

By: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 25th January 2017
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 including follow up work on previously agreed actions from audits.

FOR ASSURANCE AND DECISION

Introduction

1. This report summarises:

- The key findings from completed Internal Audit reviews (since September)
- 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,
- Follow up on management progression of previously agreed audit actions
- Plans for progressing the 2017/18 internal audit and counter fraud plan and
- Approval for continuation with the current anti money laundering Policy

Overview of Progress

2. Appendix 1 outlines the outcomes of Internal Audit and Counter Fraud work completed for the financial year to date. In total 38 audit reviews have been completed, including 32 substantive reviews. In addition we have undertaken 4 special investigations / consultancy work outside pre planned audit activity. A further 3 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 12 audits. In relation to counter fraud work there have been 132 irregularities reported and investigated since the start of 2016/17 of which 61 have been concluded. Overall the unit has reviewed systems or activities with a combined spend of an estimated £156.5 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 2016) 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. The first data matching exercise has taken place and the initial matches are being reviewed and investigated by fraud teams within the District Councils and with early results and feedback imminent.
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 also shown in Appendix 2.

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. At this stage of the year, the outcomes from audits are generally positive. In particular:
 - 34% of systems and functions have been judged with 'substantial assurance' or better
 - A continuing pattern of general robustness of key financial systems, in particular the underlying medium term financial planning
 - The HR related audits for activities servicing KCC or third parties (schools and academies) have also received positive assurance
 - Positive outcomes prior to September relating to asylum seeking children systems and effective early help services within specialist children's services
8. Areas for development and improvement relate to:
 - The 4 (13%) of systems / functions that have received a 'limited' assurance level.
 - In relation to the outcomes from the 0-25 Transformation Programme the lessons learnt have been agreed and will be built into future projects
 - The audit of road safety and crash remedial measures found lapses in key documentation and an absence of post implementation reviews. A new manager is in place and we are assured that corrective actions are in progress.
 - Our follow up of the TFM Help Desk found that little progress has been made on high and medium priority issues.
9. In relation to safeguarding related work, the frameworks in EYPS were found to be generally robust although quality assurance systems were not always comprehensive.
10. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter, although one irregularity was discovered during the audit of a Children's Centre.
11. 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.

Follow Ups

12. Appendix 2 incorporates the results of follow up work on the progression of previously agreed actions by management. We have continued with a revised system introduced last year which generates greater accountability through managers initially self-assessing the implementation of agreed actions, following which we test check the accuracy of such responses.

13. The overall results are generally positive as per the table below:

Priority	Actions	Completed	In progress	No action
High	27	10	12	5
Medium	50	31	16	3
Total	77	41 (53%)	28 (36%)	8 (11%)

14. In summary of the totality of the 77 agreed actions due for implementation, 89% have been implemented by the scheduled date or are in progress. Only 11% of actions have made no substantive progress (by comparison this was 23% last year).

15. In the 2016/17 plan we also included a number of formal follow up audits whereby a service or function which received a 'limited' opinion the previous year was subject to a full follow up review. The outcomes from these audits have been incorporated into the table above, but the individual results have been:

Area	Previous judgement	Revised judgement after follow up	Prospects for Improvement
ICT Disaster Recovery	Limited	Adequate	Adequate
TFM Help Desk	Limited	Limited	Uncertain
Leaving Care	Limited	Adequate	Good
Developer Contributions	Follow up cancelled due to the new systems not being fully implemented.		

16. During the next quarter we will be undertaking further formal follow up work, particularly in relation to adult safeguarding in Social Care including supervision controls and the dedicated safeguarding service.

Anti-Money Laundering Policy

17. We have completed our annual review of the Council's Anti-Money Laundering Policy (Appendix 3) and have determined that no further amendments are required since the last comprehensive review in January 2015.

Benchmarking

18. We previously reported to the October 2016 meeting the difficulties in finding relevant 'benchmarking clubs' in which to review our inputs, outputs and outcomes.
19. In relation to the internal audit service we are now part of the County Council Audit Network (CCAN) benchmarking club and it has been determined that benchmarking of data will commence for the 2017/18 year.
20. In relation to counter fraud, following delays CIPFA produced a benchmarking "tracker report" at the start of January 2017. We will provide the Committee with a precis of the key findings for the April meeting.

Plans for 2017/18

21. We have commenced work and consultation on the audit plan for 2017/18 and have arranged meetings with corporate Directors and Cabinet members as part of this process.
22. Our audit coverage next year will be reduced by at least a further 5% in line with savings reductions across F&P. It will become even more important that we ensure we focus these resources on the key risks facing the Council.
23. We are also re-procuring our IT internal audit contract for the start of 2017/18 and if a new supplier is chosen it is likely they will want to undertake their own risk assessment and planning relating to IT issues.

Recommendations

24. 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
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators
- Management's performance in implementing agreed actions from previous audits
- The overall assurances provided in relation to the Council's control and risk environment as a result of the outcome of Internal Audit and Counter Fraud work completed to date

And to approve

- The Anti-Money Laundering Policy without amendment since the last comprehensive review which was agreed in January 2015

Appendices

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

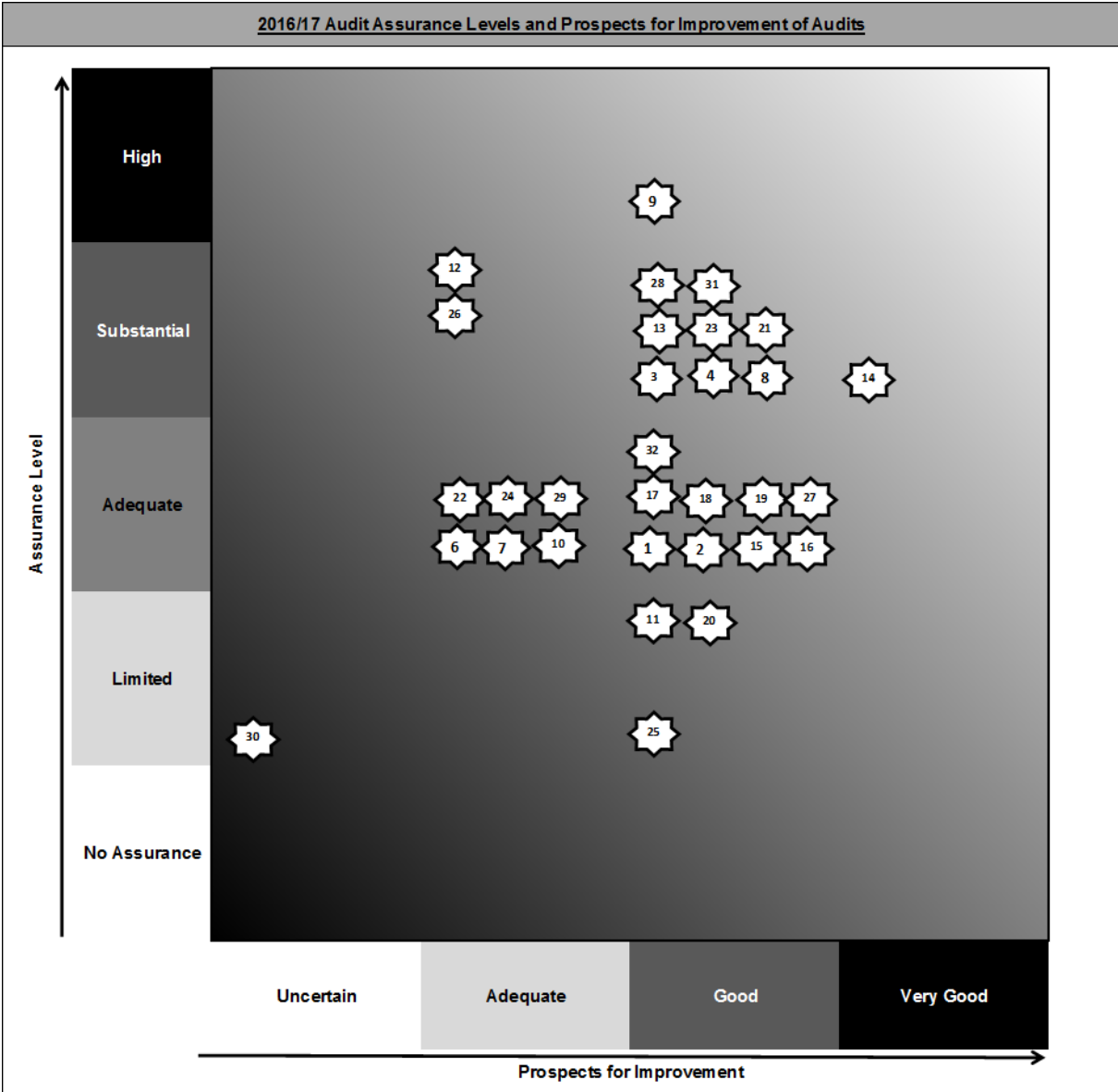
Appendix 2 - Internal Audit Progress Report January 2017 (including follow ups)

Appendix 3 - Anti Money Laundering Policy

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Head of Internal Audit**

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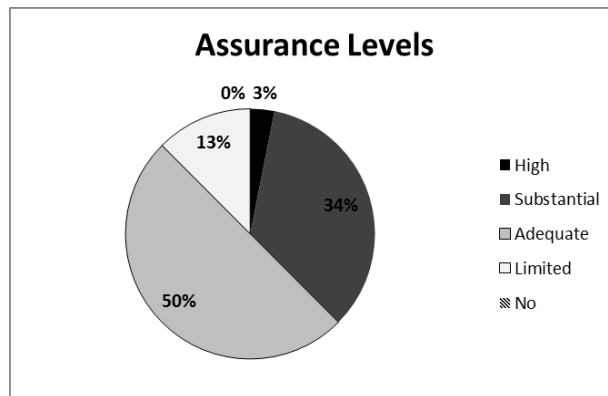
Appendix 1 – Distribution of internal audit judgements 2016/17 (to date)



Audit Opinion October G&A Committee				Audit Opinion January G&A Committee			
No	Audit	Judgement	Prospects for Improvement	No	Audit	Judgement	Prospects for Improvement
1	Autism	Adequate	Good	13	General Ledger	Substantial	Good
2	UASC	Adequate	Good	14	Value Added Tax (VAT)	Substantial	Very Good
3	Early Help - Step Up Process	Substantial	Good	15	Insurance Fraud	Adequate	Good
4	TCP Process	Substantial	Good	16	ICT Software Licence Management	Adequate	Good
5	ICT Disaster/ Recovery	Adequate	N/A	17	Swift/ AIS Application and Preparedness for ISO 27001 Certification Review	Adequate	Good
6	ICT Swift	Adequate	Adequate	18	Spydus Application	Adequate	Good
7	PROW	Adequate	Adequate	19	Contact Point - Contract Management Agilisys	Adequate	Good
8	Schools and 3rd Party Payroll	Substantial	Good	20	Road Safety & Crash Remedial Measures	Limited	Good
9	FOI Requests	High	Good	21	ICES and Telecare	Substantial	Good
10	Data Protection	Adequate	Adequate	22	Safeguarding - Education and Young Peoples Services*	Adequate	Adequate
11	Bribery and Corruption Act	Limited	Good	23	Workforce Planning	Substantial	Good
12	Annual Governance Statement Returns	Substantial	Adequate	24	Establishment Themed Review - Children Centres*	Adequate	Adequate
				25	Transformation 0-25	Limited	Good
				26	MTFP	Substantial	Adequate
				27	Business Planning	Adequate	Good
				28	Schools Personnel Service	Substantial	Good
				29	Carers Assessments*	Adequate	Adequate
				30	TFM - Help Desk (Follow-up)	Limited	Uncertain
				31	Schools Improvement Team	Substantial	Good
				32	Leaving Care (Follow-up)	Adequate	Good

* The audits in the above list in bold are the provisional ratings which are awaiting final confirmation

Assurance Level	No	%
High	1	3%
Substantial	11	34%
Adequate	16	50%
Limited	4	13%
No	0	0%



Special Investigations/ Consultancy
Enablement Expenses
Camera Safety Partnership
Carbon Reduction Commitment
Troubled Families Grant



Kent County Council

Internal Audit and Counter Fraud Progress Report

January 2017

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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 September 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 38 internal audits (including 6 establishment visits) and 61 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are focused on providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £156.5 million of KCC turnover to date.
- 1.3. A further 15 audits including 1 counter fraud proactive project are currently in progress, and a further 71 counter fraud investigations remain ongoing.
- 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 assurance against key corporate risks or significant systems. During this period we have also undertaken a number of special investigations and 'consultancy' styled assignments, using our expertise to review areas of concern or selected control areas for management.

