

By: Robert Patterson, Head of Internal Audit

To: Governance and Audit Committee – 21st July 2016

Subject: **Internal Audit Annual Report and Opinion for 2015/16**

Classification: Unrestricted

Summary: This annual report summarises the overall outcomes and themes from internal audit and counter fraud work for 2015/16 and the resultant annual opinion towards the Council’s systems of governance, risk management and internal control. It also provides a commentary on the performance of the internal audit and counter fraud unit in delivering this work.

FOR ASSURANCE

1. Introduction and Background

1.1 Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. (AGS) This report must:

- Include an opinion on the overall adequacy and effectiveness of organisations control environment
- Present a summary of work that supports the opinion
- Provide a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme (QAIP)

1.2 As such this paper and the attached enclosures provides the year end conclusions in relation to audit and counter fraud outcomes during 2015/16, including the patterns that emerge of strengths and areas for development.

1.3 There are four key determinants to our internal audit opinion, being :



1.4 This report considers each of these elements and the resultant over-arching opinion. It also provides summary strengths and areas for development to be considered by top level management and Members.

2. Outcomes from internal audit and counter fraud work

2.1 The annual report from the internal audit and counter fraud unit is enclosed in Appendix D. Appendix A maps the outcomes from the 59 substantive internal audits that have been completed or are at final reporting stage. This has involved audit reviews embracing £2.7 billion of combined KCC turnover. In addition we have undertaken 18 establishment audits (some of which were unannounced visits). 'Establishments' are remote sites such as children's centres, youth hubs and residential units.

2.2 Overall in 2015/16, 42% (40% in 2014/15) of systems or functions have been judged with Substantial assurance or better, conversely 19 % (19% in 2014/15) of systems have been given a Limited assurance.

2.3 In relation to the 18 establishment audits undertaken during the year (and excluded from Appendix A) only 2 have received a Substantial assurance opinion, with common findings around deficient cash, stock and asset controls as well as incidences of poor adherence to mandatory staff training.

2.4 There have been no incidences of material fraud, irregularities or corruption discovered or reported. In total 120 suspected financial irregularities were reported to us during the year and 104 have been concluded. The potential value of these irregularities at the time they were reported was £1.46 million¹ (this was skewed by a number of potential RGF grant frauds). After investigation and closure the actual (potentially recoverable) losses totalled over £108,700 and a further £64,300 of losses were prevented.

2.5 One of the disappointments has been the delay in getting the DCLG grant funded Kent Intelligence Network (KIN) up and running. The biggest obstacles have been around getting agreement from 15 local authorities to the legal data sharing protocols (which is still on-going) and which are a fundamental pre-requisite to any data matching. We currently anticipate this being resolved in the next four weeks, with system matching going live by September 2016.

3. Governance 'health check'

3.1 In previous years attempts have been made to map audit and counter fraud work against the 6 core principles of the CIPFA / SOLACE governance framework. This has led to less than satisfactory outcomes as our audit coverage is not a good fit with the CIPFA / SOLACE governance definitions.

3.2 For 2015/16 we have piloted a more robust 'Governance Health Check' where we have mapped audit outcomes and emerging themes against 10 key areas, being:

- Change, and realising our plans
- Performance
- Underpinning IT and Data Quality
- Risk
- Policies and procedures and their application

¹ This figure is based on the total amount of funds at risk according to the initial allegation.

- Legislative compliance
- Financial and non-financial resources
- Commissioning, Procurement and Contract Management
- Governance at Directorate levels
- Other underpinning quality assurance measures

3.3 A full report has been presented to the Head of Paid Service, Section 151 officer and the Director of Governance and Law. The summary outcomes from this work are shown in Appendix B. We have concluded an overall Substantial opinion from this health check but with a small number of areas where Adequate assurance was gained. The only area receiving a 'weak' opinion related to aspects of contract management, which is one of 3 elements feeding into the judgment on 'commissioning, procurement and contract management'.

4. Annual Governance Returns

4.1 As in previous years we have also independently reviewed the annual governance returns supplied from Directorates and Departments across the Council to the Director of Governance and Law. These returns provide evidence of the standards of internal control and risk management within these departments and are critical to the Council's declarations in the annual governance statement. Overall we found no material errors or issues from these self-assessments and have provided a Substantial opinion to them.

5. Follow Ups

5.1 Critical to good governance is the organisation's ability to implement high and medium risk management actions to address audit issues once they have been agreed. Following our follow up review during January 2016, when it emerged that only 58% of such agreed actions had been implemented by the agreed date (and no progress had been made in one in four actions), a new follow up system has been introduced whereby departments / Directorates provided us with self-assessments that are then subject to test checking. The notion of the new system has been to re-enforce the accountability of departments to implement their agreed actions.

5.2 We have received returns from all departments and Directorates followed by relevant test checking on a risk basis, which generally confirmed the accuracy of the self-assessments.

5.3 The current distribution for the implementation of agreed actions is shown below:

Priority	Due for implementation by June 2016	Implemented	In progress	Not Implemented	Superseded
High	27	14	8	2	3
Medium	70	49	19	0	2
Total (%)	97	63 (65%)	27 (28%)	2 (2%)	5 (5%)

5.4 The results of this work show an improvement from the last follow ups exercise in January 2016, with 65% of actions now implemented by the due date. Although the number of actions with no progress had dramatically fallen, there are still nearly a third of actions that have failed to meet the agreed deadlines.

6. Overall Internal Audit Opinion

6.1 Combining together the outcomes from the four key areas detailed in 1.3 above we have concluded a **Substantial assurance opinion** in relation to corporate governance, risk management and internal control.

6.2 From the totality of our work the following strengths and areas for development underlie these outcomes:

Strengths

- The 42% of services and functions that have been given a Substantial opinion or better
- A continuing pattern of general robustness of key financial systems, with two financial systems (treasury management and capital finance) receiving the highest assurance rating
- Substantial assurance over underlying Directorate risk management systems and cultures
- Positive assurance over non-financial safeguarding controls in children's services
- Positive outcomes from the operation of selected financial systems in schools and the financial support and review services utilised to support them
- Improvements in the performance of implementing agreed actions following issues emerging from audits
- Three quarters of services or functions were judged to have good prospects for future improvement

Areas for development:

- The 19% of services or functions that have been given a Limited opinion
- Shortfalls in the way the Council monitors and manages the contracts that it awards in some areas
- The need to enhance controls in selected change programmes in order to ensure planned benefits are deliverable and sustainable
- Elements of adult safeguarding (noting that corrective action is now taking place)
- Methods of awarding and controlling grants
- Consistent application of policies and procedures across the Council
- The continuing need for consistent and robust devolved financial and non-financial controls in establishments

6.3 In relation to issues of consistency of approach, there is also a theme within the more recent audits of grants, officers expenses and consultations that warrants a review of the Council's risk appetite in these areas (and perhaps beyond). Generally there are published policies and guidance that managers and staff should follow. There is some limited central monitoring of adherence to these, through spot checks, sampling, and intelligence gathering, but it is unlikely to be good value for money to introduce more controls as the costs would outweigh the benefits. Consequently it would be appropriate to review the existing risk appetite in these areas, and amend any guidance, systems and processes accordingly, along with clarifying the consequences of non-compliance. This concept is currently being 'tested' in the responses to both the officers expenses and grants audits.

- 6.4 The majority of the areas for development have already been reported to G&A Committee during the year
- 6.5 The formal wording for the relevant declaration into the Annual Governance Statement is shown in Appendix C.

7. Our quality standards and accreditation

- 7.1 In relation to the competencies of internal audit and counter fraud underpinning this opinion, the Committee will be aware that in March 2015 the unit was independently quality assessed against Public Sector Internal Audit Standards by the Institute of Internal Auditors (IIA) and given the highest level of grading, with full compliance against 52 of the 56 international standards and with partial compliance for the remainder.
- 7.2 In June of this year we commissioned a follow up review by the IIA and have progressed to have full compliance in 55 of the 56 standards with partial compliance in only one remaining area.

8. Recommendations

- 8.1 Members are asked to note the internal audit and counter fraud outcomes derived from the 2015/16 work and the resultant 'Substantial' opinion to the Annual Governance Statement relating to the County Council's governance, risk management and internal control arrangements.

