

By: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 11th April 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 January)
- The key outcomes from completed counter fraud investigations
- Progress against the 2016/17 Internal Audit Plan and
- Achievement against the Internal Audit and Counter Fraud Key Performance Indicators

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 60 audit reviews have been completed, including 48 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 16 audits. In relation to counter fraud work there have been 172 irregularities reported and investigated since the start of 2016/17 of which 111 have been concluded. Overall the unit has reviewed systems or activities with a combined spend of an estimated £846 million since in 2016/17 to date.
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
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:
 - 37% of systems and functions have been judged with 'substantial assurance' or better
 - Positive assurance over governance within GET which accounts for £164m of annual revenue spend
 - A continuing pattern of general robustness of key financial systems, including positive judgements on accounts payable and education capital planning in this quarter
 - An effective NEET strategy coupled to positive outcomes from previous quarters relating to asylum seeking children systems and effective early help services within specialist children's services
 - Improvement to supervision systems in Social Care relating to vulnerable adults
8. Areas for development and improvement relate to:
 - The 7 (15%) of systems / functions that have received a 'limited' assurance level.
 - Continuing issues with contract management, with specific reference to the total facilities management contract and associated help desk
 - Weaker local controls in devolved financial and non-financial systems within libraries
9. A number of counter fraud special investigations are in progress but to date no incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter.
10. As such, from our coverage to date we have concluded there is continuing evidence to substantiate that the County Council has adequate and effective controls and governance processes as well as systems to deter incidences of material fraud and irregularity.

Follow Ups

11. We have undertaken a number of dedicated audits of services or functions this quarter that relate to tracking progress in areas previously considered as having weaker performance. The summary results are:

Area	Previous judgement	Follow up judgement
Adult Supervisions (Social Care)	Limited	Adequate
Debt Recovery	Adequate	Adequate
TFM Contract Management	Limited	Limited
Procurement and Contract Management	Limited	Adequate
Kent Resilience Team	Adequate	Adequate

12. As a positive there has been no deterioration in outcomes but equally there has been limited progress in a number of key areas.

Recommendations

13. Members are asked to note:

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

Appendices

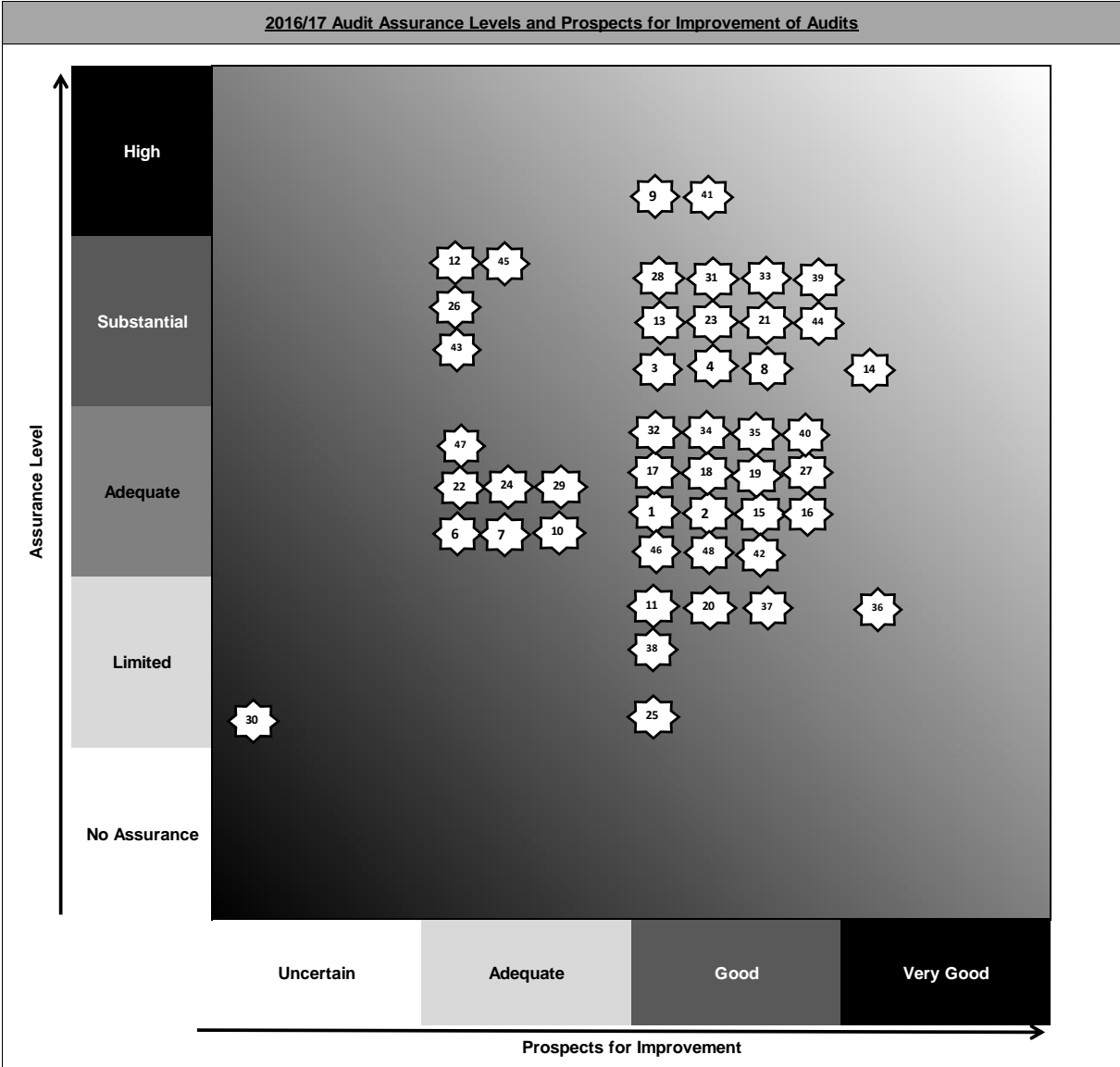
Appendix 1 - Distribution of internal audit judgements 2016/17 (to date)

Appendix 2 - Internal Audit Progress Report April 2017

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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

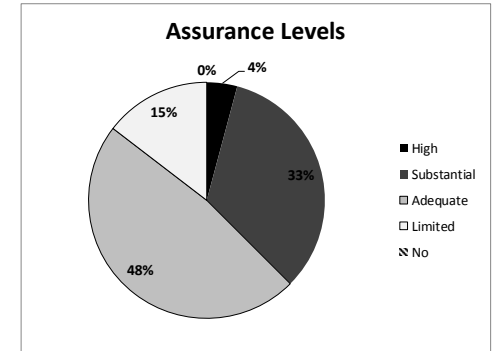
No	Audit	Judgement	Prospects for Improvement	No	Audit	Judgement	Prospects for Improvement
1	Autism	Adequate	Good	13	General Ledger	Substantial	Good
2	UASC	Adequate	Good	14	Value Added Tax (VAT)	Substantial	Very Good
3	Early Help - Step Up Process	Substantial	Good	15	Insurance Fraud	Adequate	Good
4	TCP 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

Audit Opinion April G&A Committee

No	Audit	Judgement	Prospects for Improvement
33	IT Hardware Asset Management	Substantial	Good
34	Supervisions (Follow Up)	Adequate	Good
35	Debt Recovery (Follow Up)	Adequate	Good
36	Libraries Themed Review (Including the 5 site audits)	Limited	Very Good
37	TFM Contract Management	Limited	Good
38	Re stating of TFM Helpdesk following Kier work	Limited	Good
39	CLS (FDR)	Substantial	Good
40	Procurement and Contract Management Follow Up	Adequate	Good
41	Education Capital Plan	High	Good
42	KRT Phase 3	Adequate	Good
43	NEET Strategy	Substantial	Adequate
44	Accounts Payable	Substantial	Good
45	GET Governance	Substantial	Adequate
46	Information Governance	Adequate	Good
47	Property Asset Disposals	Adequate	Adequate
48	NDORS/Speed Awareness	Adequate	Good

Assurance Level	No	%
High	2	4%
Substantial	16	33%
Adequate	23	48%
Limited	7	15%
No	0	0%

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



Kent County Council

Internal Audit and Counter Fraud Progress Report

April 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 January 2017. It highlights key issues and patterns in respect to internal control, risk and governance arising from our work.
- 1.2. To date we have completed 60 internal audits (including 12 establishment visits) and 172 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 £846 million of KCC turnover to date.
- 1.3. A further 19 audits are currently in progress and 61 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.
- 1.5. 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

- 2.1. The covering paper to this progress report provides a graphical representation of the outcomes from the audits completed to date. Annex 1 provides detailed summaries and Annex 3 a definition of associated assurance levels.
- 2.2. To reprise our covering report , the following summary strengths and areas for development emerge from the work to date:
- 2.3. Strengths include:
 - 37% of systems or functions have been judged with a substantive assurance or better
 - Positive assurance from the GET governance review
 - A continuing pattern of general robustness of key financial systems
 - No material incidences of fraud or corruption have been detected

2.4. Areas for further improvement relate to :

- The 7 (15%) systems / functions that have received a limited assurance level,
- Continuing issues with areas of contract management
- Weaker local controls through our themed review of libraries

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

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

2.6. 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. Annex 1 provides detailed summaries on the outcomes from internal audit work completed since April, but it is important to provide an overview of audit and related counter fraud outcomes against corporate risks, mapping cumulative audit outcomes for the 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	
Procurement and Contract Management (follow up)	Adequate	Good	High: 1 Medium:1	Accepted
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. In 2015/16 a series of themed reviews of contract management highlighted significant weaknesses. Our follow up has found that progress is being made in implementing agreed and corrective actions. Unfortunately testing showed that despite these actions the contract register was still incomplete, contract management principles were being inconsistently applied (particularly over performance management) and schemes of delegation for contract approvals are not always followed.