2. Overview

Internal Audit and Counter Fraud

- 1.5. 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:
- 1.6. Strengths include:
 - Over a third of systems or functions continue to be judged with a substantive assurance or better
 - A continuing pattern of general robustness of key financial systems
 - The HR related audits for activities servicing KCC or third parties (schools) have also received positive assurance
 - No material incidences of fraud or corruption have been detected although one irregularity was discovered during the audit of a Children's Centre

1.7. Areas for further improvement relate to :

- The 4 (13%) systems / functions that have received a limited assurance level, including the 0-25 transformation project
- The audit of Road Safety and Crash Remedial Measures found lapses in key documentation and an absence of post implementation reviews
- Our follow up of the TFM Helpdesk found that little progress has been made on the high and medium priority issues

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

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

1.9. From current work and the findings from follow ups of audit issues, it is evident that in general management have developed appropriate action plans in response to all the high priority issues raised from our audit 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, delivering planned savings and service improvements:

	Assurance Level	Prospects for Improvement	Issues Raised	
Transformation 0-25	Limited	Good	High: 3	Accepted
Schools Improvement Team	Substantial	Good	Medium: 3	Accepted
Adoption	N/A	N/A	N/A	Consultancy review

- 3.3. Our deep dive on elements of the 0-25 transformation project determined that there was insufficient evidence to substantiate that all of the planned sustainable savings and benefits were being delivered. Although undoubtedly savings have been produced, underlying monitoring and reporting mechanisms lacked integration to prime financial records and the KPI's were not always the right measures to monitor planned outcomes. Measures to provide accountability, monitor and challenge did not always operate as planned. Positives outcomes related to the achievement of savings from early help services, embedding improved working patterns and that the quality of services to vulnerable users had not deteriorated during a period of considerable change.
- 3.4. Our audit of the new Schools Improvement Team found positive assurance that statutory responsibilities are being met to allow the achievement of KCC's strategic outcomes. KPI's are being achieved, more particularly in the performance of primary schools across Kent. Underlying procurement and commissioning processes were robust.

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 the Council's medium terms financial planning (MTFP) mechanisms and associated business planning:

	Assurance level	Prospects for Improvement	Issues Raised	
Medium Term Financial Planning (MTFP)	Substantial	Adequate	Medium: 2	Accepted
Business Planning	Adequate	Good	Medium: 3	Accepted
Public Rights of Way (PROW)	Adequate	Adequate	High: 2 Medium: 0	Accepted

- 3.6. Despite the increasing risks and challenges behind the construction of the MTFP the underlying processes are sound with good alignment to transformation plans and strategies. This is backed up by regular monitoring and review. Our testing showed a small number of areas where sensitivity analysis could be improved or where limitations to the delivery of selected savings proposals could be highlighted.
- 3.7. Overall the underlying business planning processes were found to be good with adherence to stipulated processes and templates with strong links to strategic priorities, activities and planned service improvements. Being more strategic priority statements there is a trend for a reduced financial focus and drive.

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	
Swift/AIS	Adequate	Good	High: 1 Medium: 2	Accepted
Spydus Application	Adequate	Good	Medium: 2	Accepted
ICT Software Licence Management	Adequate	Good	High: 0 Medium: 4	Accepted
ICT Disaster Recovery follow up	Adequate	N/A	Of the six issues raised, one is fully implemented, one is 'risk accepted' whilst the remainder are in progress.	
ICT SWIFT	Adequate	Adequate	High: 1 Medium: 2	Accepted
Data Protection	Adequate	Adequate	High: 0 Medium: 1	Accepted
FOI requests	High	Good	High: 0 Medium: 0	N/A

3.9. Our review of the SWIFT and Adult Integrated System (AIS) which are critical to control case management in adult social care found 96% full compliance with relevant ISO standards but that anti-virus software was not being regularly updated.

3.10. Our audit of the Spydus library management system found that it was stable and well maintained and managed despite inherent weaknesses over password security. Performance against the contract SLA's are not communicated to libraries management.

3.11. The review of controls over software lifecycle management found that appropriate records of ICT applications are kept and a contract management resource is in place. Unfortunately almost half the applications tested were not updated to the latest vendor versions.

Safeguarding – protecting vulnerable children and adults

3.12. During this quarter we looked at the safeguarding frameworks within EYPS together with a formal follow up of the Leaving Care service:

	Assurance level	Prospects for Improvement	Issues Raised	
Safeguarding – EYS	Adequate	Adequate	High: 1 Medium: 5	Accepted
Leaving Care (follow up)	Adequate	Good	High: 2 Medium: 5	Accepted

3.13. Overall we found the application of formal quality assurance frameworks within early help services but not in the 'Safeguarding in Education' team and that integration of all safeguarding arrangements could be improved. The safeguarding teams are visible with costs being offset within 'Education in Safeguarding' with significant chargeable work to schools.

3.14. Our follow up work on the leaving care service found that there had been significant progress since the last audit with improvements to the timeliness of statutory reviews and the quality of pathway plans. Existing caseloads continue to be demanding particularly on unqualified staff.

Implications of increased numbers of unaccompanied asylum seeker children

3.15. We have not undertaken any further work in this area, but as a reminder the judgment from the dedicated audit in the previous quarter was:

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

Health and Social Care Integration

3.16. We did not undertake any dedicated work during this quarter, but previous work this year has involved:

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

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

3.17. We have undertaken two related pieces of work during this quarter:

	Assurance Level	Prospects for Improvement	Issues Raised	
ICES & Telecare	Substantial	Good	Medium: 3	Accepted
Carers Assessments	Adequate	Adequate	High: 1 Medium: 2	Accepted

Managing 'Step Up' to Specialist Children's Services and 'Step Down' to Early Help	Substantial	Good	High: 0 Medium: 4	Accepted
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- 3.18. Our audit of the Integrated Community Equipment Service (ICES) and the associated Telecare contracts determined that there were appropriate governance arrangements with performance regularly reviewed and challenged. There are some issues over invoicing for the ICES contract and this is being addressed with the provider.
- 3.19. In relation to carers assessment controls we found that strong monitoring processes for performance and associated KPI's but these strengths are undermined by reconciliation issues with the SWIFT system.

Financial and operating environments – critical systems and functions

- 3.20. 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 which nearly all provide positive assurance:

	Assurance level	Prospects for Improvement	Issues Raised	
Workforce Planning	Substantial	Good	Medium: 2	Accepted
Schools Personal Service	Substantial	Good	Medium: 1	Accepted
General Ledger	Substantial	Good	Medium: 3	Accepted
VAT	Substantial	Very Good	Medium:2	Accepted

Insurance Fraud	Adequate	Good	Medium:3	Accepted
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

- 3.21. From the workforce planning audit it was evident the relevant strategy had been successfully implemented with regular review. Directorates have engaged with succession planning and there are a number of good practice case studies including the 'Future Manager' programme.
- 3.22. The Schools Personnel Service (SPS) is a specialist HR advice service for schools and academies within the Business Services Centre. We found controls were strong with contracts in place, accurate billing and good budget monitoring.
- 3.23. Both the General ledger and VAT systems displayed effective and strong controls
- 3.24. Controls to minimise the risks of insurance fraud were judged to be only adequate because of a lack of procedures over identification of potentially fraudulent claims, processing of sometimes incomplete claims and ineffective use of management information to identify multiple claims. Management have responded positively to the issues raised.

4. Other Audit Work

- 4.1. During the last quarter we have undertaken work in a miscellany of areas, but particularly around selected contracts , road safety and two special investigations:

	Assurance level	Prospects for Improvement	Issues Raised	
Contact Point	Adequate	Good	High: 4 Medium: 1	Accepted
TFM Help Desk (follow up)	Limited	Uncertain	High: 4 Medium: 1	Not fully addressed
Road Safety & Crash Remedial Measures	Limited	Good	High: 3 Medium: 3	Accepted
Camera Safety Partnership	NA	NA	High: 1	Accepted
Enablement Expenses	NA	NA	High: 1 Medium: 2	Accepted
Carbon Reduction Commitment	N/A	N/A	Judged as "compliant"	

- 4.2. The aim of the contact point audit was to provide assurance over the contract management and outcomes from the recently outsourced operations. In general the contractor is delivering on investment into the service and the reconciliation processes to verify call volumes to core payments are effective. Where there have been performance issues, such as the out of hours service, rectification plans have been put in place and monitored. However there are ineffective processes behind two critical KPI's or KCC cannot validate elements of performance data. Work is still in progress to embed quality assurance arrangements and record keeping is inadequate.

- 4.3. A follow up of the total facilities management (TFM) help desk (which had a limited opinion last year) remains at 'limited' due to the high and medium priority issues not yet being properly addressed. Currently one in four tasks received is not resolved within stipulated timescales. One of the three contractors was also unable to provide information for the audit due to migration to a new system (this will be followed up separately).
- 4.4. Our limited opinion on Road Safety and Crash Remedial Measures was due to shortfalls relating to supporting documentation including delegated authority decisions and an absence of post implementation reviews to determine if the completed schemes had achieved the desired outcomes.
- 4.5. We have also undertaken a number of special investigations during this period. The review of KCC's involvement in the Kent and Medway Safety Camera Partnership and National Driver Offender Retraining Scheme was requested by Corporate Board to independently review the financial and governance arrangements.
- 4.6. The review of Enablement service expenses was a follow up from our general review of expenses last year as it was seen as a higher risk area. It is evident there needs to be a fundamental re-examination of the current local adopted policy including an enhanced quality assurance mechanism on the accuracy and completeness of claims.

Establishment Visits

- 4.7. During the past 6 months we have concluded audits of 3 children's centres, as part of a themed review over the year

	Assurance level	Prospects for Improvement	Issues Raised	
Children's Centres – themed summary	Adequate	Adequate	High: 1 Medium: 5	Final Draft

- 4.8. This has involved the following 6 centres with the following outcomes:

Children's Centre	Assurance level
Joy Lane (Canterbury)	Adequate
Six Bells (Thanet)	Adequate

Milton Court (Swale)	Limited
Willows (Ashford)	Adequate
Buttercups (Dover)	Limited
Caterpillars (Shepway)	Adequate

4.9. It is evident that the centres presented a 'mixed' picture, with the highest assurance levels being 'adequate'. Key strengths from these centres were good controls to safeguard children through to training of staff. Conversely security and safety processes are not consistently embedded throughout all centres (since rectified) and there were a number of weaknesses in financial control across all 6 centres. Management actions have been agreed for each centre and overall learning is being addressed through the thematic report.

Other Audit Activity

- 4.10. 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
 - Management of the internal audit and counter fraud service at Tonbridge and Malling Borough Council
 - Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
 - Internal audit of Kent and Medway Fire and Rescue Service

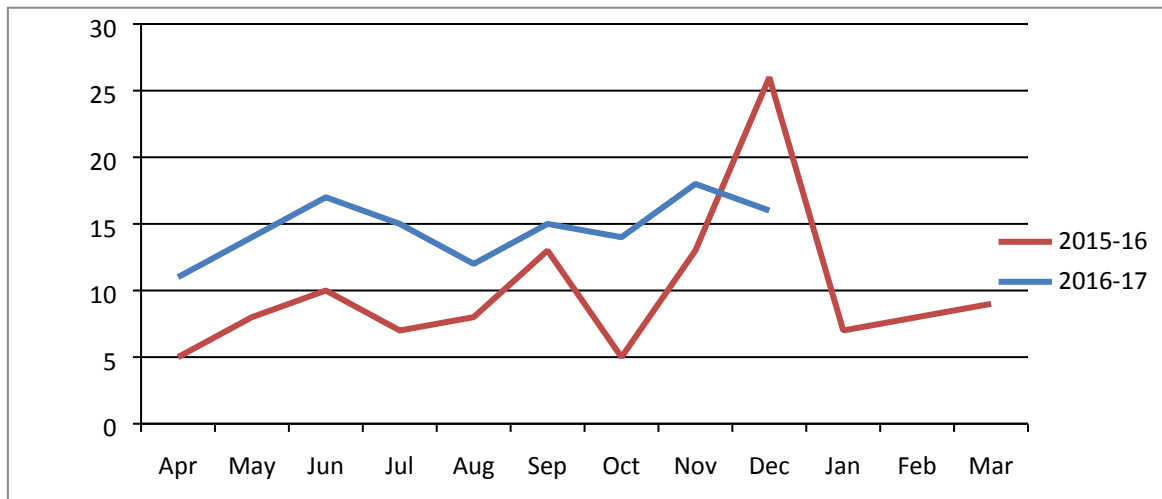
5. Counter Fraud and Corruption - Fraud and Irregularities

5.1. To date we have recorded 132 irregularities in 2016/17 of which 71 remain open and 61 have been closed. The potential value for these cases is £375,568. 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. The table CF1 shows a clear increase in the amount of irregularities received for the 2016-17 financial year. This is due to the high number of Blue Badge referrals the fraud team have received and reflects the continuing work in supporting the District, Borough and City Councils with joint enforcement days and associated media publicity. There has also been an increase in the number of Direct Payment referrals following the fraud awareness sessions we have provided to the direct payment monitoring teams.

