By:	Robert Patterson – Head of Internal Audit
To:	Governance and Audit Committee – 6th October 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 2016/17 financial year to date and seeks approval for minor revisions to the anti-fraud and anti-corruption strategy.

FOR ASSURANCE AND DECISION

Introduction

1. This report summarises:

    - the key findings from completed Internal Audit reviews

    - the key outcomes from completed counter fraud investigations

    - progress against the 2016/17 Internal Audit Plan;

    - achievement against the Internal Audit and Counter Fraud Key Performance Indicators

    - work in progress and future plans and improvements, and

    - approval for a revised anti-fraud and anti-corruption strategy

Overview of Progress

2. Appendix 1 details the outcomes of Internal Audit and Counter Fraud work completed for the financial year to date. In total 15 audit reviews have been completed, including 12 substantive reviews. A further 3 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 11 audits. In relation to counter fraud work there have been 81 irregularities reported and investigated since the start of 2016/17 of which 32 have been concluded. Overall the unit has reviewed systems or activities with a combined spend of an estimated £119.5 million since the start of 2016/17.

3. Appendix 2 (the Internal Audit Progress Report) details the outcomes from this work against the more significant corporate risks (as ratified by this Committee in July) where it is practical for internal audit work to provide assurance against the progression of the management and mitigation of such risks

4. Appendix 2 also provides an update on the progress of the DCLG funded Kent Intelligence Network (KIN) data matching counter fraud project. More rapid progress has been made since the July Committee meeting and a revised and robust timetable has now been developed and an outline is included in this Appendix.

5. Progress against the Audit Plan for 2016/17 is broadly in line with target to achieve the Audit Plan key performance targets (KPI's) by 31st March 2017. The detailed KPI's are shown in Appendix 2. Inevitably at the start of each financial year there is a carry-over of work and audit resources are also focused on preparation on the annual opinion and governance statements. This initially impacts on the commencement of the 2016/17 work.

Implications for Governance

6. Where audits completed in the year have identified areas for improvement, management action has been agreed. All audits are allocated one of five assurance levels together with four levels of prospects for further improvement representing a projected 'direction of travel'. Definitions are included within the attached report.

7. Although at this stage drawn from a relatively small sample of audits, the outcomes to date have been satisfactory. In particular:

   - Over a third of systems or functions have been judged with a substantive assurance or better (Freedom of Information processes have received a high assurance)
   - A continuing pattern of general robustness of key financial systems
   - Positive assurance over the Council's response to setting up robust asylum seeker children systems during particularly challenging circumstances
   - The development of potentially effective early help systems to manage demand for specialist children's services
   - Assurance over safeguarding controls in a sample of children's centres that have been audited

8. Areas for development and improvement relate to:

   - One area (Bribery and Corruption controls) has received limited assurance, but top level management have acted swiftly to develop a rectification plan
   - The findings from the adoption consultancy review again underlines potential weaknesses in how elements of contracts are managed
   - Continuing issues over the maintenance of local financial controls at certain remote sites and establishments

9. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter.

10. As such, from our coverage to date 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 material fraud and irregularity.

Anti-Fraud and Anti-Corruption Strategy

11. We have completed our annual review of the Council's Anti-Fraud and Corruption Strategy and a number of minor amendments have been recommended. A copy of the strategy (with tracked revisions) is attached at Appendix 2/B for the Committee to approve.

Benchmarking

12. Normally in this cycle of the year we report on benchmarking results for internal audit and counter fraud, traditionally based on CIPFA benchmarking clubs.

13. As Members will be aware, this year we withdrew from the CIPFA benchmarking club as so few County Councils were present, resulting in skewed and potentially misleading results from the data from the remaining Council's. We are now part of the County Council Audit Network (CCAN) benchmarking club but which has a different timing and frequency.

14. We still remain in the CIPFA counter fraud benchmarking club but we have been informed that due to changes in their personnel, the results for 2015/16 will not be available until mid-October. We will bring these outcomes to the January 2017 G&AC Committee.

Recommendations

15. Members are asked to note:

- Progress and outcomes against the 2016/17 Audit Plan and proposed amendments.
- Progress and outcomes in relation to Counter Fraud activity
- The assurances provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date

16. Members are asked to approve revisions to the Council's Anti-Fraud and Corruption Strategy

Appendices

*Appendix 1 - Distribution of internal audit judgements 2016/17 (to date)*

Appendix 2 - Internal Audit Progress Report October 2016

Appendix 2 App B - Anti Fraud and Corruption Strategy

Robert Patterson
Head of Internal Audit

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Appendix 1 – Distribution of internal audit judgements 2016/17 (to date)

2016/17 Audit Assurance Levels and Prospects for Improvement of Audits
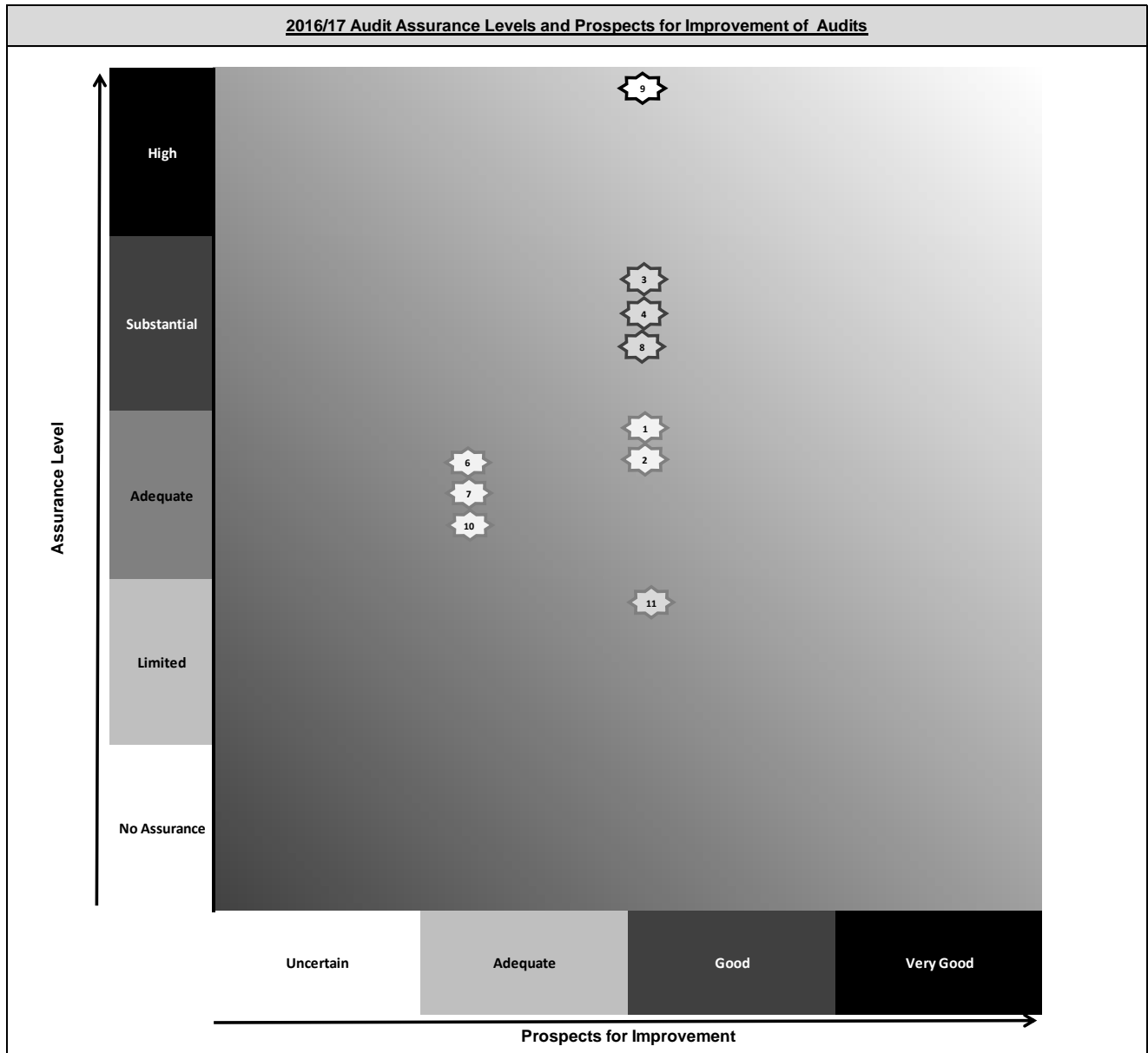
Audit Opinion October G&A Committee