Identification, planning and delivery of financial savings

- 3.4. During this period we have not completed any new work in relation to this risk, but as a reminder previous judgements were:

	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

- 3.5. The Adults phase 2 transformation audit is nearing completion and will be brought to the July G&A meeting.

Data and Information management

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

	Assurance level	Prospects for Improvement	Issues Raised	
Information Governance (toolkit compliance)	Adequate	Good	High: 1 Medium: 0	Accepted
IT Hardware Asset Management	Substantial	Good	High: 0 Medium: 2	Accepted
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 reminder 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

3.7. As part of our IT plan for this period we reviewed the adequacy and effectiveness of controls relevant to information governance as prescribed in the 'NHS IG toolkit'. Compliance to this toolkit is essential to allow for data sharing with partner agencies and bodies. Our audit acted as a catalyst for the completion of the toolkit, but a number of elements were incomplete or lacked up to date underlying evidence. Rectification is in hand and will not prevent KCC receiving a compliant rating.

- 3.8. Our audit of ICT hardware asset management provided positive assurance that appropriate controls are in place, records are accurate and that there is robust governance.

Safeguarding – protecting vulnerable children and adults

- 3.9. During this quarter we undertook a follow up of supervision controls in Adult Social Care with the following outcome:

	Assurance level	Prospects for Improvement	Issues Raised	
Supervisions (follow up)	Adequate	Good	High: 3 Medium: 1	Accepted
Safeguarding – EYS	Adequate	Adequate	High: 1 Medium: 5	Accepted
Leaving Care (follow up)	Adequate	Good	High: 2 Medium: 5	Accepted

- 3.10. The previous audit in 2015 had judged supervision controls as 'limited' but in our follow up we found significant progress was being made on the high priority issues identified with rates of supervision increasing in number and frequency. Quality of supervision had also improved with quality assurance controls being put in place and the majority of staff having formal supervision agreements. Workload pressures still remain an issue and are the biggest cause of missed supervisory sessions.

Implications of increased numbers of unaccompanied asylum seeker children

3.11. 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

3.12. 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	Agreed

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

3.13. We have undertaken one piece of work during this quarter:

	Assurance Level	Prospects for Improvement	Issues Raised	
Community Learning and Skills (CLS)	Substantial	Good	Medium: 2	Accepted
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

3.14. Our audit of the Community Learning and Skills service found that the key risks in relation to the new delivery model are being well managed, governance arrangements are robust, KPI’s are being monitored and generally achieved and progress is being made in relation to resolving issues relating to financial controls in a previous audit

Financial and operating environments – critical systems and functions

- 3.15. 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:

	Assurance level	Prospects for Improvement	Issues Raised	
Property Asset Disposals	Adequate	Adequate	Medium: 3	Accepted
Accounts Payable and iProcurement	Substantial	Good	Medium: 1	Accepted
Education Capital Plan	High	Good	No issues	N/A
Debt Recovery (follow up)	Adequate	Good	Medium: 2	Accepted
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

- 3.16. In general our work on critical financial and operational systems continued a positive trend.
- 3.17. Our testing of property asset disposals found that they were supported by appropriate reports, quotes and were properly authorised. A potential weakness is that these transactions have limited involvement with KCC officers, being administered by GEN2 who in turn use specialist contractors.
- 3.18. In relation to accounts payable there was positive assurance over the operation of controls and mitigation of risks. The introduction of the iSupplier / iProcurement systems had maintained good control systems with their effective utilisation and operation.
- 3.19. The review of the education capital plan found that there were sound processes for determining needs with associated transparent decision making and comprehensive monitoring systems. Benchmarking was indicative of value for money in building costs.
- 3.20. Our follow up of debt recovery showed that agreed actions are being progressed but that until the introduction of the new CRM system they will remain largely manual systems run from spreadsheets and Oracle reports, making operations less effective.

Civil Contingencies and Resilience

- 3.21. During this quarter we audited Phase 3 of the KRT and a follow up of the previous year’s audit:

	Assurance Level	Prospects for Improvement	Issues Raised	
Kent Resilience Team	Adequate	Good	Medium: 3	Accepted

- 3.22. Unfortunately there were initial difficulties in obtaining information from the lead partner to verify the robustness of the new business case and budget assumptions together with adherence to the service level agreements. Following receipt of this information we concluded that issues raised in our previous audit have now been addressed and that financial information, spend and monitoring information is as prescribed.

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	
Governance Review : GET	Substantial	Adequate	Medium: 5	Accepted
NDORS / Speed Awareness	Adequate	Good	High: 2 Medium: 3	Accepted
TFM Helpdesk (re-visit)	Limited	Good	High: 4 Medium: 1	Accepted
TFM Contract Management (follow up)	Limited	Good	Medium: 5	Accepted
NEET Strategy	Substantial	Adequate	Medium: 1	Accepted
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 largest piece of work undertaken this period related to the GET Governance review, where we provided (positive) assurance over the governance and operation of the Directorate that is responsible for annual revenue spend of £164m. Overall we found the Directorate was well led with a grounded vision of current and future provision despite considerable risks and challenges. There was effective devolved financial control and monitoring and a mature approach to commissioning with case studies of obtaining good value to the Council. The Directorate was not afraid to tackle difficult issues and challenge its performance. Outcomes were generally positive despite some service targets being missed.
- 4.3. In the period we also completed a second stage review of the National Driver Offender Retraining scheme (NDORS) which accounts for gross income of £ 3 million. Positives were a largely automated system for course booking with in-built controls. Value for money in terms of venues has not been proven with non-compliance with procurement processes. There was also an absence of documentation and audit trail for waiving course fees or associated cancellation or changes to course attendance.
- 4.4. Issues with the total facilities management (TFM) contract continue. The follow up of the contract management system found that a significant number of issues had not been progressed and the audit was delayed due to the contracting agent being unable to provide timely evidence. Overall there were weaknesses in site visit schedules, work order logs and errors found in KPI deductions or contract fees.
- 4.5. The TFM helpdesk audit has been re-stated due to the delayed submission of evidence from one of the three contractors (that was previously unavailable). This evidence served to underline the issues previously identified with one in four tasks receiving incorrect categories and one in three not being resolved within stipulated timescales.
- 4.6. In both cases we have given the TFM systems 'good' prospects for improvement as a new interim head has been appointed and has shown an ability to start to address the recurring performance weaknesses.
- 4.7. In relation to the audit of NEET, we found that good progress is being made to achieve the strategy , there is rigorous monitoring and control of information and KCC is one of the leading Councils in terms of data accuracy. NEET levels are declining , if slightly above target. Collaborative working is encouraged but it is evident that improvements could be made with integrated working.

Establishment Visits

4.8. During the past 3 months we have concluded audits of 5 Libraries as part of a themed review, with an overall assurance level of :

	Assurance level	Prospects for Improvement	Issues Raised	
Libraries – themed summary	Limited	Very Good	Medium: 1	Central issue raised over consistency of approaches and procedures - Accepted

4.9. Four of the five audits were unannounced and the 5 sites involved were :

Library	Assurance level
Tonbridge	Limited
Dartford	Limited
Gravesend	Limited
Maidstone	Adequate
Tunbridge Wells	Adequate

4.10. Overall the results were disappointing with nearly a quarter of issues raised being of a high risk / priority. In particular we found recurring issues in aspects of financial controls across the majority of sites (purchase cards, income, stock records, petty cash) coupled with failures in elements of safety and security including inconsistent fire alarm tests and drills. There were also weaknesses in access to personal data which risk data security breaches.

