

By: Robert Patterson – Head of Internal Audit
To: Governance and Audit Committee – 1st November 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 2017/18 financial year to date.

Recommendation: FOR ASSURANCE

Introduction

1. This report summarises:
 - The key findings from completed Internal Audit reviews
 - The key outcomes from completed counter fraud investigations including collaborative work with other local authorities
 - Progress against the 2017/18 Internal Audit Plan
 - Proposed revisions to the 2017/18 plan

Overview of Progress

2. Appendix 1 details the outcomes of Internal Audit and Counter Fraud work completed for the financial year to date. In total 18 audit reviews have been completed, including 15 substantive reviews. A further 2 substantive audits are at draft reporting stage and significant fieldwork is in progress for a further 10 audits. In relation to counter fraud work there have been 80 irregularities reported and investigated since the start of 2017/18 of which 27 have been concluded. The total value of all irregularities reported to us is £107,000.
3. In addition we are currently supporting Social Care in investigating allegations regarding a domiciliary care provider failing to deliver commissioned hours of care. A further two special investigations were commissioned in October.
4. Overall the unit has reviewed systems or activities with a combined spend of an estimated £30 million since the start of 2017/18. (Note - the above data excludes the increasing level of work we carry out for the Council's LATCo's which are reported to separate audit committees).
5. Progress against the Audit Plan for 2017/18 is broadly in line with target to achieve the Audit Plan key performance targets (KPI's) by 31st March 2018.

Implications for Governance

6. Where audits completed in the year have identified areas for improvement, management action has been agreed. All audits are allocated one of five assurance levels together with four levels of prospects for further improvement representing a projected 'direction of travel'. Definitions are included within the attached report.
7. Although at this stage we have completed a relatively small number of audits from the 2017/18 plan, the outcomes to date have been satisfactory. In particular:
 - 47% systems or functions have been judged with a substantive assurance or better (Treasury Management has again received a high assurance)
 - A continuing pattern of general robustness of key financial systems
 - Positive assurance over the KCC imposed governance arrangements in relation to the GEN2 property LATCo
 - Positive assurance over the effective utilisation of children's centres
 - Strong evidence of improvement in reviews relating to adult safeguarding
8. Areas for development and improvement relate to:
 - Two areas (ICT Cloud Navigation and Financial Assessments) have received limited assurance. The Cloud Navigation programme displayed weak project management and testing of Financial Assessments, although showing accurate payments, identified weaknesses in relation to compliance with routines, breach of follow up dates and some uncertainty over charging policies. In both cases, management have acted swiftly to develop rectification plans
 - Continuing issues over the maintenance of local financial controls at certain remote sites and establishments (nurseries)
9. No incidences of significant fraud, irregularity or corruption have been reported or detected during this quarter.
10. As such, from our coverage to date we have concluded there is continuing evidence to substantiate that the County Council has adequate and effective controls and governance processes as well as systems to deter incidences of material fraud and irregularity.

Counter Fraud Initiatives

Kent Intelligence Network (KIN)

11. As a reminder, the KIN is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration with the shared objective to detect, prevent and deter fraud and corruption. The network has been actively operating since October 2016. KCC project manages and co-ordinates the data matching.
12. Since October 2016 a number of data matches have taken place including housing waiting list data to Council Tax (CTax) single person discounts and non-domestic rate reliefs such as small businesses and charitable registrations.
13. The net impact has been the detection of savings of £292,000 to date to the general benefit of the residents of Kent.

14. Over the coming 6 months further data matches will include residential parking permits to CTax single person discounts, and non-domestic rates to Companies House data and to waste collections and licensing.
15. The KIN is in addition to KCC's direct £1.5m investment in supporting district councils in tackling Council Tax fraud and debt, which in the first year of activity has generated savings of £960,000.

Annual Review of Anti Money Laundering Policy

16. We have undertaken our annual review of the Council's Anti Money Laundering Policy and have made minor amendments to ensure there is reference to the Money Laundering , Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. No other amendments are required and as such we have not copied the full Policy into these papers. .

Revisions to the 2017/18 Audit and Counter Fraud plan

17. At this time of year it is appropriate to re-examine the 2017/18 audit plan and consider its continuing relevance to changing and emerging risks.
18. We will be consulting with Corporate Directors in the coming months, but it is evident, for example, that we should take into account the positive assurances provided from the outcomes of the recent OFSTED inspection of Children's Services.
19. As such we propose to defer our audits on Foster Care and Early Help as these were covered in the inspection. In relation to top level governance and performance reviews, we had planned to review Children Young People and Education Services in 2017/18 and Adult Social Care in 2018/19. In light of the OFSTED findings it would now seem appropriate to undertake the Adults Social Care governance review this year.
20. With the increasing number of special investigations being commissioned it is likely that a number of other audits will have to be removed from the plan and we will provide a full update to the January 2018 Committee.

Benchmarking and Good Practice

21. It is good practice to annually undertake and report upon benchmarking exercises for both internal audit and counter fraud. This has become increasingly difficult in recent years.
22. In relation to internal audit the CIPFA benchmarking club became irrelevant to us as so few County Councils were present, resulting in skewed and potentially misleading results from the data from the remaining Council's. As an alternative, the County Council Audit Network (CCAN) plans to repeat its previous benchmarking exercises and we will contribute to this later in the year.
23. We continue to make submissions to CIPFA in relation to counter fraud performance, but this is no longer benchmarked in a meaningful way.
24. In the late summer 2017 we entered the Institute of Internal Auditors (IIA) 'Audit and Risk Awards' process. As a result we are one of 6 audit teams that have

been shortlisted for the 'Outstanding Public Sector Team' award. The results will be announced on 6th November 2017.

25. Paul Rock, our Counter Fraud Manager, is currently seconded to the Cabinet Office for a one day a week to help them develop a national counter fraud profession and standards.

Recommendations

26. Members are asked to note:

- Progress and outcomes against the 2017/18 Audit Plan and the within them
- Progress and outcomes in relation to Counter Fraud activity
- Minor amendments to the Anti Money Laundering Policy references
- Proposed amendments to the audit and counter fraud plan and the further consultation with Corporate Directors

Appendices

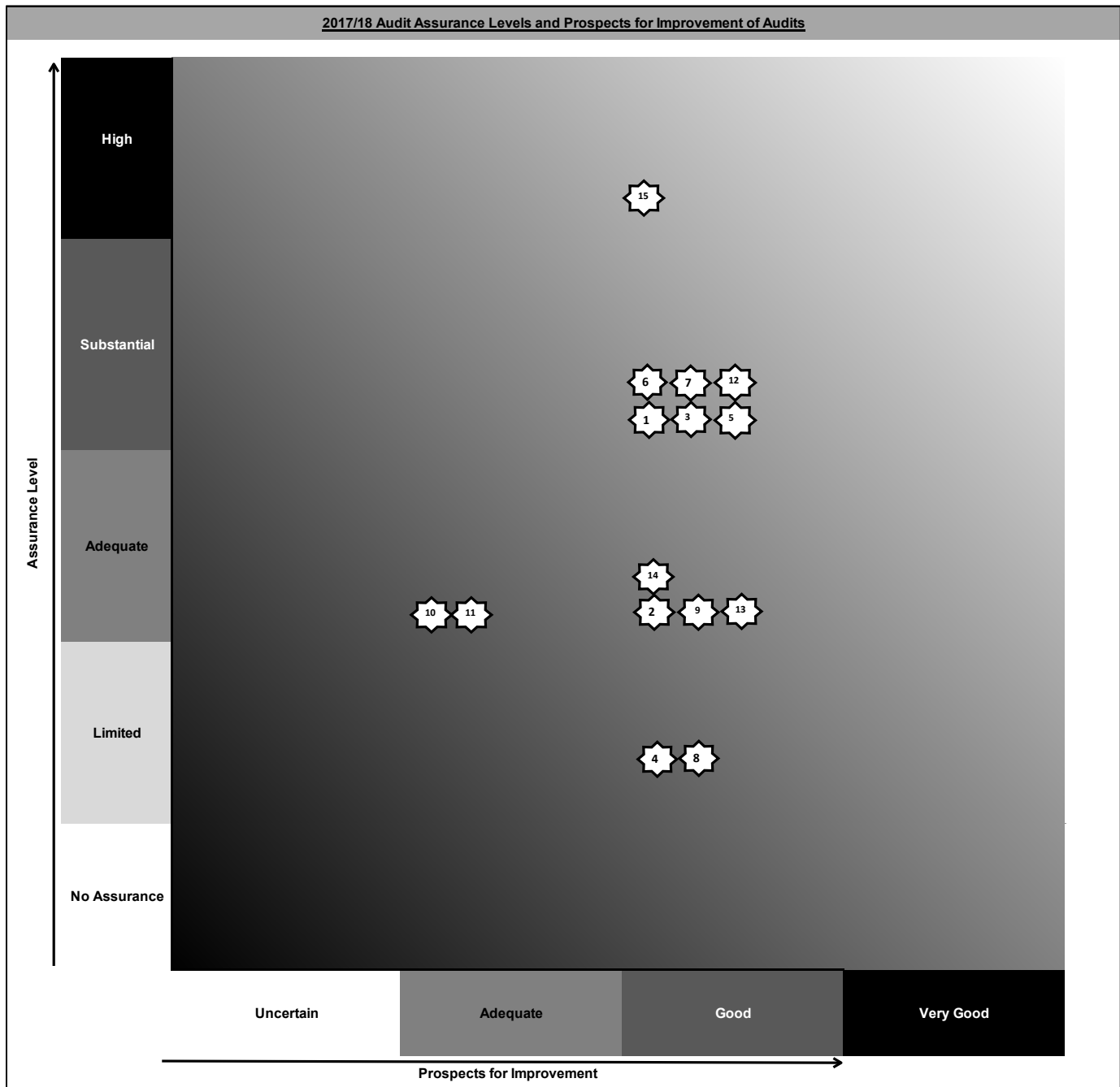
Appendix 1 - Distribution of Internal Audit Judgements 2017/18 (to date)