No	Audit	Judgement	Prospects for Improvement
1	Autism	Adequate	Good
2	UASC	Adequate	Good
3	Early Help - Step Up Process	Substantial	Good
4	TCP Process	Substantial	Good
5	ICT disaster/recovery	Adequate	N/A
6	ICT Swift	Adequate	Adequate
7	PROW	Adequate	Adequate
8	Schools and 3rd party payroll	Substantial	Good
9	FOI requests	High	Good
10	Data protection	Adequate	Adequate
11	Bribery and Corruption Act	Limited	Good

Assurance Level	No	%
High	1	9%
Substantial	3	27%
Adequate	6	55%
Limited	1	9%
No	0	0%

Assurance Level 2016/17

- High
- Substantial
- Adequate
- Limited
- No
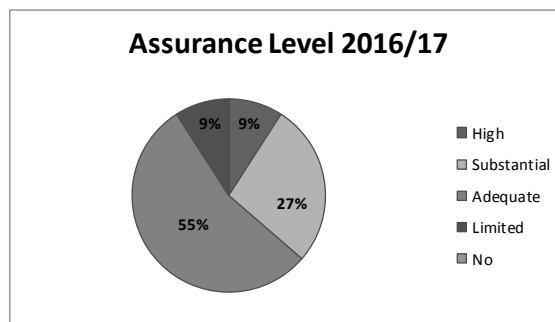
Note – The adoption consultancy review did not include formal assurance levels

APPENDIX 2

Kent County Council

Internal Audit and Counter Fraud Progress Report

October 2016

October 2016

Contents

1 Introduction and Purpose

1.1. This report details cumulative internal audit and counter fraud outcomes for 2016/17 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since April 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 15 internal audits (including 3 establishment visits) and 32 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £119.5 million of KCC turnover to date.

1.3. A further 14 audits including 2 counter fraud proactive projects are currently in progress, and a further 62 counter fraud investigations remain ongoing (including a number carried forward from the previous year).

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

1.5. Internal audit also remains involved in monitoring the works in progress of selected significant change programmes and projects so as to provide timely pre-event challenge during the establishment of new control frameworks. During this period we have also undertaken a number of 'consultancy' styled assignments, using our expertise to review selected control areas for management.

2. Overview

Internal Audit and Counter Fraud

2.1. The covering paper to this progress report provides a graphical representation of the outcomes from the audits completed to date. In addition, to reprise our covering report , the following summary strengths and areas for development emerge from the work to date:

2.2. Strengths include:

- Over a third of systems or functions have been judged with a substantive assurance or better (Freedom of Information processes have received a high assurance)
- A continuing pattern of general robustness of key financial systems
- Positive assurance over the Council's response to setting up robust asylum seeker children systems during particularly challenging circumstances

- The development of potentially effective early help systems to manage demand for specialist children's services
- Assurance over safeguarding controls in a sample of children's centres that have been audited

2.3. Areas for further improvement relate to :

- One area (Bribery and Corruption controls) has received limited assurance, but top level management have acted swiftly to develop a rectification plan
- The findings from the adoption consultancy review again underlines potential weaknesses in how elements of contracts are managed
- Continuing issues over the maintenance of local financial controls at certain remote sites and establishments

2.4. The breadth of coverage and outcomes from our work to date have provided sufficient evidence to support an interim opinion that Kent County Council continues to have:

- Adequate and effective financial and non-financial controls
- Adequate and effective governance processes
- Adequate and effective processes to deter incidences of substantive fraud and irregularity

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

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

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

Managing and embedding sustainable change (including strategic commissioning)

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

	Assurance Level	Prospects for Improvement	Issues Raised	
Adoption	N/A	N/A	N/A	Consultancy review

3.3.   In relation to contracting and commissioning we undertook a consultancy post implementation review of the adoption contract which was previously been provided by the private sector and has now been brought back in house. In particular we examined the management of the contract, the re-letting process and how the service has addressed subsequent risks of the transfer of the service back to direct KCC management. Overall we found that in terms of outcomes the contract had resulted in significant improvements in performance. This was despite the management of the contract being problematic with issues over governance structures and that the specification was not formally changed as circumstances altered such that over £700k of payments were made outside the specification with no evidence to support invoicing. The absence of bidders in the re-letting process was largely due to time constraints and limited market engagement. We will be undertaking a formal audit of 'business as usual' controls of the in house adoption service later in the year.

3.4.   In terms of works in progress in this risk area, we are currently concluding our work on the 0-25 transformation project and we are about to commence a review of business planning controls and outcomes across the Council.

Identification, planning and delivery of financial savings

3.5.   Clearly associated with the above risk is the delivery and planning of resource reductions and in this respect we recently reviewed resource allocations in a critical element of Growth, Environment and Transport (GET) :

	Assurance level	Prospects for Improvement	Issues Raised	
Public Rights of Way (PROW)	Adequate	Adequate	High: 2 Medium: 0	Accepted

3.6. We were asked by the relevant Directorate to independently review risk assessment and management arrangements governing the capital resource allocations planned against reductions in the £619,000 budget in public rights of way. We found evidence of a meaningful asset investment and risk assessment process being applied to capital allocations but that the underlying evidence was fragmented and there was lack of common risk processes applied to both PROW and highways allocations, despite these resources being drawn from a unified capital budget. As a result of our work management has accepted that a new approach needs to be developed for 2017/18 on comparative need and risk across both highways and PROW.

3.7. Significant work in this area that has just commenced relates to an audit of the corporate medium term financial planning (MTFP) processes, controls and systems.

Data and Information management

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

	Assurance level	Prospects for Improvement	Issues Raised	
ICT Disaster Recovery follow up	Adequate	N/A	Of the six issues raised, one is fully implemented, one is 'risk accepted' whist the reminder are in progress.	
ICT SWIFT	Adequate	Adequate	High: 1 Medium: 2	Accepted
Data Protection	Adequate	Adequate	High: 0 Medium: 1	Accepted

			High: 0	
FOI requests	High	Good	High: 0 Medium:0	N/A

3.9. A considerable amount of activity has taken place in this area in the last quarter, either through in house resources, or with our IT audit contractor Moore Stephens.

3.10. The ICT Disaster Recovery follow up showed satisfactory progress being made in rectifying issues raised. Of note, the previous issue of an overhaul of disaster recovery infrastructure has been rejected by CMT due to understandable cost considerations and the risks of the current arrangements have been accepted. (We do not make a prospects for improvement judgement on follow up audits that only focus on pre-existing actions and issues)

3.11. The SWIFT system governs case management in adult social care and our audit examined controls and standards and current compliance with relevant ISO information system security standards, the accreditation of which is important for NHS requirements. Overall we found that 96% of controls were compliant with the relevant ISO standards but that mandatory certification had yet to be drafted, anti virus software had not been updated and admin logs were not collected or analysed.