Appendices

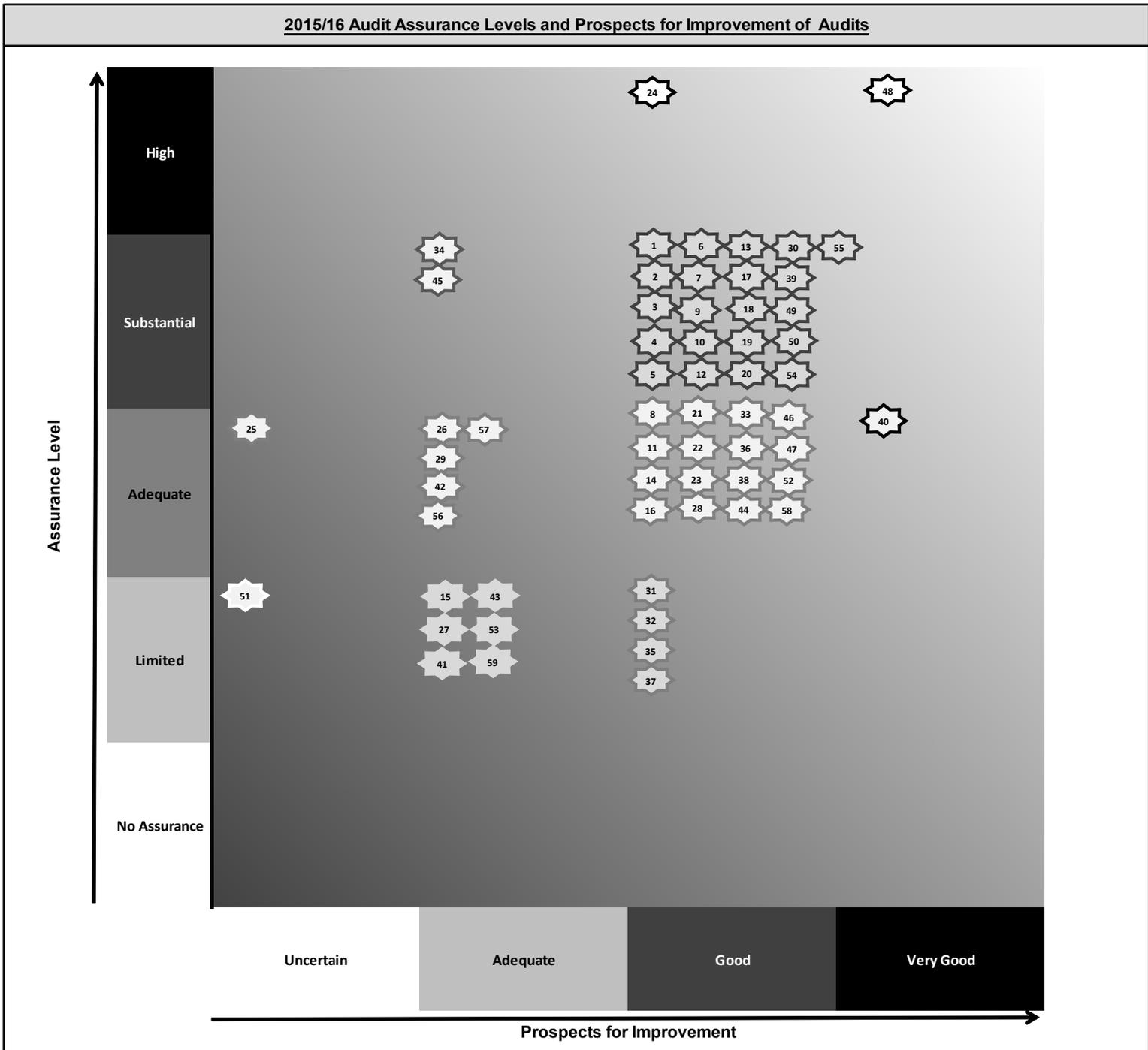
- Appendix A Distribution of internal audit judgements 2015/16
- Appendix B Overall diagrammatic results from the 2015/16 Governance Health check
- Appendix C Annual Governance Statement 2015/16 – Internal Audit Opinion
- Appendix D Internal Audit and Counter Fraud Annual Report

Robert Patterson, Head of Internal Audit

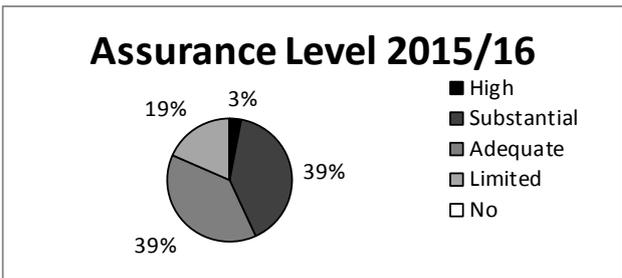
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June 2016

Appendix A – 2015/16 Audit Assurance Levels and Prospects for Improvement



Assurance Level	No	%
High	2	3%
Substantial	23	39%
Adequate	23	39%
Limited	11	19%
No	0	0%



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

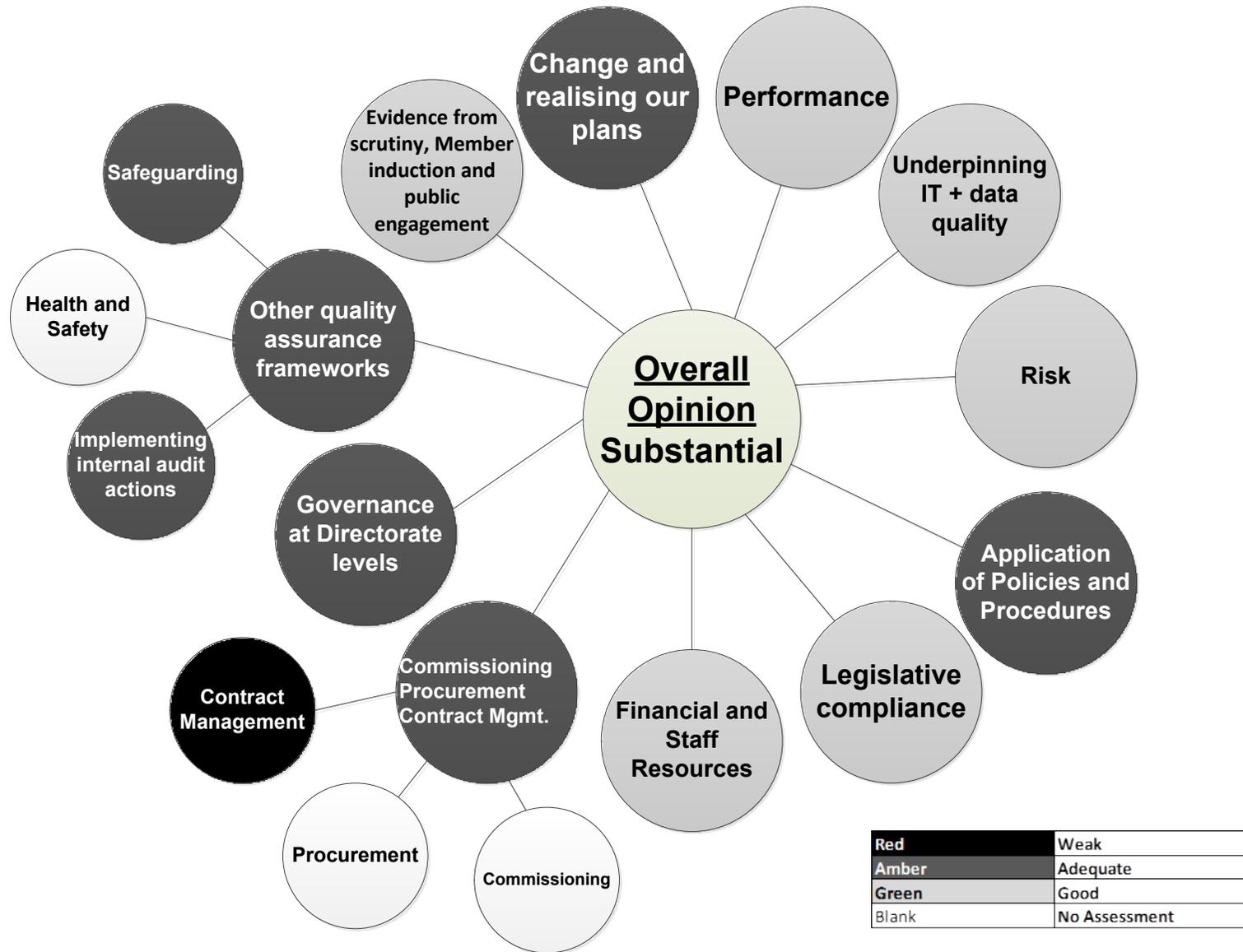
Audit Opinion April G&A Committee

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

Audit Opinion July G&A Committee

No	Audit	Judgement	Prospects for Improvement
49	LEP & LGF	Substantial	Good
50	Family Placements	Substantial	Good
51	DoLS	Limited	Uncertain
52	Kent Resilience Team	Adequate	Good
53	Safeugarding Adults	Limited	Adequate
54	KMPT	Substantial	Good
55	Performance Management & KPI's	Substantial	Good
56	Consultations	Adequate	Adequate
57	Transport	Adequate	Adequate
58	Insurance	Adequate	Good
59	Officers Expenses Follow-up	Limited	Adequate
	Corporate Governance	Substantial	N/A
	AGS	Substantial	N/A

Appendix B – Internal Audit Governance Health Check Review 2015/16



Appendix C

Annual Governance Statement 2014/15

Judgement and wording from Internal Audit and Counter Fraud Unit

Internal Audit has concluded, overall, based on the scope and findings of work that it has performed and taking into account the individual strengths and areas for development identified, that substantial assurance can be given in relation to corporate governance, risk management and internal control arrangements.

