants we tested were in fact contracts used to commission services and had been incorrectly recorded. The Head of Paid Service has taken the issues seriously and in tandem with the Section 151 officer has commissioned a complete overhaul of current systems and controls.

Better Care Funding

3.18. We have undertaken no further work on BCF in the period, but as a reminder our assurance from our earlier 2015/16 audit was :

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
Better Care Funding	Adequate	Uncertain	High: 0 Medium: 3	All accepted

3.19. We have incorporated further follow up work into the draft 2016/17 plan.

Procurement and Contract Management

3.20. 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	
TFM Helpdesk	Limited	Adequate	High: 4 Medium:1	All accepted
Contract Extensions and Variations	Adequate	Adequate	High: 2 Medium:2	
Contract Management Themed Review	Limited	Adequate	High: 1 Medium:4	All accepted
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

3.21. The findings from these three audits (together with the third party ICT contract management) again highlight underlying weaknesses in the way contracts are managed in certain areas in the Council and that this continues to be a key risk.

3.22. The TFM helpdesk audit supported the findings from the overall TFM contract audit undertaken earlier in the year. Issues were identified that impaired contract performance such as miscategorised calls, unresolved open jobs and limited reporting including that to substantiate elements of billing. Since the audit was undertaken, contract management for two of the three TFM contract has changed and there is a new Head of Property Operations in post.

3.23. Combining the outcomes from both the contract themed review and the audit dedicated to contract variations has highlighted the need for further sustained improvements. In particular our testing of the corporate contract register found it to be effectively a 'voluntary' control with considerable non compliance in terms of contract recording. In sampling, one

in five contracts had been extended beyond the timescales specified in the contract and documentary evidence to substantiate consideration of value for money was not always available. Controls that might prevent these occurrences such as formal procedures and guidelines for managers covering contract extensions were not available and the take up of contract training is mixed, although further training is being rolled out in 2016/17.

3.24. These findings demonstrate the need for the corporate initiatives currently being taken to be fully supported – clearly we will be undertaking follow up next year to independently evidence planned improvements.

4. Other Audit Work A further 4 audits have been undertaken during this quarter:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
SEN Assessment and Funding	Adequate	Good	High: 0 Medium: 5	All accepted
Schools Financial Services	Substantial	Adequate	High: 1 Medium: 1	50% acceptance; management do not accept at present there should be a reduction in the RCT team to reflect the reduction in the number of schools.
Schools themed review - Payroll and Income	Adequate	Good	High: 0 Medium: 2	All accepted
Section 17 – Children's Payments (Follow up)	Adequate	Good	Previously: High: 2 Medium :5	Both high priority issues implemented. Inconsistencies remain with the 5 medium priority issues.

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. One of the more substantive audits completed in this quarter has been Special Education Needs (SEN) which costs the County Council £31m per annum. Overall we observed improvements in processes and controls governing both operational and budget issues with more enhanced management information. As a positive it is clear the needs of the child and families remain integral to assessments. Unfortunately the majority of files examined were missing elements of supporting evidence and information, there were material numbers of overdue reviews for independent placements and current delegated spending systems for independent school placements were in breach of Financial Regulations.

4.3. Our annual audit of the schools financial services returns and compliance team (RCT) concluded that there is effective monitoring practice and further improvements continue to be made. One value for money issue raised is that the number of schools has reduced by 20% over the last 4 years but with no commensurate reduction in the size or net cost of the RCT team, meaning that coverage has effectively increased with no evident corresponding increase in risk.

4.4. Our review of schools payroll and income systems involved visits to 19 sites and concluded that, overall, controls were effective but there was a general theme of a need to improve payroll authorisation at a number of schools

4.5. In 2014/15 we reviewed Section 17 payments systems – these are payments to children where there is effectively no recourse to other public funds and currently costs the County £550,000 per annum. In other parts of the country this has been an area prone to considerable fraud. This audit concluded controls were weak such that 'no assurance' could be given. Our follow up work has determined there have been some improvements in systems and control as both high priority issues raised have now been rectified including strong payment authorisation controls. However there are still

concerns with the 5 medium priority issues raised, in particular inconsistencies remain with authorisation forms and supporting documentation whilst there are still difficulties in tracing payments back to the main accounting system.

Establishment Visits

4.6. During this period we concluded our audits of a further 4 establishments, with the following outcomes:

Site / Centre	Assurance level	Directorate
Bewl Water (activities centre) Follow up	Adequate	EY
Swattenden (outdoor education centre) Follow up	Limited	EY
Swale Youth Hub	Limited	EY
Kent Mountain Centre Follow up	Adequate	EY
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

4.7. 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 Activity

4.8. Other audit activity in this period includes:

- Advice and input towards Broadband Development UK
- Advice on governance controls towards the setting up of future LATCo's
- Grant verification and certification work including Troubled Families

4.9. We also continue to diversify our work by offering a proportion of our services to other public sector related or associated bodies, including

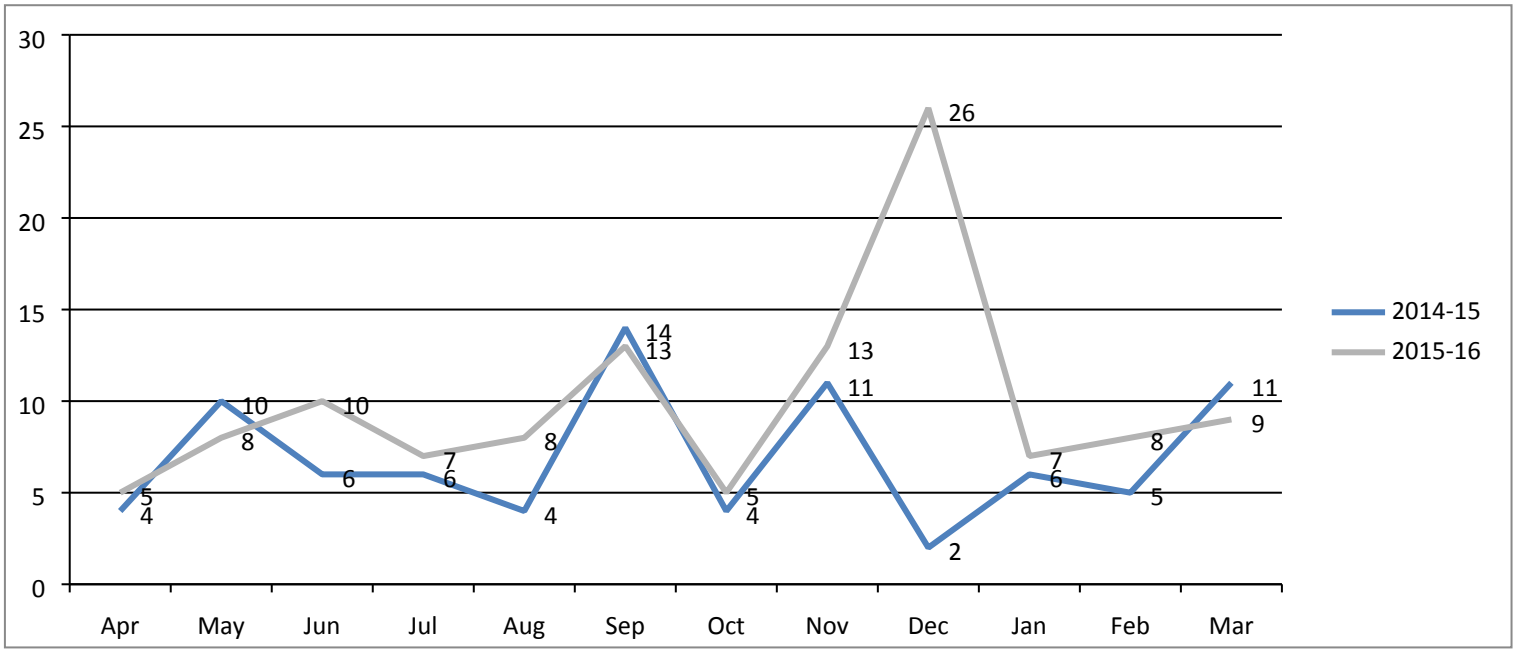
- Internal audit of Kent Commercial Services
- Appointed auditor to 13 Parish Councils
- Internal audit of Kent and Medway Fire and Rescue Service and Kent and Essex Inshore Fisheries and Conservation Authority
- A shared service arrangement for the management of the audit and fraud service at Tonbridge and Malling Borough Council