5.3. In comparison, during the last financial year the Counter Fraud team recorded a total of 120 irregularities. The 132 irregularities we have recorded for 2016/17 to date is a 10% increase in the total number of irregularities received in 2015/16.

Table CF-1 2015/15 & 2016/17



CF2-Irregularities by Type

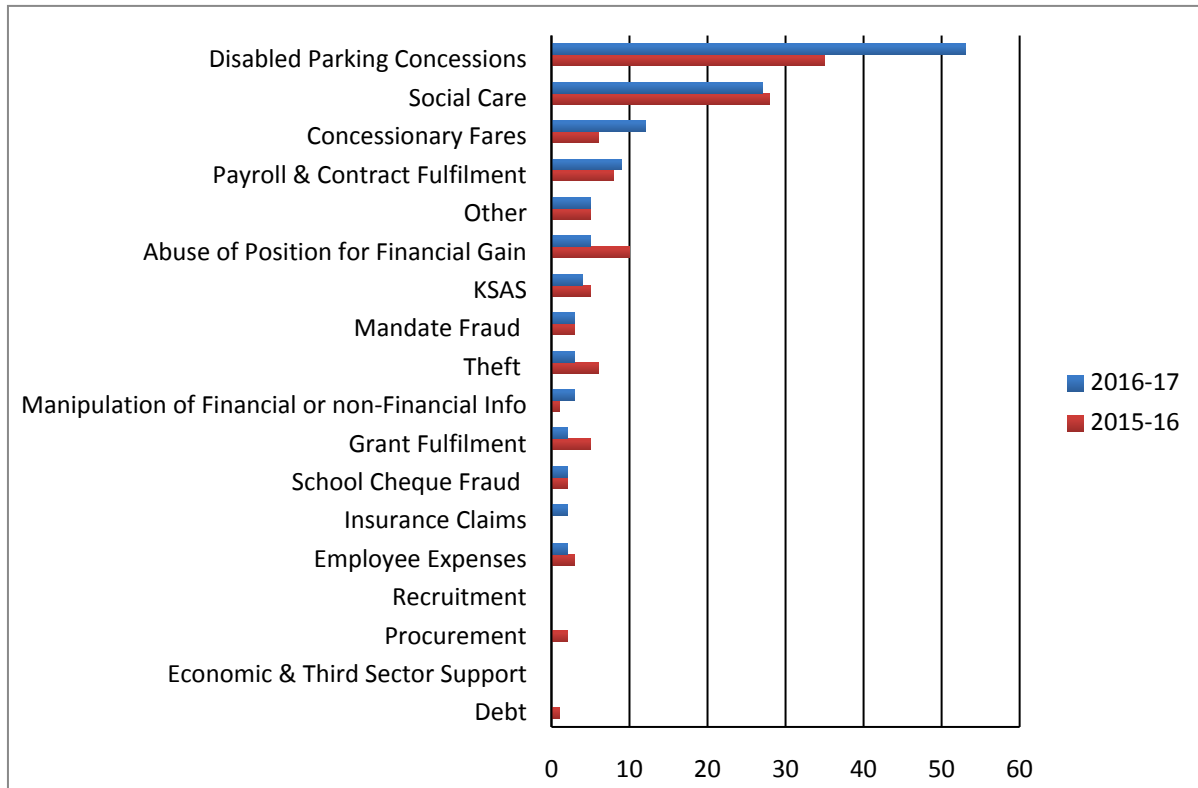


Table CF3 -Irregularities by Directorate

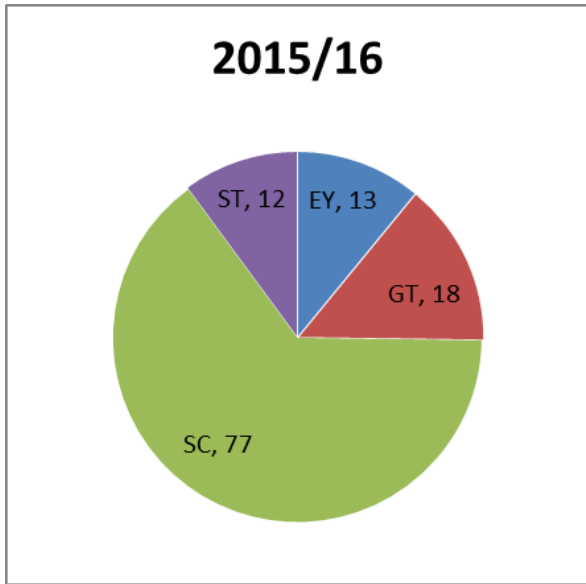
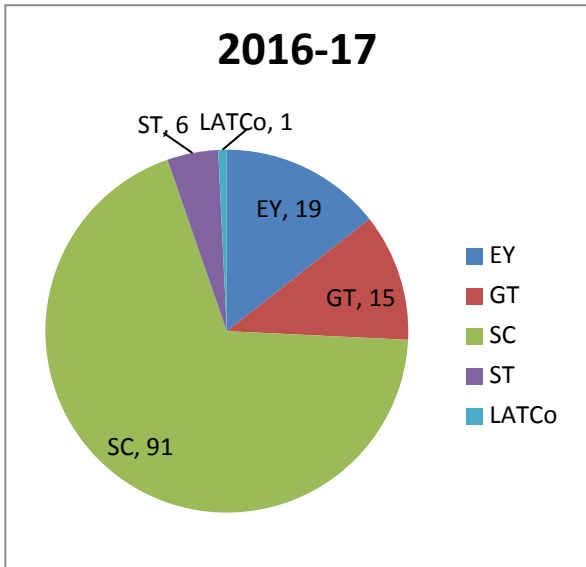
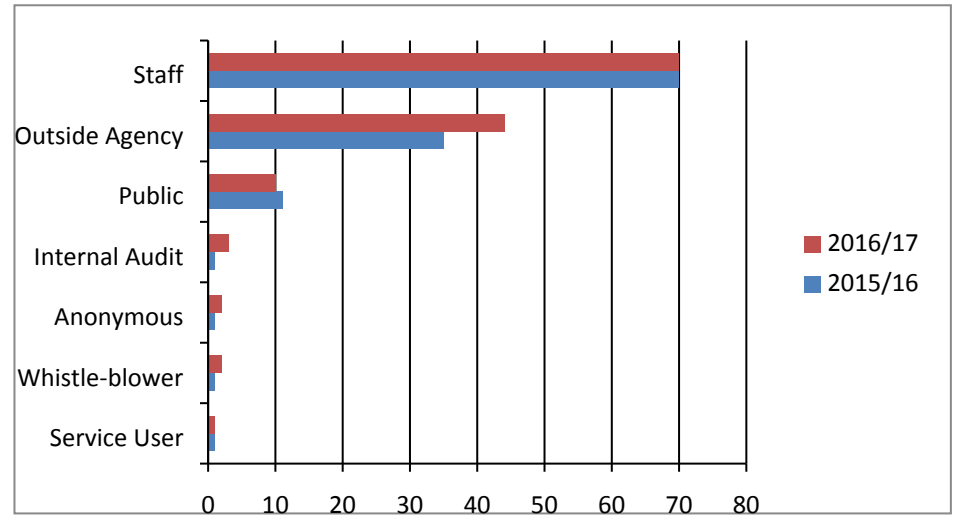


Table CF-4 Referrals By Source



Kent Intelligence Network

5.4. Since the October Committee meeting the following has taken place:

- The data supplied by the members has been matched and the results of comparing joint applicants for Social Housing to Council Tax Single Person Discounts were released in November for further investigation. Around 900 matches were identified.
- The matches are now being reviewed by the members and we expect to receive early results by the end of January 2017.
- Work has begun on the second data match comparing small business rate reliefs across the members as well as charitable discounts using data from the Charity Commission.

5.5. Progress on the project has been slow for reasons previously outlined to the committee but we expect to see a significant increase in the number of matches over the coming months.

6. Follow Ups

6.1 Appendix C details the outcomes from 36 past audits subject to programmed formal follow up work. This has involved a system of departmental self assessment against progress on previously agreed actions (to enhance accountability) followed by independent test checking from the audit team. The results are generally positive:

Priority	Actions	Completed	In progress	No action
High	27	10	12	5
Medium	50	31	16	3
Total	77	41 (53%)	28 (36%)	8 (11%)

Of the totality of the 77 previously agreed actions which were due to have been implemented, 89% had been implemented by the scheduled date or are in progress. As a result, as per Appendix C, only 3 areas have been designated as a 'red risk', being Section 106 developer contributions, TFM help desk and the 'Kent Card' systems.

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

7. Internal Audit and Counter Fraud Performance

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

Performance Indicator	Target	Actual
Outputs		
100% of Priority 1 audits completed (by year end)	67%	55%
50% of Priority 2 audits completed	34%	22%
Time from start of fieldwork to draft report to be no more than 40 days	90%	57%
No of fraudulent incidents / irregularities recorded	N/A	132
Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	0
% of all other issues agreed	N/A	94%
% of all other issues implemented	N/A	0
Client satisfaction	90%	97%
Total Number of identified occasions of		
a) Fraud		41
b) Irregularity		20
Total monetary value detected of		
a) Fraud		£206,123
b) Irregularity		£8,758
Total monetary value recovered of		
a) Fraud		£16,706
b) Irregularity		£8,758

- 7.2 As part of our work we have identified actual or potential value for money savings of over £300,000.
- 7.3 In general the output outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2016/17.

8 Internal Audit and Counter Fraud Resources

- 8.1 We have no current issues with audit and counter fraud resources and staff turnover is relatively low.

9 Work in progress and future planned coverage

- 9.1 Appendix B details progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our planed coverage.
- 9.2 We have the following substantive work in progress

GET Governance Review
Adults Transformation – Phase 2
Strategic Commissioning

- 9.3 For the next quarter of the year we also have a number of substantive audits to complete including:

Adoption	Supervisions - Social Care (follow up)
Risk Management	Safeguarding Adults (follow up)
Corporate Governance (selected controls)	Procurement and contract management (follow up)
Accounts Payable	LED Street lighting
Accounts Receivable	

- 9.4 Appendix B also details the audits that have been cancelled or deferred. We are planning to defer or cancel 18 audits from the plan, of which 15 are Priority 2 audits. As a reminder we have a target to complete 50% of priority 2 audits each year and there is always an overprovision within the plan to allow flexibility of available audit resources.

10. In Conclusion

- 10.1 We are satisfied that over the past 9 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.
- 10.2 Our follow up work confirms that in general management have taken or have planned, appropriate actions to implement agreed issues.
- 10.3 We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Appendix A – Summary of individual 2016/17 Internal Audits issued from September – December 2016

Transformation and Change – 0-25 Portfolio

Audit Opinion	Limited
Prospects for Improvement	Good

The overall objective of the audit was to provide assurance that the 0-25 Portfolio is delivering sustainable savings and realising planned benefits / outcomes. Our audit focused on a sample of eight projects in the 0-25 Portfolio. Five of the largest are part of the 0-25 Unified Programme of projects which were initiated with the support of Newton Europe. The 0-25 Unified Programme as a whole was estimated to save a minimum of £17.7m per annum

Our overall opinion is that we can provide ‘limited assurance’ that the 0-25 Portfolio is delivering sustainable savings and realising planned benefits / outcomes, for the following reasons:

Although all projects could demonstrate some achievement of benefits, it is less than clear that targeted financial and non-financial planned outcomes are being achieved. Underlying monitoring and reporting mechanisms lack integration to prime financial records. A number of the KPIs are not the right measures or are sufficient for monitoring achievement of planned outcomes. The Financial Performance Monitoring Group (FPMG) as a means of challenge, scrutiny and accountable integrated working has been less effective than planned and accountabilities from a number of key stakeholders have been blurred.

In addition, lessons learned reviews had not been quickly embraced as a mechanism to promote continual improvement.