In relation to internal controls, internal audit has concluded an overall substantial assurance over the control environment within the Council and its Directorate functions. This reflects a pattern of generally robust core support systems, with a number of exemplar areas identified. No incidences of material external or internal fraud or corruption have been detected or reported. Areas for further improvement have also been highlighted; more particularly the need to maintain controls and sustain improvements in transformational change programmes, ensure contract management is consistently effective and that policies and procedures are applied and enforced across the Council including its remote establishments

The Council has been receptive to addressing issues raised by Internal Audit and has improved its performance in implementing agreed actions. This has been independently confirmed from the results of formal follow up work undertaken by the unit.



Kent County Council

Internal Audit and Counter Fraud Annual Report

July 2016

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1 Introduction and Purpose

- 1.1. This annual report details cumulative internal audit and counter fraud outcomes for 2015/16. As well as providing the substantive evidence underlying our opinion to the Annual Governance Statement it also highlights key issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from our work.
- 1.2. This report also details the remaining substantive audit and counter fraud work since our last progress report to the G&A Committee in April. Appendix 1 provides the detail underlying these audits. Appendix 2 demonstrates how the audit and counter fraud plan for 2015/16 has been duly completed. Appendix 4 provides the definitions underlying our opinions.
- 1.3. Over 2015/16 we completed 60 substantive audits together with a further 18 establishment visits. In relation to counter fraud we have completed 104 investigations with a further 16 still on-going and carried forward into 2016/17. The majority of this coverage was resourced and driven from the internal audit and counter fraud plan (previously reviewed by this Committee) selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £ 2.7 billion of KCC turnover (excluding Treasury Management).
- 1.4. In this annual report we highlight key messages and outcomes arising from our work together with the associated assurance levels. In section 3 we align such audit outcomes against key corporate risks or significant systems.
- 1.5. For 2015/16 we have also taken the results from audit work and arranged them against 10 areas in a 'Governance Health Check'. The results from this analysis are shown in the covering paper to this annual report.
- 1.6. During 2015/16 internal audit has also remained involved in monitoring the works in progress of selected significant change programmes and projects so as to provide timely pre-event challenge as they have progressed. We are also the appointed internal auditor for current and newly established arms lengths trading bodies (Commercial Services, GEN2 and legal services), providing independent assurance to their relevant Boards.

2 Overview

Internal Audit

1.7. The covering paper to this Annual Report provides a graphical distribution of the assurance levels from the totality of the substantive internal audits undertaken during 2015/16. To reprise our covering report, for the work and outcomes derived from this coverage, together with outcomes from the governance 'health check' , reviews of the Annual Governance Statement (AGS) returns and follow up work results in the following summary strengths and areas for development.

1.8. Strengths

- 42% of systems or functions have been judged with a Substantial assurance or better
- A continuing pattern of general robustness of key financial systems
- Substantial assurance over underlying Directorate risk management systems
- Positive assurance over non-financial safeguarding controls in children's services
- Positive outcomes from the operation of selected financial systems in schools and the financial support and review services utilised to support them
- Improvements in the performance of implementing agreed actions following issues emerging from audits
- Three quarters of functions were judged to have good prospects for future improvement
- No incidences of material fraud, irregularities or corruption have been discovered or reported.

1.9. Areas for further development relate to:

- The 19% 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 in some areas
- The need to enhance controls in selected change programmes and ensure planned benefits are deliverable and sustainable
- Elements of adult safeguarding
- Weaknesses in the methods of awarding and controlling grants
- Consistent application of policies and procedures across the Council
- The continuing need for consistent and robust devolved financial and non-financial controls in establishments

Overall Assurance and Opinion

- 1.10. The breadth of our coverage and outcomes from our work for the year has provided sufficient evidence to support a **Substantial** opinion on the overall adequacy and effectiveness of the Council's system of internal control, which relates to:
- Corporate Governance
 - Risk Management
 - Internal Control
- 1.11. There have been no limitations to the scope of our work, but it should be noted that the assurance expressed can never be absolute and as such internal audit provides "reasonable assurance" based on the work performed.
- 1.12. The formal declaration that will be incorporated into the Annual Governance Statement is shown in Appendix C of the covering paper.
- 1.13. Management have developed appropriate action plans in response to all the high priority issues raised from our recent audit and counter fraud work.

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

3.1. Appendix 1 provides detailed summaries on the outcomes from internal audit work completed since April, but it is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the whole of 2015/16.

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. In addition there were 19 audits completed which looked in part at change and found that for these elements 42% were assessed as good, 53% were adequate and 5 % required improvement. A further related assessment if change is derived from our judgments on 'prospects for improvement'. From 44 relevant audits, the prospects for improvement were judged 'very good' or 'good' in 75% of instances. We have also attended a number of internal change management groupings where we have evidenced good project planning in partnership with consultant initiated change

3.4. Overall we have concluded that change management across the Council is generally satisfactory but there is a need to enhance controls in selected programmes and also ensure that the planned benefits will ultimately be achievable and sustainable.

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	
Performance Management and KPI's	Substantial	Good	High: 0 Medium: 1	Accepted
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
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- 3.6. In this period we audited the Council’s overarching performance management and KPI reporting framework and from our sampling concluded that such indicators are appropriate and reported on a timely basis. We found areas of good practice in relation to improving the consistency and quality of data to all levels of the organisation.
- 3.7. There were no further dedicated IT audits undertaken in this period beyond the 7 already completed and reported above. In addition results from other audits in devolved systems at Directorate level which included elements of IT and data quality showed nearly a third required improvement.
- 3.8. Overall from these results we have concluded that information management relating to performance monitoring is robust and timely. In relation to underpinning IT systems, it is evident that there are particular strengths in controls within the core IT function but that performance can be more variable at devolved levels across the Council.

Safeguarding

- 3.9. 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	
Safeguarding Adults – Quality Assurance	Limited	Adequate	High: 3 Medium: 0	All accepted
Deprivation of Liberty Safeguards (DoLS)	Limited	Uncertain	High: 1 Medium: 4	All accepted
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

- 3.10. During the last quarter of the year we completed two audits linked to adult safeguarding. Both have received a Limited opinion and issues around specific operational and resource allocation issues were common to both services. That relating to Deprivation of Liberty safeguards (DoLS) showed that an increased volume of applications were being tackled with an absence of a robust case management system and shortage of staffing resources. These shortfalls in systems, data quality and resources are likely to result in breaches of the Mental Capacity Act.
- 3.11. Meanwhile the adult safeguarding quality assurance systems showed a decline in coverage and depth of departmental practice audits, pro-active work and sampling at a time when risks in this area were increasing. Additional issues around delays in reviewing improvement plans and policies and procedures were rectified during the audit.
- 3.12. Overall therefore it is evident that from our safeguarding work this year that the Council is served by a robust children's services safeguarding function although problematic legacy practice issues can exist in some services such as Leaving Care. Conversely adult safeguarding practice is more variable at a time when pressures and risks are increasing.

Access to resources to aid economic growth and enabling infrastructure

- 3.13. The audit relating to re-generation and growth funding in 2016/17 LEP monitoring and management arrangements was completed in this period with the following outcome:

	Assurance level	Prospects for Improvement	Issues Raised	
LGF and LEP	Substantial	Good	High: 0 Medium: 2	All accepted
Regional Growth Fund	Adequate	Good	High: 0 Medium: 3	All accepted

3.14. Our recent work on Local Growth Fund (LGF) and Local Enterprise Partnership (LEP) schemes concluded that controls were effective and that the risks and objectives of the projects we reviewed were well understood and payments made were compliant with grant conditions.

