By:	Robert Patterson – Head of Internal Audit
To:	Governance and Audit Committee – 25th July 2018
Subject:	**INTERNAL AUDIT ANNUAL REPORT AND OPINION FOR 2017/18**
Classification:	Unrestricted

Summary:
This annual report details:

- The overall outcomes and key themes from internal audit and counter fraud work undertaken during 2017/18
- The translation of these outcomes to the resultant annual opinion on the Council's systems of governance, risk management and internal control that is incorporated into the Annual Governance Statement.
- The related performance of the internal audit and counter fraud unit in delivering this work

Recommendation: FOR ASSURANCE

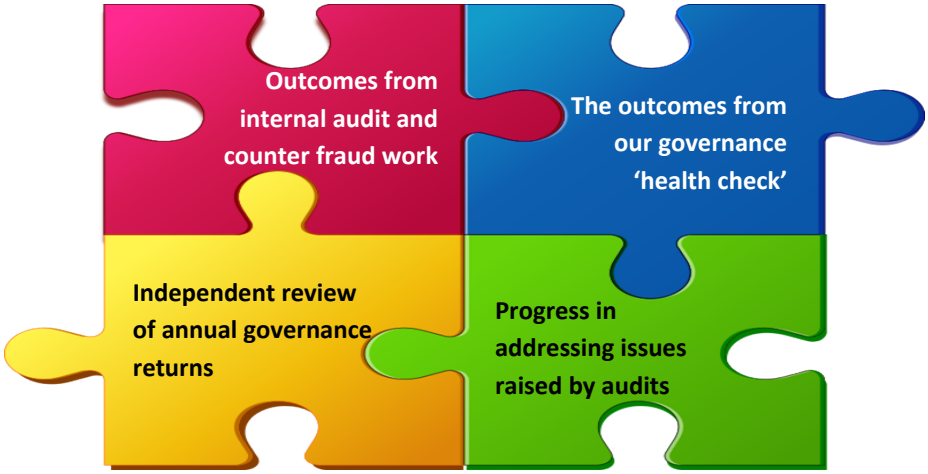
Introduction

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

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

1.2 As such this paper and the attached enclosures provides the year end conclusions in relation to audit and counter fraud outcomes during 2017/18, including the key themes that emerge and the associated strengths and areas for development.

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



1.4 This report considers each of these elements and the resultant over-arching opinion.

2. Outcomes from internal audit and counter fraud work

Internal Audit

2.1 Appendix A maps the judgements on the 48 substantive internal audits undertaken during 2017/18. This has involved audit reviews embracing over £719 million of combined KCC turnover. In addition, we have undertaken 12 establishment audits (mainly unannounced), focusing this year on children's centres, nurseries, OPPD day care and outdoor education centres as well as visits to 20 schools as part of our thematic work.

2.2 The full internal audit and counter fraud annual report is enclosed in Appendix D. Appendix 3 of the annual report details completion of the 2017/18 audit plan, including amendments and changes. There have been no material amendments or deletions that would cause concern and we have not been prevented from auditing any area.

2.3 Overall 42% (38% in 2016/17) of systems or functions have been judged with 'substantial' assurance or better, conversely 15% (7% in 2016/17) of systems have been given a 'limited' assurance (or worse).

Counter Fraud

2.4 There have been no incidences of material fraud, irregularities or corruption discovered or reported. In total 160 suspected financial irregularities were reported to the Counter Fraud Team during the 2017/18 financial year. A total of 126 irregularities have been concluded. The potential value of these irregularities at the time they were reported was £773,966. Of the cases closed the total value of fraud was £87,748. Over the year £85,764 has been recovered from those cases and a further £118,029 has been prevented from being lost.

2.5 The fraud team has experienced increased volume of referrals, particularly due to its proactive work in areas such as direct payments. The increase in fraud resources approved by CMT in March 2018 is now being enacted with a re-structure and additional resource being recruited to the team. The counter fraud plan for 2018/19 embraces this increased capacity and the ability to undertake more proactive fraud awareness and preventative work.