5. Counter Fraud and Corruption Fraud and Irregularities

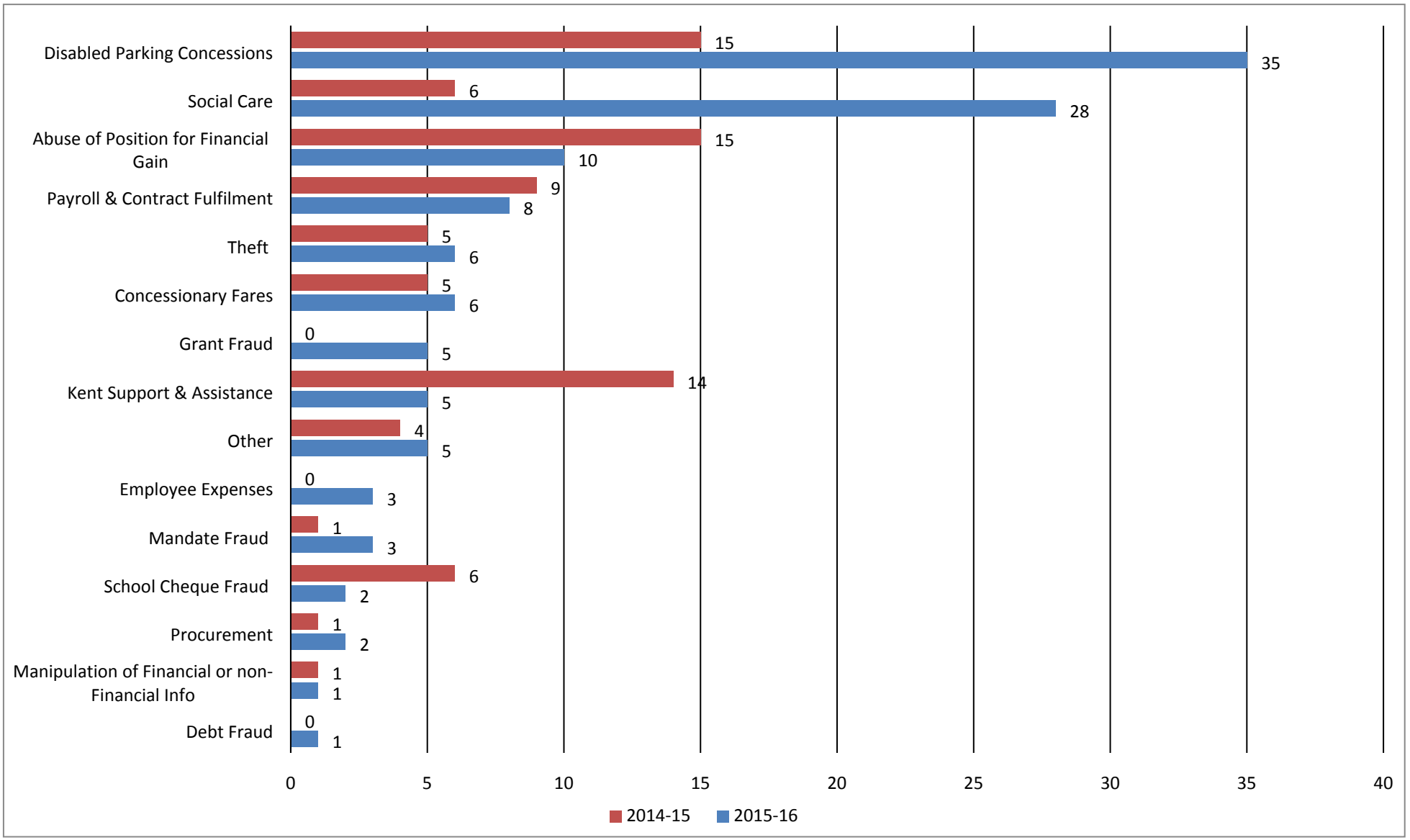
5.1. We have recorded 120 irregularities in 2015/16 of which 43 remain under investigation and 77 have been closed. The potential / notional value for these cases is £1.5m. This figure includes actual losses (from opened and closed cases) and prevented losses (where no actual loss occurred) and is skewed by a number of high value potential grant frauds.