Appendix 2 - Internal Audit Progress Report November 2017

**Robert Patterson
Head of Internal Audit**

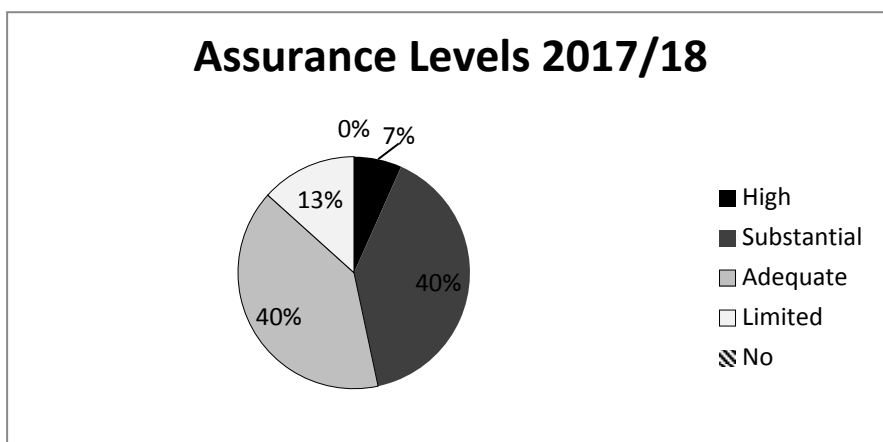
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APPENDIX 1
Distribution of Internal Audit Judgements 2017/18 (to date)



Audit Opinion October G&A Committee			
No	Audit	Judgement	Prospects for Improvement
1	Family Placement Payments	Substantial	Good
2	16-17 Staff Survey Actions	Adequate	Good
3	ICT Strategy and Governance	Substantial	Good
4	ICT – Cloud Navigation Programme	Limited	Good
5	Cashiers and Banking	Substantial	Good
6	GEN2 Governance – KCC Side	Substantial	Good
7	Children's Centres Follow Up for 2017/18	Substantial	Good
8	Financial Assessments	Limited	Good
9	No Recourse to Public Funds	Adequate	Good
10	Members Training & Induction	Adequate	Adequate
11	Programme Management and Corporate Assurance	Adequate	Adequate
12	Safeguarding Framework Follow Up - Adults	Substantial	Good
13	17-18 DOLs	Adequate	Good
14	Establishments - Nurseries	Adequate	Good
15	Treasury Management	High	Good

Assurance Level	No	%
High	1	7%
Substantial	6	40%
Adequate	6	40%
Limited	2	13%
No	0	0%





Kent County Council

Internal Audit and Counter Fraud Progress Report

November 2017

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1 Introduction and Purpose

- 1.1. This report details the cumulative internal audit and counter fraud outcomes for 2017/18 to date. It particularly focuses on the progress and delivery of internal audit and counter fraud work since April 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 18 internal audits (including 3 establishment visits) and 27 counter fraud investigations, the majority of which are resourced and driven from the internal audit plan (previously reviewed by this Committee) and are selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall we have examined an estimated £30 million of KCC turnover to date.
- 1.3. A further 12 audits are currently in progress, and a further 53 counter fraud investigations remain ongoing (including a number carried forward from the previous year).
- 1.4. In this report we have highlighted key outcomes arising from our work together with the associated assurance levels. In section 3 we also demonstrate where these findings provide appropriate assurance against key corporate risks or significant systems.
- 1.5. Internal audit also remains involved in special investigations (including currently supporting Social Care on a domiciliary care review) and work as the appointed internal auditor to the Council's LATCO's where the outcomes are reported to separate audit committees.

2. Overview

Internal Audit and Counter Fraud

- 2.1 The covering paper to this progress report provides a graphical representation of the outcomes from the audits completed to date. In addition, to reprise our covering report, the following summary of strengths and areas for development emerge from the work to date:
- 2.2 Strengths include:
 - Nearly half of audits completed to date have resulted in a substantial outcome or better (Treasury Management has once again received the highest assurance opinion)
 - A continuing pattern of a general robustness in key financial systems
 - Positive assurance over the running and effective utilisation of children's centres
 - Evidence of improvements in areas relating to adult safeguarding

2.3 Areas for further improvement relate to :

- Two audits received 'limited assurance' outcomes. That for the project to migrate Council systems onto the Cloud, identified weak project and budgetary management. The audit of Financial Assessments, although evidencing accurate payments, identified weaknesses in relation to compliance with set routines, material breaches of follow up dates and some confusion over charging policies. In both these cases management have acted swiftly with developing rectification and recovery plans and these areas will be subject to follow up audits in due course.
- Continuing issues over the maintenance of local financial controls at certain remote sites and establishments (nurseries)

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

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

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

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

3.1. Appendix A provides detailed summaries on the outcomes from internal audit work completed since April 2017, 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.

Management of demand – Children's Services

3.2. During the year to date we have reviewed the following areas that have a theme related to management of demand for children's services:

	Assurance Level	Prospects for Improvement	Issues Raised	
No recourse to public funds	Adequate	Good	High: 0 Medium:1	All accepted

- 3.3. Our audit of 'no recourse to public funds' (NRPF) examined the controls in place to deal with such families presenting themselves to the Council. More particularly we looked at whether they are being consistently and fairly assessed in tandem with an assessment of the related verification and counter fraud controls.
- 3.4. From the cases sampled, we found that there had been adherence to best practice guidance and there was evidence of fraud awareness and referrals. However faults in the software have meant that NRPF indicators are unreliable, so it was not possible to substantiate the total NRPF numbers or spend.

Identification, planning and delivery of financial savings

- 3.5. Clearly associated with the above risk is the delivery of the Council's transformation plans (including the creation of trading companies for selected services). Our work to date comprises:

	Assurance level	Prospects for Improvement	Issues Raised	
Programme Management and Corporate Assurance	Adequate	Adequate	High: 2 Medium:4	Final draft
GEN2 Governance	Substantial	Good	High: 0 Medium:3	All accepted

- 3.6. One of the clear central controls promoting effective change is from the central programme management and corporate assurance team. We followed up from our previous audit in 2015/16. Overall we found good progress was being made on the previously agreed actions and the outcomes being delivered by the project managers overseeing selected change projects in Directorates was generally good. However the determination for the inclusion of change projects within this team is unclear and methodologies and systems underlying such change

projects were inconsistent. It was also unclear over the reporting lines relating to overarching assurance from this function.

- 3.7. The creation of viable self-governing LATCO’s is also one of the key strategies of the Council to deliver increased income and / or longer term savings. We reviewed the top level governance arrangements from the client side and found them to be satisfactory. Client and contractor roles are clearly defined and appropriate Board level monitoring mechanisms have been put in place. As part of this monitoring a service improvement plan has been agreed but progress to date has been slow and needs a more targeted review.

Cyber and Information Security

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

	Assurance level	Prospects for Improvement	Issues Raised	
ICT Strategy and Governance	Substantial	Good	High: 0 Medium:1	Accepted
ICT Cloud Navigation Programme	Limited	Good	High: 2 Medium:3	Accepted

- 3.9. We provided substantial assurance on the IT strategy. The strategy reflects Council needs and priorities and is fit for purpose. It has been inclusive in its construction and is backed up by appropriate monitoring, KPI’s and policies and procedures. Going forward there is scope to enhance communication over some IT priorities.
- 3.10. In contrast to the above the audit of the Council’s programme to transition to Cloud based IT infrastructure was given a limited assurance opinion. In essence there were shortfalls in budgetary control, an absence of identified benefits and project plans were not in place for work streams. We will shortly be commencing a follow up on these findings (including an in depth review of a work stream) to ensure these shortfalls have all been rectified.