Strengths and Areas for Development

2.6 From the totality of our audit and counter fraud work the following strengths and areas for development emerge:

<u>Strengths</u>

- The 42% of services and functions that have been given a substantial opinion or better

- A continuing pattern of general robustness of key financial and non-financial systems – over 60% of audits in this area received a substantial assurance rating or better
- Confirmation of a positive culture backing up risk management systems across the Council
- Generally positive assurance around the Council's ICT systems and preparations for GDPR
- High assurance over the financial monitoring and assistance to schools
- 96% of audit issues raised have been or are being implemented by management (see paragraph 5.4)
- Three quarters of functions audited have been judged to have good ~(or better) prospects for improvement

Areas for development:

- The 15% of services or functions that have been given a limited opinion or worse
- Continuing issues over control lapses regarding commissioning and monitoring of certain contracts. (The ongoing work on developing a strong, integrated commissioning service will be a clear positive step towards resolving these issues)
- The Council's processes for maintaining its property portfolio records and collection of rental income
- Verification issues relating to children's financial allowances (now resolved)
- Ensuring we more effectively learn the lessons from the setup of LATCO's
- The continuing need for consistent and robust devolved financial and non-financial controls in selected establishments – once again we have found areas of weak internal controls in certain centres, including issues around safeguarding

2.7 The majority of the areas for development have already been reported to G&A Committee during the year

3. Governance 'health check'

3.1 We have built on the structured 'health check' model we introduced for 2016/17 where audit outcomes have been mapped against 11 key areas, being:

1. Change, and realising our plans
2. Performance
3. Underpinning IT and Data Quality
4. Risk
5. Policies and procedures and their application
6. Legislative compliance
7. Financial and non-financial resources
8. Commissioning, Procurement and Contract Management
9. Governance at Directorate levels
10. Governance of partnerships
11. Other underpinning quality assurance measures

3.2 A full report has been presented to the Head of Paid Service, Section 151 officer and General Counsel. The summary outcomes from this work are shown in

Appendix B. A positive is that no 'weak' opinions have emerged. A similar pattern of 'adequate' opinions has emerged as previous years. We consider that the performance relating to commissioning. procurement and contract management are reflective of the progress made from the new commissioning functions and governance by particularly spotlighting areas of poor performance that have been referred to us.

3.3 Overall the focus and distribution of audit outcomes from this model leads to a **'substantial'** overall opinion from the health check, although it is evident from the outcomes (and the areas for development detailed above) that this opinion is marginal.

4. Annual Governance Statement (AGS) and Returns

4.1 As in previous years we have also independently reviewed the annual governance returns supplied from Directorates and Departments to the General Counsel. These returns provide evidence of the standards of internal control and risk management within these departments and are critical to the Council's declarations in the annual governance statement. Overall, we found no material errors or issues from these self-assessments with only minor inconsistencies.

4.2 Unfortunately at the time of our audit the County Council had yet to adopt the 2016 CIPFA/ SOLACE revised good governance code (instead following the previous 2007 code) although elements and principles of the systems now follow this revised guidance. This has resulted in our opinion of 'adequate' assurance' and a suitable declaration on the code will need to be made in the Councils annual reporting. We understand that it is planned to formally adopt the new code in July 2018.

5. Follow Ups

5.1 Critical to good governance is the organisations ability to implement high and medium risk audit actions and recommendations once they have been agreed. This year we have undertaken the following:

- Programmed in depth follow up audits built into the 2017/18 plan, focusing on previous areas of concern / limited assurance
- Comprehensive follow up returns and assessments from directorates (subject to audit test checks)

Programmed Follow Ups

5.2 As part of the 2017/18 annual audit plan we undertook seven in depth follow ups of critical areas where in the previous year audit opinions had been adequate or worse with the following results:

Area	Previous Opinion	Revised Opinion after follow up	Revised Prospects for Improvement
ICT Cloud Navigation	Limited	Substantial	Good
Children's Centres	Adequate	Substantial	Adequate
Adults Safeguarding Framework	Limited	Substantial	Good
Grants	Limited	Adequate	Adequate
TFM Helpdesk	Limited	Substantial	Adequate
TFM Contract Management	Limited	Adequate	Adequate

5.3 Encouragingly, all six areas have shown improvement with a high number enhancing their overall controls to gain substantial assurance. In relation to the grants process there were still a number of elements where controls could be strengthened but CMT decided that the cost of such changes outweighed potential benefits. Although the 'front end' helpdesk of the TFM contract has improved considerably, there are continuing issues over lapses of key performance monitoring and management information in the running of these contracts.

Follow Up Returns

5.4 In relation to our routine follow up exercises, the key issues and responses received from management are detailed in Appendix 2 to the internal audit and counter fraud annual report. In summary the current distribution for the implementation of agreed actions declared to us is shown below:

Priority	Targeted for implementation before June 18	Implemented	In progress	No progress
High	22	5	15	2
Medium	80	42	36	2
Total (%)	102	46 (46%)	51 (50%)	4 (4%)

5.5 The detail behind this follow up work is contained in the full internal audit and counter fraud annual report in Appendix D. This data confirms the trend of the past two years of generally low levels of 'no progress' on audit issues raised.

6. Overall Internal Audit Opinion

6.1 Combining together the outcomes from the four key areas detailed above we will be providing a **substantial assurance** in relation to Corporate Governance, Risk Management and Internal Control.

6.4 The proposed formal wording for the relevant declaration into the Annual Governance Statement is shown in Appendix C.

7. Our Quality Standards and Accreditation

7.1 In relation to the competencies of internal audit and counter fraud underpinning this opinion, Corporate Directors will be aware that in March 2015 the unit was independently quality assessed against PSIAS by the Institute of Internal Auditors (IIA) and volunteered for a follow up review in June 2016.

7.2 The outcomes from these assessments are that we have been judged as fully compliant to all of the 56 international standards and been awarded the highest level of grading by the IIA.

8. Recommendations

Members are requested to:

8.1 Note the outcomes from the 2017/18 audit and counter fraud work and the resultant **'substantial'** opinion to the Annual Governance Statement.

9. Background Documents

Appendix A	Distribution of Internal Audit Judgements 2017/18
Appendix B	Overall diagrammatic results from the 2017/18 Governance 'Health check'
Appendix C	Annual Governance Statement 2017/18 – Internal Audit Opinion
Appendix D	Internal Audit and Counter Fraud Annual Report 2017/18