3.12. The Data Protection audit reviewed the Council's compliance and controls in relation to adherence to relevant legislation. Overall there is good systems, procedures and support including that from a central team Unfortunately weaknesses in compliance to organisational training and inconsistent reporting by business units to the central team are resulting in 37% of 'subject access requests' (SAR's) failing to be completed within statutory deadlines.

3.13. Our review of processes and controls around managing freedom of information (FOI) requests was extremely positive with robust systems in place and requests appropriately logged and tracked, such that our sampling showed 98% compliance with relevant deadlines.

Safeguarding – protecting vulnerable children and adults

3.14. During this quarter we looked at safeguarding within 3 children's centres (see later) and our lessons learned consultancy review of the adoption contract also examined the controls in place of the transfer of the service back in house.

Implications of increased numbers of unaccompanied asylum seeker children

3.15. During this period we have undertaken a specific audit relating to this risk:

	Assurance Level	Prospects for Improvement	Issues Raised	
UASC	Adequate	Good	High: 1 Medium: 1	Accepted

3.16.   Overall we can provide assurance that despite considerable risks and pressures, the UASC systems which were put in place at short notice have maintained critical financial controls and the utilisation of block contracts has resulted in continued best value. There is a need to consistently record placement decisions and to undertake a 'lessons learnt' review so that systems can be further improved in future.

Health and Social Care Integration

3.17.   In this period we have looked at integrated working with health in relation to Autism :

	Assurance Level	Prospects for Improvement	Issues Raised	
Autism	Adequate	Good	High: 0 Medium: 2	TBC Currently at final draft

3.18.   There is no dedicated budget for autism services but it is absorbed into general client expenditure. Strategies are still in draft and the resultant needs assessments need to be re-visited. At the current time the service is fragmented and in relation to efficiencies some progress is being made in reviewing high cost clients.

Management of Demand – adult social care and early help / specialist children's services

3.19.   One of the key initiatives to safely manage demand for specialist children's services is through early intervention in early help units and the process that manages the transfer between the two types of care.

	Assurance Level	Prospects for Improvement	Issues Raised	
Managing 'Step Up' to Specialist Children's Services and 'Step Down' to Early Help	Substantial	Good	High: 0 Medium: 4	All accepted

3.20.   Our audit specifically examined the District Partnership panel processes and that risks and whether issues are properly considered. We did not examine the intervention work carried out by individual early help units. Overall the panel process is having a positive effect, both in terms of fostering more integrated working and as an effective control to cases that are transferred between SCS and early intervention. Critical information is considered at panel meetings and there is evidence that risks are appropriately considered. KPI's are being used effectively and are being used to manage performance down to individual worker level. We did evidence that variations in processes were developing and in particular the process for reviewing cases after being 'stepped down' differs considerably between districts.

Financial and operating environments – critical systems and functions

3.21.   As would be expected from an internal audit function, a considerable proportion of our work is centred on reviews of core critical financial and non-financial systems. We have undertaken a miscellany of topics during this quarter:

	Assurance level	Prospects for Improvement	Issues Raised	
Anti Bribery and Corruption Controls	Limited	Good	High: 1 Medium: 0	Accepted
Schools and 3rd party payrolls	Substantial	Good	High: 0 Medium: 1	Accepted
TCP process	Substantial	Good	High: 0 Medium: 6	Accepted

3.22. Our largest piece of work related to a review of KCC's compliance with the Bribery Act Policy. This Act has increased risks to the Council in that if there was an active bribery offence committed and the Council could not demonstrate an "adequate procedures defence" it could face prosecution. Our 'limited' assurance is based on the evidence that although the Council has an adequate Bribery and Corruption Policy it has not enacted or followed up on critical elements within it, particularly undertaking risk assessments, continual promotion and focused training. Top level management have acted promptly and appropriately on our findings and over the next 3 months CMT will undertake a risk workshop to determine those areas in the Council that require more focused controls and training and there will be more effective communication to senior managers across the Council.

3.23. The schools and 3rd party payroll audit examined the payroll functions undertaken to 141 schools and other third parties by the Business Service Centre.   Overall we found effective systems and controls in place and all key payroll functions are being performed in a timely and accurate manner and as such is delivering within the contract terms and conditions. Management are also adopting more automated and effective systems for notification of payroll changes.

3.24. The TCP audit examined the controls and management of the staff salary performance system which indirectly governs £5.2 million of salary increases and £233,000 in cash awards. Overall we concluded that rewards were awarded in line with policies and that consistency was achieved through an effective moderation process. We have raised issues around authorisation of cash awards and that both cash and manual processes should be brought into line with the agreed TCP processes.

4.   Other Audit Work

Grant Certification

4.1. We continue to independently review Troubled Families grant claims. Our most recent audit sampling found 15% of cases were inadmissible because of insufficient evidence and as such appropriate adjustments were made prior to referral to the DCLG.

Establishment Visits

4.2. During the past 6 months we have concluded audits of 3 children's centres, as part of a themed review over the year with the following outcomes:

	Assurance level
Willows	Adequate
Buttercups	Limited
Caterpillars	Adequate

4.3. Key strengths from these centres were good controls to safeguard children through to training of staff. DBS checks were being undertaken properly for all staff, although at one Children's Centre there were a 2 DBS checks for volunteers which needed to be renewed. Areas for development related to banking of income, authorisation and checking of purchases made by the centres. All issues have been accepted by management with appropriate action plans and timescales for rectification agreed.
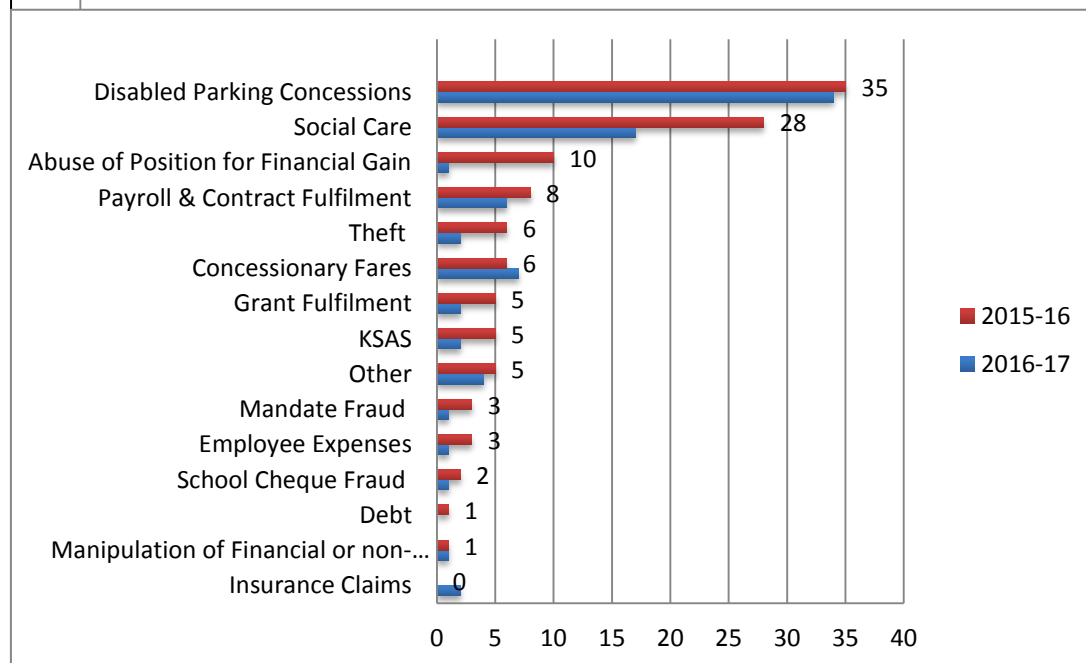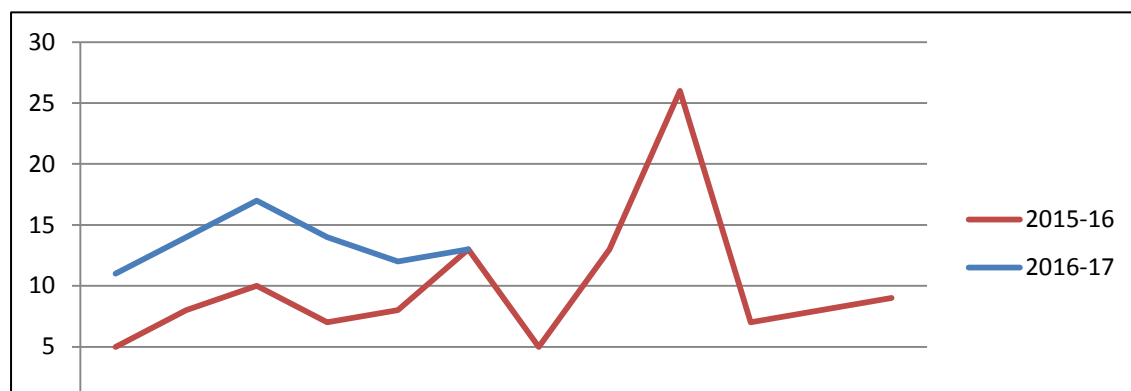
Other Audit Activity