Safeguarding – protecting vulnerable children

- 3.11. During this period we undertook reviews of children’s centres and nursery provision operated by or for the Council. The terms of reference included reviews of operations (including finance), utilisation and aspects of safeguarding. The outcomes were :

	Assurance level	Prospects for Improvement	Issues Raised	
Nurseries – themed review	Adequate	Good	28 issues raised across the 3 sites visited	All accepted
Children’s Centres follow up	Substantial	Good	High: 0 Medium:4	All accepted

- 3.12. Across the 3 nurseries audited, controls were variable. Safeguarding areas relating to security through to fire protection were good. However risk assessments were generally inadequate, training records were incomplete and we found gaps in medical audit records. Although financial losses have been reduced across these centres there were weaknesses in some financial controls. Two of the centres were also underutilised by up to 40%.
- 3.13. In contrast to the above, our review of children’s centres was more positive. The centres are well utilised when open and successfully target vulnerable families and children. There was good collaborative working with other agencies and through the community with volunteers. We followed up on financial control issues identified in the previous year and determined that rectification plans had been implemented.

Safeguarding – protecting vulnerable adults

- 3.14. During this period we have undertaken follow up on two adult safeguarding themes where in previous years we gave a ‘limited’ opinion, namely:

	Assurance Level	Prospects for Improvement	Issues Raised	
Safeguarding framework – Adults – Follow Up	Substantial	Good	High: 1 Medium:4	4/5 actions implemented
Deprivation of Liberty (DOL’s) – Follow Up	Adequate	Adequate	High: 4 Medium:1	3/4 high priority actions implemented 1 medium priority in progress

- 3.15. Both of these audits showed improvement over the intervening period since the last audit. In the case of adult safeguarding four of the five high and medium priority actions have been implemented (an alternative control has been developed for the one outstanding issue as detailed in Appendix A). We found enhanced quality assurance arrangements and that a programme of more proactive audits of cases has been developed.
- 3.16. In the case of DOL's; since our last audit a fit for purpose client database has now been developed together with new operational protocols and quality assurance arrangements. This has helped improvements in the efficiency of case processing. However our testing showed there were still inconsistencies in the administration of cases with a high percentage of cases omitting assessment dates and management authorisation.
- 3.17. In addition our audit of financial assessments (see below) determined that staff were not required to complete training on identifying safeguarding concerns on home visits including potential financial abuse.

Financial and operating environments – critical systems and functions

- 3.18. 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 audited a miscellany of topics during this period with the following outcomes:

	Assurance level	Prospects for Improvement	Issues Raised	
Family Placement Payments	Substantial	Good	High: 0 Medium:1	All accepted
Financial Assessments	Limited	Good	High: 2 Medium:5	All accepted
Treasury Management	High	Good	High: 0 Medium:0	N/A
Cashiers and Banking	Substantial	Good	High: 0 Medium:2	All accepted

2016-17 Staff Survey Actions	Adequate	Good	High: 1 Medium:0	All accepted
Members Training and Induction	Adequate	Adequate	High: 1 Medium:1	All accepted

3.19. Details on all of the above are contained in Appendix A. Points of note are:

- The continuing strong assurances relating to Treasury Management
- Positive assurance over the accuracy and completeness of family placement payments made through the Council's ContrOCC system to independent foster agencies and residential placements
- Positive outcomes from transaction testing relating to cashiers and banking, but with a need to improve payment card security and documentation for direct debit rejections
- Limited assurance on the financial assessment processes currently run by the Business Service Centre with misaligned charging policies, material outstanding follow up cases, lack of adherence to DWP checking routines and inaccurate reporting of KPI's
- In relation to the 2016 staff survey the results had been effectively communicated across relevant parts of the organisation but of the 6 departments within the Council that took part in the survey, only 3 were able to evidence resultant action points and of those, only one had accountable processes to monitor progress on such actions
- Following the May 2017 elections, Members induction and training was found to be comprehensive and well received. Unfortunately incomplete records are maintained of attendance at training events so it is not possible to substantiate levels of Member participation

4. Other Audit Work including Grant Certification

4.1. We continue to independently review Troubled Families grant claims as well as certifying other grants (where required by funders) relating to Transport, Highways and EU grants. The Troubled Families certification work, which requires 10% sampling is becoming quite intensive of audit resources.

- 4.2. 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, Invicta Law and to the future Education company
 - Appointed auditor to 12 Parish Councils
 - Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority
 - Internal audit of Kent and Medway Fire and Rescue Service
 - Management of the audit and fraud service at Tonbridge and Malling Borough Council
 - Undertaking an independent quality assessment of the internal audit and counter fraud function of a London Borough

5. Counter Fraud and Corruption

Fraud and Irregularities

- 5.1. We have recorded 80 irregularities in 2017/18 of which 53 remain under investigation and 27 have been closed. In comparison, we recorded 84 irregularities between April and September in 2016/17 (see CF1).
- 5.2. At the point an irregularity is referred to Internal Audit we estimate the potential value. Based on the information available at the time we estimated the total value of all the irregularities reported to us to date as £107,000.
- 5.3. From the 80 irregularities reported, 55 have been from the Social Care directorate (see CF3), although the majority of these (45) relate to misuse of the Blue Badge scheme. The most common type of referral reported to the counter fraud team remains misuse of the Blue Badge (see CF2) and therefore the most common source of referrals is outside agencies (see CF4).
- 5.4. The second highest irregularity reported is categorised as "mandate fraud" which involves fraudsters posing as genuine suppliers to try and trick staff into making payments. Most recently we have seen an increase in this type of fraud affecting schools, although none of the attempts have been successful. In response, we have issued various alerts reminding schools to remain vigilant and to report any concerns to the council.