3.15. Overall, from our sampling this year it is evident that the controls underpinning our stewardship of growth and re-generation funding are generally robust.

Governance and Internal Control - critical systems and services

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

	Assurance level	Prospects for Improvement	Issues Raised	
Annual Governance Statements	Substantial	Adequate	High: 0 Medium: 1	Accepted
Insurance Fraud	Adequate	Good	High: 0 Medium: 3 Low: 2	Accepted
Officers Expenses (follow up)	Limited	Adequate	High: 1 Medium: 1	Accepted

Corporate Governance Health Check	Substantial	n/a	n/a	n/a
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

- 3.17. In the last quarter we reviewed the Annual Governance Returns that are provided from Directorates to the Director of Governance and Law. These statements are critical to the Council's governance self-declarations providing self assessed evidence of the standards of internal control and risk management within these Departments. We found the system is well established, returns are timely and complete and evidence is fair and representative of issues within Directorates.
- 3.18. The officers expenses follow up sampling found that nearly half were not compliant with KCC policy and one service with substantial claims had a policy different from corporate guidance. CMT have responded by commencing a process of strengthened corporate steer and accountability underlining expenses
- 3.19. The 18 audits we have undertaken during the year linked to governance and critical systems have produced generally good outcomes. Two finance systems (Treasury Management and Capital Finance) have received the highest assurance rating.

3.20. Our review of risk management this year incorporated a deeper review into the robustness of lower level departmental systems. This work has independently verified the robustness of these lower level risk systems that underpin the higher level corporate risks.

3.21. For 2015/16 we also undertook our first departmental governance review, focusing on Public Health. As previously reported we found the Division displayed a clear and well-grounded vision. A number of successes and improvements have been achieved, particularly around commissioning. The deficiencies related to challenges in achieving cohesive team working

Better Care Funding

3.22. During the year we undertook one audit on BCF arrangements and funding, with the following outcome :

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

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

Procurement and Contract Management

3.24. The effective management of procurement and commissioning is critical to the Council. We have undertaken the following related audits during 2015/16:

	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	All accepted
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

- 3.25. The results from the 6 audits undertaken this year show that contract management is inconsistent, with only one area receiving a Substantial opinion and with half receiving Limited judgements. The findings highlight underlying weaknesses in the way contracts are managed in certain areas in the Council and that this continues to be a key risk.
- 3.26. Management have launched a number of corporate initiatives, partly in response to these findings, clearly we will be undertaking follow up next year to independently evidence planned improvements.

4 Other Audit Work

4.1 A further 5 audits have been undertaken during this quarter:

	Assurance level	Prospects for Improvement	Issues Raised	
Transport	Adequate	Adequate	High: 2 Medium: 3	All accepted
Consultations	Adequate	Adequate	High: 0 Medium: 4	All accepted
Family Placement Payments	Substantial	Good	High: 0 Medium: 3	All accepted
Mental Health Kent and Medway Partnership Trust (KMPT)	Substantial	Good	High: 0 Medium: 3	All accepted
Kent Resilience Team	Adequate	Good	High: 2 Medium: 3	All accepted
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 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 Our audit of Transport (including home to school, travel passes, cards and Special Education Needs (SEN) which costs the County £39 million per annum) found that applications were dealt with appropriately, home to school transport appeared to provide value for money and safeguarding controls were robust. There remain risks over the delivery of the 2016/17 savings due to delays in commissioning plans and there are issues over high debtor levels.
- 4.3 Our audit of the legislative and financial requirements for consultations determined that underlying policies, guidance and training were satisfactory and relevant advice is provided by a small dedicated central team. Unfortunately there is no requirement for the advice of this team to be sought and followed by services and our testing found a number of issues including risk rating of consultations and a lack of evidence to support stakeholder identification or to justify the length of consultation periods.

4.4 Our audit of the £9 million contribution towards mental health partnership arrangements found that governance arrangements are sound, spending conforms to objectives and agreement conditions and staffing resources are utilised in an effective way. Unfortunately KMPT do not target resources based on demand which has contributed to budget overspends in most localities. There was also a backlog at the time of the audit of over 200 safeguarding files.

Establishment Visits

4.5 During this period we concluded our audits of a further 6 establishments, with the following outcomes:

Site / Centre	Assurance level	Directorate
Bluebell's Childrens Respite	Substantial	SC
Fairlawn Childrens Respite	Adequate	SC
Sunrise Childrens Respite	Adequate	SC
Treetops Childrens Respite	Adequate	SC
Windchimes Childrens Respite	Adequate	SC
Canterbury Youth Hub	Limited	EY
Thanet Youth Hub	Adequate	EY
Swale Youth Hub	Limited	EY
Bewl Water (activities centre) Follow up	Adequate	EY
Swattenden (outdoor education centre) Follow up	Limited	EY
Kent Mountain Centre Follow up	Adequate	EY
Shorne Woods Country Park	Adequate	GET
Lullingstone (Country) Park	Substantial	GET
Westbrook Integrated Care Centre	Adequate	SC
Minnis Bay Day Centre	Limited	SC

Kiln Court (residential care home)	Adequate	SC
Blackburn Lodge (residential care home)	Adequate	SC
Wayfarers (residential care home)	Adequate	SC

4.6 In 2015/16 we initiated a system of minimal or no notice for these 18 establishment audits.

4.7 There were three discreet themes this year around Country Parks, Childrens Respite 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.

4.8 It will be noted that only two establishments received a Substantial assurance opinion and these outcomes underline the need to ensure that consistent and robust financial and non-financial controls are maintained in these remote sites.

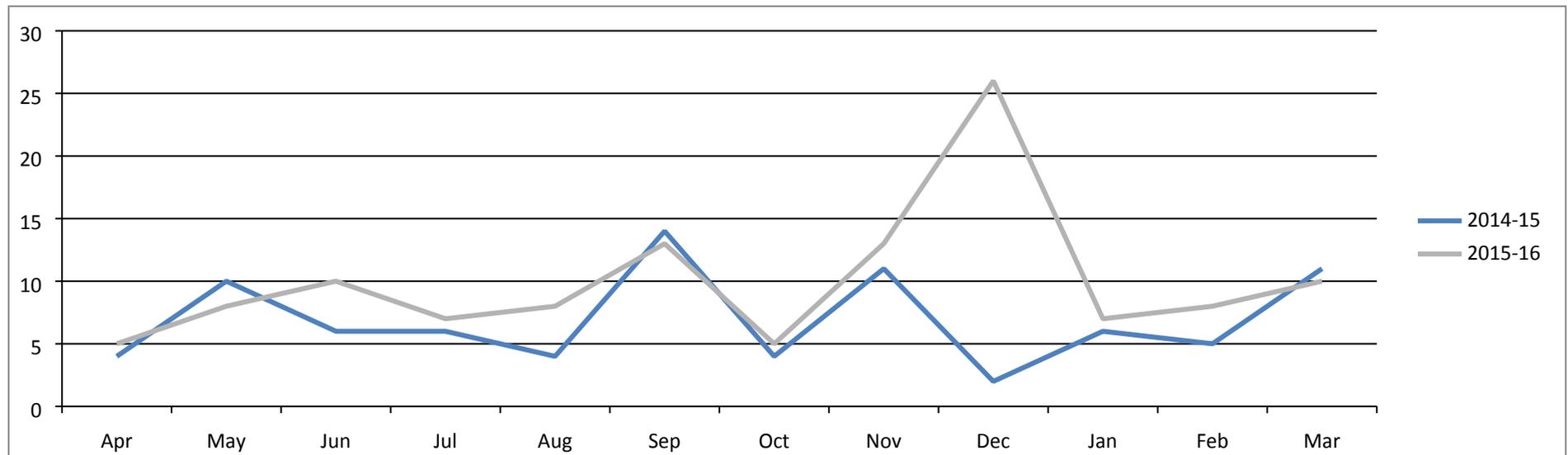
Other Activity

4.9 During the year we have also undertaken the following:

- Provided 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
- Appointed internal auditor of Kent Commercial Services
- Appointed auditor to 13 Parish Councils
- Internal auditor of Kent and Medway Fire and Rescue Service and Kent and Essex Inshore Fisheries and Conservation Authority
- Entered into 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 There were 120 financial irregularities reported to Internal Audit in 2015/16 (135 in 2014/15). 104 of those are closed and 16 remain open and under investigation. The potential value of these irregularities at the time they were reported to Internal Audit was £1.46 million. This figure is based on the total amount of funds at risk according to the initial allegation and the figure is higher than normal due to allegations of fraud affecting RGF. After investigation and closure the actual (potentially recoverable) losses totalled £108,700; we prevented a further loss of £64,300. In comparison to last year the referrals by month were as follows:



5.2 As in 2014/15 the majority of the fraud activity could be described as low value, high volume fraud which includes Blue Badge misuse. For example, as a result of our participating in the Cabinet Office's National Fraud Initiative, we cancelled 1,200 badges belonging to deceased residents resulting in savings of £691,000. The most common source of referral remains KCC' staff, which provides positive assurance that there are good levels of fraud awareness and accessible 'whistleblowing' systems

5.3 Overall these summary findings support a positive assurance, in terms of both the fraud and irregularity levels detected within the Council together with a positive culture of fraud awareness.