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

- A 'Group Audit' activity to Kent Commercial Services, Gen2 and to the future Legal LATCo
- Appointed auditor to 12 Parish Council's
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
- Internal audit of Kent and Medway Fire and Rescue Service
- Management of the audit and fraud service at Tonbridge and Malling Borough Council

5. Counter Fraud and Corruption
Fraud and Irregularities

5.1. To date we have recorded 81 irregularities in 2016/17 of which 49 remain open and 32 have been closed. The potential value for these cases is £344,983. This figure includes the potential losses at the point of referral and actual losses (from opened and closed cases) and prevented losses (where no actual loss occurred).

5.2. Tables CF1 to CF4 below compares activity from 2015-16 to 2016-17 and summarises the irregularities by type of fraud, source and directorate.

5.3. The table CF1 shows a clear increase in the amount of irregularities received in Q1 and Q2 of 2016-17 financial year. This is due to the high number of Blue Badge referrals the fraud team have received. In comparison, during the last financial year the Counter Fraud team recorded a total of 120 irregularities for the whole year. The 81 irregularities we have recorded for 2016/17 is equal to 68% of the total irregularities received in 2015/16.

5.4. The most common type of fraud recorded to date relates to Disabled Parking Concessions (Blue Badges). This trend has continued because of the Blue Badge training we have been running at district and borough councils to support their enforcement activity. This has also impacted on the most common source of referral (outside agencies) and the number of referrals recorded against Social Care, who have overall responsibility for the Blue Badge Scheme in Kent.

Table CF-1 2015/15 & 2016/17

CF2-Irregularities by Type

Table CF3 -Irregularities by Directorate

2015/16

Label	Value
ST	12
EY	13
GT	18
SC	77

Legend: EY, GT, SC, ST

2016/17

Label	Value
ST	6
EY	10
GT	10
SC	55

Legend: EY, GT, SC, ST

Table CF-4 Referrals By Source

Source	2016/17	2015/16
Staff	40	70
Outside Agency	30	35
Public	5	11
Internal Audit	3	1
Anonymous	2	1
Whistle-blower	1	1
Service User	0	1

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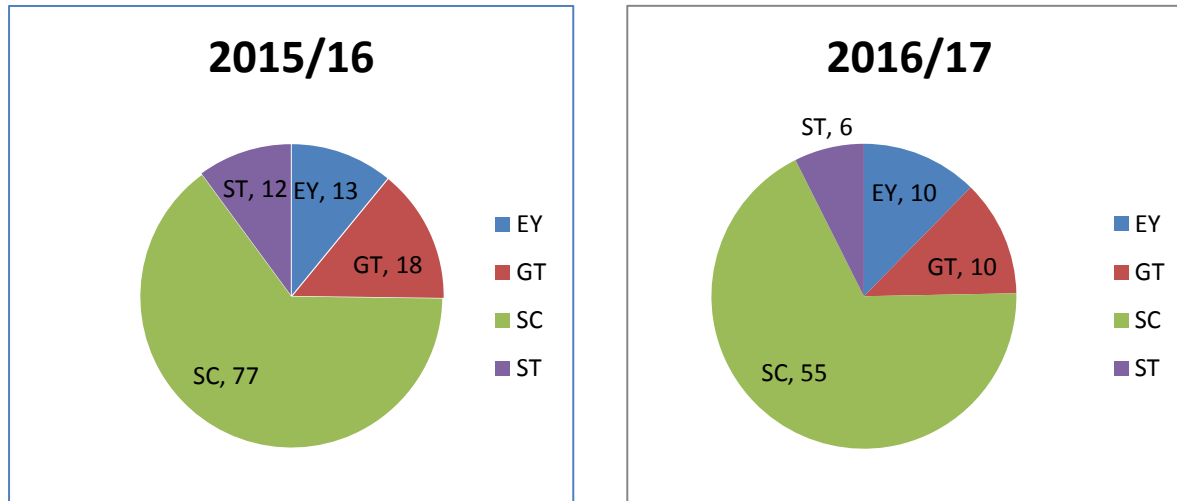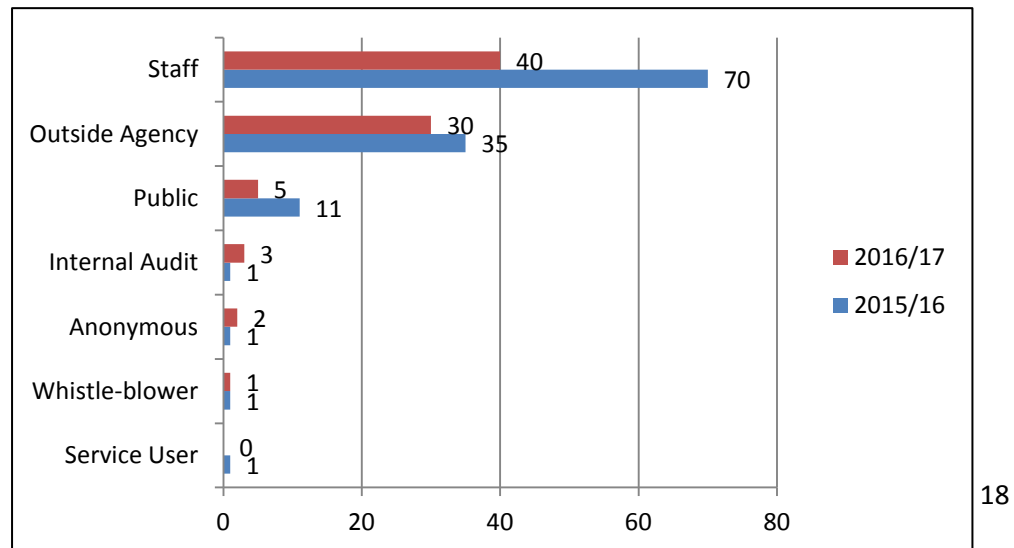**Kent Intelligence Network**

5.5. Since the July Committee meeting the following actions have taken place:

- The protocols for the data sharing were finally agreed in early September and are now formally ratified by the constituent authorities.
- In terms of the governance processes the joint Board has been constituted and has been meeting monthly since August
- Priorities for data matching haves been agreed and all participating authorities extracted data for matching during mid September.
- Matching data and assembling into useful investigative information will take 4 weeks. It is anticipated data for investigation will be ready by 14th October. Initial feedback is planned for mid November.