Table CF1 - Number of Irregularities Reported by Month

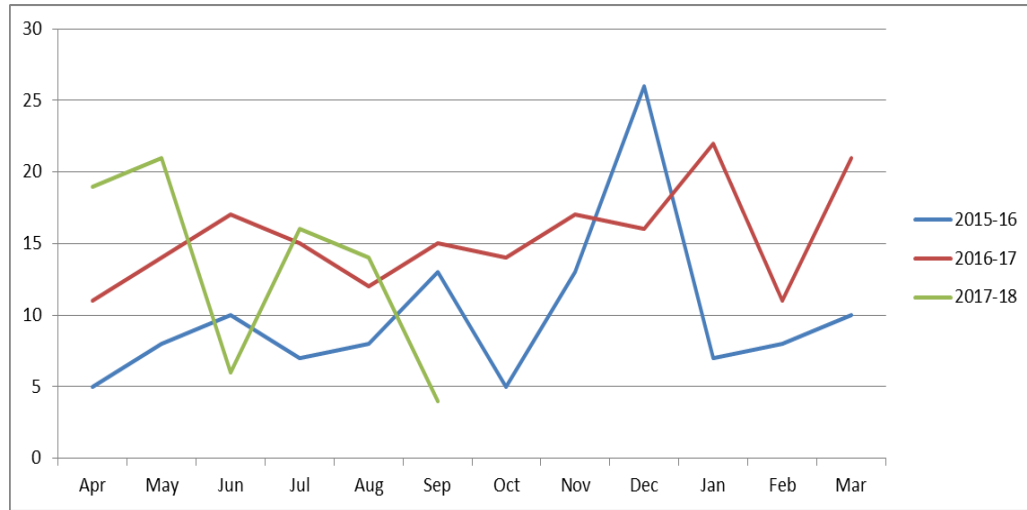


Table CF2-Irregularities by Type - 2017/18

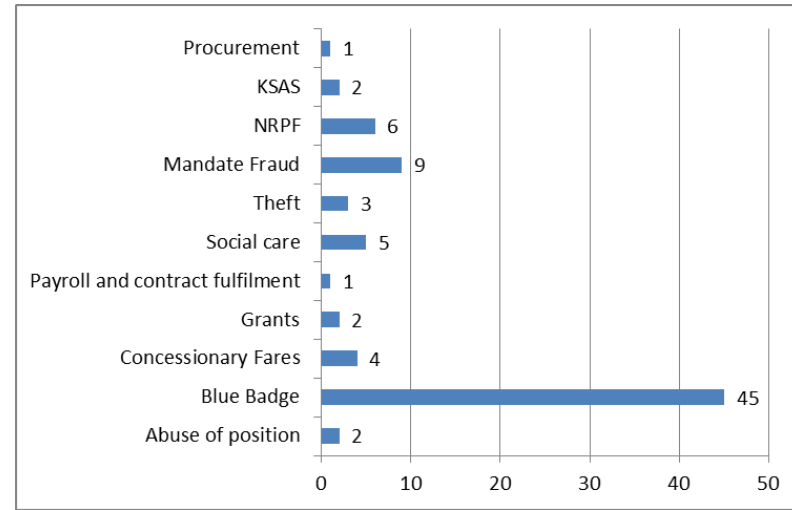


Table CF3 -Irregularities by Directorate

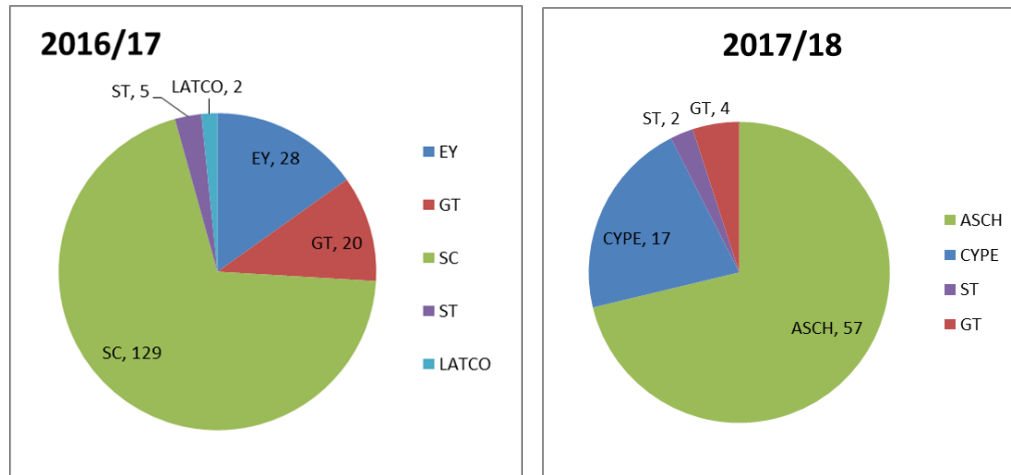
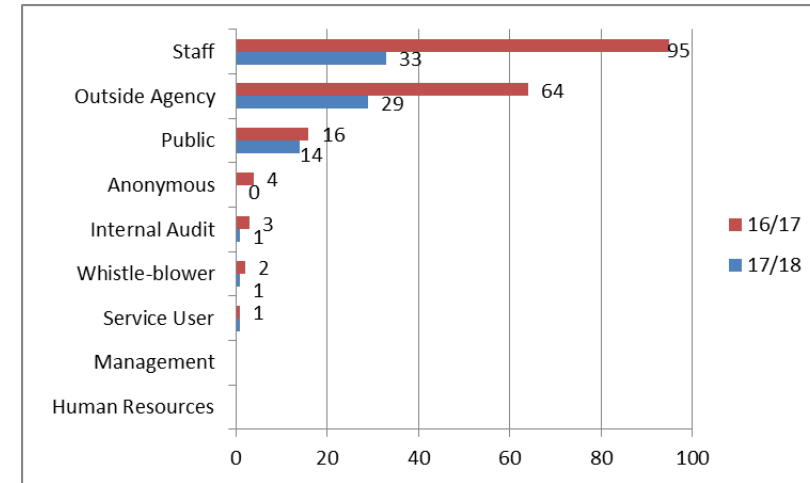


Table CF-4 Source of Irregularities



Kent Intelligence Network

- 5.5 The Kent Intelligence Network is a DCLG grant funded, Kent wide, cross local authority data analytics collaboration with the shared objective to detect, prevent and deter fraud and corruption. The Network has been actively operating since October 2017 and of the near £500k grant received just over half has been spent or committed. Since this date, three data matches have been completed:
- Social Housing Waiting List Data (SHWL) to Council Tax Single Person Discounts (SPD)
 - Non Domestic Rates Small Business Relief (SBR) to Non-Domestic Rates (NDR)
 - Charitable Relief to the register of current charities maintained by the Charity Commission
- 5.6 The SPD/SHWL data match aimed to identify those individuals that were claiming a single person discount while applying for social housing jointly with another adult, indicating that one of the applications may be incorrect and potentially fraudulent.
- 5.7 The NDR match allowed us to identify businesses that were potentially claiming small business rate relief fraudulently. By matching businesses claiming small business rate relief discount against all business rate data from multiple districts, we were able to see if the businesses were operating from different sites as they are normally only eligible to claim this discount if they are occupying a single property.
- 5.8 The third match compared the register of charities obtained from the Charities Commission against NDR data of businesses claiming charitable relief on their business rates. This match allowed us to check that only appropriate charitable organisations were claiming charitable relief.
- 5.9 The collaboration between the Kent authorities through the Kent Intelligence Network has achieved savings of £292,000 to the general benefit of communities across the County.
- 5.10 Over the coming six months the following data matches are planned:
- Residential Parking Permits to Council Tax Single Person Discounts
 - Non Domestic Rates to the register of companies maintained by Companies House
 - Non Domestic Rates to waste collections and licensing.
- 5.11 Our successes have been primarily measured through financial savings (outlined above). If the KIN continues to be successful we have had a clear commitment from the members of the KIN to continue to fund the project once the remaining grant funds are exhausted.

5.12 The KIN are currently undertaking a review of counter fraud capability across Kent and intend to fund training to fill any gaps in knowledge skills and experience.

Annual Review of Anti Money Laundering and Bribery Act Policies

5.13 As part of our protocols we undertake annual reviews of the Council’s Anti Money Laundering and Bribery Act policies. At the July meeting we presented both policies with minor revisions. The Committee agreed the Bribery Act Policy amendments but asked for a further review of the Anti-Money Laundering Policy in light of the revised regulations that came into force on the 26th June 2017. We have completed this review and made a further minor revision so that the correct regulations are referenced, but no further changes were required or needed.

6 Internal Audit and Counter Fraud Performance Performance against our targets to the end of September 2017 are shown below:

Performance Indicator	Target	Actual
Outputs		
100% of Priority 1 audits completed (by year end)	34%	23%
20% of Priority 2 audits completed	7%	5%
Time from start of fieldwork to draft report to be no more than 40 days	100%	56%
No of fraudulent incidents / irregularities recorded	N/A	80
Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	Report due January 2018
% of all other issues agreed	N/A	100%
% of all other issues implemented	N/A	Report due January 2018
Client satisfaction	90%	97%
Total Number of occasions in which		

Performance Indicator	Target	Actual
a) Fraud and b) irregularity were identified	n/a n/a	24 4
Total monetary value detected of (a) Fraud (b) Irregularity		£12,150 £0
Total monetary value recovered of (a) Fraud (b) Irregularity		£0 £0

- 6.2 In general the output outputs are in line with our plans and the level of completion of audits is projected to deliver the audit and counter fraud plan outcomes and targets by the end of 2017/18. In view of the level of special investigations and audits being commissioned it is likely that a number of Priority 1 audits will have to be reduced during the plan revision. (See Section 8).

7 Internal Audit and Counter Fraud Resources

- 7.1 We have no current issues with audit and counter fraud resources and staff turnover is currently low. The standard of accommodation which staff work in is unsatisfactory and of concern.

8 Work in progress and future planned coverage

- 8.1 Appendix B updates progression against the agreed plan coverage and substantiates the estimation that we are on target to achieve our coverage. For the next quarter of the year we have a number of substantive audits to complete including:

Learning lessons from LATCO's	KCC Payroll
Capacity building and knowledge transfer in change programmes	ICT Cloud navigator programme – follow up and 'deep dive'
Young Carers Contract Management	Children's Direct Payments
School's themed review	Data Protection

- 8.2 As detailed in the covering report, we are currently consulting with Corporate Directors over the progression and updating of the 2017/18 plan to ensure it remains relevant to the risks facing the Council. For example, it is not unreasonable that the positive outcome and assurances received from OFSTED should impact on our children's services coverage for the remainder of the year.
- 8.3 We will also be reviewing coverage in light of the increased volume of special investigations and additional audits being commissioned.

9 In Conclusion

- 9.1 We are satisfied that over the past 6 months sufficient internal audit and counter fraud work has been undertaken to allow us to draw a positive conclusion as to the overall adequacy and effectiveness of KCC's standards of control, governance and risk management.
- 9.2 In addition line management have taken, or have planned, appropriate action to implement our issues and recommendations.
- 9.3 We believe we continue to offer added value to the organisation as well as providing independent assurance during a time of considerable change.