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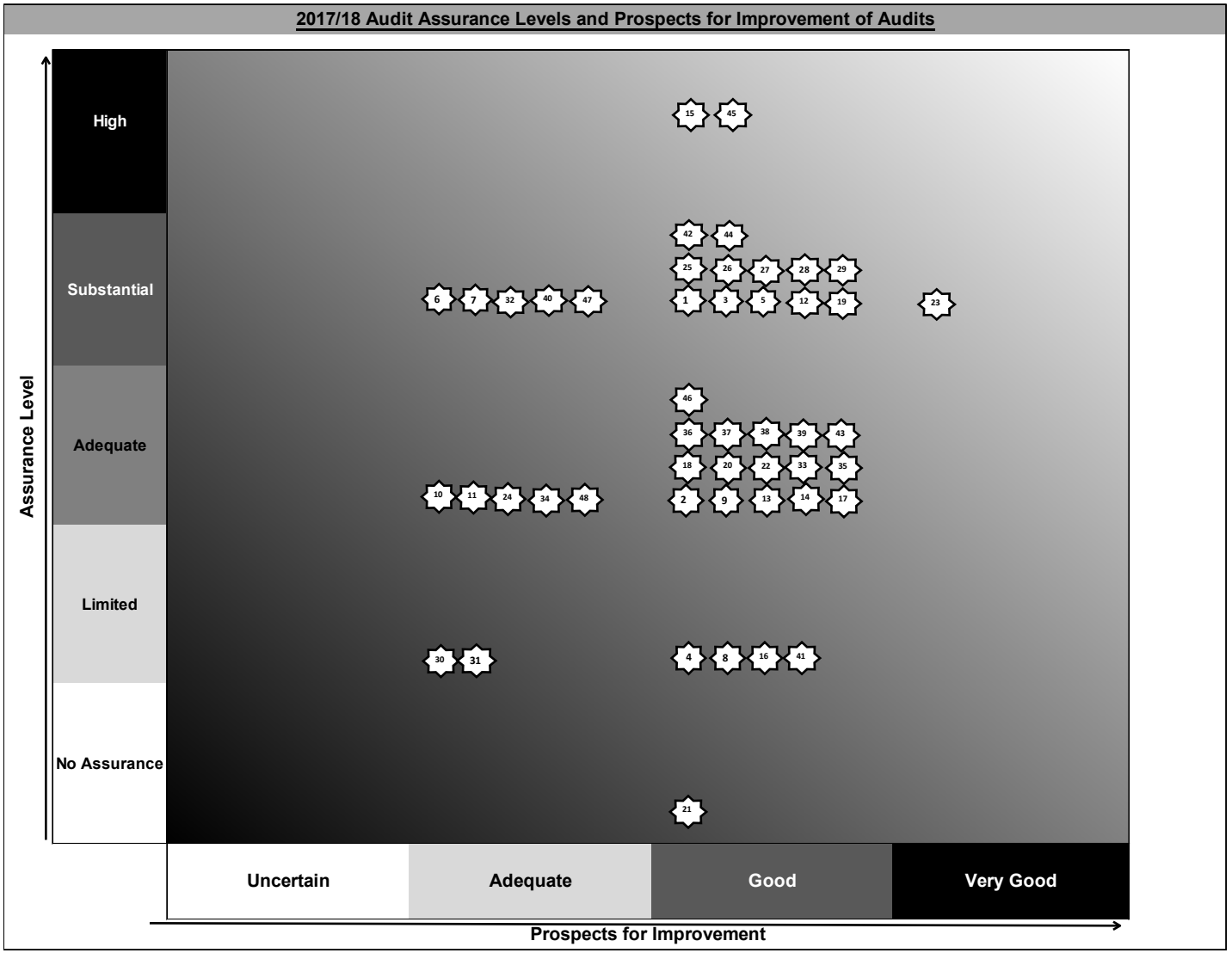
July 2018

Appendix A – Distribution of Audit Assurance Levels and Prospects for Improvement 2017/18



Audit Opinion October G&A Committee

No	Audit	Judgement	Prospects for Improvement
1	Family Placment 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 - KKC Side	Substantial	Adequate
7	Children's Centres Follow Up for 2017/18	Substantial	Adequate
8	Financial Assessments	Limited	Good
9	No Resource to Public Funds	Adequate	Good
10	Members Training & Induction	Adequate	Adequate
11	Programme Management & 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

Audit Opinion January G&A Committee

No	Audit	Judgement	Prospects for Improvement
16	Learning Lessons From LATCO's	Limited	Good
17	Data Protection - GDPR	Adequate	Good
18	ICT Mobile Working	Adequate	Good
19	Cloud Navigation Follow-up	Substantial	Good
20	Young Carers Contract Management	Adequate	Good
21	Property Income Management	No	Good
22	IR35	Adequate	Good
23	KCC Payroll	Substantial	Very Good
24	Grants Follow-up	Adequate	Adequate