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

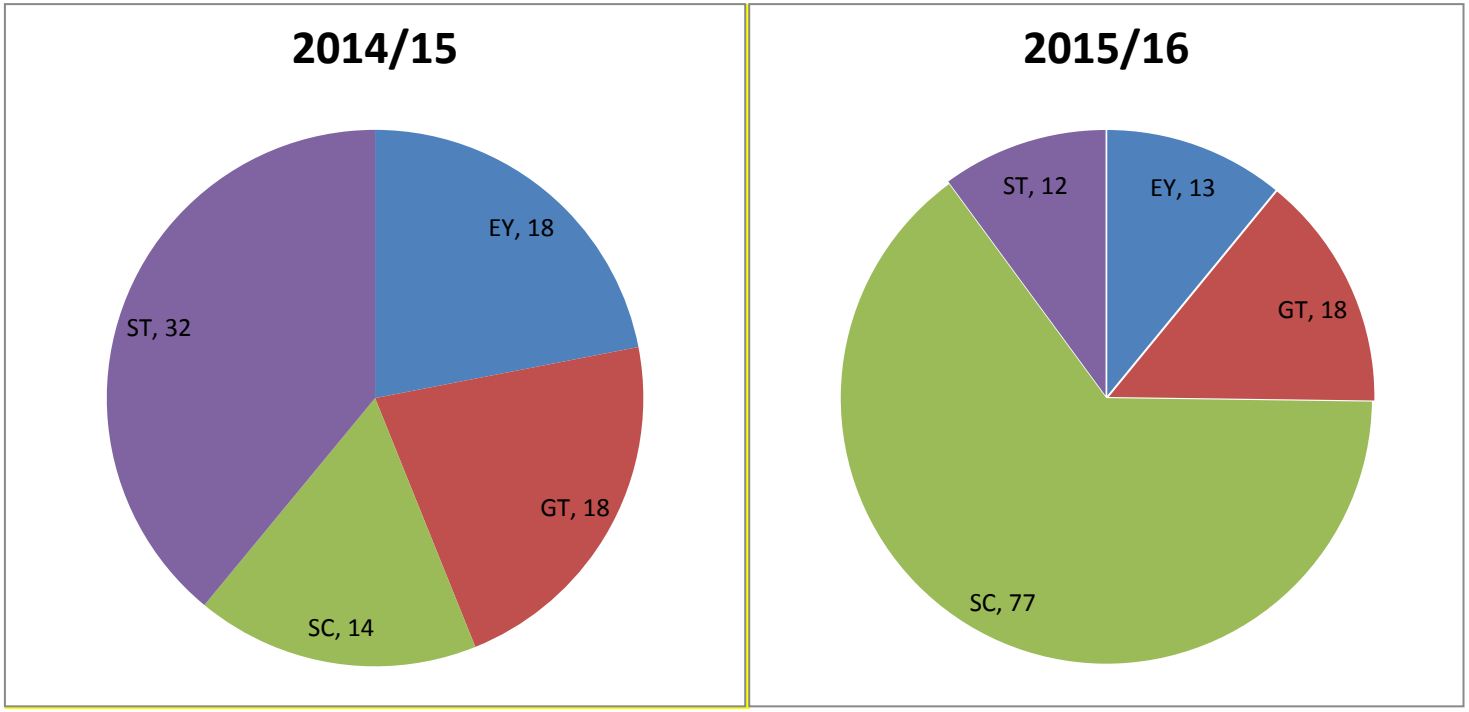
CF1 – 2014/15 & 2015/16 Irregularities



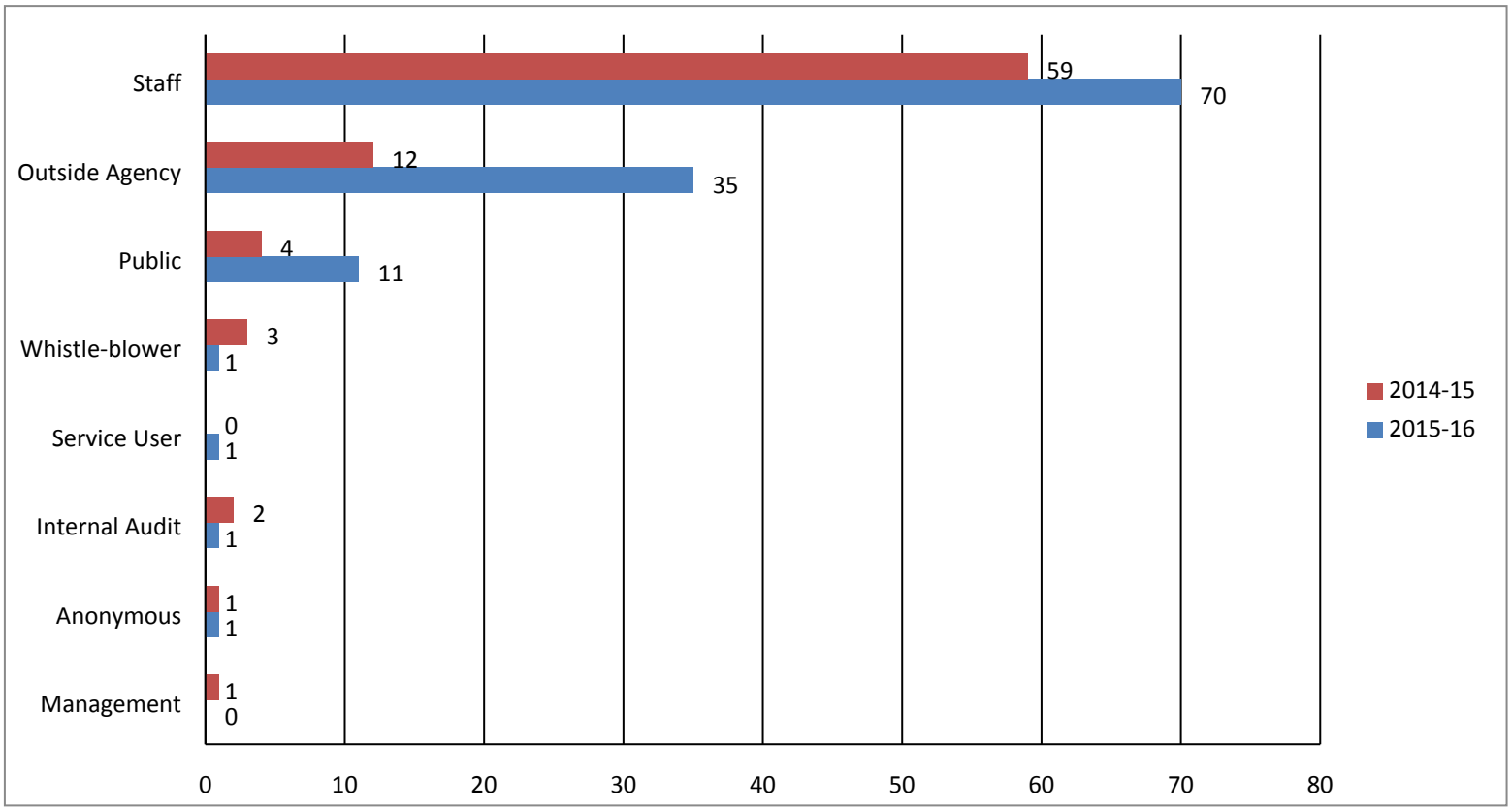
CF2 – Irregularities by Type



CF3 – Irregularities by Directorate



CF4 – Irregularities by Source



5.3. 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.

Kent Intelligence Network

5.4. We previously reported successfully applying for funding from the Department for Communities and Local Government (DCLG) in collaboration with District Council's and other public sector bodies across Kent to form the Kent Intelligence Network (KIN) which through data analytics is designed to tackle fraud and error by sharing and matching data. As a reminder this has the potential at the most pessimistic forecasts of saving £3.5 million per annum across the County.

5.5. Our progress to date with this project has been more difficult and time consuming than originally planned due to practical difficulties of co-ordinating 14 different bodies as well as resolving data protection issues. As previously reported we have procured the data analytics in October 2015 and staff are fully trained. We have also entered agreements for further data matching with other agencies. The Charity Commission has also expressed an interest in working with us to deter false statutory and discretionary business rate charitable relief awarded across the County.

5.6. As at the end of March we still await final agreement to protocols from the District Council's to allow the commencement of formal data matching. We are hopeful this will start by July 2016

6 Follow Ups

6.1 With the exception of specific follow up audits of activities detailed above we have not undertaken any wholesale follow up activity in this period. Such all–embracing follow up work will take place in the next 6 weeks and will involve a new process whereby Directorates self-evaluate their responses and progress against agreed audit issues and which will then be subject to independent checking by ourselves. These results will be brought to the July meeting of this Committee.

7 Work in progress and future planned coverage

7.1 Appendix C 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:

- Consultations
- Kent Resilience Team

- Adult Safeguarding
- Corporate Governance
- Member expenses (follow up)

7.3 For the remainder of the year we have a number of substantive audits which are works in progress including

- Input towards the Annual Governance Statement
- Adoption
- Children with Disabilities
- Deprivation of Liberty Assessments (DOLS)
- Autism
- Expenses Follow Up
- Performance Management and KPI review

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 end March**	**Actual**
Outputs		
100% of Priority 1 audits completed	100%	90%
50% of Priority 2 audits completed	50%	55%
Time from start of fieldwork to draft report to be no more than 40 days	100%	54%
No of fraudulent incidents / irregularities recorded	N/A	120
Outcomes		
% of high priority / risk issues agreed	N/A	99%
% of high priority / risk issues (fully) implemented	N/A	To be reported next meeting as part of formal follow ups
% of all other issues agreed	N/A	92%
% of all other issues implemented	N/A	To be reported next meeting

		as part of formal follow ups
Client satisfaction	90%	91%
Value for money savings identified to date	N/A	£238,000
Total Number of occasions in which a) Fraud and b) Irregularity were identified		 56 21
Total monetary value detected of (a) Fraud (b) Irregularity		 £102,341 £945
Total monetary value recovered of (a) Fraud (b) Irregularity		 £81,168 £482

9 In Conclusion

9.1 We are satisfied that over the past 11 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.

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

9.3 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 January – March 2016

Public Health

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The Division displayed a clear and well-grounded vision for the current and future provision of Public Health across Kent which appears measured and appropriate for the risks and future challenges to be faced. A number of individual successes and service improvements have already been achieved.

What was less clear was the ability to act as a cohesive team to jointly own, manage and deliver on these forward plans. It is evident that improvements will be achieved at a quicker pace with risks more effectively mitigated if differences across the team are resolved and goals and plans are integrated and jointly owned.

The weakening of controls in areas such as performance and quality monitoring as a result of these tensions are of particular concern.

Strengths

- A clear strategy and vision embraced in an up to date business plan.
- Future direction in the Transformation Plan is based on sound principles.
- Top level Member led governance is good.
- Good challenge and iteration over KPI's which generally show a positive direction of travel despite a number of targets in service areas being missed.
- Constructive partnerships with external stakeholders and commissioners.
- Strong improvements in physical commissioning including the
- Quality assurance management systems are still evolving and engagement in the Quality Board has been poor. Some key staff do not recognise that they have an integral role to play in quality monitoring. Such weaknesses in quality assurance monitoring pose potential risks to the public and ultimately reputational risks to the Council.
- Transformational improvements are taking place at varying speeds with elements not linked to clear project plans.
- Mixed recognition and ownership of the change and transformation agenda amongst some key staff.
- Absence of a master plan to integrate all the proposed changes and enhancements across the Division.

Prospects for Improvement

Our overall opinion of Adequate for Prospects for Improvements is based on the following factors:

- Cohesive team working which is a root cause to many of the areas for development still remains a challenge to be resolved.
- After 3 years, more progress needs to be made in embedding quality management systems.
- Diverse plans for improvement across the Division are not yet integrated into a master plan.
- Absence of dedicated material resources and expertise to drive the transformational plans forward.
- Failure to delineate transformational change from business as usual operations may pose risks.
- The foundations for the transformation plan for discretionary services are rooted in good practice.
- Positive track record and credibility over managing recent grant funding reductions.
- Evidence of a track record of continuing improvements in selected areas from commissioning to the substance misuse (former KDAAT)

replacement of traditional block contracts with more focused activity based models.