Kent Intelligence Network (KIN)

- 5.4 As per the details in the covering paper the implementation of the KIN has been frustratingly slow, despite the foundations being laid with the acquisition of the necessary IT data matching solution and the engagement of a fraud data analyst. The problems have been trying to agree the data sharing protocols with the 15 local authorities since October 2015. We are now anticipating we will agree these governance arrangements in July 2016 and will operating by September 2016.
- 5.5 As a reminder, the business case for the award of the grant from the DCLG demonstrated the potential for £ 4 million savings, principally from the local taxation base, across Kent.

6 Follow Ups

- 6.1 As per the covering report, we have instituted a new follow up reporting system involving Departments / Directorates undertaking self-assessments in relation to the progress of agreed actions that have in turn been subject to independent test checking by ourselves. The overall results are shown below :

Priority	Target implementation before June 2016	Implemented	In progress	Not Implemented	Superseded
High	27	14	8	2	3
Medium	70	49	19	0	2
Total (%)	97	63 (65%)	27 (28%)	2(2%)	5 (5%)

- 6.2 The detailed results are shown in Appendix 3. It is evident there has been a clear improvement in performance in implementing agreed actions from audits. The 2 high priority issues not implemented relate to the Concessionary Fares and Kent Card systems and do not represent fundamental risks.
- 6.3 From Appendix 3 it will be seen that of the 32 audits subject to follow up review 7 remain at amber status with further progress required to be made. None have been placed in a high (red) risk status.

7 Internal Audit and Counter Fraud Performance

7.1 Performance against our targets to the end of March 2016 are shown below:

Performance Indicator	Target to end March 2016	Actual
Outputs		
100% of Priority 1 audits completed	100%	99.6%
50% of Priority 2 audits completed	50%	84.2%
Time from start of fieldwork to draft report to be no more than 40 days	100%	51%
No of fraudulent incidents / irregularities recorded	N/A	120
Outcomes		
% of high priority / risk issues agreed	N/A	89%
% of high priority / risk issues (fully) implemented	N/A	52%
% of all other issues agreed	N/A	93.8%
% of all other issues implemented	N/A	70%
Client satisfaction	90%	91%
Value for money savings identified to date	N/A	£238,000

Counter Fraud Transparency Measures

7.2 The Council is required to publish the following figures in accordance with the Transparency Code for Local Government. The code requires specific definitions of fraud and irregularity to be applied and therefore the figures differ to the figures reported earlier in the report. Explanatory notes are included (see below).

Counter fraud transparency measures	2015/16
Total number of employees undertaking fraud investigations	3
Total number of professionally accredited counter fraud specialists	3
Amount spent on investigation and prosecution of fraud (Note 1)	£158,251
No of fraud cases investigated (Note 2 and 3)	72
No of irregularity cases investigated	32
Total No of occasions on which (a) fraud and (b) irregularity was identified	(a) 72 (b) 32
Total monetary value of (a) and (b) detected (Note 4)	(a) £134,282 (b) £14,579
Total monetary value of (a) and (b) recovered (Note 5)	(a) £94,739 (b) £14,001

Note 1- Based on midpoint basic salaries plus on costs for KR7, KR9, KR11 and KR12; reported as whole GBP.

Note 2- The definition of fraud is as set out by the Audit Commission in Protecting the Public Purse: an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss, or expose another to the risk of loss. We include cases where management authorised action has been taken, including, but not limited to, disciplinary action, civil action or criminal prosecution.

Note 3- 16 cases still remain open

Note 4 - The values includes the value of attempted fraud where the loss was prevented and therefore no actual loss was incurred, the monetary value that has been detected is still ongoing.

Note 5 - Recovery remains ongoing in some cases.

8 Conformance with Public Sector Internal Audit Standards (PSIAS)

- 8.1 As detailed in the covering paper, it is essential that in delivering an internal audit opinion, Members and senior management can have confidence on the quality of the internal audit and counter fraud work that underpins it. In particular it is a requirement that the audit function complies with PSIAS standards.
- 8.2 In 2015 we were subject to a full independent review by the Institute of Internal Auditors (IIA) and were judged to be compliant with full adherence to 52 of the 56 standards and with partial compliance for the remainder. This put us in the highest level of grading from the IIA. In June this year we commissioned a follow up and we have now been assessed as being compliant in 55 of the 56 standards and partial with the one remaining standard.
- 8.3 Backing up these independent assessments have been the periodic 'business as usual' quality assurance checks and improvement programmes that the unit undertakes throughout the year.

9 Conclusion

- 9.1 In delivering our independent year end **Substantial** opinion on the Council's corporate governance, risk management and internal control arrangements we believe the scope, depth and quality of our work provides the appropriate and reliable levels of assurance for the Council and that we continue to offer an effective internal audit and counter fraud service providing added value during a time of considerable challenge and change.

Appendix 1 – Summary of individual 2015/16 Internal Audits issued January – March 2016

LEP & LGF

Audit Opinion	Substantial
Prospects for Improvement	Good

The overall opinion is based on sample testing, review of documentation and interviews with key officers. This has identified that controls are operating adequately and effectively and in particular the risks and objectives of the LGF projects we reviewed were well understood and all payments tested were compliant with the conditions of the grant. There are several areas of good practice evident, however there are some key areas where improvements could be made. These are summarised below.

Strengths

- There is regular internal reporting with an appropriate level of detail.
- Risk registers are in place for all projects, with key risks considered and regularly reviewed.
- Appropriate consideration has been given to how achievement of objectives will be measured.
- Controls are in place for the checking of invoices prior to payment or receipting in I-Procurement.
- All payments tested were appropriate, relevant and compliant with the conditions of the grant.
- KCC procurement practices are followed.

Areas for Improvement

- Actual expenditure is not reported in a consistent way to the various Boards with oversight of the LGF Programme.

- Sources of external funding were not always secured at the time spend started on projects.
- The ‘Scheme of Delegation Approval Limits’ is currently incomplete and needs to be updated.
- Authorisation limits for raising orders in I-Procurement and WAMS are not consistent with the scheme of delegation, although they are in line with authority limits agreed for large contract payments in GET.

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

- Managers were aware of some of the issues identified and were already in the process of addressing them at the time of the audit.
- Managers have responded positively to the issues raised in this report.
- A Local Growth Fund Programme Manager has recently been appointed to provide additional co-ordination and oversight of the programme.

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	1	1	-

Family Placements

Audit Opinion	Substantial
Prospects for Improvement	Good

Controcc phase 1 has been live since August 2015. All the payment testing undertaken during the audit confirmed that payments were correctly calculated and processed accurately and promptly. Exception reports are run regularly so that corrective action can be taken to prevent avoidable overpayments to carers, although we found that there is a lack of oversight to ensure all exceptions are investigated and cleared. System access is appropriately restricted with relevant access levels being granted according to the users' job role.

We can therefore provide substantial assurance that payments being made through the Controcc system are accurate, timely and have relevant authorisation. The following strengths and areas for improvement were identified:

Key Strengths

- The payment rates in Controcc have been accurately input and match those agreed for foster carers through the formal decision making process.
- All the payments sample tested were accurate and based on the agreed rates where appropriate.
- Controcc is a more automated payment process than the Foster Payment System it replaced, which significantly reduces the risk of incorrect or late payments being made.
- The placement plans/service provisions set up in Liberi have been appropriately authorised in a timely manner.
- Defined user access levels are being applied to ensure there is appropriate authorisation for payments through the system.