4.11. As a positive, (new) library management have responded well to these outcomes and have developed a robust action plan.

4.12. During this period we were also asked to audit a supported living establishment with the following outcome:

	Assurance level
Old Rectory (Learning Disability Supported Living)	Limited

4.13. Although we found no evidence of fraudulent activity and there was file evidence of client purchases there was no inventory of client property available and an absence of any processes governing such assets. Delegated financial authority levels had not been established. The private contractor has accepted our issues and recommendations.

4.14. As a reminder in previous quarters we reviewed (and reported) a sample of Children’s Centres with the following outcomes:

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

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

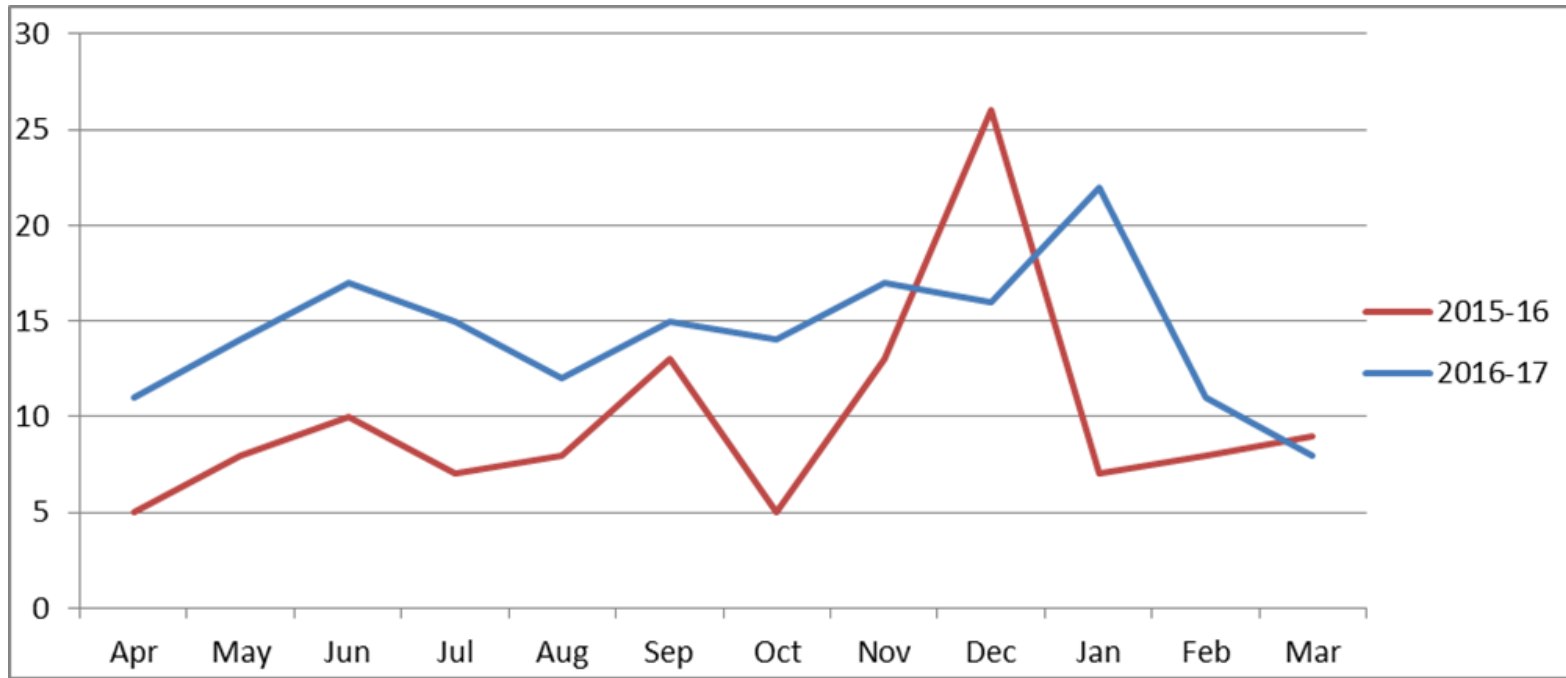
Other Audit Activity

- 4.15. 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 Invicta Law
 - 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 172 irregularities in 2016/17 of which 61 remain open and 111 have been closed. The potential value for these cases is £780,894.11. 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.
- 5.3. Table CF2 shows the effect of the ongoing Blue Badge enforcement work with the Districts. Since 2014/15 there has been a 79% increase in detected Blue Badge misuse. With the continuing training and awareness provided to districts this number will continue to increase.
- 5.4. In addition to the increase in Blue Badge referrals, table CF2 shows an increase in other types of alleged fraud. The number of Social Care referrals have doubled as a result of increasing awareness of Direct Payment misuse and support we are providing to Specialist Children's Services to enhance the verification of applications from families who have no recourse to public funds
- 5.5. In comparison, during the last financial year the Counter Fraud team recorded a total of 120 irregularities. The 172 irregularities we have recorded for 2016/17 to date is a 70% increase in the total number of irregularities received in 2015/16.