5.6. As such we are satisfied that more substantive progress is being made across the constituent authorities, although clearly the project moves to a more critical phase in the mobilisation of counter fraud resources across Kent to review and investigate the initial outcomes from this data matching.

Anti-Fraud and Corruption Strategy

5.7. We have completed our annual review of the Council's Anti-Fraud and Corruption Strategy and a number of minor amendments have been recommended and are shown in the tracked change version in Appendix B. In summary these include a definition for corruption (which was missing) through to amending reporting arrangements with the abolition of the Audit Commission.

6   Internal Audit and Counter Fraud Performance

6.1   Performance against our targets to the end of August 2016 are shown below:

Performance Indicator	Target	Actual
Outputs		
100% of Priority 1 audits completed (by year end)	22%	23%
50% of Priority 2 audits completed	12%	10%
Time from start of fieldwork to draft report to be no more than 40 days	100%	53%
No of fraudulent incidents / irregularities recorded	N/A	81

Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	Report January
% of all other issues agreed	N/A	94%
% of all other issues implemented	N/A	Report January
Client satisfaction	90%	90%

Total Number of occasions in which
        a) Fraud and
        b) irregularity
were identified
		24
		8

Total monetary value detected of
  (a)   Fraud
  (b)   Irregularity
		£11,806
		£0

Total monetary value recovered of (a) Fraud (b) Irregularity		£2,799 £0

6.2. In general the output outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2016/17.

7 Internal Audit and Counter Fraud Resources

7.1. We have no current issues with audit and counter fraud resources and staff turnover is currently low.

7.2. We will be repeating our use of peer auditors for 2016/17 as part of a management development role for internal audit as well as bolstering our resources.

8 Work in progress and future planned coverage

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

8.2   For the next quarter of the year we have a number of substantive audits to complete including

Contact Point contract	IT software lifecycle management
Carers Assessments	0-25 Transformation Programme
Medium Term Financial Planning	Safeguarding in EYPS
General Ledger	Disabled Children
VAT	Schools Improvement Team

9   In Conclusion

9.1   We are satisfied that over the past 6 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.

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 2016/17 Internal Audits issued

Autism

Audit Opinion	Adequate
Prospects for Improvement	Good

A strategy was first drafted in 2015 but is still in consultation and the needs analysis on which it should be based is being revisited. At the current time the service suffers from fragmented working with the Clinical Commissioning Groups which impacts on a number of key areas and information management. In terms of efficiencies some progress has been made towards reducing the cost of high cost clients but the approach has not been embedded. There is no dedicated budget for autism services client expenditure, support/care costs are attributed to the general Adults budgets.

The following strengths and areas for improvement were identified:

Strengths
- Governance arrangements are in accordance with the Directorate framework and risks are identified and recorded and monitored.
- There is a draft strategy currently out for consultation.
- An Autism Collaborative has been established which acts as an autism partnership board bringing together different organisations, services and stakeholders.
- A Department of Health required self-assessment checklist is completed every year.
- An advocacy and peer support service has been commissioned.

- There had not been a review of compliance with national guidance and legislation (one is currently underway)
- A Department of Health required self-assessment checklist is completed every year. The latest assessment indicated there were a number of areas for improvement, but there is no action plan as a result of the assessment.
- The social care costs for ASC clients are not allocated to a separate Autism Service budget and therefore it is difficult to adjust for savings identified.
- High cost care package initiatives to generate £400K of savings in 2015 were not embedded. Based on evaluation of these initiatives these could be reflected in future budgets.

Prospects for improvement have been assessed as good because of the following factors:
- The poor co-ordination and integration between a strategy and needs analysis is of concern together with the time needed to get this ratified.
- The lack of a joined up approach by CCGs and an agreement with them on the way forward has the potential for an adverse effect on the success of strategic and operational planning
- Temporary posts in the team are now permanent positions so resources are guaranteed going forward.
- There is incentive to continue to look at high cost cases as reviews have shown that savings can be made.

- The Autism Spectrum Condition ASC team has put in place systems to try to reduce high cost cases.

Areas for Development
- The needs assessment that helps inform the strategy is still in draft stage and is being revisited as there are inaccuracies. Despite this issue the strategy has been out for consultation since January 2016.
- There is no agreement between KCC and the local CCGS on the way forward so there is not an integrated approach.
- There is currently no multidisciplinary team across the authority and local NHS organisations. Development of integration in the future is being considered

Summary of management responses

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

UASC Allocation of Accommodation

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

The Social Care, Health & Well Being Directorate should be commended for their efforts in dealing with the UASC crisis during the summer of 2015 under very extreme circumstances. The UASC budget was considerably overspent as a result of the crisis. The 15/16 budget was set at a net spend of £280,000 whereas the actual was £1,654,581.

Overall we can provide assurance that despite considerable risks and pressures, critical financial controls have been maintained and that the continued utilisation of block contracts has assured continued best value. Sustainability of these arrangements may be impaired by the lack of a lessons learnt review. In addition a theme from our testing was an absence of recording of a number of routines due to the workload pressures during the crisis period.

Key Strengths
- There are detailed procedure notes available to staff to assist with all processes for children that are deemed to be looked after. Our testing showed that during the crisis period these were not always adhered to due to the volume of UASC arrivals.
- Accommodation availability is effectively monitored.
- Block contracts are in place regarding these placements.
- Budgets are monitored effectively.

Areas for Development
- Decisions made at the weekly meetings held at the reception centres regarding accommodation placements should be documented.
- A formal review of what lessons can be learnt following the 2015 UASC crisis should be carried out so that it can be fed into future situations that may occur.

Prospects for improvement have been assessed as Good due to the following factors:
- Management have responded positively to the issues raised in this report.
- Despite adverse external factors beyond the control of KCC, generally fit for purpose and robust systems were developed at short notice.
- A ' lessons learnt' review would assist future improvements.

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	1	1	0
Low Risk	0	0	0

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

The District Partnership Panel process has been imbedded in all districts, although a number of variations in the process had developed in practice. There is a positive attitude towards the process, and the attendance at panels of Specialist Children Services Workers has aided the improvement of relationships between teams.

The panel's role of reviewing stepdown cases allows improved management oversight of stepdown cases. The requirement for joint visits also encourages better engagement from families. However there were inconsistencies regarding how both these requirements have been implemented.

There is currently insufficient information to judge the impact on demand to SCS.

Key Strengths
- In the 7 districts sampled, agendas and minutes showed panels happened weekly, with few exceptions
- Staff were positive about the panel process
- All sampled cases stepped down from Specialist Childrens Services (SCS) had been through a District Partnership Panel (the panel)
- The implementation of the panel meetings has improved working relationships with SCS
- Core information/transfer forms were presented at panel meetings and there was evidence that risks and issues were considered
- KPIs and the performance dashboard are available and utilised by managers to manage performance down to individual worker level.

Areas for Development
Differing views and practices as to the importance of joint visits with SCS during step down
- The panel process can be time consuming and involve duplication of effort when recording discussions and decisions
- The process for reviewing cases after being stepped down differs considerably between districts
- Key performance data on re-referral to SCS of Early Help cases is not reported on divisional dashboards

Prospects for improvement are considered to be good, based on the following factors:
- Sufficient training is provided to the users of the Swift/AIS applications/systems.
- The business application support team have significant knowledge of the Swift/AIS applications/systems.
- Management and staff were receptive to the issues raised.

Summary of management responses

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

Appraisal and TCP Process

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

Review of the appraisal and TCP process found areas where controls were operating appropriately including informed decisions for both determining the amount to reward staff and the moderation process. However there are some areas for improvement which could enhance the current process, Staff and Management's perception and consistent application of the process.