- Robust financial controls and a proactive approach to current and future budgetary reductions.
- Transformation plans and principles have been effectively communicated to external stakeholders.

Areas for Development

- An urgent need to improve cohesive working across the Division and resolve issues over cultures, personalities, roles / responsibilities and expertise. Issues of accountability at senior levels also need to be resolved.
- Inconsistent application of key elements of the commissioning cycle, more particularly initiation and feedback / performance quality monitoring elements where there is often a lack of clarity between Public Health consultants and commissioning team responsibilities.

service.

Summary of management responses

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

Information Governance Toolkit Compliance Review

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

The Information Governance Management Framework sets out roles and responsibilities for Information Governance. This is supported by a comprehensive suite of policies. In addition to legal and regulatory compliance, the council is required to meet the annual certification requirements of the Public Service Network for all information classified as OFFICIAL and achieve a 'satisfactory' assessment against the requirements of the NHS IG Toolkit.

The current Local Authority version of the NHS IG Toolkit (v13) requires a single submission for all relevant services by 31 March 2016. Other than EY Early Help and Preventative Services, these services sit within the Social Care Health and Wellbeing Directorate.

Information Governance audits are conducted annually with a cyclical review of key areas.
The most recent audit was carried out in Q4 2014/15 and was given a Substantial opinion.

At the time of our audit fieldwork, evidence was in the process of being reviewed and uploaded onto the Toolkit, and hence we were not able to assess its completeness in line with our original audit scope. Instead, and by agreement with the Corporate Information Security Officer, we interviewed key business representatives to discuss the processes that they have in place to demonstrate compliance with the IG Toolkit requirements.

Our assurance opinion of Substantial is based upon the following strengths and areas for development in relation to IG arrangements:

Key Strengths

- The Corporate Information Security Officer works closely with business areas to ensure that their processes satisfy the requirements of the IG Toolkit and other key IG legislation.

Areas for Development

- Although not a specific requirement until 2016/17, the Code of Practice on Confidential Information will require more explicit purpose statements regarding the purpose for use of personal information and the right of the public to object. Work is on-going to formalise these statements but is not yet complete. No issue is raised, but we encourage that statements be completed ahead of next year's submission.

Prospects for Improvement are assessed as Good due to the following factors:

- It was evident from discussion with the Corporate Information Security Officer that processes are continually evolving and the profile of Information Governance is being promoted effectively.
- One agreed action from the 2015 report (relating to standard operating procedures for Information Sharing Agreements) remains outstanding and its target implementation date is now revised to 30/6/2016

Summary of management responses

No new issues have been raised in this review.

Review of Third Party ICT Contracts

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

This audit reviewed controls over the management of contracts where third parties might have access to KCC data, and whether such contracts adequately protect the confidentiality and security of data. Eight such contracts were initially selected to comprise our sample, however one of these was dropped during fieldwork because early discussion identified that third party access was not applicable.

Our limited audit opinion is based on the following strengths and areas for development, which were generally consistent across the contracts reviewed.

Strengths

- For six of the seven contracts sample tested, we were able to obtain a copy of the contract.
- A Contract Manager was in place for each contract.
- Contract Managers were aware of their responsibilities and met regularly with their counterparts.
- All the contracts reviewed included clauses to address the confidentiality and protection of data.
- ICT has a Request for Access (RFA) process which restricts third party access to internally hosted applications / data for a defined period.

Areas for Development

- The corporate contracts register needs to be updated to hold key information relating to all contracts above the specified threshold.
- Reliance is placed on the experience of individual contracts managers, and contract management processes were inconsistent.
- Contract management meetings are rarely, if ever, documented.
- A contracts management training course is available, but only one of the contract managers we interviewed had attended.

Prospects for Improvement are considered to be good due to the following factors:

- There are plans for the Strategic Business Development &Integration team (SBDI) to have an oversight role in contracts management.
- Contract management training is being rolled out further during 2016/17.

Issues and management responses

This review had some overlap with the audit of 'Contracts Management Themed Review' and some of the agreed actions from the Contracts Management Themed review also address the issues identified in this ICT Contracts review. As a result, no new issues have been raised in this report, although three of the issues from the Contracts Management Themed Review have been repeated in this report with additional management actions agreed where appropriate.

Leaving Care

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

The aim of the audit was to provide assurance that the transition from the voluntary sector has taken into account all key risks and statutory requirements and that the current service is fit for purpose and has good prospects for further improvement. This includes assessing the actions taken to ensure that safeguarding, legal, financial and performance risks are effectively managed in order to meet service and corporate objectives.

The gross budget for the service is £5.5 million and the current caseload is 1007 (January 2016 data).

The transfer of the Leaving Care service back in house was not without issues. Nevertheless, all cases we sampled had an allocated Personal Advisor who demonstrated a good understanding of the issues facing individual young people, and a pathway plan in place. Unfortunately the service is under considerable pressure including high caseloads and one area did not have a team manager for four months in 2015. This has had inevitable quality consequences. We found shortcomings with approximately half the documented pathway plans, including instances where they did not cover all statutory requirements or did not address the current risks and issues. There were also issues with budget monitoring information. Management are taking actions to address the majority of these issues.

Strengths

- The Care Leavers Policy is comprehensive and up to date.
- The integrated Leaving Care team was delivered on schedule in December 2014, covering both indigenous and UASC care leavers.
- Personal Advisers interviewed were familiar with the requirements

Areas for Development

- Approximately half of Leaving Care pathway plans we reviewed from the SCS Leaving Care teams were out of date or incomplete
- Support Plans produced for young people transferring to Adult Social Care rather than the SCS Leaving Care teams did not always include the statutory requirements for pathway plans.
- The measured outcomes for care leavers in terms of the numbers engaged in education, training and employment are currently not meeting the target that Kent has set and is below the national average. Although data quality issues have been identified and are being addressed they do not account for all of these issues.
- Discussions with staff in the Leaving Care teams (including former "Catch 22" employees, members of the previous UASC team and new starters) identified some issues with integrating the teams and cultures.
- Budget monitoring for Leaving Care has been limited. Work is on-going with the Revenue Budget Monitoring team to fully understand and model the costs for the Leaving Care service and facilitate robust budget monitoring for 2016/17.
- There has been difficulty recruiting permanent staff at team manager level (there was no team manager in East Kent for four months in 2015) and high case loads have been raised as a concern by a number of Personal Advisors.
- We were not provided with evidence of regulatory property inspections for nearly half of properties in our sample.

Prospects for Improvement

- Good understanding of the key issues facing the service and measures in place to address these, including recruitment of additional Personal Advisers to reduce caseloads.
- Positive response to issues raised as a result of the audit and commitment to take timely action.
- Commitment from managers and Directors to improve the quality of

of the Care Leavers policy and were able to provide practical examples of how they implemented this in practice. They demonstrated detailed knowledge of their cases in interview.

- All young people in our sample from the 18+ teams in SCS had a pathway plan recorded on Liberi.
- Where care leavers were not engaging with the service, there was evidence on file that Personal Advisers had tried to maintain contact using a variety of means.

the service. This is recognised as a priority for 2016/17.

- The position of the service within the SCS structure is due to change to align it with the rest of Corporate Parenting.
- Processes are being re-designed to simplify the maintenance of pathway plans.
- Our perception is that some existing staff are demotivated due to a decrease in post grading at the same time as increase in workload.

Summary of management responses

	Number of issues raised	**Management Action Plan developed**	**Risk accepted and no action proposed**
High Risk	2	2	
Medium Risk	5	5	
Low Risk	1	1	

Regional Growth Fund

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

The overall objective was to provide assurance that the monitoring arrangements for all RGF schemes are appropriate and in line with the requirements of the Department of Business, Innovation and Skills (BIS) and Kent County Council (KCC). We assessed the adequacy of controls over the monitoring of objectives/outcomes, repayment processes and procedures, and the arrangements for dealing with companies in liquidation.

The RGF was last audited in November 2015, covering the processes and controls over applications, assessments, approvals and payments. An adequate assurance opinion was given. The management actions proposed at that time to deal with the issues identified have mostly been implemented. This audit concentrated on monitoring, loan repayments and liquidations and found that the controls are well defined and generally operating satisfactorily.