Table CF-1 Number of Irregularities 2015/16 & 2016/17



CF2-Irregularities by Type

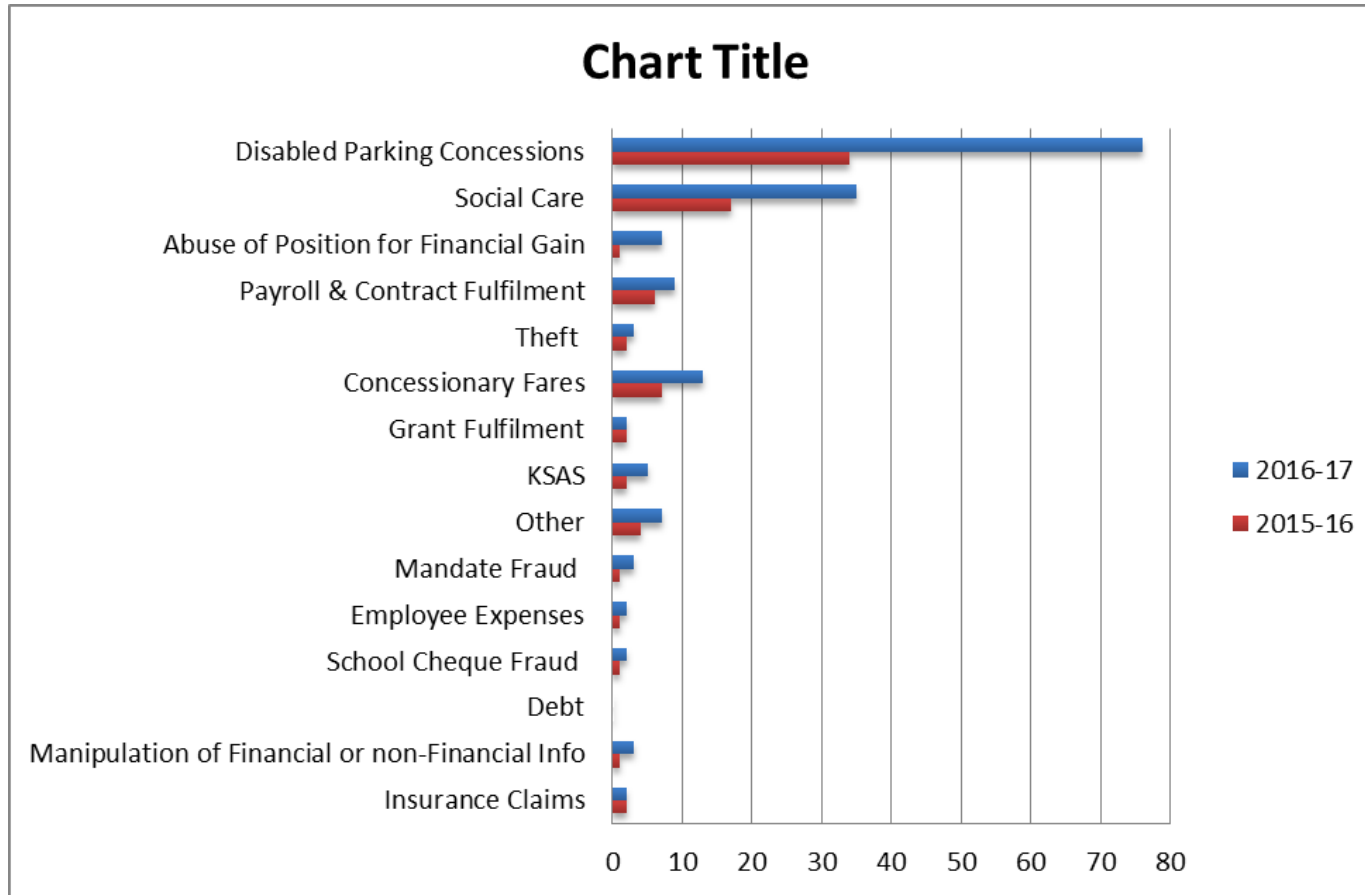


Table CF3 -Irregularities by Directorate

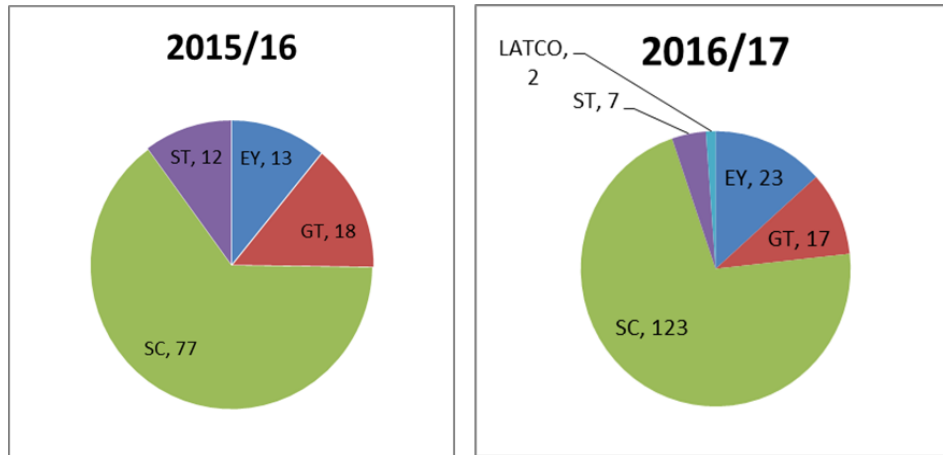
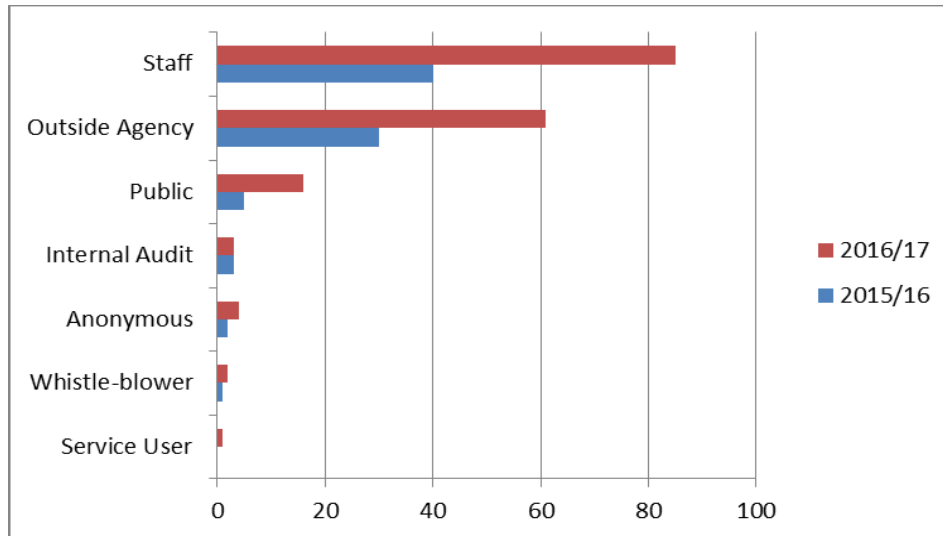


Table CF-4 Referrals By Source



KIN Update

5.6. Since the previous 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. Of the 397 matches released, early results have been provided for approximately 150 with a total value of £1,600. The remaining matches remain under investigation.
- The results of the second data match comparing small business rate relief across Kent have been provided to members for further investigation. 222 matches have been released and we anticipate the results of this work will be received in May 2017.
- The network is currently agreeing a Memorandum of Understanding with the Charity Commission to facilitate an exchange of data. The register of charities will be compared to properties that have claimed charitable relief on their business rates.

6. Internal Audit and Counter Fraud Performance

7.1 Performance against our targets to the start of march 2017 are shown below:

Performance Indicator	Target	Actual
<i>Outputs</i>		
100% of Priority 1 audits completed (by year end)	89%	79%
50% of Priority 2 audits completed	45%	45%
Time from start of fieldwork to draft report to be no more than 40 days	N/A	53%
No of fraudulent incidents / irregularities recorded	N/A	172
<i>Outcomes</i>		
% 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	95%
% of all other issues implemented	N/A	0
Client satisfaction	90%	98%

Performance Indicator	Target	Actual
Total Number of identified occasions of a) Fraud b) Irregularity		74 37
Total monetary value detected of a) Fraud b) Irregularity		£278,823 £8,758
Total monetary value recovered of a) Fraud b) Irregularity		£40,476 £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 had one auditor leave the section for promotion elsewhere and, unfortunately, due to budgetary reductions, this post remains vacant. With other minor staffing reductions, the establishment spend has been reduced by 13% going into 2017/18.

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

Public Health Governance follow up
Adults Transformation – Phase 2
Strategic Commissioning
IT Network and Cyber Security
Risk Management

9.3 To the end of the year we also have a number of substantive audits to complete including:

LED street lighting
Corporate Governance (selected controls)
Accounts Receivable
Corporate Purchase Cards
Regional Growth fund
Business Continuity Planning
Performance Management and KPI's

9.4 Our planned audits of Adoption and Family Placement Payments were halted with the arrival of OFSTED in March.

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.

Annex 1 – Summary of individual 2016/17 Internal Audits issued from January 2017 – March 2017

Not in Employment, Education or Training (NEET) Strategy

Opinion	Substantial
Prospects for Improvement	Adequate

Rationale

The overall findings of the audit are that good progress has been made towards the achievement of the NEET Strategy. Working practices are continuously evolving to encourage young people to work with the Council and associated providers to achieve education and training. Rigorous monitoring and control of information recorded on the Integrated Youth Support Service (IYSS) system was apparent. However, there are disparities with the engagement by training providers, schools colleges and Council departments. Areas of weakness include lack of sharing of best practice and opportunities, obtaining feedback from schools and training providers and ensuring all teams routinely update IYSS.

Key Strengths

- Strategic direction is clear, encouraging clear lines of challenge and accountability and monitoring/review. Reporting of outcomes is robust.
- The collaborative working arrangements encourage engagement between KCC services and with schools, colleges and work based learning providers.
- Essex County Council undertook a peer review of tracking and NEET processes. The findings of this review were positive and were used to develop the KCC NEET Strategy.
- During January 2017 2.98% of young people in Years 12 & 13 were recorded as being NEET slightly above the county target of 2.5%. This represents good progress in terms of delivery of the NEET Strategy.

Areas for Development

- The Information sharing process between partner organisations would be improved
- Schools are not consistently good at flagging up potential NEETs.
- Feedback from education providers, supporting teams and young people should be regularly sought as a basis for the continual improvement of the delivery of the NEET Strategy.
- The absence of a NEET Dashboard which shows trends and successes by partners.

Prospects for Improvement

- The service is evolving, information sharing is improving and there is a real positive direction of travel with the service getting more and more tailored to the young people for which it operates.
- It is recognised that the need to encourage engagement with all partners is key to the full achievement of the NEET Strategy.

Summary of Management Responses

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

Community Learning & Skills (CLS)

Opinion	Substantial
Prospects for Improvement	Good

Rationale

The service delivery model is comprehensive and clearly sets out how the service meets their objectives. Governance arrangements were found to be robust if a little overzealous in terms of the duplication of the role and membership of the Client Group and the Strategic Group.

The audit ascertained fair progress in the implementation of the issues raised in the 2015-16 core financial control audit. Of the five recommendations previously raised, two had been fully implemented and three were in progress. An implementation plan has now been agreed.

Key Strengths

- A comprehensive 2016-17 service specification and business plan is in place which links to KCC's strategic objectives.
- Key performance indicators (KPIs) are monitored on a quarterly basis included in the Head of Service report to the Client Group.
- The majority of KPIs are being achieved; where they are not, the reasons behind this are understood and appropriate action is being taken.
- The risk register is routinely monitored and reported. Risks are understood and mitigating actions are in place.
- Provider contracts are routinely monitored and performance reported.
- The service achieved 'Good' across all areas from an externally commissioned health check and Ofsted report.
- A healthy 2016-17 budget surplus is predicted with a good level of income from fees.

Areas for Development

- Some accommodation used by the service is of poor quality.
- There is duplication between the role and membership of the Client Group and the Strategic Group.
- The Stakeholder Group only met once in 2016 therefore potentially undermining quality assurance controls.
- From our sampling, 1 in 4 invoices had not been raised within 60 days.
- Banking had not consistently been performed each week and 1 centre reviewed exceeded the £500 cash limit.