Our above audit opinion is based on the following key strengths and areas for development:

Key Strengths
- Staff within our sample had been rewarded correctly in line with the agreed pay increases.
- A consistent approach was undertaken during the moderation process at Directorate Management Team (DMT) and Corporate Management Team (CMT) level.
- Based on review of available documentation we have found there to be robust rationale to support key decisions including increases for the 2015/16 TCP cycle.

Areas for Development
- Cash awards should be used appropriately and not as a means bypass the corporately agreed TCP process and be authorised appropriately.
- Clear documented guidance relating to the entirety of the appraisal and TCP process should be available to all KCC staff.

- Payments made through the manual process should not bypass the moderation process and evidence should be obtained from the "Grandparent" prior to actioning.
- Sufficient opportunity to receive higher ratings should be made available for those on lower grades including wider contributions.
- The appraisal and TCP process should be undertaken consistently to allow fair and equitable judgements.
- All eligible staff should receive a TCP assessment including those that become eligible after any set deadlines.

Prospects for improvement have been assessed as Good because of the following factors:
- The issues identified have been positively received with the key findings of the audit identified and discussed with management.
- Management have a clear vision on where they want to get the system

Summary of management responses

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

Swift/AIS Application and Preparedness for ISO 27001 Certification Review

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

This audit evaluated the requirements to achieve compliance with the 35 control objectives of the ISO 27001:2013 standard. The audit was carried out using a 'Gap Analysis' tool and focussed on the controls which we believe could be in scope for the ISO 27001 certification, In summary we found that:

- 96% of the controls that we reviewed were compliant with controls identified within ISO27001; and
- 4% of the controls that, we reviewed were found to be partially compliant.

Key Strengths
- Information Technology (IT) security policies have been documented and communicated to relevant key stakeholders.
- Information Security Officer (ISO) roles and responsibilities have been defined.
- The ICT asset register is maintained by both the business support team and the infrastructure team.
- Application password configuration is compliant with the corporate password policy.
- Ownership of the Swift/AIS applications/system has been defined.
- The use of removable media has been restricted on KCC infrastructure.
- Logical access controls at the application level are in place and are monitored by the business application support team.

- Physical access and environmental controls are in place at the Sessions House data centre where Swift/AIS application and data is hosted.
- Segregation of the development, test and production environments is in place.
- Swift/AIS application and data is backed up at the disaster recovery site.
- Data sharing procedures have been documented.
- Third party application maintenance and support contract is in place.

Areas for Development
- Mandatory certification documentation has yet to be drafted.
- Anti-virus not updated since March 2016.
- Administrative logs are not collected and analysed.

Prospects for improvement have been assessed as Good because of the following factors:
- Sufficient training is provided to the users of the Swift/AIS applications/systems.
- The business application support team have significant knowledge of the Swift/AIS applications/systems.
- Management and staff were receptive to the issues raised.

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	2	2	0
Low Risk	0	0	0

Highways, PROW and Related Assets Risk Review

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

For the current financial year (2016/17) as with previous financial years, the amounts included in the bids for capital allocation exceed the budget available. There is a significant shortfall when considered against the various Asset Management Plans submitted.

There is evidence of a risk assessment approach being taken in PROW and KHT for allocating priorities and resources to schemes within individual asset groups.

Key Strengths
- There is evidence of the use of robust risk assessment criteria within asset groups which could be developed further to be applied between the different asset groups.
- There is recognition within PROW and KHT of the continuing reduction likely in resources and this is reflected in the approach to making the best use of resources available based on identified priorities within asset groups.
- The management accepts that a new approach needs to be considered for 2017/2018 to create a system based, as far as practicable, on comparative need and risk.
- An asset investment tool using risk management and simple cost benefit analysis has been developed in PROW. This may be able to be developed further for use within KHT.
- Both services have produced comprehensive documents defining a strategy for asset improvement and management which provide a broad indication of the approach to managing risk and setting priorities within the service.

Areas for Development
- The documents developed so far are mostly strategic or informative and do not present a defined policy and procedure for staff to use in allocating resources between asset groups.
- Present documentation is fragmented. Improved documentation of the risk management process is required to provide a defence against challenge and demonstrate a considered approach to managing risk and the allocation of resources at a time of reducing resources.
- Research is required into the development of common processes available to assess risk between asset groups.

Prospects for improvement have been assessed as Adequate because of the following factors:
- The teams in PROW and KHT are receptive to feedback and have demonstrated continued process improvement in matching schemes to reduced resources.
- Management recognise the need to improve risk assessment and the allocation of resources within and between asset groups. There is now a commitment to tackle this issue.

Summary of management responses

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

Outsourced Payroll Contracts for Schools and Academies

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

We can provide a Substantial assurance that there are effective systems and controls in place to manage outsourced payroll. Detailed procedures are in place and there are training plans to enable staff to develop their knowledge on the payroll process. An appropriate level of checking is conducted to identify and correct errors prior to payroll runs being completed. Segregation of duties exists to ensure no one person/team has the ability to amend and run the payroll.

In addition, a CRM Cloud portal has been introduced to increase efficiency within the payroll process, although there are still a small number of contracts using paper/email to notify KCC of payroll changes.

Key Strengths
- System access is appropriately controlled.
- Buddy checking of new starters, leavers and amendments is completed on existing payroll contracts.
- Payroll exception reports are produced and action taken to address any exceptions raised.
- Starters, leavers and amendments are processed in a timely manner.

Areas for Development
- There is no formal management sign off following the testing of payroll system software releases.
- The provision and guidance to Academies/ Trusts in respect of the recovery of salary overpayments.
- Lack of evidence to demonstrate completion of buddy checks for new payroll contracts.
- Retention and storage of reconciliation evidence to support the payroll production process.

Prospects for improvement have been assessed as Adequate because of the following factors:
- The adoption of an automated notification system (CRM cloud) for payroll changes reduces the risk of errors and increases efficiency.
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.
- Training is in place to ensure continuity of controls with new staff.

Summary of management responses

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

Freedom of Information Requests

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

From sample testing and review of policies and procedures we found that there are robust systems and controls in place and operating to ensure compliance the Freedom Information Act 2000. All requests are appropriately logged and progress is tracked to ensure that where possible full and accurate responses are issued in line with statutory deadlines.

Key Strengths
- Detailed information and advice is available to the public on how to make and Freedom of Information requests.
- Up to date internal policies and procedures are in place and available to enable staff to respond appropriately to requests.
- The majority of requests are dealt with in a timely manner and when delays are experienced this is communicated with the requestor. 98% of our sample was completed within relevant deadlines.
- Where requests are rejected, this is in accordance with the exemptions outlined within the Act.
- The majority of complaints received from the public (or via the Information Commissioners Office) had been investigated and responded to in a timely manner.

Areas for Development
- Incorporating acknowledgements following receipt of a complaint from an FOI requester may be good for improving customer care for the 15% that currently don't receive them.

Prospects for improvement have been assessed as Good because of the following factors:
- The IR&T Team management are engaged and knowledgeable on FOI legislation and associated KCC procedures and their focus is on the right priorities and outcomes.
- There is a focus on the public and the council is responsive to complaints and investigations.
- Resource is sufficient to provide an effective and efficient service to the public.
- Communication between the IR&T Team, business units and senior management is effective and aids in the achievement of objectives.

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	1	1

Data Protection

Audit Opinion	Adequate
Prospects for Improvement	Adequate

There are good arrangements in place to ensure staff are aware of their responsibilities when handling personal data. Support and advice is provided by the Information Resilience and Transparency (IR&T) Team and there are systems and controls operating to ensure compliance with statutory requirements to respond to requests for data held on individuals and to release data to third parties where appropriate. Despite these strong controls, over a third of Subject Access Requests (SARs) fail to adhere to statutory deadlines.