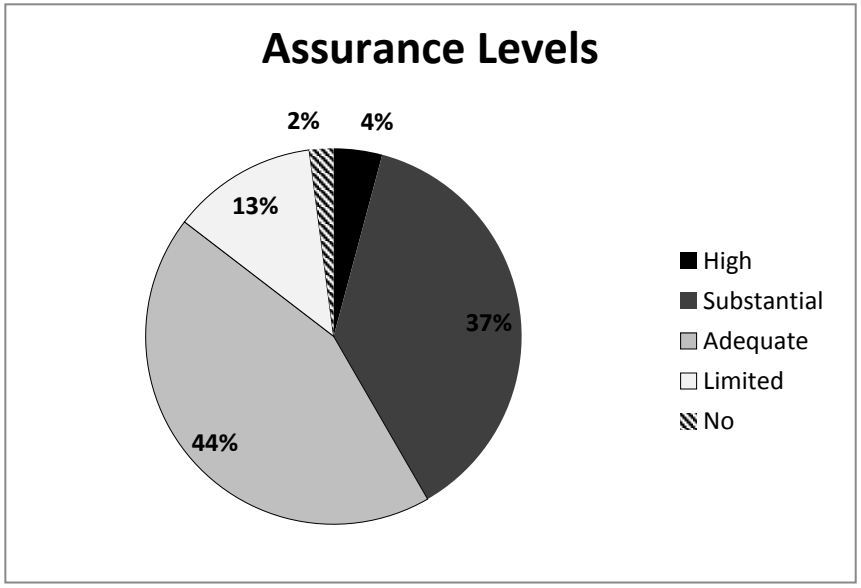
Audit Opinion April G&A Committee

No	Audit	Judgement	Prospects for Improvement
25	ICT Asset Management	Substantial	Good
26	Change Capacity & Knowledge Transfer	Substantial	Good
27	Apprenticeship Levy	Substantial	Good
28	ICT Cloud Navigation Deep Dive	Substantial	Good
29	Revenue Budget Monitoring	Substantial	Good
30	Discharge to Assess	Limited	Adequate
31	Children's Allowance Review Team	Limited	Adequate
32	Schools Themed Review	Substantial	Adequate
33	Protection of Property	Adequate	Good
34	Establishments - OPPD Day Care Theme	Adequate	Adequate
35	Information Governance Toolkit	Adequate	Good