Although not all projects had achieved the intended cashable

Key Strengths

- Newton Europe were a useful independent catalyst for challenge and change within the programme
- In the initial year of the programme (15/16), FPMG reported that cashable savings of nearly £6 million across the Newton Europe initiated programme were delivered (although from our testing we cannot substantiate all of these figures)
- There is evidence that £5.7m savings have been achieved from in house savings from re configuring of Early Help services.
- All projects in our sample across the Portfolio had achieved some financial or non-financial benefits, although quantification of these benefits is difficult, particularly with changes in demand and volumes
- KPIs are reviewed by senior management and FPMG prior to incentive payments being made to the consultants
- Positive changes to ways of working are embedded and have been embraced by staff, which is indicative of levels of sustainability
- Evidence suggests the quality of outcomes to vulnerable service users has not deteriorated during this period of change

It must however be acknowledged that the implementation of the 0-25 Unified Programme took place at a time when the Council was dealing with the unprecedented challenge of large numbers of UASC arrivals; this may have had an impact on the service’s ability to capitalise and manage the benefits of the Transformation

Prospects for Improvement

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

- Work is underway to rapidly remedy the way projects are

benefits, the impact of not implementing the projects in a rapidly changing environment remains unknown and therefore labels of 'success' or 'failure' must be treated with caution

Areas for Development

- Overall not all of the projects within our sample have not achieved longer term cashable savings. Out of our sample of 5 within the Newton Europe 0-25 Unified Programme, only one has savings built into the 2016-19 MTFP.
- There is a trend for elements of initial cashable savings from the Newton Europe Programme and benefits to be re-designated as 'cost avoidance' and 'undeliverable' as the project has progressed and it is unclear whether the project has delivered or not
- The overall SCS caseload is not consistently reducing and consequently planned savings in agency staff costs are not being achieved
- It is evident that a number of assumptions were not clearly understood by the relevant accountable stakeholders at the outset of the Programme
- Some of the assumptions underpinning the Programme and the performance indicators were not reasonable/ realistic.
- It is evident that some of the KPI measures were not an effective means of monitoring or truly indicative of programme success and cashable savings
- A critical flaw with reporting of financial benefits is that it was not integrated with budget monitoring systems but based on stand-alone models and predictions. This means it is difficult to reconcile whether programme activity is resulting in real time savings to KCC.
- Two systems of data recording used to measure KPIs have broken down, one due to a decision by the data owner (Specialist Children's Services) and one where the recording systems have not been sustainable (Residential)
- The FPMG group was not as effective as planned in monitoring the programme benefits and relating these to cashable savings

planned and delivered to achieve the intended savings and the 0-25 Portfolio Board has set up a dedicated project group

- The FPMG group is being re-constituted into a more accountable form and with revised KPIs linked to financial monitoring
- A lessons learnt review (carried out in April 2016), has not been shared with the 0-25 Portfolio Board.
- Management have provided a clear and positive action plan in response to this audit and have assured us that as the Transformation enters Phase 2, there will be a different approach to avoid the issues identified in this report

Summary of management responses

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

Standards and School Improvement Team

Audit Opinion	Substantial
Prospects for Improvement	Good

An audit to provide assurance that the Schools Improvement Service operates appropriately to ensure statutory responsibilities are met and allow the achievement of Kent County Council's strategic outcomes. This will include a review of the consistency of support and information provided, the adequacy and appropriateness of commissioning processes and monitoring and review against planned outcomes.

A new Standards and School Improvement Team structure was put in place for the start of the 2016/17 academic year. This contains substantive post holders for key roles in the team. There is a clear vision set by management. The Strategy for School Improvement is up to date and the business plan is aligned to KCC strategic objectives. There is evidence that statutory responsibilities are being met.

KPIs are being achieved, most notably the improvement in the performance of primary schools in Kent over the past 2 years, with 90% now achieving a good or outstanding Ofsted judgement. There are a number of areas where targets are not being met. The ratings for secondary schools have improved but not to the same degree as Primary schools in Kent and are currently below target. 'Closing the Gap' is also notably behind target.

Procurement processes for the appointment of consultants have been followed and evaluation and reviews are completed, however there could be improvements and better consistency in performance management of consultants.

Key Strengths

- The new structure, implemented on 01.09.2016, has led to senior posts being made substantive, including a designated post for 'Closing the Gap' where improvement has been slow to date
- A School Improvement Strategy and a Schools Causing Concern protocol are in place. These were developed in consultation with Kent Association of Head Teachers and are central to the work of this team.
- Detailed Notes of Visit were seen to support core visits and contact with schools, which reflects the School Improvement Strategy.
- For the consultant agreements, scrutiny of sample demonstrated that commissioning and procurement procedures are being followed.
- There is evidence that statutory responsibilities are being complied with
- KCC and EYPS strategic outcomes are evident in the Strategy for School Improvement. Objectives and KPIs in the team's business plan also support these.
- There is significant improvement in the performance of Kent schools, particularly Primary.
- There has been a move away from Memorandums of Understanding (MoUs). Formal contracts are now in place for KCC brokered agreements whenever financial payments are required.

Areas for Development

- Actions were not always recorded in school visit notes and in some cases where they were there was no evidence that these had been followed up.
- There are inconsistencies in monitoring and performance management of secondary consultants

- Consultant agreements for school support are only signed by the consultant and not by the designated KCC officer.

Summary of management responses

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

Areas for Development (cont)

- Although conflicts of interest are required to be disclosed by consultants/ contractors, there is currently no record of these
- KPI targets in the business plan relating to closing the gap are not currently being met
- Academies are benefiting from DSG money used to fund KAH boards

Prospects for Improvement

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

- Management in the team have clear objectives to achieve improvements in the service, and during the audit a number of new initiatives were identified as in development
- There is a continuous drive to improve partnership working
- The number of academies that are now engaging with the SSIT is increasing and we were informed that for 16/17 all primary academies have accepted keeping in touch visits.
- A number of Secondary academies do not engage with the Local Authority, limiting KCC influence over performance and standards of education

Medium Term Financial Planning

Audit Opinion	Substantial
Prospects for Improvement	Adequate

The overall objective of the audit was to provide assurance on the management of financial planning arrangements in place to meet increased saving pressures while achieving KCC priorities. The audit was undertaken alongside an audit of Business Planning in order to provide assurance on the alignment of financial and business planning.

It is evident that the underlying risks and challenges behind the construction and delivery of the MTFP are increasing. Overall the objectives and processes behind the construction and operation of the MTFP remain sound, there is alignment to transformation plans and other strategies, awareness of risks is strong and there is regular monitoring and review. Our testing showed a small number of areas where sensitivity analysis could improve and a number of savings proposals had limited plans or track record to back them up, or there were significant risks associated with delivery.

Key Strengths

- The Medium Term Financial Planning process as managed by the Financial Strategy team is robust
- Analysis of the wider environment is carried out using information from a variety of sources, to enable a fair assessment to be made of the key challenges facing the Council
- The method for estimating pricing pressures is sound in design
- There are controls in place to reconcile the MTFP with the annual Revenue Budget and testing demonstrated these are effective
- Although the risks to budget delivery are high, there is good awareness of these risks and appropriate monitoring and reporting arrangements in place.

Areas for Development

- There is limited sensitivity analysis carried out on the assumptions behind estimated price and demand increases. For 2016-17, budget monitoring shows that increases in price and demand beyond the budgeted amounts in a number of high risk areas has contributed towards the current forecast overspend position
- One third of savings proposals reviewed were considered ambitious to deliver, did not have detailed plans behind them or were based on untested assumptions
- Inherent financial risks are increasing. The “Delivery of 2016/17 Savings” risk on the Corporate Risk Register is currently outside the target risk rating set; the current risk rating is considered to be 12 whereas the target is 4.
- There is a lack of clarity around how business plans support the delivery of the MTFP as the two cycles are not formally aligned and business plans lack financial content and drive

Prospects for Improvement

- The financial challenges facing the Council continue to be intense due to the combination of additional; (unfunded) spending demands and reductions in central government funding
- The officers involved in MTFP are highly experienced
- There is a review process to ensure continual refinement
- The Council has a 16-year track record of delivering an underspend although for 2016/17 this looks challenging.

Summary of management responses

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

Business Planning – Authority Wide

Audit Opinion	Adequate
Prospects for Improvement	Good

The aim of the audit is to provide assurance on the implementation of the new business planning arrangements for 2016/17 and consideration of links to KCC priorities, the strategic commissioning cycle and the longer term view. This audit was undertaken alongside an audit of Medium Term Financial Planning to provide assurance on the alignment of financial and business planning.

There was a clear process in place for compiling 2016/17 Business Plans across all Directorates and Divisions/ Services. Robust and appropriate support and advice was provided by the Business Strategic Advisers associated to each Directorate to ensure relevant information is communicated across the Directorate to inform the Business Planning process for the forthcoming year. The Directorate plans we reviewed included the required information which had been agreed by the Policy and Resources Cabinet Committee.

Following the 2015/16 Business Planning review, templates for Divisional plans are no longer required and this has resulted in a small number of business plans not including key information to support delivery of financial targets and the workforce strategy.

Our opinion of Adequate is based on the following strengths and areas for development.

Key Strengths

- Guidance and support is provided by the Policy, Strategy & Assurance Division to inform the development of Directorate Business Plans.
- Member Priorities are included within Directorate Business Plans which are then communicated downwards to inform Divisional/ Service Plans.
- Business Plans are reviewed and signed off at the appropriate level.
- There is a golden thread linking the Council's Strategic Statement through to Directorate plans and then down to Divisional/Service plans.
- Directorate/ Divisional Business Plans are being used to identify key activities/ priorities in raising standards.

Areas for Development

- Due to business plans, in particular the Directorate plans, being more Strategic Priority Statements, a minority have not included activities/ priorities that link directly with the Medium Term Financial Plan or key information such as workforce planning requirements, Key Performance or Activity Indicators. In general there is no requirement for a financial focus behind current business planning across all levels despite funding reductions being a key driver at present.
- There is a lack of guidance and information about the planning cycle available to support managers in developing their Divisional/Service plans.
- Some Business Plans do not take a medium term view and only concentrate on activity/priorities for the coming year.
- Key Performance Indicators in business plans have not been aligned/ linked to service activities/priorities.

Prospects for Improvement

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

- There is a yearly cyclical review of business planning imbedded within the business planning process to identify improvements.
- Members, Corporate Directors, Directors and Service Heads are engaged in the process.
- Management have responded positively to the issues raised in this report and developed appropriate action plans to address them.

Summary of management responses

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

Contact Point – Contract Management Agilisys

Audit Opinion	Adequate
Prospects for Improvement	Good

The aim of the audit was to provide assurance on the recently outsourced operations, including contract management Agilisys assumed responsibility for KCCs contact centre in December 2015. Since this time KCC has seen several changes in key personnel which has affected the consistency of managing the contract and has contributed to some of the issues identified.

During the eight months that Agilisys has been delivering the service, there has been investment in line with the Transformation programme which is scheduled for completion in February 2018. To date Transformation activity has implemented key projects, however there have been some delays with implementing some of the other activities due to ineffective engagement between KCC's service areas and Agilisys.

In the first 3 months of the contract there was a significant decline in the customer experience for the Out of Hours service provided by Agilisys. KCC actively managed this issue through a formal Rectification Plan, which has since been signed-off subject to Agilisys finalising their business continuity and disaster recovery plan. For day-time calls, the service has remained stable.

It is difficult to determine if the contract is generally delivering on outcomes, as a number of areas are missing from KPIs or KCC cannot validate or corroborate the data.

Below we have summarised the key strengths and areas for development.

Key Strengths

- The monthly reconciliation process to verify the volume of calls to support the monthly core payment is effective. We were able to reconcile each monthly forecast and variable payment and found satisfactory evidence of challenge where there was any doubt.
- Key Performance Indicators (KPIs) have been agreed as part of the contract (see also Areas for Development below).
- Where average call handling times were exceeded, there is evidence of sufficient challenge by the Client Team.
- The contract clearly defines roles and responsibilities, including governance arrangements for the contract (although see also Areas for Development below).
- There is good oversight and management of the Rectification Plan in respect of the Out of Hours service.
- The transformation activity is well documented in a Project Initiation Document, with supporting detailed plans, and progress is adequately monitored.
- The new Contract Manager has introduced more robust financial forecast arrangements from September 2016, to facilitate effective budget monitoring.