Prospects for Improvement

- Senior management have been receptive to the issues raised and have agreed to review non-adherence to cash limits.
- It is aimed that the Strategic Group will be disbanded and the remit of the Client Group expanded.
- Three of the 5 audit actions raised in the 2015-16 review are still in progress; management have taken action towards their full implementation.

Summary of management responses

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

Summary of Core Financial Controls Follow Up Findings

	Number of issues	Management Actions complete	Actions in progress
Medium Risk	3	1	2
Low Risk	2	1	1

Education Commissioning – Capital Plan

Opinion	High
Prospects for Improvement	Good

Rationale

Processes for identifying needs and determining the optimal solution to meet those needs are robust in design and effective in practice. Although there are risks associated with delivering the Plan due to financial pressures and reliance on other agencies, these are very well understood by the service and actions are being taken to mitigate these.

Key Strengths

- There is a sound process in place for determining the commissioning need which is based on granular analysis
- There was a robust rationale for the identified capital need for all projects in our sample
- There is a clear, transparent set of principles for making commissioning decisions and all of the projects in our sample reflected these principles
- Benchmarking by GEN² against other local authorities shows that KCC is receiving value for money in terms of the building costs
- Comprehensive monitoring systems are in place for monitoring delivery of the Plan; detailed reports are presented to key stakeholders and there was evidence of scrutiny
- For all projects in our sample, the places were available for when they were needed
- Risks are very well understood and actions are in place to mitigate these as far as possible
- For all projects in our sample, the places were available for when they were needed

Areas for Development

- Arrangements between the service and GEN² require additional clarification to reflect the new commissioner / provider relationship. This risk may increase as GEN² continue to develop their commercial identity

Prospects for Improvement

- The service is continually reviewing and refining its processes to ensure ongoing improvement
- Risks to service improvement are understood and responses are in place to manage these
- The financial climate continues to remain 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	0	NA	NA
Low Risk	1	1	0

GET Governance Review

Opinion	Substantial
Prospects for Improvement	Adequate

Rationale

Our overall opinion is that governance arrangements for the GET directorate are Substantial. The directorate displayed a clear and well-grounded vision for the current and future provision of GET services which appears measured and appropriate for the risks and future challenges to be faced. A number of individual successes and well led service improvements have already been achieved.

Key Strengths

- A well respected and visible leader with a dedicated, joined-up management team who work well together and reflect the diverse range of services provided by GET.
- A good over-arching directorate business plan with a clear strategy and vision that is linked to KCC's Outcomes framework and articulates key risks and performance measures for monitoring achievement.
- Management meetings throughout GET are well organised and structured, with key risks and issues being discussed.
- Top level Member involvement and support is good.
- Good challenge and iteration over Key Performance Indicators which generally show a positive direction of travel despite some service targets being missed.
- Managers understood their current budgets and demonstrated effective monitoring of a demand led budget that can be erratic.
- Mature approach to commissioning whilst seeking innovative ways of optimising value.
- Evidence of tackling difficult issues and challenges (e.g. Allington Waste and Coroners) so that the best outcome possible is achieved.

Areas for Development

- There is a need to formally resolve whether the proposed revised GET governance model as outlined in the Business Plan is to be introduced.
- There has been a tendency to utilise a mix of short and longer term savings options to meet financial targets. Longer term, structural changes and service transformation will be needed to meet future savings targets
- Further develop cross-directorate working so that better outcomes can be achieved.
- It is evident that some back office contracts are not servicing GET well.
- We were given isolated, but important, examples of tensions or lack of 'buy in' within certain divisional teams, partly around funding issues, which will require careful management.
- The format of Divisional business plans varied between each division.
- The benefits expected of an "internally commissioned" LRA service have yet to be realised fully.

Prospects for Improvement

- Strong leadership and good "tone from the top", with a can do attitude for addressing future challenges.
- Cohesive team working within the DMT.
- Investment in workforce development.
- Good continuing focus on service users and other stakeholders.
- On-going and significant financial challenges, in particular for services which are demand led.
- There are genuine concerns that there will be less opportunity to generate financial savings as contracts are re-commissioned

Summary of management responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
Medium Risk	5	5	n/a

ICT Hardware Asset Management

Opinion	Substantial
Prospects for Improvement	Good

Rationale

The audit found that the BSC service desk team have documented procedures for all of the major activities involved in the management of ICT hardware assets. However, there is no ICT Asset Management Policy in place to support BSC's implemented procedures to effectively manage the IT hardware assets.

There were three separate IT asset tracking methods in use which are not integrated – one each for workstations (desktops and laptops), network devices and servers. The main Supportworks database is not always updated promptly with asset additions and deletions and there is no oversight of amendments made to the asset register.

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

Strengths

- ICT asset registers are in place covering all relevant assets and were found to be accurately maintained, with minor exceptions.
- BSC service support team have appropriate and up to date procedures in place for updating the Supportworks database.
- New ICT hardware assets are tested for compatibility with the current ICT infrastructure.
- A Request for Change is raised for ICT hardware assets (server, switch, firewall, etc.) when an asset is decommissioned or when a new asset is introduced in the organisation.
- ICT hardware assets are uniquely identified by their asset tags.
- The ICT hardware assets inventory is reviewed annually for any discrepancies by the BSC service support team for assets they manage.

Areas for Development

- The Council did not have an ICT Asset Management policy in place (although this has since been addressed).
- Three separate asset registers are maintained by BSC teams, covering the service desk (laptops, desktops and monitors), servers and network assets – there is currently no centralised asset register covering all ICT assets.
- A small number of assets were identified in the store room which were not updated in the service desk asset register, SupportWorks CMDB.
- There is no oversight/ checking of amendments to the SupportWorks asset register.

Prospects for Improvement

- All issues raised have been promptly considered by management and appropriate corrective action plans developed.
- There is a good understanding from all BSC teams of their processes for maintaining the ICT hardware asset registers and for disposing of ICT hardware assets.
- The BSC service support team have the required training for maintaining the asset inventory on the database.

Summary of management responses

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

Information Governance Toolkit Compliance Review

Opinion	Adequate
Prospects for Improvement	Good

Rationale

At the time of our audit (January 2017) evidence was still in the process of being collated, reviewed and uploaded onto the Toolkit and hence we were not able to fully assess its completeness. However, we have reviewed what evidence was available in preparation for the 31st March 2017 deadline and discussed the actions being taken to obtain suitable evidence for requirements of the Toolkit which were incomplete.

Key Strengths

- The yearly process was started with sufficient time for all relevant parties to engage so that suitable evidence could be identified and uploaded to support a satisfactory rating for each requirement.
- The Corporate Information Security Officer had prepared a paper advising key contacts of the evidence needed to support this year's submission.

Areas for Development

- There are a number of areas across all requirements where evidence remains outstanding, although we have been assured that this is in hand and will not impact the Council applying for an overall satisfactory rating. As previously noted, we have confirmed some of this evidence.
- More up to date evidence is required to support some of the requirements, for example the data performance reports attached as evidence were almost 2-years old.

Prospects for Improvement

- It was evident from discussion with the Corporate Information Security Officer that processes are continually evolving, which may impact on whether suitable evidence is identified and made available promptly.
- We were advised that availability of the Corporate Information Security Officer was reduced this year (due to focus being diverted to other work). We understand that in future years completion of the Toolkit will be supervised by the Information Governance Cross Directorate Group.
- One agreed action from the 2015 and 2016 IG Toolkit Audit reports (relating to documentation of information sharing arrangements) remains outstanding. We understand that progress is being made, but resolution remains in progress.
- The issues over communication around risks of submission of information still continue.

Summary of management responses

	Number of new issues raised	Issues b/f from previous audit	Management Action Plan developed	Risk accepted and no action proposed
High Risk	1	0	1	n/a
Medium Risk	0	1	1	n/a
Low Risk	0	0	n/a	n/a

Kent Resilience Team Phase 3 and Follow-up

Opinion	Adequate
Prospects for Improvement	Good

Rationale

Following our audit in 2015-16 which judged the Kent Resilience Team as Adequate, we further reviewed the key risks in relation to the new business case to ascertain whether they are adequately managed and assessed the governance arrangements. Whilst the business case was found to be comprehensive, the version originally provided was the draft and such had shortfalls, the majority of which were addressed in the final business case. We can now conclude that following receipt of the final business case provided after the completion of audit work, that the majority of recommendations made were incorporated into this business case.