Areas for development

- Not all placement plans had been fully completed and communicated to the carers (2 out of 20 tested were not finalised).
- There is no clear strategy behind the exception reports run, the allocation of responsibility and timescales for following up exceptions, including overpayments.
- A small number of fostering payments have resulted in significant overpayments however these have not been reported to the Counter Fraud team for investigation.

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

- The Controcc system is continuing to be developed and extended to other payment types in SCS, with appropriate project management.
- Detailed process maps are available to ensure a consistent approach is applied across the fostering teams and Children's Allowance Review Team (CART)
- The staff processing payments are appropriately experienced and proactively work with the fostering teams and CART to resolve queries and confirm the accuracy of payments.

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

Deprivation of Liberty Safeguards (DOLS)

Audit Opinion	Limited
Prospects for Improvement	Uncertain

The increase in the volume of DoLS applications received following the Supreme Court ruling, coupled with an absence of a robust case management system and a shortage of staffing resources, has resulted in processing shortfalls being exacerbated and associated risks increasing. It is evident that with current shortfalls in the robustness of systems, data quality and resources to the service, the service is not able to perform in the most efficient and effective way and is in breach of the Mental Capacity Act. We have identified the following Areas for Development and Key Strengths.

Areas for Development

- An Excel spreadsheet is being used to manage a significant amount of data (5.67MB for 2015/16). This spreadsheet has previously “crashed” and is not sustainable, particularly given that a 50% increase in applications is forecast for 2016/17.
- There are a number of significant data quality issues with the information contained within the Excel spreadsheet compared to the individual case files. This is highly likely to cause any reporting to be incorrect and may lead to priority cases being inadvertently missed.
- Significant volumes of priority assessments remain unallocated for 2015/16, which with current resources and allocation will take approximately 1.5 years to clear.
- There are clearly significant breaches of timeframes that not only place the individual at risk but place KCC at risk of potential significant fine.
- We identified an incident whereby three applications containing personal sensitive information had been sent unencrypted causing a Data Protection Act breach.
- Risk reporting takes place but risks appear under assessed.

Key Strengths

- Staff are conscientious and dedicated and actual assessments are of good quality.
- The DoLS management team demonstrated significant experience in their subject, and a high dedication and commitment to delivering the service.
- All applications reviewed as part of our sample had demonstrated that the correct statutory process had been followed (timescales aside).
- Court cases are well managed, with good proactive work and engagement with KCC Legal.

Prospects for improvement are considered to be uncertain, based on the following factors:

- The volume of assessments are predicted to increase by 50% in 2016/17, meaning the volume of statutory breaches is highly likely to increase.
- Financial costs could increase if precedent is set to compensate for statutory timescale breaches.
- There appears to be no prospect for any further investment and the Department of Health grant ceased at the end of 2015/16.
- There is a strong desire to replace the existing Excel spreadsheet, however engagement from IT to date has been lacking, but has now significantly increased since this audit.

Summary of management responses

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

Audit Opinion	Adequate
Prospects for Improvement	Good

The Team have delivered a number of its objectives, such as a co-located team and efficiencies with multi-agency working. However, the audit identified key areas that require improvement. The governance structure requires refinement to enable strategic oversight and effective monitoring on the progress of the Team's successes.

Strengths

- Good progress has been made on capability surveys with a view to attracting partners into new arrangements from April 2016.
- The Team are undertaking work that aims to benefit communities and partner agencies
- Positive feedback has received from both partners and members of the public.
- Secondment agreements are in place to cover staff committed by all partners and staff are co-located in a single location.
- Plans are in place to assist with establishing the business model beyond Phase 3.
- The Team has played a key role in co-ordinating the planning and response to significant risks and issues that arose during the course of 2015/16
- This includes planning and delivering exercises to test the robustness of the plans
- Some identified savings have been achieved, for example reduction in the number of posts required due to joint working efficiencies and release of property space

Areas for Development

- The Governance structure is not clear in practice creating issues with effectiveness of ownership and oversight of the project.
- The Business Case for the Team did not clearly quantify how expected benefits would be achieved or provide detail for each option that was considered

- Key priorities and objectives are not being formally measured or monitored
- There is a Service Level Agreement (SLA) in place; however it has not been signed by any of the Partners.
- The consolidated budget requires further work to enable effective monitoring and reporting, and the SLA did not specify partner contributions

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

- A robust action plan has been submitted in response to our audit, with many actions already complete by the issue of the final report
- Sufficient plans are in place to attract new partners into the arrangement which will aid achievements of the objectives
- The terms of reference for the Project Steering Group are currently being reviewed to clarify and enhance the Group's scope and limitations
- The KRT can evidence achievements to date that provide positive prospects for sustainability
- The governance structure, which is a root cause to many of the areas for development needs to be enhanced, including clarity on reporting lines. However, this is now being addressed by management as a priority
- Earlier consideration should be given to timescales for revising key documents such as the SLA.

Summary of management responses

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

Audit Opinion	Limited
Prospects for Improvement	Adequate

Quality assurance arrangements are not as effective as they could be, in particular levels of practice audits have declined such that only one locality was completed for 2015/16. This low level of proactive sampling stands as a contrast to Children’s safeguarding where assurance is drawn from a wider case audit assurance network. Management have explained that the root cause of this issue is a diversion of safeguarding resources (c30% of staff) to operational functions and priorities during the year.

Areas for Development

- Independent practice audits need to increase to enable an opinion to be provided on managing operational safeguarding.
- Sample sizes of cases reviewed for practice audits in 2014/15 may not be representative of the total population of cases.
- The ASC Policies and Procedures page on KNet had a plethora of guidance on safeguarding, some of which were out of date (this has since been rectified during this audit).
- A central record of guidance provided on complex and near miss cases is not maintained, nor is there guidance as to what constitutes a “near miss”.
- The Countywide Group are not always reviewing improvement plans of practice audits timely, receiving such plans, or receiving tangible demonstrable evidence.

Key Strengths

- The safeguarding adults team (SAT) demonstrated significant experience.
- Appropriate governance structures are in place.
- Multi-agency policy and guidance is developed and embedded.
- The Quality Assurance Framework defines accountability and roles within the quality and adults safeguarding agenda.

- For practice audits a standard template is used to review cases to aid consistency and resultant reports are well structured and identify areas for improvement.
- Improvement Plans following practice audits are challenged by SAT, and agreed at the Countywide Group.
- Safeguarding Adult Reviews and Local Area Designated Officer reviews are effectively managed with adequate records maintained.
- The flow of information was good with a range of reports produced, all of which reconciled where the same information was reported.

Prospects for Improvement

Our overall opinion of “adequate” for Prospects for Improvements is based on the following factors:

- An external consultant has been engaged to undertake a round of practice audits between May and July 2016.
- Resource dependent plans are in place to reinstate internal reviews from January 2017 (with plans being submitted to DMT for sign-off in August 2016)
- The new Chair of the Adults Safeguarding Board could be a positive influence on further embedding the multi-agency approach.
- Safeguarding Performance Reports are received from OPPD, LD and MH and are presented to, and monitored by, the Countywide Group.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	1	
Medium Risk	4	4	
Low Risk	2	2	

Audit Opinion	Substantial
Prospects for Improvement	Good

There are control frameworks in place for governance, performance monitoring, budget management and use of resources but improvements need to be made in the operating of the controls to ensure the delivery of desired outcomes.

Strengths

- Governance is sound and robust; arrangements include:
 - A Partnership Board to oversee and monitor effectiveness of joint working
 - A joint KCC members and KMPT non executives group
 - An updated Section 75 agreement including an operating framework.
- There has been timely intervention half way through the year to address forecast overspends through introducing savings targets.
- Spending conforms to the agreement conditions as well as objectives.
- Staffing resources are generally being utilised in an effective and efficient manner.
- Delivery of outcomes can be evidenced through good data from performance monitoring systems.

Areas for Development

- At month 12 despite the introduction of savings targets most localities were forecast to overspend on budget.
- KMPT do not look at activity and demand and target resources appropriately.
- There is a risk that in some localities social workers do not undertake predominantly social care and too much time is spent on healthcare.

- KCC are currently clearing a backlog of over 200 Safeguarding files which KMPT have been unable to close. Until files are closed the possibility of clients being at risk remains.
- Performance monitoring could be further improved, examples include:
 - Reporting of some KPIs is incomplete/inconsistent
 - The agreement does not require KMPT to obtain regular feedback from clients in relation to the service provided
 - The KCC Swift system and KMPT Rio system are not integrated and in some areas there is incomplete/unreliable data

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

- There is good, strong leadership and an effective working relationship with KMPT.
- There was managerial intervention when overspend was forecast and performance monitoring is improving.
- There has been a positive response to issues raised by Internal Audit.
- There is over reliance on staff competence as opposed to better systems.
- If the current strong leadership needs to focus on other operational matters progress may stall.
- There are no plans to integrate the Rio and Swift systems.