Strengths

- The records and filing systems are well documented and information concerning the administration and monitoring of loans was available and accurate.
- Repayments are well managed with a defined follow-up process for late payments. Site visits have been incorporated into this process at an appropriate stage. The records are accurate and easily available.
- Efforts are made to identify when a company is experiencing difficulties and contact is made to ensure that the company is aware of what assistance is available. Where appropriate, revised repayment arrangements are negotiated and these are appropriately authorised.
- Other assistance in the form of 3rd party consultancy is provided to review business progress and assist with rescue plans where appropriate.
- Lessons Learned logs on individual company liquidations are now prepared.
- There has been close co-operation with Internal Audit on a number of cases where further investigation was required.
- Bearing in mind the inherent risks within the companies funded an 85% repayment and 3.3% liquidation level to date is good.

Areas for Development

- The procedure and process notes for monitoring, repayments and liquidations need updating to ensure that a consistent approach is adopted throughout all schemes. This should include a review of the differences in processing monitoring reports to understand why one of the schemes (Expansions East Kent) has a significantly lower return rate.
- The monitoring checklists in use vary from scheme to scheme and need to be consolidated to make use of the best characteristics in one form. The RGF are trialling different approaches and therefore the checklists will vary until the pilot has reached a conclusion.
- The data used to reconcile information used in the Economic Development Cabinet Committee Report is collated at a specific date from monitoring returns which continue to be updated as more information is received. A copy of the data as at the reporting date is not retained and therefore we are unable to confirm the accuracy of reporting to the Cabinet Committee.

Prospects for Improvement

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

- The RGF Team is receptive to feedback and has demonstrated continued process improvement.
- The arrangements made and lessons learned from administering these schemes has informed improvements to the existing schemes and will inform new schemes to be introduced later this year for the re-allocation of monies already repaid.
- Overarching lessons learned from all liquidations to date have yet to be collated.

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

Risk Management

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

The aim of the audit was to provide assurance that the Council has adequate and robust risk management arrangements in place to support delivery of objectives and the Annual Governance Statement, and particularly that corporate risks are underpinned by robust risk management processes at lower levels.

The report includes a summary of actions taken following last year's audit and also identifies a number of themes from this year's audit. We have fed back on specific issues to the relevant divisions and the Corporate Risk Manager.

Strengths

- There are monitoring and reporting processes in place for risk management across the Council at Corporate, Directorate and Divisional levels.
- There was a good understanding of risk management across the divisions and teams we met with.
- Although some gaps were identified in divisional risk registers, the majority of information was up to date and there was an officer responsible for monitoring risk within each of the divisions we tested.
- Progress has been made on issues identified in the previous year's Risk Management audit, with three of the five issues now fully addressed.

Areas for Improvement

- Two of the five issues identified in the 2014/15 audit are not yet fully resolved (risk appetite and control descriptions) despite action being taken by management..
- A number of risk registers were not complete and there were some discrepancies in the information provided, for example actions being taken to treat a risk despite the current risk level matching the target level.
- The level of support required from the Corporate Risk Team varied from team to team. In one instance the sustainability of the risk management systems was largely due to direct involvement from Corporate Risk.

Prospects for Improvement are considered to be Adequate due to the following factors:

- The Corporate Risk Team have taken actions over the past year to address issues raised in the previous audit.
- Despite these actions two issues have not been fully resolved and some teams still lack the expertise or understanding of risk appetite or how to provide comprehensive control descriptions to mitigate risks.
- The capacity of the Corporate Risk Team is such that it can only undertake monitoring of the underpinning risk registers and meet with all services on an occasional basis. The risk team are providing extensive support to one Directorate which indicates issues with longer term sustainability. We noted that the support offered was clearly valued and necessary
- Actions have been agreed with the Risk Management team and further work is being undertaken to disseminate key messages.

Summary of management responses

	Outstanding issues from 2014/15 audit	**Management Action Plan developed**	**Risk accepted and no action proposed**
High Risk	0	0	
Medium Risk	2	2	
Low Risk	0	0	

Recruitment & Retention Incentives

Audit Opinion	Limited
Prospects for Improvement	Good

KCC has a Market Premium Policy for the recruitment and retention of staff to certain roles. The policy outlines KCC's approach to the payment of market premia as a way of ensuring the authority can attract, motivate and retain appropriate staff. A Market Premium payment is an addition to salary.

The focus of this audit was those market premia applied to roles within Social Care.

The level of spend on agency workers in social care is high and in order to reduce this spend and maintain a stable workforce to provide continuity with clients, there are now incentives to aid the recruitment and retention of certain staff. There has also been a national shortage of children's social workers.

A 'Social Worker Market Premium' was introduced from December 2014 to ensure that there was a competitive reward package in place to enable Kent County Council to recruit and retain staff in critical and demanding roles and teams. Social Workers and Senior Practitioners in particular teams are eligible for market premium payments. The total of incentive payments made to date is in excess of £2 million and the majority of this relates to Specialist Children's Services Social Workers.

Strengths

- Indemnity forms have been completed for all staff that had received a Golden Hello payment.
- All social worker retention payments were appropriately authorised through Oracle self-service.
- The effectiveness of the schemes to date was been reported to the Children's Social Care and Health Cabinet Committee in January 2016.

Areas for Development

- Staff who receive a golden hello and leave KCC within 2 years are not being requested to pay back the money, despite having signed indemnity forms.
- Policy and procedures need clarification on whether market premium payments are pro rata relating to staff that work reduced hours.
- It is unclear whether car allowance payments should be included in contracts of employment and there is currently inconsistent practice.

Prospects for improvement are considered to be good based of the following factors:

- A review of the incentive schemes in SCS is planned.
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.

Summary of management actions & progress

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

Settlement Agreements

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

The aim of the audit was to provide assurance that the use of settlement agreements for staff leaving the Council, and the disciplinary or other process supporting those, is appropriate and authorised.

There are good processes in place to manage settlement agreements and these are followed consistently. Some minor areas for improvement were identified, see below:

Strengths

- Policy and guidance is in place and available to the relevant officers.
- Correct processes are followed for any disciplinary action proceeding settlement agreements and alternative courses of action are being considered.
- Settlement agreements are signed off correctly by the claimant, their independent legal advisor and Legal department.
- Settlement agreements are held on employee's personnel files.
- Value for money is considered and appears to be achieved through the use of settlement agreements.
- None of the employees in the sample had been re-employed by the Council.

Areas for Development

- In 90% of our sample value for money was not quantified at time of settlement agreement.
- The settlement agreement retention period is not included in the document retention schedule and not all settlement agreements were included on the HR record of agreements.
- One instance was identified where payment was made to an employee without authorised settlement agreement on file.

Prospects for Improvement are considered to be Good due to the following factors:

- The Council responded promptly to changes in legislation in 2013
- The settlement process has been actively communicated
- Issues have been agreed and actioned by management

Summary of management responses

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

Local Grant Schemes

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

The audit review highlighted that there is an inconsistent approach within the authority to the administration and awarding of grants. None of the grant schemes we tested complied fully with all of the expected controls, although two schemes were meeting most of the requirements (Member Grants and the Low Carbon Plus Project).

As a result of the inconsistent practices, some of the local grants schemes that are funded and administered by KCC are potentially susceptible to error and fraud and improvements in the application, award and monitoring processes are required. In addition, data published in accordance with the statutory Transparency Code is currently inaccurate. It is important to state that we did not identify any instances of fraud during the course of the audit; however failing to detect fraud in a random sample is not unusual and this should not be taken as an indication of a low fraud risk.

We did find areas of good practice that could be introduced across the authority to ensure that the process of applying, awarding and monitoring grants is better controlled and more consistent and have highlighted an example from the Low Carbon Plus Project.

Strengths

- A Voluntary and Community Policy is being implemented and will seek to standardise the grant process within the next two financial years (the delay is due to the phasing out of existing grant

- There is no complete and accurate record of all locally administered grants within the authority.
- Five payments (29%) were not subject to a formal application process.
- Seven payments (40%) were related to grants that have been awarded on a rolling basis over many years without a formal re-application process from the original end date, or
- Three payments (17%) were made without a formal grant agreement and a further three payments did not have a signed agreement.
- Nine of the payments did not have a separate and clear process for decision makers to record any declarations of interests, and therefore relied on the arrangements set out in the Kent Code.
- Five of the sample did not have formal records of the grant decision making process.
- Two of the grant agreements did not specify that outcomes would be monitored.
- Four grant agreements were not monitored adequately.
- We identified five payments where monitoring information was not sufficiently detailed to explain grant expenditure and in some cases, no scrutiny of this information was undertaken by grant administrators.
- There is evidence that there is incorrect grant data published to support the requirements of the Transparency Code.