Key Strengths

- Areas where improvements were required were set out in the Kent Resilience Forum meeting held on 22nd March 2016.
- In March 2015 capability surveys with the 18 partner organisations were undertaken to identify areas of good practice, to inform the annual work plan and to influence the training and exercise programme.
- The annual plan is resourced through the tasking and coordination process.
- There is a coordinated approach to training which is supplemented by individual partner organisations' training programmes. The training is endorsed by the Kent Resilience Forum and accredited by the Emergency Planning Society as best practice.
- At the end of each training event, evaluation forms are completed. The evaluation forms are reviewed to summarise trends and identify any areas where improvement is required.
- New areas of work are a standing agenda item at the monthly Tasking & Coordination meeting; the aim is to capture them in the business plan.

Areas for Development

- We were not provided with much of the information needed to enable us to complete our audit and provide assurance until after the agreed dates for fieldwork, despite repeated requests. The information that was not provided included key financial information and a response to the issues that were raised with managers, .
- At the time of audit fieldwork, signed partnership agreements had not been obtained for 3/18 organisations. We have since been advised that there is now only 1 outstanding unsigned partnership agreement.
- Performance monitoring against all key objectives had not been consistently included on the Steering Group agenda.
- The terms of reference of the Steering Group require expansion to ensure that the committee is successful and meets its objectives and specified purpose.
- The statement to the Environment and Transport Cabinet Committee on the implementation of Internal Audit actions said that the direction of travel was good and that the system of control is sufficiently sound with some recommendations for development that have been acted upon and delivered. It is our opinion that this is not a complete reflection of our findings. The findings of the follow-up audit concluded that of the 5 recommendations raised in the 2015/16 review; 4 have been implemented and 1 is in progress.

Prospects for Improvement

- It is of concern that during the audit management did not respond to the issues that we raised with them. Key information was not received until after completion and as a result of escalation. However, we are now satisfied that the issues raised are being addressed.

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	3	3	NA
Low Risk	0	0	N/A

Libraries Themed Report

Opinion	Limited
Prospects for Improvement	Very Good

Rationale

Overall 29 recommendations were raised from the 5 sites visited, of which 23% were high priority. We have concerns over the operation of a number of critical financial and non-financial controls operating across libraries, particularly security and safety measures.

We have raised one additional central issue for Library, Registration and Archives to raise knowledge levels and ensure consistency in approach across all Library, Registration and Archive hubs in Kent.

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.
- Banking of income is occurring on a frequent basis.
- Reports available through the Spydus system (Library Management System) are available to identify differences in the daily amount taken against the daily amount banked.
- Management within individual libraries is appropriately engaged to resolve the issues identified from the Establishment audits through the development and implementation of action plans.

Areas for Development

- There are a number of weaknesses in financial control across all five Libraries, particularly relating to purchase cards, delivery notes, income, stock records petty cash and asset registers.
- There were inconsistencies in how exceptions between the daily amount banked and expected daily takings were being investigated.

- Security and safety processes are not consistently embedded throughout all Libraries – for example we identified instances of insufficient risk assessments and a lack of management actions on accident forms. In addition to this there had been inconsistent fire alarm tests and fire drills carried out. These issues clearly have safeguarding implications for Library users.
- Not all staff have completed KCCs mandatory training on Data Protection, Information Governance and Prevent. There were also instances of poor building security and failure to restrict access to personal data, which both increase the risk of a data security breach.
- Staff TOIL and timesheets, including those for agency staff, are either not in place or not regularly authorised.

Prospects for Improvement

- Library Managers have responded positively to the issues raised in this report and have either implemented actions immediately or developed appropriate action plans to address them.
- The Operational Service Team (OST) which comprises of Area Managers have developed a robust action plan and are implementing a check list to ensure key activity/controls are in place across all libraries in Kent.
- Senior Management have responded positively to the central issue raised in this report and developed an appropriate action plan to address it.

Summary of management responses

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

National Driver Offender Retraining Scheme – Phase 2

Opinion	Adequate
Prospects for Improvement	Good

As part of the 2016/17 Audit Plan it was agreed that Internal Audit would undertake a review of the controls in place to effectively manage the speed awareness function and financial contributions to the Kent & Medway Camera Safety Partnership. The audit was undertaken in 2 stages, with the first being an advisory review of the Kent & Medway Safety Camera Partnership and National Driver Offender Retraining Scheme (audit reference AD05 2017).

Kent County Council provides National Driver Offender Retraining scheme (NDORS) courses for over 32,000 clients, on behalf of Kent Police. This report covers the second stage of the audit and focusses on providing assurance over the financial and recording arrangements in place to meet KCC's obligations as a National Driver Offender Retraining scheme (NDORS) course provider.

Key Strengths

- KCC has a current licence to deliver NDORS courses and are using NDORS accredited trainers.
- Appropriate online and telephone booking systems are in operation. Course provisions are forecasted and automated controls ensure courses are not overbooked.
- All clients tested paid for a course prior to attendance. 92.9% of clients had confirmation of course completion on the relevant course register.
- A customer feedback process has been introduced in March 2017.
- Sufficient automatic controls are in operation for card refunds.

Areas for Development

- There is no documented policy for the recruitment of self-employed NDORS Trainers. Advice has not been obtained from Human Resources to ensure that the current arrangements are sufficiently robust to protect the authority from future employment law claims.

- Venue cost for courses have not been reviewed to understand if the current arrangements are value for money. The KCC procurement process has not been followed for venues where the yearly cumulative spend is in excess of £8,000.
- The self-employed NDORS trainer hourly charges has not been reviewed or benchmarked for several years.
- For significant number of clients, the course register did not confirm if the course attended was completed.
- A significant number of clients' fees were waived without managerial authorisation and we found instances of insufficient or missing evidence to support valid non-attendance (such as medical conditions).
- In 33.3% of cases, the notification to NDORS of non-attendance was late (not within 48 hours).
- Team procedure notes have not yet been fully completed or version controlled.

Prospects for Improvement

- Management has fully cooperated during the audit process and have used the audit to develop and improve their processes.
- A new Divisionary Scheme Team Leader was appointed in June 2016 who has supported the audit process to identify control weaknesses.
- The client booking system is undergoing an upgrade to enhance functionality and introduce further automated controls.

Summary of management responses

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

Payments Process (Accounts Payable & iProcurement)

Opinion	Substantial
Prospects for Improvement	Good

Rationale

We have identified several areas of good practice and improvements that have been made since the previous audit in 2015/16. All issues previously identified have now either been implemented or are no longer relevant due to changes in process.

Key Strengths

- Financial authorisation limits within iProcurement (iProc) and the Flexfield checker align to the Council's delegated authority matrix.
- New iProc users are checked for accuracy when they are set up and access is not granted unless staff have completed the necessary E-learning.
- Staff that leave the organisation have their iProc access rights removed in a timely manner.
- Manual invoices over £50,000 are checked by AP prior to payment.
- Invoices created through iSupplier are accurate and a system default is applied to all suppliers ensuring invoices are not paid until receipted in iProc
- Processes for identifying duplicate payments are effective.
- New commercial supplier set ups are now processed through the P2P team and the process in place to check and approve these is robust.
- Supplier credit balances have significantly reduced since the previous audit.
- The year to date performance for the KPI % of invoices received on time and entered into AP systems by KCC due date is 98.3%.
- The proportion of invoices processed through iProc from manual suppliers is at 92.6%.

Areas for Development

- We were unable to evidence that Commercial Services, who account for c£2million of monthly spend through iSupplier, have signed KCC's iSupplier terms and conditions.
- There is no process in place to identify whether suppliers who have taken up the early payment discount are actually applying this discount to invoices.
- Procedures notes and guidance do not consistently record the date of creation and date of review.

Prospects for Improvement

- The number of manual supplier invoices processed through iProc has increased to 92%
- All capital codes active on CP are populated on the capital flexfield checker and work continues to include codes that do not appear on CP.
- Corrective action has been taken on all issues raised in previous Payment Process audits.
- The P2P team are liaising with the Oracle eBusiness Suite (OBS) team to find a solution to ensure suppliers who have offered early payment discounts apply this discount.

Summary of management responses

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

Procurement and Contract Management Follow-up

Opinion	Adequate
Prospects for Improvement	Good

Internal Audit carried out a series of reviews relating to Contract Management and Procurement as part of the agreed 2015/16 Annual Audit Plan. The audits and the opinions given were as follows:

Contract Extensions and Variations	Adequate
Contract Management Themed Review	Limited
Contract Management – Individual Contracts based on Analytical Review	Limited

Rationale

In summary we previously raised four high priority issues and five medium priority issues across three audits. Our follow-up testing found that the agreed actions for two high and four medium priority issues were implemented within the agreed timescales; one high priority issue was found to be in progress and another had been superseded. Corrective actions had been put in place to address the completeness of the contract register but unfortunately gaps were still identified.