Areas for Development

- There are no processes in place for KCC to corroborate the information submitted by Agilisys for KPI 4 (complaints data) before monthly payments are made.
- There is no KPI to measure the response times for emails and post received and processed. In addition KCC is unable to verify the volumes submitted by Agilisys when making contractual monthly payments, and therefore are currently unable to confirm accuracy of billing for this element.
- Record keeping is inadequate – for example officers were unable to locate key documents (such as meeting minutes, formal decision authorisations and contract change control notices) and document version control and organisation was poor.
- Responsibilities are not being fully discharged in line with the Governance Schedule of the contract.

Prospects for Improvement

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

- Continuity of staff needs to stabilise for management of the contract to be fully effective. Recent appointments will help with this and we have already evidenced this with the appointment of the new Contract Manager.
- Sustainability of the monthly reconciliation and independent quality assurance processes by the Client Team beyond 2016/17 is uncertain.
- Agilisys have employed a Key Account Director to strengthen the engagement with KCC service areas, in particular those most affected by the changes.
- Issues experienced with the Out of Hours service were quickly escalated, a Rectification Plan drafted and progress monitored closely.
- Officers have already started to address some of the issues identified during this audit.

Summary of management responses

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

Software Licence Management

Audit Opinion	Adequate
Prospects for Improvement	Good

This audit reviewed controls over the management of software to ascertain the record keeping of the assets; version control; vendor support arrangements; change control process and licence management arrangement.

Our audit opinion of Adequate is based on the following strengths and areas for improvement:

Key Strengths

- A Contract Manager is now in place to manage ICT vendor contracts.
- A record of ICT applications is maintained and retained.
- Services and teams have access to information and support to help them manage
- upgrades and new versions.
- Restrictions are in place to prevent the downloading and installing of unauthorised third party software on the Council's network and this is monitored.
- There is a formal change control process in place as well as a policy for the upgrade of software.

Areas for Development

- Almost half of the applications tested during the audit from across the estate were not updated to the latest version.
- The draft ICT BSC Service Specification includes a requirement for ICT Operations to undertake audits of licences held to ensure that software licences are managed. To date no audit/review has been undertaken

Areas for Development (cont)

- The ownership of licences by individual services/ teams can restrict the re-allocation of them to other users across the Council.
- There have been instances of applications being purchased without ICT involvement in the procurement process to give advice on support maintenance, risk, capacity, etc. before connecting onto the Council's infrastructure.

Prospects for Improvement

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

- ICT BSC Operations is a knowledgeable resource to services in providing advice and support in planning for upgrades for all types of software.
- The new ICT Strategy has been drafted and approved (although not yet published) which includes the key objective of re-using software assets corporately

Summary of management responses

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

SWIFT/ AIS Application and Preparedness for ISO 27001 Certification Review

Audit Opinion	Adequate
Prospects for Improvement	Good

This audit details the results of the Swift and Adult Integrated System (AIS) applications audit to assess the current level of compliance with the ISO 27001:2013 Information System Security Standard..

ISO/IEC 270001:2013 accreditation is being sought in accordance with the requirements of the NHS's annual Information Governance Statement of Compliance.

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 has been defined
- Use of removable media has been restricted.

- 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.
- Segregation of the development, test and production environments is in place.
- Swift/AIS application and data is backed up.
- 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

The Prospects for Improvement rating of Good is based on the following:

- 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	NA
Medium Risk	2	2	NA
Low Risk	NA	NA	NA

Spydus Application Audit

Audit Opinion	Adequate
Prospects for Improvement	Good

Overall the Spydus system is stable and well managed through the South East Library Management Service (SELMS) Consortium, which monitors the contract with the system provider. There is a robust process in place for new users to be added with appropriate access for their role, although leaver access is not always removed promptly.

Our audit opinion of Adequate is based on the following strengths and areas for improvement:

Key Strengths

- All users on the system are uniquely identifiable and are assigned appropriate user roles based on their job profiles.
- Appropriate Spydus support and maintenance is in place through a combination of external and in-house arrangements.
- The contract is appropriately managed through South East Libraries Management Services (SELMS). Quarterly meetings are held by (SELMS) development and steering groups, in which KCC take an active role.
- An appropriately detailed audit trail is maintained within the Spydus system for all changes made to the data on the system.
- There is a robust change management process in place maintained by the third party system provider.

Areas for Development

- Active user accounts are not regularly reviewed to ensure access levels are appropriate and leavers have been removed.
- Spydus does not enforce password updates and some library staff have not changed their passwords from those allocated when access was first granted.
- Procedures for purchase of library stock (including adding it to Spydus) have yet to be formally documented.
- The third party provider SLA monitoring report is not provided to Libraries management for review.

Prospects for Improvement

The Prospects for Improvement rating of Good is based on the following:

- The KCC application support team has good understanding and knowledge of the application.
- Management have a very good awareness of issues and challenges.
- The libraries staff are provided relevant training in order to fulfil their roles in using the Spydus system.
- Library and IT staff were receptive to the issues raised in this report and already working on corrective actions for some issues.

Summary of management responses

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

Safeguarding Quality Assurance Framework – Education and Young People’s Services

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The audit was designed to provide assurance that an appropriate framework exists to manage safeguarding effectively including quality assurance of the work carried out in relation to children and therefore manage risks to their health, safety and wellbeing.

There is an assurance framework for Early Help and Preventative Services (EHPS) but not for the Safeguarding in Education team’s area of work. There is effective liaison and involvement with the Kent Safeguarding Children’s Board (KSCB) and the Safeguarding in Education team generates significant income although the impact of this on delivery of statutory services has not been assessed.

Key Strengths

- The Safeguarding in Education team is represented on all the sub groups of the KSCB.
- The costs of the Safeguarding in Education team are minimised by significant chargeable work.
- There is an effective process for Early Help triage and allocation of work to districts and then to key workers.
- An Early Help quality assurance framework and audit programme is now in place.

Areas for Development

- There is no quality assurance framework for the Safeguarding in Education team area of responsibility.
- The chargeable work undertaken by the Safeguarding in Education team could impinge on the discharge of statutory duties and responsibilities.

Areas for Development (cont)

- Integration of all Safeguarding arrangements could be improved.
- Early Help triage backlogs earlier in the year suggest that resources and/or procedures need to be revisited even though the backlogs have been cleared.
- There are issues still to be addressed regarding the recording of training take up in EHPS. This was originally raised at KSCB Quality and Effectiveness sub group in May 2016.

Prospects for Improvement

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

- The Early Help assurance framework is being refined. Audit training is being updated and there are plans to align the audit tool with that of the KSCB.
- Key senior vacant posts have been filled in EHPS and the Safeguarding in Education team.
- There has not been an evaluation of whether chargeable work is impinging on the statutory duties and responsibilities of the Safeguarding in Education team and insufficient testing of customer satisfaction.
- There are no plans to introduce a quality assurance framework for the Safeguarding in Education team’s area of work.

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	TBC	
Medium Risk	5	TBC	Audit at final draft stage
Low Risk	1	TBC	

Leaving Care Follow-up

Audit Opinion	Adequate
Prospects for Improvement	Good

Internal Audit carried out a review of the Leaving Care Service as part of the agreed 2015/16 Annual Audit Plan. The final report was issued in April 2016 and the opinion arising from the audit was 'Limited' assurance. This was largely due to significant weaknesses identified around statutory pathway plans which represented safeguarding and compliance risks to the Authority.

Our follow-up work highlighted that there has been significant progress since our original audit, including for the two high priority issues raised. The quality of the pathway plans and the timeliness of statutory reviews has improved noticeably. Whilst our testing did identify some exceptions with regard to pathway plans, this was to be expected given the nature of the changes required and the relatively short timescales to deliver improvements since our original audit. The service has plans in place to ensure that there is continued positive direction of travel. Policy and processes have been drawn up to improve the numbers of care leavers in employment, training and education which are integrated with the Authority-wide strategy and processes.

There is a predicted large increase in overall case load over the coming months, mainly due to the influx of Unaccompanied Asylum Seeking Children (UASC) in the summer of 2015 who are now entering the leaving care service. Current forecasts show that the caseload is likely to increase by 200 between October 2016 and March 2017; equating to an extra 6.5 Personal Advisors. In addition, the Children and Social Work Bill currently being debated in the House of Commons will, if passed, require Local Authorities

to continue to support Care Leavers up until the age of 25 (the current age limit is 21 except for those in education). This will create additional pressure on the service and therefore considerable future challenges and resultant risks to the sustainability of improvements. Existing caseloads, although they have been reduced since our original audit, continue to be demanding; unqualified staff have an average caseload of 30 care leavers, many of whom are extremely vulnerable with a variety of complex needs.

Through discussions with the service, we are satisfied that they are aware of these risks and that actions are being developed to mitigate these.

Issue	Priority Level	Conclusion from testing
Pathway Plans - SCS	High	In progress
Leaving Care Budget Monitoring and Forecasting	High	Implemented
Staff Leavers and Personal Adviser Caseloads	Medium	Implemented
Integration and Creation of new team	Medium	Implemented
Adult Social Care Pathway Plans	Medium	In progress
Education, Employment and Training Outcomes	Medium	Implemented - Agreed actions have been implemented but the service should monitor these to ensure they continue to meet the desired outcomes
Cash Payments	Medium	Implemented

ICES and Telecare Contract Management

Audit Opinion	Substantial
Prospects for Improvement	Good

There are processes in place to oversee management of both contracts, with performance regularly reviewed and challenged. There are some issues around invoicing for the ICES contract and, the service is addressing this with the provider. In addition, the delegated authority for the award of the Telecare contract was not clear.

Key Strengths

- Appropriate governance arrangements are in place for both contracts
- Regular meetings are held with providers and performance is scrutinised and challenged by contract managers.
- Formal Partnership Board meetings have been established with the Clinical Commissioning Groups (CCGs) and contractor which cover all aspects of contract management and performance in detail.
- Appropriate Key Performance Indicators (KPIs) are produced on a monthly basis and discussed at the contract monitoring meetings
- A risk management system is in place for the ICES contract with high level risks discussed at the Partnership Board
- Invoices are scrutinised and independently reconciled to source data prior to being passed for payment which minimises the risk of financial loss through payment made for goods not received

Areas for Development

- The relevant key decision does not clearly detail both services that it covered; the delegated authority to award the Telecare service contract is therefore not clear
- There are issues currently with the invoicing and payments processes for the ICES service as invoices are sent requiring multiple adjustments due to discrepancies however, this has been recognised by the service and are actively addressing the issue.
- There is currently a dispute surrounding TUPE costs between the provider and the Council which needs to be resolved
- There was no clear plan to review the adequacy and effectiveness of the Section 75 (Partnership agreement) although this is not required prior to the end of the financial year

Prospects for Improvement

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

- The service have provided strong responses to the issues raised
- The governance arrangements in place allow for strong oversight and continual improvement

Summary of management responses

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

Carers Assessments

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The overall objective of the audit is to provide assurance that there are adequate and effective processes in place to ensure that contracts are effectively managed to achieve objectives, performance is in line with required standards and complies with legislation and that financial and safeguarding risks are adequately managed.

Our audit opinion of adequate assurance is based on the following strengths and areas for development. There are strong monitoring processes for KPI's and reviewing performance against set targets with action plans in place where issues are identified. However due to reporting issues, assessments reported as undertaken and Something for Me payments cannot be reconciled to Swift. In addition copies of signed contracts were not held, there was no formal variation for the increase in 'Something for Me' payments and no evidence provided of appropriate approval of the original contract and subsequent extensions.

Key Strengths

- KPI's are appropriate and support the outcomes of contracts.
- Detailed responses to action plans with built in reviews with providers
- Where detected areas of concern and performance are addressed with the providers at quarterly contract meetings.
- The Carer business process chart for Carers Assessments is very detailed, concise and easy to follow.

Areas for Development

- Formal approval of the original contracts was not provided and contract extensions were signed outside of authorisation levels specified within KCC's delegation matrix.
- Signed copies of the contracts were not retained; two were sourced during the audit from the providers but one remains o/s.
- Due to reporting issues with SWIFT this has impact and the ability to monitor the achievement of targets.
- Additional "Something For Me" payments were paid to providers and while these additional funds were agreed at DMT there was no formal contract variation.

Prospects for Improvement

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

- There is recognition that SWIFT is not working effectively enough to capture the appropriate data required and this is currently being reviewed.
- The contract will be re-let on expiry of the extensions as part of Phase Three transformation programme
- Management responses to the actions raised for this report has been positive

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	1	1	NA

General Ledger

Audit Opinion	Substantial
Prospects for Improvement	Good

Our audit testing found that controls are operating effectively in respect of journals, feeder systems, suspense accounts and flexfield information. Overall, systems are well managed to ensure that the information held on the General Ledger is correct and complete. A small number of issues were identified. – in particular improvements could be made to the bank reconciliation processes to ensure that reconciling items are promptly.