Summary of management responses

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

Audit Opinion	Substantial
Prospects for Improvement	Good

Our audit confirmed that all the sampled KPI's and Activity Indicators are appropriate, reported to the correct recipients, are based on timely data and are correctly RAG rated. Our findings also confirmed that Performance Indicator Definition (PID) Forms were fully completed. We found areas of good practice across the authority with relation to improving data quality and consistent reporting of performance to all levels of the business. However, issues were identified regarding the accuracy of information within PID's and the documentation of data quality processes.

Strengths

- All the KPIs reviewed were aligned to a key objective within the Directorate Business Plans
- KPI and activity indicator data is communicated appropriately within reports and dashboards to Directorate Management Teams, Divisional Management teams or Heads of Service for assessment.
- The KPIs and Activity Indicators tested are regularly reported and the reporting intervals are appropriate are timely and regularly reported.
- All the KPIs and Activity Indicators reviewed during the audit were correctly RAG rated in line with Management Guide MG01 - Managing the Council's Performance.
- In all cases tested, the PID was fully completed.
- In 85% of cases tested, the process outlined for data extraction and analysis on the PID was correctly applied by the Officer responsible for this process.
- In 75% of cases reviewed, the data quality process outlined within the PID was correctly applied by the Officer responsible.

Areas for Improvement

- PIDs obtained for the sampled performance and activity indicators included examples where they had not been updated or their content was inaccurate. Two indicators (10% of in the sample) had discrepancies on the PID with regard to how they were calculated.
- For 20% of indicators tested, the data quality process was adequate, but differed from that described on the PID. For one KPI, no data quality assurances are sought to support the data provided by third parties.
- Not all the KPIs and Activity Indicator objectives and targets were included in the relevant Service Business Plans. Where they were included, we found that Business Plans were not updated to reflect agreed changes to indicator targets.

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

- All issues raised within this audit have been accepted by the Business Intelligence Team and proactive steps are expected to be taken to address these issues.
- The Business Intelligence team have shown good leadership and oversight of the KPIs and Activity Indicators used by the Council.

Summary of management responses

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

Consultations

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Our audit confirmed that the policies, guidance and training offered to officers and Members is sufficient. However, a number of issues were identified; the most significant of these relating to risk ratings and stakeholder identification for consultations.

Strengths

- Policies and procedures are up to date and sufficiently detailed.
- Training for officers is delivered on a regular basis and, when identified or requested, targeted training is provided. However, at present, such training is voluntary.
- Bespoke training has also been provided to Members in their role as decision makers as part of the consultation process.
- Relevant advice is provided by the Consultation team.
- Within 80% of our sample, supporting documentation for the consultations tested had sufficient detail and clarity for stakeholders to engage with the proposal.
- Where post-consultation correspondence was available, it adequately explained the decision and rationale.

Areas for Improvement

Within our sample of ten consultations we found that:

- Risk ratings with consultation plans did not demonstrate that all factors on the risk matrices have been considered and there is no formal review process to ensure consistency of ratings, unless the consultation is regarded as high risk. Discussion relating to risk ratings is not recorded.
- In half the consultations reviewed there was no evidence of stakeholder identification. The EIA for these consultations showed some level of identification of stakeholders and hard to reach groups.

- In 50% of our sample, there was no documentation to justify the length of the consultation period.
- In 60% of consultations reviewed, there was no formal budget estimation of costs before the consultation. There was also no formal monitoring process for the specific costs of the consultations in our sample.

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

- The Consultation team is small and has limited resources available to support services in their consultations.
- The service has a clear vision of how it will be supporting directorates in the future and recently submitted a paper to CMT outlining how this will be achieved.
- There is no requirement that services must engage with the consultation team however, the consultation team encourage business units to contact them, through Knet and guidance documents.

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	4	4	0
Low Risk	0	0	0

Transport including SEN

Audit Opinion	Adequate
Prospects for Improvement	Good

The overall opinion is based on a review of relevant controls and documentation encompassing Home to School Transport including SEN arrangements, Personal Transport Budgets, Young Persons Travel Pass (YPTP), and 16+ Travel Card. Our audit opinion of Adequate is based on the following strengths and prospects for improvement:

Strengths

- Applications reviewed in our samples were approved or declined appropriately in line with guidance for all transport schemes within our scope.
- A robust safeguarding protocol is in place which contains a wide range of eventualities.
- Escorts and PSV drivers tested had completed training and held an up to date DBS check.
- Sample testing found that procurement arrangements for home to school transport were value for money

Areas for Development

- Financial savings targets for SEN transport had not been realised for 2015/16 resulting in a £1,760k overspend. Savings of £1,700k have been built into the 2016/17 budget. If no management action is taken forecasting based on information taken from Routewise shows a potential £1m overspend by the end of the financial year. This is mitigated by a commissioning plan in place to realise necessary savings. Nevertheless there remain risks to delivery of the plan which depends on a positive response from the market.
- The current payments process for the 16+ travel card has amassed debts in excess of £500k. The majority of this is due to a single debtor. Management action has been taken for this debtor.

- Transport Information Forms (TIFs) sent to Public Transport to arrange transport for learners, were incomplete for those tested.
- Improvements and/or gaps were identified in the processes for reviewing eligibility for those granted home to school transport.
- The Management Information (MI) used to determine school attendance of those receiving Personal Transport Budgets should be interrogated and adjusted to account for daily rather than sessional attendance.

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

- Management plans are now in place in each instance to resolve the area of concern and action is planned to mitigate any potential financial risk to the LA. Some of these we were advised by the service as already implemented.
- Management were aware of the High risk issues prior to our findings and were taking actions to address.
- New systems are currently being developed to enhance the delivery of transport.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	2	2	0
Medium Risk	3	3	0
Low Risk	4	4	0

Insurance Fraud

Audit Opinion	Adequate
Prospects for Improvement	Good

Within the insurance team there are a number of checks in place to ensure the authenticity of claims; this includes a detailed claim form and a requirement to submit supporting evidence. However there are some improvements that could be made to detect and deter potentially false claims through clear guidance about what to do if fraud is suspected, closer working with the Council's fraud team and making better use of the available data. The service has responded positively and is already adapting their processes.

Strengths

- All claimants are required to submit a detailed claim form which requires the claimant to attest to the truthfulness of their claim and advises them that their data may be shared for the purposes of preventing and detecting fraud.
- Claimants are required to submit evidence to support their claims such as an MOT and vehicle registration documents. Original invoices are required before any payment to the claimant is made and there are some checks in place to ensure repair work has been completed.
- Payments are made by BACS.

Areas for Development

- There should be clear procedures in place for staff describing what to do if they suspect a potentially fraudulent claim has been submitted.
- Potentially fraudulent insurance claims, whether rejected or not, should be referred to the Counter Fraud Manager and a record kept.

- The service should ensure that claim forms that are unsigned are rejected and returned to claimants before any further processing.
- Claimants could be asked to submit evidence of their identity.
- The insurance record system (Figtree) has not historically been used to record data such as claimant address or telephone number which limits the opportunity to automate repeat and suspicious claim detection.
- The service should work with the current insurance provider to improve the quality of the data uploaded to the National Fraud Initiative.
- The Management Information (MI) used to determine school attendance of those receiving Personal Transport Budgets should be interrogated and adjusted to account for daily rather than sessional attendance.

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

- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.
- Management are liaising with Zurich Municipal to rectify the issue of incorrect data being uploaded to the NFI.

Summary of management responses

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

Officers Expenses Follow-up

Audit Opinion	Limited
Prospects for Improvement	Adequate

This follow-up audit confirmed that some action has been taken in relation to the issues that were raised in the previous audit but further sampling has identified the action has not resolved the issues. Claims are still being authorised even though they do not include sufficient address information and/or the receipts were missing. We also identified two incidents of duplicate claims being paid in error. Overall, nearly half of the expenses sampled were not compliant with KCC policy and one service's expenses policy differed from corporate guidance. We identified the following Areas for Development and Key Strengths.