However, audits and investigations undertaken within 2016/17 have identified that contract management principles are still inconsistently applied within the organisation. For example, we found issues with KPIs and performance management for two contracts reviewed. We are also currently investigating two contracts that were not approved in line with the scheme of delegation. However. The outcomes from these investigations have yet to be concluded are therefore still unsure.

Overall therefore issues around approvals for contracts, the completeness of the contract register and consistency over the performance management of contracts remain to be fully resolved.

Contract Extensions and Variations

Issue	Conclusion from testing
Procedures and Guidance (Medium)	Implemented
Contracts extended or rolled over several times (High)	Implemented
Authorisation Limits (High)	Implemented

Contract Management Themed Review

Issue	Conclusion from testing
Contracts Register (High)	In progress
KPIs and Monitoring (Medium)	In progress
Contract risk register and issues logs (Medium)	Implemented
Lessons Learnt (Medium)	Implemented
Training (Medium)	Implemented

Contract Management – Individual Contracts based on Analytical Review

Issue	Conclusion from testing
Contract Management (High)	Partially implemented - outstanding actions superseded by the contract register issue raised within Contract Management Themed Review.

Summary of Issues

	Number of issues raised in previous audit	Implemented and closed	Not fully addressed and further actions agreed
High Risk	4	3	1
Medium Risk	5	4	1
Low Risk	0	0	0

Property – Disposal of Assets

Opinion	Adequate
Prospects for Improvement	Adequate

Rationale

GEN2 contracts with KCC's Property Strategy, Commissioning and Client function through a Service Level Contract (SLC) dated 29th April 2016. Our work has tested individual property disposals that were completed in 2016-17 by GEN2 and found that in all instances the disposal was fully supported by appropriate reports, quotes etc and that the disposal decisions were taken by an authorised officer.

Reliance is placed on the staff and external contractors employed by GEN2 to manage the process and to advise KCC in order to achieve the best outcome for each individual property disposal. Therefore, although all disposal recommendations we reviewed had been appropriately authorised, we noted that there was limited direct involvement by KCC officers in the property disposal process. There are, however, regular progress reports to senior officers and members.

Strengths

- All disposals tested were correctly authorised in line with the constitution.
- There is effective transparency through a Property sub committee and minutes from these committees are discussed at the Property & Resources Cabinet meetings held bi-monthly.

Areas for Development

- The current Asset Management Strategy is dated 2013–17 and is already out of date given the changes that have taken place in KCC during this time. The Strategy for 2018-22 has yet to be produced and approved.
- There are no documented procedures setting out the process and to ensure appropriate records are maintained to record and document the key steps and decisions for each property disposal.
- The K2 Property system is not being fully utilised as an asset management system.

Summary of management responses

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

Supervision Follow-up

Opinion	Adequate
Prospects for Improvement	Good

Rationale

Our follow-up work highlighted that there has been significant progress since our original audit, including actions on the three high priority issues raised. The majority of staff, 82% in LD and 61% in OPPD, had either received regular supervision or had only missed one cycle out of 7. Supervisees also rated the quality of their supervisions positively. Our previous audit identified a high level of stress in OPPD; our follow-up found that, although caseloads remain high, staff generally felt supported, issues were discussed with supervisors and actions put in place. Quality assurance arrangements have also been put into place and the vast majority of staff had supervision agreements.

As above, our testing did identify that 40% of staff in LD and 60% of staff in OPPD had not received all 7 supervision sessions. The largest reason for this was workload pressures leading to supervisions being cancelled and not rearranged. This accounted for 47% of missed supervisions in LD and 33% of missed supervisions in OPPD). However another key reason was changes in supervisor; notes had not been transferred between supervisors so we were unable to ascertain if supervisions had taken place or not. There was no evidence of quality assurance checks of service user files.

The service has plans in place to ensure that there is a continued positive direction of travel.

Follow-up findings

Issue	Priority Level	Conclusion from testing
Emerging Risks	High	In Progress
Record Maintenance	High	In Progress
Supervision Arrangements	High	In Progress
Policy and Supervision Agreements	Medium	Implemented
Quality of Supervision	Medium	In Progress
Monitoring and Quality Assurance	Medium	Implemented

Summary of Issues

	Number of issues raised in previous audit	Implemented and closed	Not fully addressed and further actions agreed
High Risk	3	0	3
Medium Risk	3	2	1
Low Risk	0	0	0

TFM Contract Management – Follow Up

Opinion	Limited
Prospects for Improvement	Good

Rationale

This audit has been significantly delayed by the inability of the contracting agent to provide timely evidence for our work. Contractors need to be reminded that it is a breach of KCC Financial regulations and the contract with KCC to fail to provide information to Internal Audit.

Further audit sample testing and enquiries demonstrate that progress has been made, with two High Risk and three Medium Risk issues now closed. Five medium priority issues raised in the previous audit report have not been fully addressed and further actions have been agreed.

Strengths

- Access to contractor systems has now been provided.
- An issues log for all three contractors identifying themes has been implemented.
- Risk registers have been implemented and have captured relevant risks for all three contracts.
- Appropriate cells within KPI spreadsheets have been protected and cannot be amended.
- Arrangements have been implemented to define day to day responsibilities.

Areas for Improvement

- Two of the three contractors did not have a site visit schedule during the audit and a number of cancelled visits for West Kent were not re-scheduled.
- Work order logs for West Kent and East Kent were not kept up to date and there are some inaccuracies in the information on the logs.
- For a sample of 15 CCNs, nine were either outstanding at the time of the audit or key signatures were not retained to demonstrate the appropriate authorisation had been granted.

- For Mid-Kent, KPI deductions for February 2016 have not been made. It is understood that these deductions will be collected in March 2017.
- For Mid-Kent, a catering services charge of £56,568.20 was added to the 'year 2' core contract fee. This is believed to be an error and is currently under investigation.
- For West Kent and East Kent we found that the CCN log was not accurate or complete.

Prospects for Improvement

- KCC Property team are working closely with Gen2 (who manage the TFM contracts for KCC) to improve contract management arrangements and hold them to account where performance needs improvement.
- New contract managers are now in place (within Gen2) for 2 of the 3 contracts and a new Interim Head of TFM Contracts has also been appointed to strengthen this area.

Summary of management responses

	Number of issues raised in previous audit	Implemented and closed	Not fully addressed and further actions agreed
High Risk	2	2	0
Medium Risk	8	3	5

TFM Helpdesks – Follow Up Addendum following Kier work

Opinion	Limited
Prospects for Improvement	Good

Further audit sample testing and enquiries found that although some progress has been made, the high and medium priority issues raised in the previous audit report have not been fully addressed. Further actions are being taken by KCC to ensure GEN2 as the commissioned contract managers engage with Kier to improve their service delivery in line with the TFM contracts.

We also understand that the Kier Helpdesk is planning to migrate to a new system in May 2017 which may address some of the unresolved issues.

Previous Issue	Conclusion from testing
Call Coding (High Risk)	The full range of call specifications has been adopted. From 30 tasks sample tested across, 8 (26.6%) had the incorrect category applied. Issue remains open and further actions agreed.
Telephone Calls answered within sixty seconds (High Risk)	Call response reports are available but they do not provide sufficient information to understand individual call breaches. Therefore, no progress has been made from the initial audit. Issue remains open and further actions agreed.
Jobs undertaken within agreed timescales (High Risk)	From the 30 tasks sample tested, 10 (33%) were not resolved within the SLA and 2 failed the 'contain time' but met the overall SLA. In addition, 12 tasks were left open as they are awaiting supporting paperwork. Issue remains open and further actions agreed.
Repeat Requests (High Risk)	Repeat Failures instead of repeat requests are reviewed. Issue remains open and further actions agreed.

Complaints Process (Medium Risk)	A formal complaints handling process has been agreed, but has not yet implemented. Issue remains open and further actions agreed.
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Prospects for Improvement

- KCC and Gen2 Management have full cooperated with all requests during the audit process.
- A new Interim Head of TFM has been appointed by Gen2 and has begun to address performance weakness.

Summary of Issues

	Number raised in previous audit	Implemented and closed	Not fully addressed and further actions agreed
High Risk	4	0	4
Medium Risk	1	0	1
Low Risk	0	0	0

The Old Rectory – Bespoke Establishment Audit

Opinion	Limited
Prospects for Improvement	n/a

Rationale

Following safeguarding concerns into alleged financial irregularities and The Old Rectory's willingness to be transparent in their involvement with client finances we performed an announced visit to The Old Rectory. Overall we were able to reconcile client expenditure, however there were some improvements required to the system of financial control. Below we have summarised the key strengths and areas for improvement.