Key Strengths

- The current bank mandate for KCC's is up-to-date and there are controls in place to manage amendments to signatories.
- Monthly bank reconciliations are being carried out, and these are reviewed and signed off by appropriate persons.
- All journals tested had been accurately processed.
- There are good controls in place to monitor users who have Oracle permissions to post their own journals.
- All suspense account balances are monitored and action is taken to clear them regularly.
- Our sample testing of feeder files confirmed that files are checked and uploaded in a timely manner, and balances from supporting documentation agree to the General Ledger.
- Sample testing of 30 Oracle change requests found evidence of appropriate authorisation and documentation in all cases. Changes had all been processed in accurately and promptly.
- Tasks are well managed, co-ordinated and shared within the Finance Systems & Support Team.
- The Finance Systems & Support Team evidenced good communication with other areas of the business to ensure GL information is complete and accurate.

Areas for Development

- Bank reconciliation procedure notes for the main accounts require review to ensure they are comprehensive and user friendly.
- Only one member of staff performs the reconciliations causing a lack of resilience should she be absent for a period of time.
- The bank reconciliation for the Salaries Account is not always completed promptly and there were delays with bank reconciliations being authorised by the Chief Accountant.
- Uncleared transactions appearing on the General Account reconciliation are not being addressed promptly.
- For 08 Journals (where charges are made between different directorates), local sample checking is not being routinely carried out in line with the documented sampling methodology.

Prospects for Improvement

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

- Management and staff are knowledgeable, they understood the issues raised and were responsive to addressing them.
- There is a culture of continuous improvement.
- Some issues remain outstanding since the last internal audit in 2015 in relation to bank reconciliation procedures and have been re-identified during this audit.

Summary of management responses

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

Value Added Tax (VAT)

Audit Opinion	Substantial
Prospects for Improvement	Very Good

The aim of the audit was to provide assurance that risks are being managed adequately and effectively in order to meet service and corporate objectives.

We identified that controls are operating adequately and effectively. There are several areas of good practice evident, with a few areas identified where further improvements could be made. These strengths and areas for improvement are summarised below.

Key Strengths

- Staff have access to an accurate and up to date VAT manual which provides guidance on the VAT indicators they should use and what constitutes a valid VAT invoice.
- Monthly VAT returns are accurately compiled based on information from the Oracle Financials system and have been submitted to HMRC in line with their timescales.
- The Partial Exemption calculation for 2015/16 has been estimated based on the final calculation from 2014/15 and is regularly reviewed and updated.
- The Corporate Director of Finance and Procurement receives accurate quarterly VAT update reports.
- The VAT update reports now include additional detail in the form of sensitivity analyses which allow for a more meaningful assessment of the risk of not achieving the Partial Exemption criteria.

Areas for Development

- Succession planning could be strengthened by documenting key procedures and by widening access to training.

Areas for Development (cont)

- Some of the invoice descriptions input into Oracle contained insufficient information to ascertain what the payment related to and/or the relevant time period.
- VAT indicators are not being applied correctly in all instances, for both invoices paid by the Council and invoices issued by the Council, although most errors identified related to the use of the various 'nil VAT' tax codes and had minimal impact on the VAT return.

Prospects for Improvement

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

- Management actions arising from the previous audit have all been implemented.
- The team has a good track record of internal challenge and improvements to current processes, such as the improvements in the structure of the VAT return and Partial Exemption working documents, and the inclusion of a sensitivity analysis in the quarterly VAT update reports.
- Management has responded positively to the issues raised in this report, and they are confident that their proposed management actions will result in further improvements.

Summary of management responses

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

Insurance Fraud

Audit Opinion	Adequate
Prospects for Improvement	Good

The aim of the audit was to provide assurance that the risks of insurance fraud are minimised and opportunities for prevention and detection are maximised.

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.

Key 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.

Areas for Development (cont)

- 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.

Prospects for Improvement

Prospects for Improvement are considered to be Good on 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	NA	NA
Medium Risk	3	3	NA
Low Risk	2	2	NA

Workforce Planning

Audit Opinion	Substantial
Prospects for Improvement	Good

In 2015 a Workforce Planning Strategy was introduced and endorsed by the Corporate Management Team. We conducted an authority-wide review to assess progress with managing workforce planning, with focus on succession planning and talent management. Below are the strengths and areas of development from our work.

Key Strengths

- There is an up to date Workforce Planning Strategy for 2015-2020, endorsed by the Corporate Management Team.
- A review was in progress by EODD of how the actions from the Workforce Planning Strategy have been implemented and a draft report is currently being prepared of the findings.
- All directorates have identified their critical roles and successors at DMT level (the top three tiers) and most divisions have also identified theirs.
- We were provided with a cross section of examples of good practice across the organisation.
- Workforce planning is a regular agenda item on the Organisational Development directors' group meetings and on senior management team meetings.
- Training and development has been identified for successors and talented staff.
- A new Workforce Planning database is being introduced.
- The Future Manager Programme has been reviewed and there are plans to improve the tracking of staff progress.

Areas for Development

- There is no authority-wide overview of critical roles, gaps (for critical roles), successors and talent management.

Areas for Development (cont)

- One of the six divisions in our sample had not formally identified and documented their critical roles and successors (BSC). One other division was in the process of doing this (DCLDMH).
- Monitoring and evaluating the success or otherwise of succession planning and talent management is not currently carried out. Although it is recognised that this is a longer term aim.

Prospects for Improvement

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

- Those divisions currently in the process of review/restructure will be identifying their critical roles and potential successors once new roles have been confirmed.
- A review was in progress by EODD of how the actions from the Workforce Planning Strategy have been implemented.
- The introduction of the Workforce Planning database for all directorates in 2017/18. It is anticipated that this database will provide authority-wide information on workforce planning.
- The on-going roll out of workforce planning workshops and presentations to help embed the process in all directorates.
- The introduction of the e-learning Workforce Planning training course.

Summary of management responses

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

Schools' Personnel Service

Audit Opinion	Substantial
Prospects for Improvement	Good

In order to provide a wider assurance on the services being provided, this audit was carried out in conjunction with the audit of Schools, Academies and Outsourced Payroll Contracts (audit reference CA21 2017) which received a Substantial audit opinion with Good prospects for improvement.

SPS sits within the Business Services Centre (BSC) and is a specialist in HR advice and support for schools and academies, as well as providing an optional payroll service. We found that service costs and charges are well understood and managed, and that contracts are in place with all clients.

Key Strengths

- Charges for SPS services are reviewed and approved on a yearly basis to ensure a surplus is maintained in accordance with the Medium Term Financial Plan.
- Contracts are reviewed by Legal Services and are in place for all clients.
- Billing to schools for the services provided is accurate and in line with their contracts and agreed charges.
- There is robust budget monitoring to ensure budgets are not overspent.

Areas for Development

- Obtain independent market testing to ensure income and costs are competitive.
- "Competitive testing" is not undertaken independently and is based on benchmarking comparisons.

Areas for Development (cont)

- Staff declarations of interest do not currently include membership of any school governing bodies. It should be noted that the current KCC guidance on KNet does not specifically state that this is a requirement and the service takes appropriate action to address any known conflict consultancy staff may have.
- Lack of monitoring and reporting of the KPIs set out in the service level agreements included in contracts.
- Not all procedure notes in relation to the Business Support Team are version controlled, showing who is responsible for the procedure, when they were reviewed and the next review date.

Prospects for Improvement

Prospects for improvement are 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.
- Enhancement of the IKEN time recording system has been implemented to improve the available reporting for additional work undertaken.
- The development of the charging review to provide more comprehensive data, including impact assessments on income to inform changes in charges.

Summary of management responses

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

Total Facilities Management – Helpdesk Follow-up

Audit Opinion	Limited
Prospects for Improvement	Uncertain

An audit of the Property Service Desk operations carried out under the three TFM contracts was completed in 2015/16, resulting in a Limited assurance opinion. This audit seeks to provide assurance that the actions agreed to address the issues raised have been implemented effectively

Further audit sample testing and enquiries demonstrate that although some progress has been made, the high and medium priority issues raised in the previous audit report have not been fully addressed by Skanska (East Kent) and Amey (Mid-Kent). Further actions are being taken by KCC Asset Management to ensure Gen2 as the commissioned contract managers engage with the contractors to improve their service delivery in line with the TFM contracts. As part of this, a new customer experience action plan is being developed.

We were unable to audit Kier's Helpdesk service (for East Kent) as the team are currently migrating to a new system. Arrangements have been made to complete this element of the audit in January/February 2017 and it will be reported separately.

Key Strengths

- From 60 Tasks sample tested across both contractors, 56 (93%) had the correct category applied.
- Both contractors have implemented a complaints process that is consistent with the authority's Complaints, Comments and Compliments Policy

Areas for Development

- Across both contractors only 75% of tasks reviewed were resolved within the contracted SLA.
- For Skanska and Amey, call waiting time reports are available but are not being used to determine the root-cause of any KPI breaches.
- There remain issues with completing and closing off tasks for both contractors, although the exception rates are reduced.
- Both contractors currently are applying differing interpretations of the Repeat Request KPI. For Amey, repeat requests should be referred to a Facilities Manger but we found that in most instances this is not happening.
- Although both contractors have appropriate complaints processes within their respective Helpdesks, a combination of missing evidence and delayed responses meant that many complaints were not processed correctly.

Prospects for Improvement

- Clearly the lack of progress in implementing agreed actions is a poor track record for any prospects for future improvement.

Summary of management responses

	No raised in previous audit	Implemented and closed	Not addressed further agreed	fully and actions agreed
High Risk	4	0	4	
Medium Risk	1	0	1	
Low Risk	NA	NA	NA	

Road Safety and Crash Remedial Measures

Audit Opinion	Limited
Prospects for Improvement	Good

The aim of the audit was to provide assurance that appropriate proactive and reactive action is taken to minimise the risk of injury or death on Kent roads. This included a review of whether resources are being applied reasonably and appropriately, focused on delivering cost effective outcomes.

Our audit confirmed that data received from Kent Police is validated prior to investigation by the Schemes Planning & Delivery team. However, for the majority of our sample, supporting documentation for cluster investigations was not available for key elements of the process.

We established that combined members grant applications are submitted via the correct process and were included on the pre-approved list. However, up to date guidance is not currently available on Knet and the rationale behind the applications on how the proposed work will align to the Road Casualty Reduction Strategy was not documented. Authority for delegated decisions was also not documented to ensure compliance with the scheme of delegation.

Key Strengths

- Data quality and exemption reporting for STATS19 data is operating effectively.
- All combined members grant applications were made via the Members Highway Fund.
- All applications for the combined members grant (Highway

Areas for Development

1) Crash Remedial Responses

- Guidance notes for the Cluster Site Identification Process or for the production of casualty reduction measures are not version controlled.
- For all cases where a site visit was not required, there was no documentation to support this decision.
- For 93% of Clusters which required a site visit, there was no Route/Site Analysis checklist retained on file.
- In 8% of cases which required a referral to the Road Surfacing team, there was no evidence to demonstrate that the referral had taken place.
- In 33% of cases there was no handover pack where required.
- Site visits whilst works are on-going are not currently recorded as a means to monitor progress against the specification.
- No 'scheme specific' post implementation monitoring is occurring to assess the impact of remedial work identified from crash cluster data.

2) Combined Members Scheme for Highways

- The current 2016/17 Members pack is not available on Knet.
- Application forms do not detail why improvements applied for align with the Local Transport Plan
- There is no formal documented delegated authority for decisions made by engineers for the grants to be taken on behalf of the Director of Highways, Transportation & Waste.
- Completion certificates could not be located for completed works. Consequently, we were unable to review whether payments processed matched certificates of completed works.
- There is a lack of priority ratings for applications during the year's workcycle and for resources being allocated to services with high

Fund) were found to be on the pre-approved list of highways fixed price projects and processing fees.

demand/limited capacity.

- No post implementation monitoring can occur to assess the impact of remedial work identified by members due to lack of information in the application process.

Prospects for Improvement

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

- The current Schemes & Member Highway Fund Manager has been replaced by a Schemes Planning Delivery Manager from the 31st October 2016.
- A restructure has been implemented to address the high turnover of staff resulting in an emphasis on a quality management scheme by managers.
- Training on project management processes is being incorporated into all scheme project managers personal action plan.
- A review of the combined member’s application process will occur to include a funding link with KCC objectives.
- All issues for this audit have been accepted by management with actions in the next five months. Although, it is noted that the post-implementation reviews will not be introduced until three years after the current improvements.
- Enhancements in evidencing analysis in order to support future decision making in post-implementation learning.