Appendix A – Summary of individual 2017/18 Internal Audits issued

No Recourse to Public Funds	
Audit Opinion	Adequate
Prospects for Improvement	Good

This audit sought to assess the adequacy of the processes in place for persons presenting themselves as NRPF and to ensure cases were being consistently and fairly assessed, with suspected cases of fraud being appropriately referred to the Counter Fraud Team.

It proved difficult to validate in Liberi the definitive number of families that KCC is currently funding, as Liberi only permits the available indicator to be populated at the referral stage, and the case worker is unlikely to have confirmed NRPF status at this point. The NRPF Connect system records 16 families being supported, however, we were unable to reconcile these records with the information from Liberi.

We cannot confirm the total spend for NRPF as not all spend was allocated to the dedicated cost code, however a report from Oracle shows £365,000 since 1st April 2016.

Key Strengths

- The KCC NRPF Policy is aligned to national best practice guidance.
- The majority of cases had been appropriately assessed in line with guidance.
- There was evidence of regular case supervision to ensure families continued to remain eligible for support.
- Training workshops have been provided by KCC regarding NRPF cases.
- There was evidence that some cases of suspected fraud had been reported to the Counter Fraud Team.

Areas for Development

- The NRPF Policy would benefit from including further information regarding referring potential suspicious NRPF cases to the Counter Fraud Team. Following audit testing 1:4 cases tested have been referred to the Counter Fraud Team.
- Fraud awareness in relation to NRPF should be raised throughout the service.
- Cases are not routinely re-assessed by the Access to Resource Panel every 12-weeks contrary to the NRPF Policy and national best practice guidance.
- Not all financial spend was allocated to the NRPF cost code and in addition could not be traced due to the weak narratives recorded within Oracle.

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

- The process has evolved and continues to do so as the service become more familiar with cases and best practices.
- There has been good engagement with London boroughs on sharing good practice.
- The service has indicated a willingness to further improve processes.

Summary of Management Responses

	Number of issues raised	Management Action Plan developed	Risk accepted and no action proposed
High Risk	0	0	0
Medium Risk	1	1	0
Low Risk	6	6	0

Programme Management and Corporate Assurance

Audit Opinion	Adequate
Prospects for Improvement	Adequate

There is a clear positive direction of travel since the 2015/16 audit, with good progress being made on the majority of agreed management action plans. Overall the outcomes from the team and Project Managers are positive. In particular, Portfolio Delivery Managers (PDMs) provide expertise and overview of directorate programmes and a good level of support and guidance is provided to Project Managers.

However, weaknesses were identified in a number of areas, and as a result none of the six issues have been fully addressed.

Key Strengths

- A variety of e-learning courses have been made available. Once e-learning has been completed, candidates are invited to sit an examination providing a formal qualification.
- Events are run via the PPM Network on a bi-monthly basis.
- Portfolio Delivery Managers provide expertise and support for Project Managers.
- Advice and guidance provided by Corporate Assurance was of a consistent high standard with staff appreciating the support provided.
- Corporate Assurance has recently introduced the Delivery Environment and Complexity Analytic (DECA) approach.
- 'Project on a Page' provides a good snapshot of the status of a project.
- Lessons Learned are included as a tab on the Corporate Assurance SharePoint site. Project closure reports are stored here for reference.
- The Project Proposal template encourages Project Managers to set out what the project wants to achieve.
- Templates in the toolkit enable Project Managers to tailor the completion of documentation in accordance with the size and nature of the project.

Areas for Improvement

- Early 'informal' assurance has been given on several projects by Corporate Assurance; a formal assurance opinion is not provided.
- Significant improvement is required in the recording and monitoring of budgets including the impact if a project/programme is delivered late.
- Inclusion of projects within some of the portfolios is unclear, resulting in some being omitted and some being included in their later stages.
- There were distinct disparities between the approach to the monitoring and control of projects across the portfolios.
- It was apparent that there is still some confusion between the role of the PDMs and the role of Corporate Assurance.
- There is inconsistent storage of project document on SharePoint.
- A review of the associated payback period is not routinely performed after the completion of the project.
- Inconsistencies were found in the quality of project documentation.

Prospects for Improvement

- Corporate Assurance have recently introduced the Delivery Environment and Complexity Analytic approach to which provides a grading system identifying which programmes should be subject to review.
- Lack of availability of experienced Project Managers across the Council.
- Whilst significant progress has been made, none of the issues raised in the 2015/16 audit have been fully implemented. There is however, a clear direction of travel indicating that performance is improving.

Summary of Management Responses

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

Client & Provider Relationship Management – GEN2

Audit Opinion	Substantial
Prospects for Improvement	Good

The audit confirmed that the governance arrangements are set out within the Service Contract between the Council and GEN² and that this includes the roles of both the client and provider. We noted that the Commissioner sits on the Shareholder Board as a property expert which could present a conflict of interest. However this risk is recognised and mitigating action taken to declare any potential conflicts. We found that there are appropriate reporting lines and monitoring mechanisms to provide assurance that the provider is delivering in line with the commissioner's requirements. There are also processes in place to ensure that the relationship between the client and provider is managed.

However there is no document which clearly sets out the reporting routes and information flows between the relevant boards. In addition the Key Performance Indicators (KPIs) are being amended to ensure that they are meaningful and can be used to more effectively measure and manage performance going forward.

Key Strengths

- There is a five year Service Contract in place which defines the roles of KCC and GEN².
- Appropriate monitoring and reporting mechanisms have been set up, such as the Service Delivery Board, Property Board and Shareholder Board.
- A collaboration workshop has taken place to improve the working relationship between KCC and GEN² and future work around this is planned (see also Areas for Development below).
- There is an effective process to monitor issues and activities.
- Staff showed good risk awareness. Risks appear to be effectively managed with mitigating actions identified and monitored.

Areas for Improvement

- There is no document to show the reporting mechanisms and the information flow between the various property boards.
- The 2017/18 GEN² Annual Delivery Plan has not yet been finalised and work is ongoing to update the KPIs to ensure that they are meaningful.
- Although a Service Improvement Plan has been agreed between KCC and GEN², progress to date has been slow and requires further monitoring.
- As the GEN² contract has been in place over a year, a maturity project or lessons learned review should be completed.

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

- KCC management are engaging at all levels with GEN² in order to address performance shortfalls and ensure adequate delivery of services.
- Management have been receptive to the issues raised within this audit report.

Summary of Management Responses

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

IT Strategy and Governance

Audit Opinion	Substantial
Prospects for Improvement	Good

The Head of Technology Strategy and Commissioning has produced an IT Strategy that reflects Council priorities and needs and is fit for purpose. All directorates were consulted on the draft strategy and informed of the final agreed strategy.

Going forward there may be scope to improve communication of directorate IT priorities and needs and to use this to enhance existing corporate policies in the future, although this does not adversely impact on the current IT Strategy.

Key Strengths

- The Council has a defined organisational structure in place to support the key themes identified in the IT Strategy.
- The IT Strategy explains the links to the Council's overall vision, objectives and business priorities.
- The ICT Strategy is being measured through the ICT Programme Board and Business Capability Portfolio Board.
- Roles and responsibilities within IT have been defined, and all staff have job descriptions defining their roles.
- The Council has appropriate policies and processes covering the range of activities under the remit of ICT. The policies, policy owners and date of last version are logged and tracked to ensure they are reviewed and updated.
- Staff across all Directorates were consulted on the ICT Strategy and the strategy was communicated following approval.
- ICT performance measures and metrics are in place and there are robust mechanisms for reporting ICT performance through Corporate KPIs.

Areas for Development

- Some ICT policies and procedures are scheduled to be updated to reflect changes in policy and responsibilities.
- The ICT Strategic Board (a sub group of the Strategic Commissioning Board) has not yet been convened. This Board will prioritise ICT programmes and projects to ensure outcomes and benefits are clearly specified and business cases are consistent with strategic goals.
- Business Service Centre ICT performance measures are not all being measured and reported (but we note that Corporate ICT KPIs are reported).

Prospects for Improvement

- Management has been receptive to the observations made.
- The ICT team have already identified and planned updates to policies to ensure they remain appropriate.
- Whilst the ICT Strategic Board has not yet been constituted, Terms of Reference have been prepared which include oversight of effective delivery of the ICT vision and strategy.
- The Head of Technology Strategy and Commissioning is already planning a further review of the performance measures and indicators in the BSC (ICT) Specification.

Summary of Management Responses

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

Programme Governance – Cloud Navigator (Interim Review)

Audit Opinion	Limited
Prospects for Improvement	Good

The Cloud Navigator Programme was officially signed off on 20th February 2017; however, there remain a number of key governance processes that are yet to be formally established. This is partly due to a change in Programme Manager - the current Programme Manager is in the position of having to address concerns and formalise controls that should have been implemented before the project began or at least at its outset.