Information governance and data protection arrangements were reviewed in 2015 by the Information Commissioners Office, which largely covered a different scope to this audit as it focussed on the Social Care directorate.

Key Strengths - General
- The Data Protection policy and guidance is up to date and accessible to staff and the public.
- There is compliance with statutory requirements in providing data to individuals and discretionary powers to release data to third parties if relevant exemptions in place.
- Procedures are in place within the Information Resilience and transparency (IR&T) Team to deal with SARs, third party enquires & data breaches.
- Regular reports are produced to inform relevant cross directorate groups and cabinet committee on compliance with the Data

Areas for Development - General
- There are weaknesses in the identification and reporting of the completion of mandatory Data Protection and Information Governance training for contractors/agency staff.
- Organisation wide compliance rates with mandatory training, currently 75% for Data Protection and 73% for Information Governance, are below expected standards but are increasing.
- Inconsistent reporting by business units to the IR&T Team when third party requests have been responded to.
- Validation checks for legal firms unknown to the IR&T Team, following requests for personal data, are not undertaken.
- Lack of clarity on the escalation process to the Senior Information Risk Owner (SIRO) when data breaches occur.
- The £10 fee was waived for 28% of our SARs sample, which is not in line with policy and procedure documents. When extrapolating our findings the total potential annual loss is however immaterial at less than £1K.
- 37% of responses to SARs were not completed within the statutory deadlines.

Areas for Development - Community Learning and Skills
- Poor evidencing of the rationale behind the exchange of bulk personal data.
- IT access is not always removed promptly when staff leave the authority.
- Lack of evidence to record who, how and when data is destroyed in line with the data retention schedule.

Prospects for improvement have been assessed as Adequate because of the following factors:
- Leadership is generally very good. There are high levels of awareness and engagement around the quality of KCC's information governance.

Protection Act.

- There are systems and controls in place to facilitate awareness for KCC staff including readily accessible E-learning modules.
- E-learning modules are comprehensive and subject to regular review.

Key Strengths - Community Learning and Skills

- Privacy Notices are in place to inform the public about how their data will be used by the Council.
- Data is held and used for the intended purpose and where bulk data reports are produced this is for a defined purpose.
- Electronic data and paper forms containing personal information is held securely.
- A document retention schedule is in place covering paper and electronic data.

- Required Improvements are recognised by management and appropriate action is being taken to address the issues identified. However, resource capacity will be a continuing issue to meet statutory time scales in respect of Subject Access Requests.
- Resource is well managed within the IR&T Team, however business units experience some capacity issues in completing Subject Access Requests alongside service delivery leading to delays.
- Quality training is in place for all staff and compliance rates are improving.

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	6	6	0

Bribery and Corruption

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

KCC has taken appropriate measures to implement a Bribery and Corruption policy and amend associated policies to set the "tone from the top". However enacting critical elements, assessing the impact and effectiveness and continually promoting the policy and associated risks has been inconsistent. Therefore, if a member, officer or associate of the Council were to commit an active bribery offence (which involves offering rather than accepting a bribe) the Council may not be able to demonstrate an "adequate procedures defence" (as defined by the Ministry of Justice), and could be prosecuted for the corporate offence of failing to prevent bribery. Whilst we acknowledge that the likelihood of such a risk materialising to the Council is low, the impact should it happen could be severe and therefore it is imperative that we can demonstrate that we have acted reasonably as such a defence.

Furthermore, as the Council continues to realise its strategy of becoming a commissioning authority, the likelihood of this risk materialising could increase where alternative delivery models are required to generate profit.

Key Strengths
- There is a clear zero tolerance approach adopted by the Council and of all senior Officers.
- Associated policies have been identified and these now make appropriate references to the Bribery Act.
- There are adequate processes in place to manage the risk of bribery and corruption for procurements managed centrally over £50,000.
- All Members have been provided with training on the Code of Conduct, although evidence for some is not maintained by

- Risk Assessments – Each directorate would benefit from producing a RAG rated "heat map" of key service specific processes as well as recruitment, procurements of less than £50,000, staff training and induction to ensure areas of higher risk are covered. There are currently no such assessments in place.
- Due Diligence – Once the higher risk areas have been identified, each directorate would benefit from documenting the associated measures in place for managing the risk.
- Monitoring & Review – A risk based proportionate approach should be adopted to monitor and review continued compliance. There is currently no formal monitoring in place.
- Training – The Council should consider a risk based authority wide approach to raising staff awareness. We identified less than 10% of officers had completed the Bribery e-learning since 2011 and awareness of the Policy was mixed. We do not know whether this is proportionate, given there is no risk based approach.
- Communication – A programme of continued awareness should be developed for those areas considered to be at higher risk, including those staff without access to the Council's intranet site.
- Associated Policies – The Kent Code and Gifts and Hospitality guidance did not adequately reference the Bribery Act 2010 or the Council's Bribery Policy, however Engagement, Organisation, Design and Development (EODD) took immediate steps to rectify. The Anti Money Laundering Policy does not specifically cross refer to the Bribery Policy. (See also Key Strengths below).
- Gifts and Hospitality – We identified a number of gifts that had been accepted that were not in line with the Councils Gifts and Hospitality guidance. In addition refusals of gifts and hospitality were not consistently recorded.

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

- As a preliminary response to this report, top level management are keen

Democratic Services.

- Appropriate whistleblowing guidance is in place to advice staff how to raise a concern.

Areas for Improvement

- The Bribery Policy - The Bribery Policy articulates well what the Bribery Act is, the associated offences, is aligned to the Ministry of Justice guidance, sets a zero tolerance approach and provides responsibilities; however it has not been updated to reflect the Public Contract Regulations 2015.
- Top Level Commitment – Following the introduction of the Bribery Act 2010 policies were introduced or amended, however, despite a declared 'zero tolerance' (see below) there is limited documented evidence to support on-going commitment to its principles.

to embark on a focused proportionate risk based approach to updating ad addressing the issues raised.

- Management have been keen to raise awareness at top level forums at the earliest opportunity to enforce the 'tone from the top' as a result of this audit.
- Management have already planned a series of activities to provide proportionate rectification by the end of December 2016.

Summary of management responses

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

Appendix B – Anti-Fraud and Corruption Strategy

Document Owner	Robert Patterson, Head of Internal Audit Tel: 03000 416554 robert.patterson@kent.gov.uk
Version	Version 5 DRAFT

Document Review History

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	30 June 2013	Internal Audit	Governance & Audit Committee	24 July 2013
3	25 June 2014	Internal Audit	Governance & Audit Committee	24 July 2014
4	11 Sept 2015	Internal Audit	Governance & Audit Committee	2 Oct 2015
5	July 2016	Internal Audit	Governance & Audit Committee	6th Oct 2016

Contents

A. Policy Statement

1. Fraud against Local Government is estimated to cost £~~2.1~~7.3[1] billion per year. This is a significant loss to the public purse. To reduce these losses Kent County Council is committed to:

   - The highest standards of probity in the delivery of its services, ensuring proper stewardship of its funds and assets.

   - The prevention of fraud and the promotion of an anti-fraud culture.

   - A zero-tolerance ~~attitude~~ to fraud requiring staff and Members to act honestly and with integrity at all times, and to report all reasonable suspicions of fraud.

   - ~~The investigation of~~ A risk based response to all instances of actual, attempted or suspected fraud. The Council will seek to recover any losses and pursue appropriate sanctions against the perpetrators. This may include criminal prosecution, disciplinary action, legal proceedings and professional sanctions.