Summary of management responses

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

Kent & Medway Safety Camera Partnership and National Driver Offender Retraining Scheme

Audit Opinion	Not Applicable
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The aim of the audit is to provide an independent summary of the financial and governance arrangements in place to meet the objectives of the National Driver Offender Retraining Scheme (NDORS) being operated by KCC on behalf of Kent Police and commitments to the Kent & Medway Safety Camera Partnership (KMCSP).

Overall we have verified income and expenditure records from the NDORS Courses, as accurate and as such the net surplus of £850k estimated to be generated for 2016/17 appears reasonable

The Memorandum of Understanding that sets out the aims of the Safety Camera partnership, does not clearly define the financial arrangements for the partnership. NDORS course fees are reviewed annually, although they have not been benchmarked against other course providers. We understand there may be scope to increase such charges. Currently KCC contributes £570k to the partnership while the police have reduced their contribution for the 16/17 year.

The net surplus generated by KCC from running the NDORS courses is used to support wider road safety activity. The overall road safety activity costs to date exceed the net surplus and as such there is no ring fencing to specific projects. The Road Causality Reduction Strategy for Kent 2014-2020 provides clear objectives linked with Road Safety activity, including the Kent & Medway Safety Camera Partnership. The NDORS and Safety Camera Partnership budgets are monitored appropriately.

As such there are opportunities to increase income through either increasing NDORS course charges or reducing the councils contribution to the Safety Camera Partnership. Both would require collaboration/agreement with the Police.

Key Strengths

- NDORS course fees have been reviewed and agreed at the relevant cabinet meeting.
- The residual surplus from the scheme appears reasonable with appropriate costs and splits made from the gross income
- Course numbers are monitored to ensure costs for trainers and venues are accurate and the courses are appropriately resourced.
- The NDORS courses and Safety Camera Partnership activity is supported by the Road Causality Reduction Strategy for Kent 2014-2020 which has been agreed by the Environment & Transport Cabinet Committee.

Areas for Development

- There is currently no reconciliation of invoices from NDORS against course attendance figures to confirm the accuracy of the invoice.
- The Memorandum of Understanding for the Safety Camera Partnership does not define the financial commitments from each of the partners or the fees charges for NDORS courses.
- Kent Police have at present reduced their contribution for 2016/17 to the Safety Camera Partnership due to decreasing offender numbers (which funds developments/upgrades to cameras) whilst KCC have maintained their commitment at the same level.

Summary of management responses

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

Enablement Expenses

Audit Opinion	Not Applicable
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Our review identified the following key conclusions:

- As a result of a long standing contractual agreement which was established over 15 years ago the Kent Enablement at Home Service (KEAH) has permitted Enablement Support Workers (ESWs) to claim business miles for journeys greater than 5 miles (for car drivers) from their home to first visit and last visit to home. In contrast KCC's expenses policy requires all staff to deduct their normal home to office (and return) mileage from any business related journeys that begin and/or end at the employee's home.
- This agreement has not been formally reviewed for many years and is out-of-date in comparison to actual practice.
- As a result of the existing agreement KEAH's expenses costs are higher than they would have been had KCC policy been adhered to. Overall the claims were around 35% higher, which if extrapolated would equal approximately £205,000 annually.
- Line managers in the service have a high number of direct reports. As a result they are unable to realistically review each expense claim in detail. A risk-based approach to review and authorisation has been adopted in one locality, but this has not been replicated across the remaining localities.
- More than half the claims we reviewed were incorrect (including under claims) which strongly suggests that staff do not understand the policy.
- There is clear training for the use of the technology the service has adopted to manage activity and mileage claims, but the guidance around the local policy is weaker.

Key Strengths

- Training in the use of the In Touch application is comprehensive.
- Use of the In Touch application results in a significant amount of information being available about the journeys undertaken by individual ESW's including the full address and timings of the various visits.
- One locality has adopted 10% sampling of the accuracy of claims. This could be replicated across the remaining localities.
- Locality Organisers understand the KEaH policy in regards to claimable mileage.

Areas for Development

- It is clear that the service must formally assess all the implications (including tax) of the locally adopted policy for claimable business mileage and seek a decision from the appropriate Corporate Directors about whether the local policy should continue.
- If the local policy continues further guidance should be provided to staff with illustrative examples to explain the local policy in more detail. The guidance should be circulated at least annually.
- The service should ensure that Locality Organisers adopt a reliable methodology for reviewing the accuracy and completeness of the high number of expenses claims, including reviewing receipts and forwarding them to the Business Service Centre.

Summary of management responses

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

Carbon Reduction Commitment

Audit Opinion	Compliant
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Internal Audit was requested to undertake a review of the Carbon Reduction Commitment Energy Scheme submitted for Kent County Council.

The aim of the audit is to provide assurance as to the accuracy of the base data used for measuring carbon usage in relation to the CRC Scheme. We also assessed the management processes put in place and review the content of the evidence pack to give assurance that it is complete, accurate and updated periodically.

We found that the base data for measuring carbon usage and reduction is accurate, with actual rather than estimated energy consumption data being used where possible. Responsibility for maintenance of the evidence pack is properly assigned and the requirements are adequately understood, although the current evidence pack checklist is out of date.

Key Strengths

- The energy consumption base data for the report is accurately and correctly collated in line with Environment Agency guidance.
- Responsibilities are clearly defined and followed, as evidenced in key documentation.
- The CRC return was accurately produced, reflecting the energy base data.

Areas for Development

- The evidence pack template does not currently reflect revised guidelines. We established that information that was no longer required was included in the evidence pack and newer requirements were omitted.
- The current procedure notes which are included within the evidence pack are not version controlled.

Summary of management responses

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

Children's Centre Themed Review

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Internal Audit undertook a series of establishment visits to Children's Centres as part of the agreed 2016/17 annual Audit Plan. The results of each Children's Centre review have been considered and a number of key themes and significant issues noted. Individual Establishment audit reports should be referred to for specific results as well as the recommendations made, which were reported to the relevant Delivery Manager, District Manager and Head of Service.

A total of 59 recommendations across six centre's were made of which 9 (15%) were high priority, 36 (61%) medium priority and 14 (24%) low priority. One central issue has been raised for the division to ensure appropriate knowledge and understanding of key process and controls across all Children Centre's.

From the six Children's Centres selected for audit in 2016/17 the following overarching themes emerged:

Key Strengths

- All Centres are using iProcurement, with the majority of purchase orders being raised in advance of an invoice. All expenditure has been approved in line with the Council's delegated authority matrix.
- Management of customer feedback is operating effectively to inform service delivery through the compliments, comments and complaints process.

Safeguarding procedures are in place with staff aware of their responsibilities and how to report concerns. There are notices on display to alert users of the differing types of abuse and how to access help.

Key Strengths (cont)

- Staff also have a good awareness of data protection requirements, including the need to keep personal and sensitive information secured.
- All Centres are clean and clutter free and health and safety checks are carried out regularly.
- Management is appropriately engaged to resolve the issues identified through the development and implementation of action plans.

Key Areas for Development

- There are a number of weaknesses in financial control across all six Centres, particularly relating to purchase cards, income, banking, petty cash and asset registers.
- Security and safety processes are not consistently embedded throughout all Centres and we identified instances of insufficient risk assessments and a lack of management actions identified on accident forms. In addition to this there had been inconsistent fire alarm tests and drills carried out by the relevant facilities contractor alongside the Centres. These issues clearly have safeguarding implications for Center users.
- The stock records maintained at some Centres were incomplete - eg for items such as breast pumps.
- Staff TOIL and timesheets, including agency staff, are not regularly authorised and not all staff have completed the relevant mandatory training.

Summary of individual centres management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	9	9	NA
Medium Risk	36	36	NA
Low Risk	14	14	NA

Summary of central management responses

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

Appendix B - Audit Plan 2016/17 Progress

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Core Assurance							
Business Continuity				Programme Management and Corporate Assurance Functions	Planning		
Procurement and Contract Management	Planning			Business Change/ Check point Reviews	Watching brief		
Tail-spend	Audit Cancelled	n/a	n/a	Transformation and Change – Delivery of Savings and Other Outcomes – 0-25 portfolio	Final Draft	January 2017	Limited/ Good
Transformation and Change – Delivery of Savings and Other Outcomes – Adults portfolio	Planning			Staff Survey – Response and Actions	Planning		
Performance Management and KPI Reporting	Audit Cancelled	n/a	n/a	Business Planning	Final Draft	January 2017	Adequate/ Good
Annual Governance Statement 2015/16	Complete	June 2016	Substantial/ Adequate	Payroll – Outsourced Contracts	Complete	October 2016	Substantial/ Good
Risk Management	Planning			Recruitment Controls re TUPE Transfer Staff Follow-up	Potential deferral to 2017/18		
Information Governance	Planning			Schools Personnel Service	Complete	January 2017	Substantial/ Good
Freedom of information Requests	Complete	October 2016	High/ Good	Workforce Planning inc. Succession Planning	Complete	January 2017	Substantial/ Good
Data Protection	Complete	October 2016	Adequate/ Adequate	TCP Process	Complete	October 2016	Substantial/ Good

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Bribery and Corruption	Complete	October 2016	Limited/ Good	Recruitment – Use of Agencies	Potential deferral to 2017/18		
Corporate Governance – KCC as a Whole	Planning			Declaration of Interest	In Progress		
Departmental Governance Review - GET	In Progress			Data Quality			
Implementation of Strategic Commissioning Framework	Planning						
Core Financial Assurance							
General Ledger	Complete	January 2017	Limited/ Good	Debt Fraud	Deferred		
Revenue Budget Monitoring	Deferred			Insurance	Complete	January 2017	Adequate/ Good
Value Added Tax (VAT)	Complete	January 2017	Substantial/ Very Good	Medium Term Financial Planning	Complete	January 2017	Substantial/ Adequate
Payments Processing				Family Placement Payments – Controcc Implementation, Phase 2			
Accounts Receivable	Planning			Debt Recovery Follow-up	In Progress		
Corporate Purchase Cards	Potential deferral to 2017/18						
Risk/Priority Based Audit							

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Contact Point - Agilisys	Complete	January 2017	Adequate/ Good	NEET Strategy	In Progress		
Business Service Centre	Deferred			Community Learning and Skills	Planning		
Total Facilities Management – Contract Management Follow-up	In Progress			Attendance and Inclusion	Deferred		
Total Facilities Management – Property Service Desk Follow-up	Final Draft	January 2017	Limited/ Uncertain	Schools Improvement Team	Complete	January 2017	Substantial/ Good
Property – Disposal of Assets	Planning			Elective Home Education	In Progress		
Public Governance Follow-up inc Clinical Governance Framework	Planning			Safeguarding – Education and Early Years	Final Draft	January 2017	Adequate/ Adequate
Grant Administration Follow-up inc. Member Grant Scheme and Grant for VCS				Education Commissioning – Capital Plan	In Progress		
Property LATCo – GEN2	Planning			School Financial Services – System of Audit	Planning		
Legal Services LATCo	Planning			Schools –Themed Review	In Progress		
Knet and Website				EduKent	Deferred		
Developer Contributions	Audit postponed to 2017/18 due to lack of progress on system development			Educational Trust – Watching Brief	Planning		
Independent Living Fund	Deferred			New EY Data Systems – Watching Brief	Planning		
Social Care Placements – Central Purchasing Team	In Progress			Troubled Families	In Progress		

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Support Directory - Signposting				Road Safety/ Crash Remedial Measures	Complete	January 2017	Limited/ Good
Dementia Care	Potential deferral to 2017/18			LED Street Lighting	In Progress		
ICES Contract	Final Draft	January 2017	Substantial/ Good	Highways Repairs Process and Outcomes	Deferred		
Disabled Services Post Transfer	In progress			Speed Awareness Courses	In progress		
Carers' Assessments	Final Draft	January 2017	Adequate/ Adequate	Public Rights of Way	Complete	October 2016	Adequate/ Adequate
Better Care Fund – Health and Social Care Integration				Contract for Bulky Waste	Deferred		
Foster Care Follow-up				Regional Growth Fund			
Unaccompanied Asylum Seeking Children	Complete	October 2016	Adequate/ Good	Concessionary Fares	Deferred		
Adoption	Planning			Commercial Services – Household Waste and Recycling Centre Contract	Deferred		
No Recourse to Public Funds	In Progress			Discovery Park Technology	Merged with Regional Growth Fund Audit		
0-25 Post Implementation Reviews	Merged with Transformation and Change – Delivery of Savings and Other Outcomes			BDUK Phase 2			
Step-Down to Early Help	Merged with Early Help – Managing Step-Up to Specialist Children's Services			Coroners Service	Audit Cancelled	n/a	n/a
Early Help – Managing Step-Up to Specialist Children's Services	Complete	October 2016	Substantial/ Good	Integrated Community Safety Function			