Strengths

- Individual client files were held and receipts for purchases made by the home on behalf of the client were available to reconcile to invoices.
- Itemised expenditure is provided to Client Financial Affairs prior to payment being made.

Areas for Improvement

- Inventory of client property to be established, together with a process for its regular update and review.
- Receipts should be obtained and stored to support cash withdrawals that are above the standard 'pocket money' level.
- Updating the transport/outing form to record the number of miles completed for the journey and the rate per mile.
- Delegated financial authority levels should be developed and embedded into documentation.
- Enhance the 'new home letters' to advise homes facilitating personal allowances of what their delegated authority is, with homes requiring to sign and return a copy

Summary of management responses

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

Debt Recovery Follow-up

Opinion	Adequate
Prospects for Improvement	Good

Rationale

Further audit testing and enquiries demonstrate that the agreed action plans have been progressed for most issues although a number are not complete in part due to the pending implementation of the new CRM system. Further actions have been agreed

Previous Issue	Conclusion from testing
Update and Availability of the Training Manual (Medium Risk)	The latest training manual is dated 15/4/16. The training manual will need to be updated when CRM is introduced in 2017. Issue remains open
Revised Debt Management Policy (Low Risk)	The Debt Management Policy has been updated to include all relevant financial regulations and the relevant delegated officers. Issue has been closed off.
Debt Monitoring and Recovery Process (Medium Risk)	The CRM system has not yet been implemented and large Excel spreadsheets are still being used to record the work performed and timelines for debt collection. The CRM system is due to be implemented from January 2017 and this should improve debt recovery and management, but the effect is not expected to be felt for several months. Issue remains open.
Escalation of Debts to Legal (Medium Risk)	The Legal spreadsheet is kept on K drive. The spreadsheet records the position of each debt referred to legal. The spreadsheet is up to date but requires on-going monitoring. It is acknowledged that a SLA for the service will be required when Legal become a LATCO in 2017. Issue has been closed off.

Write Off Authorisation (High Risk)	The write off form is version controlled and all team members use the updated forms. The Financial Services Client Manager reviews and authorises all write offs. A spreadsheet is maintained to reconcile all write offs processed in Oracle with those authorised by the client manager. Issue has been closed off.
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Summary of Issues

	Number of issues raised in previous audit	Implemented and closed	Not fully addressed and further actions agreed
High Risk	1	1	0
Medium Risk	3	1	2
Low Risk	1	1	0

Annex 2 - Audit Plan 2016/17 Progress

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
Core Assurance							
Business Continuity	In progress			Programme Management and Corporate Assurance Functions	In progress		
Procurement and Contract Management Follow-up	Complete	April 2017	Adequate/ Good	Business Change/ Check point Reviews	Watching brief		
Procurement and Contract Management – Tender Specifications	In progress			Implementation of Strategic Commissioning Framework	Planning		
Tail-spend	Audit Cancelled	N/a	N/a	Transformation and Change – Delivery of Savings and Other Outcomes – 0-25 portfolio	Complete	January 2017	Limited/ Good
Transformation and Change – Delivery of Savings and Other Outcomes – Adults portfolio	Draft Report			Staff Survey – Response and Actions	In progress		
Performance Management and KPI Reporting	In progress			Business Planning	Complete	January 2017	Adequate/ Good
Annual Governance Statement 2015/16	Complete	June 2016	Substantial/ Adequate	Payroll – Outsourced Contracts	Complete	October 2016	Substantial/ Good
Risk Management	In progress			Recruitment Controls re TUPE Transfer Staff Follow-up	Deferred	N/a	N/a
Information Governance	Complete	April 2017	Adequate/ Good	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
Bribery and Corruption	Complete	October 2016	Limited/ Good	Recruitment – Use of Agencies	Deferred to 2017/18	N/a	N/a

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
Corporate Governance – KCC as a Whole	In progress			Declaration of Interest	In Progress		
Departmental Governance Review - GET	Complete	April 2017	Substantial/Adequate	Data Quality	Merged with KPI audit	N/a	N/a

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
Core Financial Assurance							
General Ledger	Complete	January 2017	Limited/Good	Debt Fraud	Cancelled	N/a	N/a
Revenue Budget Monitoring	Deferred to 17/18	N/a	N/a	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	Complete	April 2017	Substantial/Good	Family Placement Payments – Controcc Implementation, Phase 2	Planning		
Accounts Receivable	Draft Report			Debt Recovery Follow-up	Complete	April 2017	Adequate/Good
Corporate Purchase Cards	In progress						

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
Risk/Priority Based Audit							
Contact Point - Agilisys	Complete	January 2017	Adequate/ Good	NEET Strategy	Complete	April 2017	Substantial/ Adequate
Business Service Centre	Deferred to 17/18	N/a	N/a	Community Learning and Skills	Complete	April 2017	Substantial/ Good
Total Facilities Management – Contract Management Follow-up	Complete	April 2017	Limited/ Good	Attendance and Inclusion	Deferred	N/a	N/a
Total Facilities Management – Property Service Desk Follow-up	Complete	January 2017	Limited/ Uncertain	Schools Improvement Team	Complete	January 2017	Substantial/ Good
Property – Disposal of Assets	Complete	April 2017	Adequate/ Adequate	Elective Home Education	Draft Report		
Public Health Governance Follow-up inc Clinical Governance Framework	In progress			Safeguarding – Education and Early Years	Complete	January 2017	Adequate/ Adequate
Grant Administration Follow-up inc. Member Grant Scheme and Grant for VCS	Deferred to 17/18	N/a	N/a	Education Commissioning – Capital Plan	Complete	April 2017	High/Good
Property LATCo – GEN2 Relationship Management	Planning			School Financial Services – System of Audit	In progress		
Legal Services LATCo	Deferred to 17/18	N/a	N/a	Schools –Themed Review	Draft Report		
Knet and Website	Deferred to 17/18	N/a	N/a	EduKent	Cancelled	N/a	N/a
Developer Contributions	Deferred to 17/18	N/a	N/a	Educational Trust – Watching Brief	Ongoing		
Independent Living Fund	Cancelled	N/a	N/a	New EY Data Systems – Watching Brief	Ongoing		
Social Care Placements – Central Purchasing Team	Draft Report			Troubled Families	In Progress and ongoing	Reported to each relevant meeting	
Support Directory - Signposting	Deferred	N/a	N/a	Road Safety/ Crash Remedial Measures	Complete	January 2017	Limited/ Good

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
Dementia Care	Deferred	N/a	N/a	LED Street Lighting	In progress		
ICES Contract	Complete	January 2017	Substantial/ Good	Highways Repairs Process and Outcomes	Deferred to 2017/18	N/a	N/a
Disabled Services Post Transfer	Ongoing			National Driver Offender Retraining Scheme	Complete	April 2017	Adequate/ Good
Carers' Assessments	Complete	January 2017	Adequate/ Adequate	Public Rights of Way	Complete	October 2016	Adequate/ Adequate
Better Care Fund – Health and Social Care Integration	Planning			Contract for Bulky Waste	Deferred to 2017/18	N/a	N/a
Foster Care Follow-up	Deferred to 2017/18	N/a	N/a	Regional Growth Fund	In progress		
Unaccompanied Asylum Seeking Children	Complete	October 2016	Adequate/ Good	Concessionary Fares	Deferred to 2017/18	N/a	N/a
Adoption	In progress/ On hold			Commercial Services – Household Waste and Recycling Centre Contract	Deferred to 2017/18	N/a	N/a
No Recourse to Public Funds	Deferred to 2017/18	N/a	N/a	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	Ongoing		
Step-Down to Early Help	Merged with Early Help – Managing Step-Up to Specialist Children's Services			Coroners Service	Cancelled	n/a	n/a
Early Help – Managing Step-Up to Specialist Children's Services	Complete	October 2016	Substantial/ Good	Integrated Community Safety Function	Planning		
Supervisions Follow-up	Complete	April 2017	Adequate/ Good	Kent Resilience Team Phase 3 and Follow-up	Complete	April 2017	Adequate/ Adequate
Pupil Referral Units	Deferred	N/a	N/a				

Project	Progress at April 2017	Date to G&A	Overall Assessment	Project	Progress at April 2017	Date to G&A	Overall Assessment
ICT Audit							
Software Lifecycle Management	Complete	January 2017	Adequate/ Good	ICT Strategy and Governance	Deferred to 2017/18	N/a	N/a
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	Cancelled	N/a	N/a
Disaster Recovery Planning: Follow-up	Complete	October 2016	Adequate	IT Asset Management	Complete	April 2017	Substantial/ Good
PCI DSS	Draft Report			Network Management	Merged with Cyber Security and Social Engineering		

Annex 3 - Internal Audit Assurance Levels

Opinion definitions

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.