   - The Local Government Fraud Strategy: Fighting Fraud Locally which means the Council will:

     - **Acknowledge** the threat of fraud and the opportunities for savings that exist.

     - **Prevent** and detect all forms of fraud.

     - **Pursue** appropriate sanctions and recover any losses.

Definition of Fraud

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

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

   - **Fraud by failing to disclose information** – Examples include failing to disclose a financial interest in a company KCC is trading with, or failing to disclose a personal relationship with someone who is applying for a job at the council.

   - **Fraud by abuse of position** – Examples include a carer who steals money from the person they are caring for, or staff who order goods and services through the Council's accounts for their own use.

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[1] University of Portsmouth (2016) Annual fraud indicator 2016

3. While fraud is often seen as a complex financial crime, in its simplest form, fraud is lying. Some people will lie, or withhold information, or generally abuse their position to try to trick someone else into believing something that is ~~n't~~not true.

Definition of Corruption

The Council defines corruption as the abuse of entrusted power for private gain; involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.[2]

B. Standards

4. Kent County Council wishes to promote a culture of honesty and opposition to fraud and corruption based on the seven principles of public life. The Council will ensure probity in local administration and governance and expects the following from all employees, agency workers, volunteers, suppliers and those providing services under a contract with KCC.

- **Selflessness** - Act solely in terms of the public interest.
- **Integrity -** Avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- **Objectivity** - Act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability** - Be accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness** - Act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty -** Be truthful.
- **Leadership -** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Further reading

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

- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy and Procedure

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[2] HM Government (2014) UK anti-corruption plan

- The Kent Code
- Disciplinary Policy
- Financial Regulations
- Code of Member Conduct

C.   Roles and Responsibilities

The Role of Elected Members

6.   As elected representatives, all Members of Kent County Council have a duty to act in the public interest and to do whatever they can to ensure that the Council uses its resources in accordance with statute.

7.   This is achieved through Members operating within the Constitution which includes the Code of Member Conduct, Financial Regulations and Spending the Council's Money.

The Role of Employees

8.   Kent County Council expects its employees to be alert to the possibility of fraud and corruption and to report any suspected fraud or other irregularities to the Head of Internal Audit.

9.   Employees are expected to comply with the appropriate Code of Conduct and the Council's policies and procedures.

10.   Employees are responsible for complying with Kent County Council's policies and procedures and it is their responsibility to ensure that they are aware of them. Where employees are also members of professional bodies they should also follow the standards of conduct laid down by them.

11.   Employees ~~should follow instructions given to them by management. They~~ are under a duty to properly account for and safeguard the money and assets under their control/charge.

12.   Employees are required to provide a written declaration of any financial and nonfinancial interests or commitments, which may conflict with KCC's interests. KCC Financial Regulations specify that employees who have a direct or indirect financial interest in a contract shall not be supplied with, or given access to any tender documents, contracts or other information relating to them, without the authority of the senior manager.

13.   Failure to disclose an interest or the acceptance, or offering of an inappropriate reward may result in disciplinary action or criminal liability. Staff must also ensure that they make appropriate disclosures of gifts and hospitality – both offered and accepted.

14.   Managers at all levels are responsible for familiarising themselves with the types of fraud that might occur within their directorates and the communication and implementation of this strategy.

15. Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected fraud or any other financial irregularities.

Kent County Council's Commitment

14. Fraud and corruption are serious offences and employees and Members ~~will~~ may face disciplinary action if there is evidence that they have been involved in these activities. Where criminal offences are suspected consideration will be given to pursuing criminal sanctions which may involve referring the matter to the police.

15. In all cases where the Council has suffered a financial loss, appropriate action will be taken to recover the loss.

16. In order to make employees, Members, the public and other organisations aware of the Council's continued commitment for taking action on fraud and corruption, details of completed investigations, including sanctions applied, will be publicised where it is deemed appropriate.

D.   Prevention

Responsibilities of management

19. The primary responsibility for the prevention and detection of fraud is with management. They must ensure that they have the appropriate internal controls in place, that they are operating as expected and being complied with. They must ensure that adequate levels of internal checks are included in working practices, particularly financial. It is important that duties are organised in such a way that no one person can carry out a complete transaction without some form of checking or intervention process being built into the system.

Internal Audit

20. Internal Audit is responsible for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption.

21. Internal Audit includes proactive fraud work in its annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

Working with others and sharing information

22. The Council is committed to working and co-operating with other organisations to prevent fraud and corruption and protect public funds.The Council may use personal information and data-matching techniques to detect and prevent fraud, and ensure public money is targeted and spent in the most appropriate and cost-effective way. In order to achieve this, information may be shared with other bodies responsible for auditing or administering public funds including, but not limited to, the ~~Audit Commission~~Cabinet Office National Fraud Initative, the Department for Work and Pensions, other local authorities, HM Revenue and Customs, and the Police.

National Fraud Initiative

23.   Kent County Council participates in the National Fraud Initiative (NFI). This requires public bodies to submit a number of data sets (to the Cabinet Office) for example payroll, pension, and accounts payable (but not limited to these) which is then matched to data held by ~~other~~ public and private sector bodies. Enquires are made into ~~A~~any positive matches (e.g. an employee on the payroll in receipt of housing benefit) ~~are investigated~~.

Training and awareness

26.   The successful prevention of fraud is dependent on risk awareness, the effectiveness of training (including induction) and the responsiveness of staff throughout the Council.

27.   Management will provide induction and ongoing training to staff, particularly those involved in financial processes and systems to ensure that their duties and responsibilities are regularly highlighted and reinforced.

28.   Internal Audit will provide fraud awareness training on request and will publish its successes to raise awareness.

E.   Detection and Investigation

29.   The Council is committed to the risk based investigation of all instances of actual, attempted and suspected fraud committed ~~by staff, Members, consultants, suppliers and other third parties~~against the Council and the recovery of funds and assets lost through fraud.

30.   Any suspected fraud, corruption or other irregularity should be reported to the Head of Internal Audit. The Head of Internal Audit will decide on the appropriate course of action to ensure that any investigation is carried out in accordance with Council policy and procedures, key investigation legislation and best practice. This will ensure that investigations do not jeopardise any potential disciplinary action or criminal sanctions.

31.   Action could include:

- Investigation carried out by Internal Audit staff;

- Joint investigation with Internal Audit and relevant directorate management;

- Directorate staff carry out investigation and Internal Audit provide advice and guidance;

- Referral to the Police.

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

F.   Raising Concerns and the Whistleblowing Policy

Suspicions of fraud or financial irregularity

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

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

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

Whistleblowing Policy

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

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

38. Employees wishing to raise concerns can obtain a copy of the Whistleblowing policy and procedure on KNet.

G. Conclusion

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

Appendix C - Audit Plan 2016/17 Progress

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

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

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

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

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

Appendix D - Internal Audit Assurance Levels

Key	
High	There is a sound system of control operating effectively to achieve service/system objectives. Any issues identified are minor in nature and should not prevent system/service objectives being achieved.
Substantial	The system of control is adequate and controls are generally operating effectively. A few weaknesses in internal control and/or evidence of a level on non-compliance with some controls that may put system/service objectives at risk.
Adequate	The system of control is sufficiently sound to manage key risks. However there were weaknesses in internal control and/or evidence of a level of non-compliance with some controls that may put system/service objectives at risk.
Limited	Adequate controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as if unresolved they may result in system/service objectives not being achieved.
No assurance	The system of control is inadequate and controls in place are not operating effectively. The system/service is exposed to the risk of abuse, significant of error or loss and/or misappropriation. This means we are unable to form a view as to whether objectives will be achieved.
Not Applicable	Internal audit advice/guidance no overall opinion provided.

Prospects for Improvement

Very Good	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.