Prospects for improvement

We have assessed the prospects for improvement as good because of the

arrangements). The policy provides a clear strategic approach for future grant funding arrangements; compliance with the principals of this policy will improve grant administration.
- There is an established grant payment process in place which is utilised appropriately.
- Grant applications tested met the required criteria and were correctly completed.
- We found that grants were awarded to genuine organisations and/or charities in all cases we tested. Furthermore, the organisation and/or individual applying for the grants were eligible to make an application in accordance with the individual grant criteria.

Areas for Development

We initially sampled 33 payments across the Directorates. 16 of these payments were in fact related to contracts or there was insufficient information to complete our testing. Out of the remaining 17 payments understood to be grants we found that:

following factors:

- A new authority wide grant framework has been established within the Voluntary and Community sector policy. Future awards will need to meet KCC's three strategic outcomes with future plans to integrate and standardise grant applications centrally. Adoption of this policy across the Council will improve administration and outcomes and reduce the fraud risk profile.
- There were areas of good practice that could be shared within the authority.

There is currently no central control or responsibility for grants; hence we reported our findings to the Head of Paid Service and Corporate Director of Finance and Procurement. As a result it's leading on a corporate wide overhaul of systems.

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	2	2	0
Low Risk	0	0	0

Financial Assessments Follow Up

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

The overall objective of the audit is to provide assurance that procedures and processes that are in place ensure the accurate assessment of client's contributions towards the cost of their care. This included testing that the issues identified in the Income & Assessment Unit – Financial Assessments audit in 2015 have been implemented.

The service has transferred to the Business Service Centre since the previous audit. A review of performance monitoring arrangements and the procedures for deferred payments (post the Care Act) identified that the system of control is sufficiently sound to manage key risks in these areas.

Our follow up audit has identified that management have acted on the three medium priority issues raised at the original audit. However, implementation of two of the issues requires additional attention.

Strengths

- Financial Assessments are processed promptly, with performance currently exceeding the 85% KPI for completing referred cases with SWIFT provision within 15 days.
- There is robust scrutiny of the monthly performance indicators by Financial Services.
- Successful implementation of the changes required to the deferred payments process by the Care Act 2014.
- The number of deferred payment cases awaiting a legal charge on property is relatively low and these are being progressed appropriately by Legal.

Areas for development

- Although a quality review process has been put in place, it is not focussed on the impact of an errors or missing information on the accuracy of the assessments and the outcomes are not reported.
- Assessors are still not consistently fully completing FAF's and not all the documents that have been used as evidence are recorded or kept.
- The explanations provided where performance indictors do not meet target levels are not always sufficient.
- Current work monitoring relies on excel spreadsheets and is not linked to the source systems (SWIFT and Oracle).

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

- Management are exploring more automated ways of monitoring the timeliness of completing assessments.
- It is hoped to make processes more joined up with systems (SWIFT / ORACLE) and move away from the current Excel spreadsheets used to manually log the referrals and to compile the performance indicators.
- The Financial Assessments are completed by a team who have demonstrated the knowledge and expertise of the process.
- Action has been taken on the previous issues identified, but there is a need to consider the effectiveness, outcome and reporting of changes that are made.

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	0	1

Pensions Contributions

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

The overall opinion is based on sample testing, review of documentation and interviews with key officers, which identified that controls are operating adequately and effectively. Based on the sample of transactions tested we are satisfied that there is an adequate system of control in place to ensure contributions are being correctly calculated (based on pensionable pay) and paid into the Pension Fund.

Strengths

- Detailed and up to date policies and procedures are in place.
- Contributions are calculated based on employers' pensionable pay and at the correct percentage rate.
- Controls within the pension contribution monitoring workbooks identify any differences between the expected employer contributions and the payments received.
- Reconciliations with Oracle are performed monthly.

Areas for Improvement

- Recognise multi–academy trusts as employers in the Fund and ensure the system can manage the establishment of new academies and their movement between trusts.
- Keep the current Excel spreadsheet based system under review to ensure it can continue to support the increasing number of employers in the Fund.
- Explore other options for recording employer contributions including greater use of the Pension Fund website.

Prospects for improvement are Good due to:

- Appropriate action plans have been developed in response to the issues identified from our audits.
- Management are preparing for the upcoming valuation as at 31 March 2016 and implementation of new employer rates from 1 April 2017.
- The systems in place have been developed in-house based on Excel spreadsheets which may not be appropriate if the number of employers in the scheme increases significantly. Management are fully aware of this and are making appropriate plans.
- Pension contributions are processed, monitored and reconciled by a small team who have a good understanding of their role and processes. However, succession planning is required.

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

Pension Scheme Administration

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

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK with over 4 million members. It is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972.

The Scheme is administered locally through 90 regional pension funds. The Kent Pension Fund is one of these regional pension funds and is administered by Kent County Council. The Kent Fund has approximately 36,000 pensions in payment. As of March 2015 the value of the Kent Fund was £4,539 million.

LGPS 2014 was introduced in April 2014 after changes to pension legislation. The new scheme operates on a Career Average Revalued Earnings (CARE) basis and affects contributions made after 1st April 2014.

Strengths

- Accurate calculations and processing is evident across the Pension Administration section and this is ensured through an internal checking system.
- A training structure is in place to ensure that those who carry out checks are suitably experienced.
- Payments are appropriately authorised.
- Annual Benefit Illustrations are produced for all relevant active members.
- New KCC employees are automatically enrolled in the pension scheme.
- Validation exercises are carried out to ensure the accuracy of data held for each new joiner.
- Scheme member's retirement instructions are followed accurately.
- Scheme members are made aware of potential pension scams when transferring their benefits out of the Kent Pension Fund.
- Transfers in and out of the scheme comply with LGPS regulations and scheme rules.

Areas for Improvement

- There is a backlog of work, impacting the timely processing of concurrent, aggregation, deferred benefits and refund cases.
- Paper records are not stored securely.
- Uncertified photocopies of documents to verify date of birth are accepted.
- Documents scanned on to scheme member records are inconsistent in quality, with some being illegible.
- Evidence used in the collation of KPI data and the annual data review exercise is not retained and we were therefore unable to confirm the accuracy of reported KPIs.

Prospects for Improvement are considered to be Very Good based on the following factors:

- There is an action plan in pace to address the backlogs of work, although this may take some months for some areas (for example guidance is awaited on the aggregation of benefits).
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.
- The Pension Administration system has recently been updated.

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	0	1

Total Facilities Management Helpdesks

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

The aim of the audit was to provide assurance that all property calls are accurately logged, appropriately responded to within the agreed service standards and that any costs incurred are in line with contract terms.

It should be noted that since the audit was undertaken, the management of two of the contracts has changed and there is a new Head of Property Operations in post.

Each of the three Helpdesks operates a function to process incoming tasks and complaints under the TFM contract. However, issues have been identified which impair contract performance such as miscategorised calls, unresolved open tasks and limited information for KPI monitoring and reporting. There was an incomplete audit trail for some billing reports provided by the Helpdesk which means that we could only review certain elements of the cost section.

Strengths

- A number of tasks sample tested were correctly categorised and the agreed response times were met.
- All three Helpdesks had a policy for complaints handling.

Areas for Improvement

- One Helpdesk does not use the full range of categories to log calls, including the 'A' category which is required for urgent jobs which impact on health and safety, security or business continuity.
- Two contractors were using a 'J' code, which is outside the service specification and does not have a target response time associated to it within the contract.
- We identified a significant number of incorrectly categorised calls across all three Helpdesks.
- Call waiting times are not comprehensively monitored and there was a lack of information for KPI reporting purposes.
- Calls which remain open beyond the agreed response times are not monitored by two of the Helpdesks.
- Repeat requests are not monitored or reported. The KPI measure for this performance indicator was not fully understood in some cases.
- Two of the Helpdesks had a significant number of complaints processed outside the agreed timescales and records of complaints logged could not be located at the other Helpdesk.

Prospects for improvement have been assessed as Adequate because of the following factors:

- Contractors did not have a sufficient understanding of KPI's during the audit, specifically Repeat Requests.
- Issues raised within the audit have been acknowledged by the Contractors and TFM contract managers however, full action plans have yet to be reached for some of the issues raised for one contractor.