It is noted that improvements have been made in recent weeks with steps taken towards implementing a more structured set of processes around the governance of the Programme. Whereas initially there were concerns the Council was being led by Microsoft, and potentially putting themselves in a position they were not ready for; the new Programme Manager has sought to establish new working practices, including a period of reflection following Microsoft's initial review.

Key Strengths

- There is constant and regular contact between Microsoft and the Council to ensure a consistent approach to the Programme.
- Recent recruitment by the Council has provided a more suitable and stable management of the Programme and filled resource needs.
- Despite Project Plans yet to be implemented, Run Books have been developed to ensure all staff are mindful of tasks, outcomes and the progress of the work being undertaken with daily meetings to maintain this awareness.
- Change and Risk, Assumption, Issues and Dependencies (RAID) meetings have been established. Coupled with the ICT Programme Governance Board and the Weekly Status Updates, this should provide good oversight of the Programme as it progresses.

Areas for Development

- There is no process in place to record and monitor budgets regarding the Council's internal costs, with no budget drawn up and no resource costs identified.
- The expected benefits of the Programme are yet to be identified and recorded. They have been discussed but are not yet formalised.
- Project Plans are not in place for the work streams that are in progress or due to start.
- The previous Programme Manager established a Decision and Escalation document. However, given the new processes being put in place, this no longer reflects the nature of the Programme and requires updating.
- A number of oversight boards and groups have been proposed; however, a KCC-focused Cloud Navigator Programme Board is yet to be convened despite being a number of months into the Programme.

Prospects for Improvement

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

Summary of Management Responses

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

Nurseries Themed Review

Audit Opinion	Adequate
Prospects for Improvement	Good

Internal Audit undertook a series of establishment visits to Work Place Nurseries as part of the agreed 2017/18 annual Audit Plan. The following Nurseries were reviewed:

Establishment	Assurance Level
White Oaks Nursery	Adequate
Discovery Nursery	Adequate
Smarties Nursery	Adequate

Across the three Nurseries 28 recommendations were raised, of which 4 (14%) were high priority and as a result we have some concerns over the operation of a number of critical controls across the three nurseries. We have raised one additional central issue (Medium Risk) to align the priorities of the service with the admission policy of the centres.

Key Strengths

- Building Security at all Nurseries is well managed to safeguard users
- Fire alarm drills and tests are completed regularly.
- Expenditure approval was in line with KCC's scheme of delegation
- Cleanliness at the nurseries was good
- DBS checks for staff are up to date
- Significant reduction in losses since 2015/16
- Good or above Ofsted ratings providing assurance over the standards of childcare and safety

Areas for Development

- There are a number of weaknesses in financial control across all three Centres, particularly relating to evidencing that deliveries had been checked for quality and quantity; maintaining complete and accurate asset registers and regularly banking cash.
- We identified instances of missing or inadequate risk assessments.
- There were instances where staff training records were not maintained and we found gaps in some mandatory and essential training.
- Staff working hours and TOIL records were in place, however a number of staff had exceed the recommended 21 hours limit of flexi-time.
- The administration of medication was not being evidenced on the Medical Audit Records (MARs).

Prospects for Improvement

- Nursery Managers have accepted to the issues raised in their individual audit reports and have either implemented actions immediately or developed appropriate action plans to address them.
- Senior Management have responded positively to the central issue raised in this report and there is relevant oversight to monitor resolution of the issues identified across the three nurseries.
- The Improvement and Standards Team are supporting the individual nurseries in increasing revenue and controlling costs. They are forecast to be cost neutral to KCC for 2017/18.

Summary of Management Responses – Additional Central Issues

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

Children's Centres Themed Review

Audit Opinion	Substantial
Prospects for Improvement	Good

Our audit identified many strengths; there was evidence of positive and targeted engagement with vulnerable families and Children's Centres as a whole are well utilised for the times they are open. There were also many excellent examples of partnership working with other agencies and cost effective working, with good use of volunteers and staff skills.

Recommendations made to individual centres that we visited in 2015/16 had largely been implemented.

Key Strengths

- Governance arrangements are sound, with District Advisory Boards overseeing Children's Centres action planning and monitoring.
- Children's Centres are engaging effectively with a variety of partners from other sectors and partnership working is a real strength.
- All staff interviewed were able to provide examples of how their work had contributed towards good outcomes for vulnerable families; they were evidently committed to their job.
- There is a large amount of data available and this is used to evaluate performance and identify areas for development.
- Children's Centres were making good use of staff resources and volunteers.
- Children's Centres were managing expenditure well; the majority of activities were seemingly delivered at low cost.
- Robust process for commissioning internal and external services.
- Children's Centres appear well utilised when open but due to the ratio of staff to buildings, there are some Centres where no activities are scheduled for some parts of the week.

Areas for Improvement

- Children's Centre targets tend to be output, rather than outcome focused, as there is an over reliance on the data packs to set these.
- In our opinion, there are some underlying quality issues with the data used to inform the targets set.
- These data quality issues also mean that value for money in terms of cost per child reached is difficult to calculate reliably.
- There were some inconsistencies with the commissioned Children's Centres.

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

- We visited two centres that had been audited last year as part of our establishment programme and found that significant progress had been made and that the majority of recommendations had been implemented.
- A review is currently being undertaken to ascertain whether the current model of internal and commissioned centres is the most cost-effective.
- The underlying data issues make meaningful comparisons and benchmarking to aid improvement difficult.
- The Quality Assurance framework is seen as a valuable learning tool.

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	5	4 (1 Partial)	1 Partial
Low Risk	2	2	0

Safeguarding Framework Follow-Up - Adults

Audit Opinion	Substantial
Prospects for Improvement	Good

Internal Audit carried out a review of Safeguarding Adults - Quality Assurance Framework as part of the agreed 2015/16 Annual Audit Plan. The final report was issued in June 2016 and the opinion arising from the audit was 'Limited' assurance. This was largely due to quality assurance arrangements in the SAT not being as effective as they could be. In particular, levels of practice audits had declined such that only one locality was completed for 2015/16. As a result of this, and as per our standard follow-up procedures, we carried out a follow-up audit which focused on implementation of management actions in response to the issues raised.

Our follow-up work highlighted that there has been significant progress since our original audit. Two management actions remain either not implemented or partially implemented:

Quality Assurance Arrangements: A rolling programme of six monthly audits across all client categories and Central Duty Team – After the first audit, directors were of the view that it is too soon for the external auditor to undertake another audit programme in 6 months, especially since all of social care including the Adult Safeguarding Unit and operational teams are all undergoing Transformation Phase 3 and there are consequently constraints on staffing resources. Agreement has already been sought with the external auditor, for the next independent audit, but it is not possible to determine the dates until Transformation Phase 3 is completed at the end of October 2017.

Complex and Near Miss Cases: A near miss procedure/guidance has not been implemented - Following a considerable consultation and joint working, it was agreed at DiVMT that using this term is not helpful and therefore issuing guidance on this can be confusing. The consultation concluded that it was more helpful to be clear about alternative processes which are in place to manage these situations. In establishing clear criteria of risk panels and making sure that all staff are aware of the relevant processes and procedures, the relevant risks which were highlighted in the internal audit can be minimised.

Our overall opinion of Good for Prospects for Improvement is based on the following factors:

Most planned management actions have been implemented and the high level priority issue has been substantially addressed. For one medium priority level management action the team are looking at addressing the issue in another way.

Issue	Priority Level	Conclusion from Testing
Quality Assurance Arrangements	High	Implemented
Completed Practice Audits	Medium	Implemented
Policies and Procedures	Medium	Implemented
Complex and Near Miss Cases	Medium	Not Implemented
Reporting Progress on Improvement Plans	Medium	Implemented
Attendance at OPPD DivMT	Low	Implemented
Policy Protocol and Practice Group	Low	Implemented

17-18 DoLS

Audit Opinion	Adequate
Prospects for Improvement	Adequate

Internal Audit carried out a review of Deprivation of Liberty Safeguards (DoLS) with the final 'Limited' assurance report being issued in June 2016. This was largely due to significant weaknesses identified around data quality, stability of the Excel spreadsheet database and compliance risks to the Authority. This was further exacerbated due to the increasing demand for the DoLS service coupled with the reduction in funding with a resulting in a back log of cases.

Our follow-up work highlighted that there has been significant progress since our original audit. In particular:

- The client database is now stored and retained in a fit for purpose system contained in the Adult Integrated System (AIS).
- AIS operational guidance has been updated to reflect the new processes set out in the DoLS system.
- Quality assurance arrangements have been implemented and the number of errors has significantly dropped.