Areas for Development

- There were three duplicate claims identified in December's expenses report to the value of £268.36.
- 48% of claims were not compliant with KCC Policy
- 24% of claims had no postcodes and/or sufficient detail for the authorising manager to make an informed judgement before authorising payment.
- 36% of claims did not include receipts to support expenditure, including VAT.
- 16% of the claims were unable to be tested because there was insufficient journey information.
- 28% of journeys claimed were not within the 10% of the shortest distance.

- Three of the nine approvers interviewed stated that they never check the officers supporting receipts.

Key Strengths

- We found that the current policies, procedure notes and guidance are up to date and are available for officers and approvers via Knet. The policy was updated in July 2015 and emphasises the approver's requirement to check that claims are legitimate and accurate.
- 92% of claims had been submitted within the three month required timeframe.
- All claims tested were equal to the gross value that was paid.

Prospects for improvement are considered to be adequate. The draft management response has indicated that an enhanced corporate steer will take place with communication re-enforcing accountabilities and responsibilities followed up with an independent test check to detect ANY non-compliance.

Summary of management responses

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

Appendix 2 – 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	Complete	July 2016	Adequate/Adequate
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	Complete	July 2016	Substantial/Good	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 Health Check	Complete	July 2016	Substantial	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	N/a	N/a	Member and Officer Expenses – Follow-Up	Complete	July 2016	Limited/Adequate
Implementation of Strategic Commissioning Strategy	Deferred to 16/17			Disclosure and Barring Service Process	Merged with Recruitment Controls		
Declarations of Interest	Priority 2	N/a	N/a	Oracle Right Now	Priority 2	N/a	N/a
Programme Management and Corporate Assurance	Complete	January 2016	Adequate/Good	Learning and Development	Complete	October 2015	Substantial/Good

Project	Progress at March 2016	Date to G&A	Overall Assessment	Project	Progress at March 2016	Date to G&A	Overall Assessment
Portfolio and Programme Checkpoint Reviews	Ongoing	N/a	N/a	Compromise Agreements and Disciplinary Process	Complete	April 2016	Adequate/Good
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	Complete	January 2016	Adequate/Good	Financial Assessments Follow-up	Complete	April 2016	Adequate/?Good
Family Placement Payments	Complete	July 2016	Substantial/Good	Grants	Complete	April 2016	Limited/Good
Pension Contributions	Complete	April 2016	Substantial/Good	Insurance (Fraud)	Complete	July 2016	Adequate/Good
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		

Project	Progress at March 2016	Date to G&A	Overall Assessment	Project	Progress at March 2016	Date to G&A	Overall Assessment
Blue Badges	Complete	Quarterly update	N/a	Clinical Governance Process	Merged with Public Health Governance Review		
Safeguarding Framework – Adults	Complete	July 2016	Limited/Adequate	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	N/a	N/a
Integrated Discharge Scheme	Priority 2	N/a	N/a	School Admissions – Fair Access	Priority 2	N/a	N/a
Independent Living Scheme	Priority 2	N/a	N/a	Community Learning and Skills	Complete	October 2015	Substantial/Good
Pooled Equipment Budget	Priority 2	N/a	N/a	School Improvement Team	Deferred to 2016/17		
Boundary Re-alignment and Change Management	Priority 2	N/a	N/a	Troubled Families – grant	Ongoing	Ongoing	N/a
Mental Capacity Act and Deprivation of Liberty	Complete	July 2016	Limited/Uncertain	Contract Management – Household Waste and Recycling	Complete	October 2015	Substantial/Good
Autism Service	Deferred to 16/17			Developer Contributions and Community Infrastructure Levy	Deferred to 16/17 due to lack of progress		
KCC/KMPT Partnership agreement and AMHP (Approved Mental Health Professionals) service	Complete	July 2016	Substantial/Good	Local Growth Fund and Local Enterprise Partnership	Complete	July 2016	Substantial/Good
Transformation and Integration of Disabled Services	Ongoing into 16/17	N/a	N/a	Regional Growth Fund	Complete	April 2016	Adequate/Good
Adult Social Care Transformation Phase 2	Ongoing	N/a	N/a	Broadband Delivery UK Watching Brief	Complete	April 2016	N/a – advisory only
0-25 Change Portfolio	Ongoing	N/a	N/a	Coroners Service	Priority 2	N/a	N/a
Quality Assurance Framework Safeguarding Children	Complete	October 2015	Substantial/Good	Allington Waste Incinerator Contract	Priority 2	N/a	N/a
On-line Case File Audit – Children	Merged with Safeguarding Children			Transformation and Change – Transport inc SEN	Complete	July 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
Missing Children	Merged with Safeguarding Children			Transformation and Change – Libraries, Registration and Archives	Cancelled	N/a	N/a
Adoption Service	Complete	N/a	N/a – advisory only	Transformation and Change – Property	Ongoing	N/a	N/a
Looked After Children's Finances	Complete	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	N/a	N/a
Leaving Care Service	Complete	April 2016	Limited/ Good	Kent Resilience Team	Complete	July 2016	Adequate/ Good
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	N/a	N/a
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	ICT Data Centres	Complete	April 2016	Substantial / Good
ICT Change Control	Complete	January 2016	Substantial/ Good	Swift Application Review	Priority 2	N/a	N/a
Software Lifecycle Management	Deferred to 2016/17	WAMS Application Review	Priority 2				

Appendix 3 – Internal Audit & Counter Fraud Follow-up on Implementation of Agreed Actions

Audit	Date	Total due to be implemented		Implemented	In Progress		Not Implemented		Superseded	Overall Opinion on Actions R.A.G.	
		High	Medium		Medium	High	Medium	High			Medium
		High									
Pension Scheme Administration	04/03/16		1		1					GREEN	
Contract Extensions and Variations	30/03/16	1	1			1	1			AMBER	
Pensions Payroll	08/09/15		2		1		1			GREEN	
Data Quality – Oracle HR	30/11/15		2		2					GREEN	
Transparency Code Compliance	10/09/15		3		2		1			GREEN	
OP Residential & Nursing Contract Re-Lets <i>(Evidence awaited to confirm issue status)</i>	16/12/15	2	5	1	2	1	3			AMBER	
Data Quality Education & Social Services	27/02/15	5	3	5	3					GREEN	
Secure Remand	10/07/15		3		3					GREEN	
Apprenticeships	22/07/15	2	3	2	3					GREEN	

Audit	Date	Total due to be implemented		Implemented	In Progress		Not Implemented		Superseded	Overall Opinion on Actions R.A.G.	
		High	Medium		Medium	High	Medium	High			Medium
		High									
Consultancy and Partnership Contract Arrangements	09/12/15		3			1			2		
Settlement Agreements & Disciplinary	26/02/16		1	1							
Customer Feedback	21/07/15	1	2	1	1	1					
Contract Management – Household Waste & Recycling Centres	02/10/15		3	2		1					
Waste Contract Management	08/07/15	1	2	1	2						
Concessionary Fares	05/12/14	2	1	1	1		1				
Client Financial Affairs Follow-up	23/07/15		1			1					

Audit	Date	Total due to be implemented		Implemented	In Progress		Not Implemented		Superseded	Overall Opinion on Actions R.A.G.	
		High	Medium		Medium	High	Medium	High			Medium
		High									
Recharges	04/03/15		1		1					GREEN	
Property – Capital Project Delivery	16/09/15		1		1					GREEN	
New Ways of Working <i>(Evidence awaited to confirm issue status)</i>	09/01/05	1				1				AMBER	
Oracle Application Review	10/09/15		1		1					GREEN	
ICT Change Control Audit	11/01/16		1		1					GREEN	
Data Centres Audit	21/12/15		2		1		1			GREEN	
Kent Card	20/07/15	1	3		3			1		GREEN	
Direct Payments <i>(Evidence awaited to confirm issue status)</i>	30/07/15	2	2	1	1	1	1			GREEN	

Audit	Date	Total due to be implemented			Implemented	In Progress		Not Implemented		Superseded	Overall Opinion on Actions R.A.G.
		High	Medium	Low		Medium	High	Medium	High		
Optimisation	17/06/15	5	2	1		2	2				AMBER
Promoting Independence Reviews	24/02/15	2		1		1					GREEN
Bank Accounts	09/01/15	1	1	1	1						GREEN
Health Checks	21/04/15		6		5		1				GREEN
Childrens Payments Section 17	16/06/15		3		3						GREEN
Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	06/11/15		7		3		4				AMBER
Childrens Finances (LAC)	21/12/15		1		1						GREEN
Unaccompanied Asylum Seeking Children	15/01/14	1	3		2		1	1			AMBER

Appendix 4 – Internal Audit Assurance Level Definitions

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.

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.