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

Contract Extensions and Variations

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

Kent County Council enters into large numbers of contracts for service delivery. The amount spent over the lifetime of the contracts logged on the Kent Business Portal is approximately £2,074m and there are further contracts in place which are not centrally recorded (such as those valued at under £50k). Contracts may be entered into on behalf of the County by commissioning teams within directorates as well as by individual officers who are supported through the contract tender and letting process by the Procurement team.

The contract managers for the contracts selected for testing were all able to explain the rationale for the extension, although this was often not well documented. However, we found that the extensions for 3 of the 15 contracts sampled were not compliant in some form. There were also concerns with the approval of contract extensions, with no evidence of approval being available for 2 of the sampled contracts. For our sampled contracts, we established that contract variations were generally appropriately documented and approved.

Strengths

- In all cases reviewed, officers were able to explain the rationale for extensions and these were reasonable.
- Contract variations were appropriately approved.
- In two instances although contracts had been rolled forward for a number of years, action had been taken more recently to enter into a new contract via a single source justification.

Areas for Improvement

- There are currently no formal procedures or guidelines for contract managers covering extensions and variations.
- 20% of the contracts in our sample have been in place and rolled forward for several years beyond the contract specification.
- There was not always documentary evidence to support the reasons for contract extensions, such as market analysis and formal consideration of value for money.
- One contract extension exceeded the authorisers limit and another instance the contract manager was unable to provide evidence of approval.
- The 'Scheme of Delegation Approval Limits' is currently incomplete and needs to be updated.

Summary of management responses

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

Contract Management Themed Review

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

The aim of the audit was to identify common themes and areas where there may be high risk issues or non-compliance. It also provides an assurance opinion over the contract governance arrangements in place, the support and training available to contract managers and provide a corporate resolution to the issues raised.
This audit reviewed issues coming out of previous Contract Management audits and reviewed a sample of ten additional current contracts.

Strengths

- For all contracts sample tested, we were able to obtain a copy of the contract and there was a Contract Manager in place.
- Contract managers were aware of their responsibilities and stated they sought to achieve Value for Money.
- Monitoring procedures were in place for all contracts sample tested.
- Payments were being made in line with agreed contract values or performance standards where available.

Areas for Development

- There were a number of recurring issues identified across contract management audits completed in the last 2 years and this suggests that lessons learned from individual audits are not considered for other contracts across the Council.
- Further evidence that the Contracts Register remains a 'voluntary register' with 7/10 contracts selected for testing not on the Register. As a result, statutory transparency reporting is inaccurate. Four of the contracts tested had a value of over the OJEU procurement tender threshold.
- None of the contracts reviewed had formal procedure notes for the management of the contract.
- There were few risk registers and issues logs in place for the contracts reviewed.
- Generally the contracts reviewed had KPIs in place but did not all have financial penalties attached.
- Inconsistencies and weaknesses exist across the Council; there were no specific 'hot spot' areas or departments.
- Training take up is mixed.

Prospects for Improvement are considered to be adequate due to the following factors:

- Issues raised in previous contract management audits have been resolved once identified, but there is a lack of corporate learning from issues raised across different teams.
- Contract management training has been well received and is being rolled out further.
- Of the issues identified and management action plans put in place in contract management audits previously undertaken, 73% had been resolved within the agreed dates for completion.

Summary of management responses

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

SEN Assessment and Funding

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

There are joined up and holistic processes being implemented leading to improved management of the budget and operational activities. Although a number of these were new and yet to be embedded. Provision of Management Information has improved and current forecast spend for Higher Needs Funding and Independent School placements is broadly in line with set budgets.

Strengths

- Detailed guidance on Higher Needs Funding process and online tools, including flowcharts, screenshots and standard templates
- School referrals for statutory assessment pass through the Local Inclusion Forum Teams first, as a means of encouraging effective local provision.
- The needs of child/young person clearly identified before assessment
- Evidence of engaging parents in statutory assessment process
- New process and forms in place to agree and authorise independent school placements
- Centralised function for budget monitoring and validation of placement invoices has led to more accurate and robust forecasting
- Implementation of new managers decision forms and legal test for Independent Placements
- Implementation of new area action and improvement plans to monitor activity and performance without relying on Impulse.

Areas for Development

- The majority of files examined were missing supporting information/evidence from case files, including manager decision forms for Higher Needs Funding and Statutory Assessments
- Current delegated spending systems for independent school placements are in breach of financial regulations
- Overdue reviews for Independent placements. The root cause of this was uncertain.
- Differing attitudes and practice when utilising the Dynamic Purchasing System process
- No single record of total costs for each placement,
- Some Individual Placement agreements do not include costs and terms &conditions
- Processes still being developed to verify agreed funding is spent in accordance to provision plans

Prospects for Improvement are considered to be good because:

- Service is self-aware of issues that need to be addressed
- Evidence of new processes and controls being implemented to strengthen weak areas of practice around justification of decisions, funding agreed, budget monitoring and management information.
- Engagement with schools and continual work through user groups to improve the systems and processes.
- Recognition that Impulse is not fit for purpose and a project in place to review all EY systems and replace as necessary
- There is an inherent risk in implementing some improvements due to there being a lack of influence over schools, although there is evidence of engagement

Summary of management actions & progress

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

Schools Financial Services

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

The Department for Education requires that the Corporate Director of Finance and Procurement, as the Chief Finance Officer, signs an annual assurance statement confirming that 'there is a system of audit for schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending'

In order to facilitate this, there is a rolling programme of extensive compliance visits to schools in place. The visits are determined on a risk basis, every school having at least one visit every five years. Schools presenting a higher financial risk are given priority or may receive more frequent visits.

The R&CT within SFS is responsible for completing these compliance visits for Local Authority maintained schools in Kent. There are 100 planned visits to schools for 2015-16. From 1st April 2016 SFS will transfer to Education & Young People directorate.

Strengths

- Introduction of a follow up process for SFS recommendations.
- Consistent recommendations are made.
- Reports are issued in a timely manner in line with internal Performance Indicators.
- The compliance work programme is consistently and promptly moderated.
- The work programme is reviewed and updated when appropriate.
- The standard work programme is completed on all school visits.
- Feedback meetings are held with schools prior to issue of the draft report.

Areas for Development

- One medium risk issue raised in 2014/15 (to include cumulative spend testing in the compliance work programme) has not been implemented.
- The high risk issue regarding follow up of recommendations has been addressed, but has not yet bedded in and therefore we are unable to close it off at this time.

Prospects for Improvement

Prospects for improvement are considered Adequate because of the following factors:

- Management are taking action to address the remaining issues from the 2014/15 audit.
- The work programme used for school visits is maintained in-house, is regularly updated and is fit for purpose.
- The team has an appropriate mix of experienced staff.
- The team demonstrated a higher level of compliance with international audit standards than last year.
- The number of schools subject to compliance visits has reduced by 20% over the last 4 years with no reduction in the size and cost of the R&CT.

Summary of management actions & progress

	Number of issues raised in 2014/2015	**Management actions implemented.**	**Issues not yet fully actioned**
High Risk	1	0	1
Medium Risk	2	1	1
Low Risk	0	0	0

	Number of new issues raised	**Management action plan developed**	**Risk accepted – no actions planned**
High Risk	0	0	0
Medium Risk	1	0	1
Low Risk	0	0	0

Schools Themed Review – Payroll & Income Processes

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

We visited 19 schools across Kent (the 20th school will be visited in April 2016 to allow sufficient time for the school to embed processes following returning full delegated control to the new Headteacher), to assess the effectiveness of controls for managing payroll and income processes. For Payroll the overall process was adequately controlled for the majority of schools, however some improvements are required in certain schools, particularly the sole example who manage their payroll in-house, and a common theme for rectification relates to authorisation controls. Income controls were largely effective across all schools sampled. We have identified the following Strengths and Areas for Development below.

Strengths

Payroll

- Procedures supporting the day-to-day payroll process were generally not available.
- Starters - two schools did not have a process whereby the Headteacher authorises starters forms and a few exceptions were identified in two other schools where authorisation had been documented.
- Leavers - exceptions were identified across seven schools where leavers forms were not authorised.
- Overtime - Across three schools we identified that not all overtime had been appropriately authorised; one exception at two schools and six exceptions at one school. In addition, one school was accumulating overtime over 6-months before reimbursing the staff member.
- Expenses - Across five schools we identified that expenses were not appropriately authorised; one school was paying expenses through petty cash and for one school a member of staff had claimed for an i-phone at £650, which we would question whether was value for money or an appropriate purchase through expenses.
- Maternity / paternity - one school had six staff with such records and the calculations had not been checked for any of these, nor had appropriate records been maintained. This school managed their payroll in-house.
- Payroll production - several instances were identified where variance, exception and payroll reports were not authorised at some schools, one of which manages their payroll in-house.