We tested a new sample of client applications and identified a common inconsistency of admin practice involving case trackers. Although the electronic files did have evidence available for the DoLS process, the case trackers were not routinely updated to include the dates when each stage was actioned.

When funding ceased from the Department of Health, the DMT decided to focus resources on prioritised applications. All outstanding applications are categorised according to the individual Managing Authorities (care homes and hospitals) who were contacted to ascertain whether there is still a need to assess the person. By doing this regular exercise, approximately 30% of non-prioritised cases could be closed without further action, as the person has died/moved/regained capacity.

The back log of applications from 2014-15 to the end of March 2017 has reduced due to additional funding and revised work processes. In September 2016 the average waiting time for a BIA assessment (from application to completion) was between 8-10 weeks. In June 2017 was reported an increase of 16 weeks. With additional funding used on commissioning assessments this has now been reduced down to 6 weeks.

This has had a positive impact on the DoLS service received by the client.

Prospects for improvement

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

- The change over from an excel database to a fit for purpose database has decreased many of the errors identified from the original audit.
- Quality assurance arrangements are in place and are being used effectively and appropriately which are directly impacting in the reduction of errors.
- There are still some issues regarding incompleteness of case trackers on client files.
- All operational manuals and guidance are up to date and reflect current processes.

Summary of progress made with agreed management actions:

Issue	Priority Level	Conclusion from testing
Stability of Excel Spreadsheet	High	Implemented
Data Quality	High	Implemented
Inconsistent Admin Practices	High	Outstanding
Breach of Data Protection Act	High	Implemented
Risk Management	Medium	In Progress

Family Placement Payments

Audit Opinion	Substantial
Prospects for Improvement	Good

We found that in general, placement costs were loaded accurately with the relevant discounts being applied to the cost where appropriate. We identified one exception which resulted in an overpayment of £594.24 due to the placement costs having to be re-loaded. An additional review has taken place to ensure that all discounts have been reloaded in relation to deleted cost lines this has resulted in no further overpayments being identified.

Access to ContrOCC is appropriately managed. The Access to Resources Team (ART) have access to both the Liberi and ContrOCC systems so that they can set up placements and costs in both system, however there is separation of duties in place for authorising of payments and budget monitoring.

A provider portal has been set up to communicate with providers and send contracts, invoices and credit notes between ART and the providers.

Key Strengths

- Placements costs are matched against the agreed contract price prior to being loaded on to the system.
- An exception report for possible duplicate invoices is in place, along with reconciliation between ContrOCC and Oracle.
- Overpayments have been significantly reduced with the interface between Liberi and ContrOCC, the automated collection of overpayments from on-going payments also reduces the administration burden of this process.
- Evidence of providers agreeing contract is now more robust through the provider portal.

- There was evidence of appropriate authorisation by Assistant Directors and Service Managers.
- Customer feedback from providers has had a positive impact on KCCs reputation due to improved efficiency.
- Run records are in place to support the decision making process

Areas for Development

- Consider the need to enter an 18th birthday suspension on all placements, where the child is under 16.
- There is currently no clear process for adding and removing of access to the provider portal. We found a large number of accounts which are not in use.

Prospects for improvement

- Management actions from the previous audit have been fully implemented.
- Management are sufficiently engaged and willing to address the areas for development.
- Lessons learnt have been identified. The ContrOCC project is concluded, and the lessons learned have been shared, through the Children's System Board, with the Lifespan Project (DCS)

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	1	1	0

Financial Assessment Process

Audit Opinion	Limited
Prospects for Improvement	Good

Since our previous audit the Financial Assessment team, which forms part of the Business Service Centre, has seen a reduction in staffing levels linked to a reduction in the number of assessments and home visits. The service has introduced a Customer Relationship Management (CRM) System and document storage system (IDox) to support its processes in tracking and monitoring workloads

Key Strengths

- Detailed procedures have been developed on the way financial assessments should be conducted.
- Testing showed Financial Assessment Forms are being fully completed by assessment officers and issued to clients.
- General accuracy of financial assessment
- Retention of supporting evidence to support financial assessments.
- Imbedded quality assurance process to identify assessment errors and staff training needs.
- Tracking and progression of complex cases with the involvement of suitably experienced staff.
- All team members were fully up to date with mandatory training on DPA, Information governance and Prevent.
- Good use of the TCP process to identify individual training needs.

Areas for development

- There were issues in correctly applying and clearing tasks in the CRM system.
- There is a misalignment between the charging policy (which states DoH minimum income levels apply) and the way a client's Protected Income Level is calculated (using a more generous KCC formula agreed in 2003).

- We found a material number of outstanding cases exceeding follow up dates, impacting on progressing.
- Financial Assessments staff are not required to complete training on identifying safeguarding concerns (in particular financial abuse), financial irregularities & fraud.
- Incorrect use of the 'Go live date' is impacting on the accuracy of KPI reporting.
- Only 1 of 5 CIS test check records had full compliance with DWP checking requirements.
- Failures were detected in progressing or updating of the prominent age report.

Prospects for Improvement

- Adult Social Care is evaluating a replacement for SWIFT to automate some of its current manual process.
- Good progress has been made with addressing the issues raised in this audit with a number of management actions already completed, as well as addressing the issues raised in our previous audit of Financial Assessments.
- Management has fully cooperated with all requests during the audit process and have used the audit as an opportunity to develop and improve their processes.
- Close monitoring of performance by KCC client side.

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	5	5	0
Low Risk	4	4	0

Treasury Management

Audit Opinion	High
Prospects for Improvement	Good

The Treasury Management Team has appropriate controls in place to manage the liquidity risk to the Council and make informed investment decisions based on information provided by the Council's Treasury advisors, Arlingclose. Sample testing found that all treasury transactions were authorised in line with delegated authority limits and that there is a robust mechanism for monitoring cash balances. The Treasury Management Strategy is comprehensive and has been updated to reflect current economic and global risks and there is regular reporting to Cabinet and the Governance & Audit Committee.

Key Strengths

- All investments tested in our sample were within the agreed Counterparty limits at the time of the dealing and had been appropriately approved.
- The majority of procedures are up date, comprehensive and have been appropriately approved, including the Treasury Strategy, Counterparty lists and Schemes of Delegation.
- All interest payments in our sample were paid on time and in line with the loan schedule agreement of terms.
- The daily cash flow position is based on actual cash balances, with daily schedules prepared and appropriately authorised.
- Staff access to systems and associated spreadsheets is appropriate, including the individual user privileges granted on the Nat West Bankline system, with enquiry only access arranged where appropriate.
- Reporting of Treasury Management activity to Members is sufficient and in line with Financial Regulations.

- A Treasury Management Advisory Group has been set up, Members are provided with weekly reports on current treasury deposits and investments.
- Prudential Indicators are monitored with quarterly updates reported to Cabinet.

Areas for Improvement

- The Treasury Operations Manual needs to be updated to reflect current investment arrangements.

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

- The processes operated by the Treasury Management team are predominantly paper based, but are robustly controlled and well embedded.
- All staff interviewed during the audit were knowledgeable and responsive.
- As a result of an objection raised by a member of the public, documentation in relation to the use of LOBO loans is currently being reviewed by Grant Thornton. We are happy that this is an adequate response and that the Corporate Director is appropriately engaged.

Summary of Management Responses

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

Cashiers and Bank Income

Audit Opinion	Substantial
Prospects for Improvement	Good

Income receipting, recording from the various sources and the subsequent reconciliation between the bank account and the financial systems was found to be accurate and adequately controlled. Improvements in procedure documentation, Payment Card machine security, compliance with the Payment Card Industry Data Security Standard (PCI DSS) and the documentation for Direct Debit payment claim rejections have been highlighted

Key Strengths

- All the transactions sample tested during the audit were accurately processed, recorded and reconciled for all types of income available.
- An expansion of the Direct Debit system to cover other sources of income with the associated improvement in income collection processes.
- Time critical processes were managed effectively.
- The records and information concerning the administration of income was available and accurate.

Areas for Development

- The passwords/ PIN numbers for card machines used to take credit and debit card payments are not being changed frequently.
- The retention of Personal Account Number (PAN - the unique 16 digit card number) for card payments may not comply with PCI DSS requirements.
- Direct Debit rejections are not always fully recorded on the documentation for Direct Debit submissions.
- Some review dates on the procedure note index have not been completed.

Prospects for Improvement

- The use of online payment procedures are being developed for implementation in 2017/2018; and
- There are plans to circulate information to all Directorates on the need to properly reference income sources (including information on KNET) to reduce the number of unidentified payments which are time consuming to investigate and allocate.