Project	Progress at January 2017	Date to G&A	Overall Assessment	Project	Progress at January 2017	Date to G&A	Overall Assessment
Supervisions Follow-up	In Progress			Kent Resilience Team Phase 3 and Follow-up	In Progress		
Pupil Referral Units	Planning						
ICT Audit							
Software Lifecycle Management	Complete	January 2017	Adequate/ Good	ICT Strategy and Governance			
SWIFT – Adult SC ISO27001 Certification	Complete	October 2016	Adequate/ Good	Cyber Security and Social Engineering	In Progress		
Spydus – Application Review	Complete	January 2017	Adequate/ Good	ICT Project Management			
Disaster Recovery Planning: Follow-up	Complete	October 2016	Adequate	IT Asset Management	Planning		
PCI DSS				Network Management	Merged with Cyber Security and Social Engineering		

Appendix C – Follow Up of agreed audit actions



Limited assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Consultancy & Partnership Contract Arrangements – Contract Management	09/12/15	1	1	1	1	0	0	0		Green
Recruitment & Retention Incentives	03/05/16	2	1	2	1	0	0	0		Green
Foster Care Payments	14/01/14	1		1		0	0	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
IT Disaster Recovery Planning	13/02/15	1	0	1*	0	0	0	0		Amber
Safeguarding Framework (Adults)	21/06/16	0	3	0	3	0	0	0	Full follow-up to be undertaken in Q4	Amber
Direct Payments (Childrens)	30/07/15	2	1	1 1*	1*	0	0	0	Re-audit to be undertaken 2017/18	Amber
Mental Capacity Act & Deprivation of Liberty Assessments	08/06/16	1	0	1	0	0	0	0	Follow-up audit to be undertaken. Responses were obtained from the service	Green
Optimisation	17/06/15	2	1	2*	1*	0	0	0		Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Promoting Independence Reviews	24/02/15	1	0	1	0	0	0	0		Green
Sect 106 Developer Contributions	13/01/15	1	0	1*	0	0	0	0	Planned new system has missed previous deadlines 2016/17 and deferred as a result	Red
Total Facilities Management – Help Desk	12/04/16	4	1	0	0	4	1	0		Red
Total Limited Audits		16	8	7 5*	5 2*	4	1	0		



Adequate assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Unaccompanied Asylum Seeking Children (UASC)	05/08/15	1	1	1*	1	0	0	0		Amber
Customer Feedback	21/07/15	0	1		1*	0	0	0		Amber
Consultations	21/06/16	0	4		1 3*	0	0	0		Amber
Pension Scheme Administration	04/06/16	1	1	1	1	0	0	0		Green
Children's Payments - Section 17	23/03/16	0	1	0	0	0	1	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Insurance Fraud	11/07/16	0	2		2	0	0	0		Green
Financial Assessments - Follow-up	11/04/16	1	3	1*	3	0	0	0		Green
New Ways of Working	09/01/15	1	0	0	0	0	0	1		Green
Enablement (KEaH) Service	28/07/15	1	2	1*	1 1*	0	0	0		Amber
Health and Social Care Integration - Kent Card	20/07/15	1		0	0	1	0	0		Red
OP Residential & Nursing Contract Re-Lets	16/12/15	1	3	1*	2 1*	0	0	0		Amber


Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Healthwatch Kent	27/02/15	0	2	0	0	0	0	2		Green
Young Persons Transport Including SEN	28/06/16	2	2	2*	1 1*	0	0	0		Amber
Leaving Care	27/04/16	2	5	1 1*	4 1*	0	0	0	Full follow-up showed satisfactory progress being made	Amber
Total Adequate Audits		11	27	2 7*	11 8*	1	1	3		



Substantial assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Transparency Code Compliance	10/09/16	0	1	0	1	0	0	0		Green
Pensions Payroll	08/09/15	1	1	1	1*	0	0	0		Green
Schools, Academies and Outsourced Payroll Contracts	06/09/16	0	1	0	1	0	0	0		Green
Family Placement Payments	31/05/16	0	3	0	3	0	0	0	Awaiting evidence on 1 issue	Green
Client Financial Affairs - Follow-up	23/07/15	0	1	0	1	0	0	0		Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Oracle Application Review	10/09/15	0	1	0	0	0	1	0		Amber
Data Centres	21/12/15	0	1	0	1*	0	0	0		Amber
Quality Assurance Framework - Safeguarding Children / Online Case file audit process / Missing Children	06/11/15	0	4	0	2 2*	0	0	0	Awaiting evidence on 1 issue	Amber
AMEY Contract Payments	20/02/15	0	2	0	2	0	0	0		Green
Local Growth Fund & Local Enterprise Partnership	18/05/16	0	1	0	1*	0	0	0		Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Business Continuity	22/09/15	0	1	0	1*	0	0	0		
Total Substantial Audits		1	17	1	10 6*	0	1	0		

	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
	High	Medium	High	Medium	High	Medium	
Total All Audits	28	52	10 12*	31 16*	5	3	3

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.

Appendix 3 – Anti-Money Laundering Policy

Anti-Money Laundering Policy

Document Owner	Robert Patterson Head of Internal Audit Tel: 01622-694664 robert.patterson@kent.gov.uk
Version	Version 2

Version	Reviewed	Reviewer	Approver	Date approved
Original				
2	29 Sept 2014	Internal Audit	Governance & Audit Committee	29 Jan 2015

Introduction

- 1.1. Kent County Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.
- 1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on Kent County Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.
- 1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.
- 1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

2. Policy Statement

- 2.1. Kent County Council is committed to:
 - Preventing the Council's services and employees from becoming a victim of, or unintentional accomplice to, money laundering activities.
 - Identifying the potential areas where money laundering may occur and strengthening procedures to minimise the risks.
 - Complying with all legal and regulatory requirements, with particular regard to the reporting of actual or suspected cases of money laundering.
- 2.2. It is important that every member of staff is aware of their responsibilities and remains vigilant.

3. Scope of Policy

- 3.1. This policy applies to **all** employees and Members of the Council, whether permanent or temporary.
- 3.2. The aim of this policy is to support employees and Members in responding to concerns that have been highlighted in the course of their work for the council. If staff or Members are concerned about a matter unrelated to work, the Police should be contacted.

4. Definition of Money Laundering

- 4.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.

4.2. The following constitute money laundering offences:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002).
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).
- Acquiring, using or possessing criminal property (section 329).
- Doing something that might prejudice an investigation e.g. falsifying a document.
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

4.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.

4.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.

4.5. The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 7.1). Failure to do so could lead to prosecution.

5. Identifying Money Laundering

5.1. There is no clear definition of what constitutes a suspicion of money laundering – common sense will be needed. Although you do not need to have actual evidence that money laundering is taking place, mere speculation is unlikely to be sufficient to give rise to knowledge or suspicion. However, if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.

5.2. Examples of money laundering activity include:

- Large cash payments;
- Asking for cash refunds on credit card payments; or
- Overpaying bills and invoices and then asking for cash refunds.

5.3. Any transaction involving an unusually large amount of cash should cause concern and prompt questions to be asked about the source. This will particularly be the case where the value of cash paid exceeds the amount due to settle the transaction and the person(s) concerned ask for a non-cash refund of the excess.

- 5.4. If the person(s) concerned use trusts or offshore funds for handling the proceeds or settlement of a transaction, then the reasons for this should be questioned.
- 5.5. Care should be exercised and questions asked where:
- A third party intermediary becomes involved in a transaction;
 - The identity of a party is difficult to establish, or is undisclosed;
 - A company is used where the ultimate ownership of the company is concealed or difficult to verify; and/or
 - A party is evasive about the source or destiny of funds.

6. The Council's Obligations

- 6.1. The Council is obligated to:
- Appoint a money laundering reporting officer.
 - Maintain client identification procedures in certain circumstances.
 - Implement a procedure to enable the reporting of suspicions of money laundering.
 - Report any cash transactions over €15,000 (or the Sterling equivalent).
 - Maintain sufficient records.

7. The Money Laundering Reporting Officer (MLRO)

- 7.1. The Council has nominated the following officers to be responsible for anti-money laundering measures within the Council:

MLRO: **Andy Wood**, Corporate Director of Finance and Procurement.
Email: andy.wood@kent.gov.uk Tel: 03000 416854

Deputy MLRO: **Robert Patterson**, Head of Internal Audit
Email: robert.patterson@kent.gov.uk Tel: 03000 416554

- 7.2. In the absence of the MLRO or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with David Cockburn, the Head of Paid Service.

8. Reporting concerns

- 8.1. In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the disclosure report available on Knet. The report must contain as much detail as possible, ideally using the form at Annex 1.
- 8.2. If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.

- 8.3. The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.
- 8.4. The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.
- 8.5. The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).
- 8.6. The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently referred to as a suspicious activity report (SAR)). This can be found on the NCA website: www.nationalcrimeagency.gov.uk

9. Identification of Clients

- 9.1. In general, management should ensure that appropriate checks are carried out on new partners, suppliers and contractors in accordance with the Council's existing policies and procedures.
- 9.2. However, where the Council is carrying out a '**relevant business**',¹ and as part of this:
 - forms an ongoing business relationship with a client; or
 - undertakes a one-off transaction involving payment by or to the client of €15,000 (or the equivalent in sterling) or more; or
 - undertakes a series of linked on-off transactions involving total payment by or to the client(s) of €15,000 (or the sterling equivalent) or more; or
 - it is known or suspected that a one-off transaction (or a series of them) involves money laundering.

Then the client identification procedures (listed below) must be followed before any business is undertaken for that client. In the event the business relationship with the client existed before 1st March 2004 this requirement does not apply.

- 9.3. Where the 'relevant business' is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.
- 9.4. If the 'relevant business' is being provided externally then the following additional checks must be completed:

¹ Relevant business is defined as the provision 'by way of business' of advice about tax affairs; accounting services; audit services; legal services; services involving the formation, operation or arrangement of a company or trust; or dealing in goods wherever a transaction involves a cash payment of €15000 or more

- Check the organisation's website and other publically available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details.
- Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation.

9.5. Remember, these additional client identification procedures are **only** required when conducting a 'relevant business.'

10. Training

- 10.1. Officers considered to be most at risk of being exposed to suspicious situations will be made aware by their senior officer and provided with appropriate training.
- 10.2. Additionally, all officers and Members will be familiarised with the legislation and regulations relation to money laundering and how they affect the employees (themselves) and the Council.
- 10.3. It is not necessary for all staff to be aware of the specific criminal offences, staff that are likely to encounter money laundering should be aware of the procedures that are in place. This policy and procedures provides sufficient information to raise awareness for most staff.
- 10.4. It is recommended that staff in areas that are highly vulnerable to money laundering, should be provided with targeted training that is specific to the Council activity at hand. This could be achieved by in house resources, or through training courses and seminars run by external providers

11. Further information

11.1. Further information can be obtained from the MLRO and the following websites:

- www.nationalcrimeagency.gov.uk
- Proceeds of Crime (Anti- Money Laundering) - Practical Guidance for Public Service Organisations'- CIPFA
- Money Laundering Guidance at www.lawsociety.org.uk
- HM Revenue & Customs <http://www.hmrc.gov.uk/mlr/>

12. Conclusion

- 12.1. The likelihood of Kent County Council service being exposed to money laundering is extremely low. However, the legislation and requirements that have been implemented must be followed. Failure to comply with such legislation and requirements by individuals could lead to prosecution.

Anti Money Laundering Reporting Form

Your Contact Details

Please provide your contacts details in the box below so we can confirm that we have received the report and get into contact with you if required.

Name :			
Role:			
Email:			
Contact Telephone:			

Main Subject
Please provide the details

of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Address	Type: (Home, work etc)		

Transaction(s)

Please enter the details of the transactions you think are suspicious

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction:			

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction			

Account(s)

Please enter details of the account(s) used.

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	
Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Associated Subjects:
If there are any other people you

suspect are involved in money laundering, please enter their details below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Linked addresses:

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:

Please enter details of your suspicions. Please provide as much information as possible.