Income

- Finance Policy - two schools had not defined their cash limits .
- Each school's Finance Policy specified the amount of cash that can be held on site, and this amount differed widely between schools ranging from £200 to £5,000.
- Not all schools had an approved Lettings Policy, and for three schools we were unable to confirm if the preferential rate was accurate due to insufficient information in the Lettings Policy.
- Procedures supporting the day-to-day income processes were generally not available.
- Receipts were not widely used for cash income, therefore a complete audit trail did not exist.
- Managing the income from vending machines varied, generally cash was counted but not second checked.
- Seven schools did not bank cash timely, five schools of which had cash above their specified limits before being banked.

Prospects for Improvement

Prospects for Improvement have been assessed as Good due to the following common factor:

- Each school has received an individual one page report outlining their specific Strengths and Areas for Development and has committed to take relevant action.
- We have started to receive confirmation from schools that actions are being implemented.
- Internal Audit will be presenting to the June Schools Finance Group meeting to provide an overview of the audit, themes identified and highlight corporate learning on good financial controls as a result of this audit.

Summary of management responses

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

Section 17 Payments Follow-Up

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

Internal Audit carried out a review of Section 17 payments as part of the agreed 2014/15 Annual Audit Plan; the final report was issued in June 2015. The opinion arising from the audit was 'No assurance' due to significant control failures and, as a result of this it was subject to follow up.

In summary we previously raised two high priority issues and five medium priority issues. Both high priority issues were implemented within the agreed timescales. Revised guidance has been issued to staff and the payments we recently tested were authorised correctly. Unfortunately there are some inconsistencies in the application of the majority of medium priority issues.

The remaining medium priority issues (bar one) are linked to the implementation of the revised procedures. Our recent testing found that current practice is not consistent to these procedures such that shortfalls in the use of authorisation forms, supporting documentation, and uploading to systems were detected. There still remain difficulties in tracing payments back from the Oracle system. Management consider that additional time is required for the revised procedures to fully embed although this may require further work from management to ensure that operational staff adhere to the updated guidance. We have raised one further issue for management to consider.

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

Capital Finance

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

The overall objective of the audit was to provide assurance over the processes in place to accurately identify and account for capital spends, including updating the Fixed Asset Register. Due to the timing of the audit we have not been able to confirm the accuracy of the Fixed Asset Registers for 2015-16, but we have reviewed the arrangements in place for updating the registers for the year-end financial statements.

The Council's working budget for the 2015-16 Capital Programme is £367.6m (£329.8m excluding PFI).

The overall opinion is based on sample testing, review of strategies, policies, procedures and interviews with key officers which identified that there are appropriate controls in place to ensure capital is accounted for correctly.

Strengths:

- There is a 3 year capital budget for 2015-18, an Asset Management Strategy 2013-17 and an annual Business Plan for Infrastructure and Property Services.
- The Management Guide to Capital Expenditure on KNet explains the capital approval process.
- There are robust processes in place to update the Fixed Asset Registers at the year-end to reflect additions and disposals in the year and reconcile to records maintained by property.

Prospects for Improvement have been assessed as very good due to the following factors:

- The Capital Strategy is 'forward facing' and reflects the council's strategic aims.
- The council is preparing appropriately for the significant change in accounting treatment for infrastructure assets and a project has been set up to manage this change.

No issues have been identified during this audit.

Appendix B – Summary of Significant Concluded Financial Irregularities

Ref	Internal/ External	Allegation	Outcome
890	Internal	The Head Teacher and Office Manager of a Kent school both used the school's purchase card for personal purchases over the course of several years.	Both members of staff were dismissed for gross misconduct and both have now been convicted of Fraud By False Representation. The Head Teacher was sentenced to 30 weeks imprisonment (suspended) and 150 hours of paid work. The Office Manager was sentenced to 12 months imprisonment (suspended) and 200 hours of unpaid work. Between them they must repay £13.,842 to the school.

Appendix C – Audit Plan 2015/16 Progress

Project	Progress at March 2016	Date to G&A	Overall Assessment	Project	Progress at March 2016	Date to G&A	Overall Assessment
Core Assurance							
Annual Governance Statement	Complete	July 2015	Substantial	Consultation	Draft Report		
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	Complete	April 2016	Substantial/Good	Recruitment and Retention Incentives	Complete	April 2016	Limited / Good
Performance Management and KPI Reporting	In progress			Recruitment Controls	Complete	January 2016	Adequate/ Good
Risk Management	Complete	April 2016	Substantial/Adequate	Payroll Key Controls Follow-up	Complete	October 2015	Substantial/ Good
Corporate Governance – KCC	Draft Report			Pensions Payroll	Complete	October 2015	Substantial/ Good
Departmental Governance Review – Public Health	Complete	April 2016	Adequate/Adequate	Pension Scheme Administration	Complete	April 2016	Adequate/Very Good
Corporate Governance – Alternative Service Delivery Models	Ongoing			Member and Officer Expenses – Follow-Up	Draft Report		
Implementation of Strategic Commissioning Strategy	Deferred to 16/17			Disclosure and Barring Service Process	Merged with Recruitment Controls		
Declarations of Interest	Priority 2			Oracle Right Now	Priority 2		
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	Complete	April 2016	Adequate/Good

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

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	Complete	April 2016	Limited/Adequate	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	Draft Report			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	Complete	April 2016	Adequate/Good
Better Care Fund	Complete	January 2016	Adequate/ Uncertain	Elective Home Education Outcomes	Priority 2		
Integrated Discharge Scheme	Priority 2			School Admissions – Fair Access	Priority 2		
Independent Living Scheme	Priority 2			Community Learning and Skills	Complete	October 2015	Substantial/ Good
Pooled Equipment Budget	Priority 2			School Improvement Team	Deferred to 2016/17		
Boundary Re-alignment and Change Management	Priority 2			Troubled Families	In Progress and ongoing		
Mental Capacity Act and Deprivation of Liberty	In progress			Contract Management – Household Waste and Recycling	Complete	October 2015	Substantial/ Good
Autism Service	In progress			Developer Contributions and Community Infrastructure Levy			
KCC/KMPT Partnership agreement and AMHP (Approved Mental Health Professionals) service	In Progress			Local Growth Fund and Local Enterprise Partnership	Planning		
Transformation and Integration of Disabled Services	In Progress			Regional Growth Fund	Complete	April 2016	Adequate/Good

Adult Social Care Transformation Phase 2	Ongoing			Broadband Delivery UK Watching Brief	Complete	April 2016	N/a – advisory only
0-25 Change Portfolio	Ongoing			Coroners Service	Priority 2		
Quality Assurance Framework Safeguarding Children	Complete	October 2015	Substantial/ Good	Allington Waste Incinerator Contract	Priority 2		
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	Cancelled		
Adoption Service	In progress			Transformation and Change – Property	Ongoing		
Looked After Children's Finances	Draft Report	January 2016	Adequate/ Good	Economic Development Contract Management	Merged with Contract Management Themed Review		
Section 17 Payments Follow-up	Complete	April 2016	Adequate/Good	International Development Team	Priority 2		
Leaving Care Service	Complete	April 2016	Limited/Adequate	Kent Resilience Team	Draft Report		
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	Priority 2		
Supporting People Follow-up	Ongoing support to review of Housing Support			EduKent Follow-up	Deferred to 2016/17		
ICT Audit							
Oracle Application Review	Complete	October 2015	Substantial/ Good	Review of Third Party ICT Contracts	Complete	April 2016	Limited/ Good
ICT Strategy and Governance	Deferred to 2016/17			Data Centres	Complete	January 2016	Substantial/ Good
ICT Change Control	Draft report	January 2016	Substantial/ Good	Swift Application Review	Priority 2		

Software Lifecycle Management	Deferred to 2016/17	WAMS Application Review	Priority 2		

Appendix D – Internal Audit Assurance Levels

Assurance level	
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.

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.