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

Staff Survey

Audit Opinion	Adequate
Prospects for Improvement	Good

The results of the EVP survey are clearly communicated to the relevant Directors and Heads of Service. CMT and DMT's have given the results of the survey an appropriate level of management attention with comparisons made to the previous year and identification of areas for improvement. Although the services which undertook the EVP in 2016 have identified some action points, this has not been evidenced through formal action plans to address short, medium or long term goals with timescales and the allocation of responsibility for taking the actions forward. As a result, it was also not possible for us to evaluate the progress being made with these action points.

Strengths

- Results from the EVP Staff Survey were fed back and explained to the CMT and the DMT of all services that took part.
- The results from the 2016 EVP have been communicated effectively to all levels of management and staff in the services which took part, being discussed at relevant team meetings or away days (evidenced by meeting notes and agendas).
- As a result of the EVP, action points have been identified to address areas of concern, although these are informal (see Areas for Development below).
- Since the release of the EVP feedback there have been a number of initiatives undertaken to develop and share ideas to improve

the employment deal, such as a culture group, staff workshops and a virtual collaboration tool.

Areas for Development

- Out of the 6 areas which undertook the EVP survey in 2016, only 3 were able to evidence action points being drawn up and only one had a monitoring process for their plan with work allocated to appropriate officers.

Prospects for Improvement

- The issue raised within this audit have been positively received and management have used the audit as an opportunity to develop and improve their processes.
- There is a continuous drive to improve and enhance staff engagement and the employment deal. During the audit a number of new initiatives were identified as being in development.

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	0	0	0
Low Risk	0	0	0

Members' Induction and Training

Audit Opinion	Adequate
Prospects for Improvement	Adequate

The induction and training offering for Members is comprehensive and well communicated with oversight delegated to the cross party Member Development Steering Group. Our main concerns are that none of the available training is deemed mandatory and no records have been kept of attendance. It is clearly good practice for Members to be fully conversant in essential training, especially in KCC when so many key decisions are Member led.

Key Strengths

- Excellent feedback has been received from Members on the support provided by the Democratic Services Manager.
- The Member's training offering was refreshed for the May 2017 elections and approved by the Member Development Steering Group.
- There was a timetable of activity scheduled for the period immediately following the local election, with evolving plans in place for the remainder of the year.
- The training offering to all Members is comprehensive and doesn't differentiate between re-elected Members or new Members. There is a range of training available including various briefings, 121 meetings, e-learning and a plethora of information on a dedicated Members page within KNet.
- The majority of Member's have attended a 121 personal development meeting with the Democratic Services Manager.
- Democratic Services demonstrated effective communication of the Member Development training programme with Members before (as candidates) and after the local elections.

- All Members had signed a Declaration of Acceptance of Office; completed a Declaration of Pecuniary Interest and completed a basic Disclosure Barring Service check following their appointment.
- All Members of the Planning Applications Committee received specific training prior to the first meeting.

Areas for Development

- Complete records of Member attendance at training sessions are not held.
- To enable Member's to fully discharge their responsibilities we recommend that some training be mandated due to the inherent risks that the Council would be exposed to if something were to go wrong
- Formal feedback (such as through use of post-training evaluation forms) is not sought.
- The Constitution had not been updated with some minor changes at the time of audit fieldwork.

Prospects for Improvement

- The Democratic Services Manager demonstrated an impartial and excellent relationship with Members, which is key in addressing the issues identified in this report.
- The newly appointed Cabinet Member for Corporate & Democratic Services fully supports the training of members to a high standard.

Summary of Management Responses

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

Appendix B - Audit Plan 2017/18 Progress

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Core Assurance							
Business Continuity	Q4			Transformation & Change – 0-25 follow up	Postponed to 2018/19		
Performance Management, KPI's/Data quality	Q4			Transformation and Change – Adults phase 3 - Advisory	In Progress		
Risk Management	Q4			Transformation & Change – Business Service Centre - Advisory	Q4		
Annual Governance Statement	Complete	July 2017	Adequate/ Good	Transformation & Change – Checkpoint Reviews - Advisory	As required		
Information Governance	Q4			Transformation & Change – Change capacity and knowledge transfer	Planning		
Learning the lessons of LATCO's - Advisory	In Progress			Declarations of Interest Priority 2			
Bribery & Corruption (follow up)	Complete	July 2017	Adequate/ Good	Income generation/ Commercialisation v business as usual Priority 2			
KCC Corporate Governance	Q4			Data Protection (including General Data Protection Regulations) GDPR element – Advisory Priority 2	Planning		
Directorate Governance Review – Children, Young People and Education	Postponed to 2018/19			Service User feedback & engagement (KCC-wide) Priority 2			
Strategic Commissioning – new arrangements - Advisory	Q4			Directorate Governance Review – Adults Addition to plan in place of CY review	Q4		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Core Financial Assurance							
Revenue Budget Monitoring	Q3			Cashiers & Bank Recs	Complete	November 2017	Substantial/ Good
Schools Financial Services	Q4			T.D.M. System (for domiciliary care payments)	Q4		
Treasury Management	Complete	November 2017	High/ Good	Accounts Receivable Follow-Up Priority 2			
Financial Assessments	Complete	November 2017	Limited/ Good	Client Financial Affairs (KCC as Appointee) Priority 2	Q4		
Risk/Priority Based Audit							
Members Induction and Training	Complete	November 2017	Adequate/ Adequate	Young carers - contract management Priority 2	In Progress		
Apprenticeship Levy	Planning			Adults and Children's Finance Processes - Advisory Priority 2	Cancelled		
Use of Agencies and IR35	Planning			Domiciliary Care Priority 2			
KCC Payroll	In progress			Redesign of 26+ Service – consultancy - Advisory Priority 2	Cancelled		
Developer Contributions (section 106 & CIL payments)	Q4			DCALDMH Service Provision redesign - Advisory Priority 2			
TFM Follow-up	Q4			Direct payments analytical review – Advisory Priority 2	Q4		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Health & Safety	Q4			Residence Arrangements - IFA,& Residential – including placements and payments Priority 2	Deferred to 18/19		
Grants Administration Follow-up	In progress			Troubled Families Returns	In progress & ongoing		
Property Income Management Priority 2	In progress			Education Services Company - Advisory	Ongoing		
KNet and Website – including online payments Priority 2				School Themed Review - additional funding and SEN HNF	Planning		
KCC Recruitment/ entry controls Priority 2				SEN Transport	Q4		
Recruitment and retention incentives (Social Care) Priority 2				EY systems Post-implementation	Postponed to 2018/19		
Contract management of GEN2 (including capital projects and data control) Priority 2				EHU revised model and outcomes	Cancelled due to Ofsted outcome		
Quality of Care themed review	Planning			Childrens Centres themed review follow-up	Complete	November 2017	Substantial/ Good
LD Lifespan Pathway Post Implementation	Deferred to 18/19			Youth Justice Priority 2	Cancelled		
Adult Safeguarding Follow-up	Complete	November 2017	Substantial/ Good	Front door - CRU & Triage integrated model Priority 2	Cancelled		
MCA/DoLS Follow-up	Complete	November 2017	Adequate/ Adequate	Economic Development inc Regional Growth Fund	Planning		

Project	Progress at October 2017	Date to G&A	Overall Assessment	Project	Progress at October 2017	Date to G&A	Overall Assessment
Protection of Property	Q3			BDUK –watching brief - Advisory	In progress		
Swift replacement project – consultancy - Advisory	Ongoing			Carbon Reduction Commitment – annual review	In progress		
Disabled children - direct payments and managed service	In Progress			Kent Resilience Team Follow-Up Priority 2			
Foster Care - dependent on outcomes of service review could inc recruitment of foster carers	Cancelled due to Ofsted outcome			Local Growth Fund –phase 3 inc Major Highways Project Management Priority 2	Q4		
No Recourse to Public Funds	Complete	November 2017	Adequate/ Good	Contract Management in Libraries, Registration and Archives Priority 2			
Residence Arrangements 16+ (SAIFE) including placements and payments	Q3			Street Work Income Priority 2			
Childrens' Allowance Review Team inc SGOs	In progress						
ICT Audit							
ICT Strategy and Governance	Complete	November 2017	Substantial/ Good	Mobile Working Priority 2	Planning		
Cloud Navigation – Programme Governance	Complete	November 2017	Limited/ Good	Software Licensing Priority 2			
Cloud Navigation – Watching Brief and Project Milestone Deep Dive	In progress			ISO27001 – BSC Readiness Assessment Priority 2			
ICT Asset Management	Planning						

Appendix C - Internal Audit Assurance Levels

Assurance opinion	Definition
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.