Audit Opinion July G&A Committee

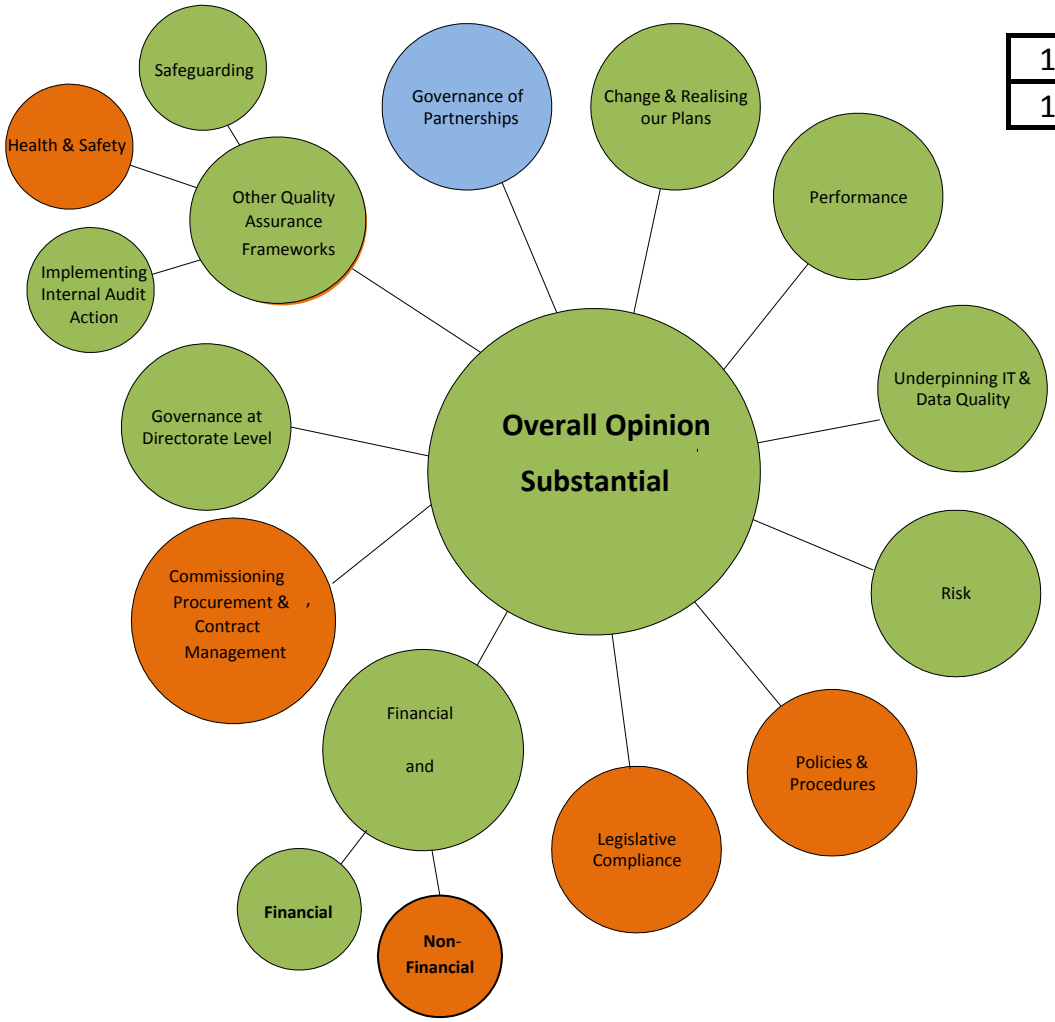
No	Audit	Judgement	Prospects for Improvement
36	Economic Development	Adequate	Good
37	Health & Safety	Adequate	Good
38	Business Continuity	Adequate	Good
39	Annual Governance Statement	Adequate	Good
40	BSC - Change	Substantial	Adequate
41	**Young People Semi-Independent Accomodation ***	Limited	Good
42	Risk Culture	Substantial	Good
43	**Adult Social Care Governance ***	Adequate	Good
44	Performance Management	Substantial	Good
45	Schools Financial Services	High	Good
46	Outdoor Education Centres Themed Review	Adequate	Good
47	TFM Helpdesk - Follow-up	Substantial	Adequate
48	TFM Contract Management - Follow-up	Adequate	Adequate

Assurance Level	No	%
High	2	4%
Substantial	18	38%
Adequate	21	44%
Limited	6	13%
No	1	2%



Appendix B – Overall diagrammatic results from the 2017/18 Governance 'Health check'

Overall Opinion	Substantial



	Good	Adequate	Weak	No Opinion
17/18	20 (43%)	20 (43%)	6 (13%)	1 (2%)
16/17	25 (34%)	38 (56%)	5 (7%)	0

Red	Weak
Amber	Adequate
Green	Good
Blue	No opinion

Appendix C - Annual Governance Statement 2017/18

Judgement and wording from Internal Audit and Counter Fraud Unit

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

In relation to internal controls, internal audit has concluded an overall substantial assurance over the control environment within the Council and its Directorate functions. This reflects a pattern of generally robust core support systems, with a number of exemplar areas identified. No incidences of material external or internal fraud or corruption have been detected or reported. Overall standards of internal control as measured by audit assurance levels have been maintained compared to the previous year. Areas for further improvement have also been highlighted; more particularly the need to improve the commissioning and monitoring of certain contracts; ensuring lessons are learnt from the development of arm's length companies, property records are effectively maintained and that procedures and controls are consistently applied across the Council's remote establishments. The Council has been receptive to addressing issues raised by Internal Audit and has achieved a good performance level in implementing agreed actions. This has been independently confirmed from the results of formal follow up work undertaken by the unit.

Kent County Council

Internal Audit and Counter Fraud Annual Report

July 2018

Contents

1 Introduction and Purpose

1.1. This annual report details cumulative internal audit and counter fraud outcomes for 2017/18. As well as providing the substantive evidence underlying our opinion to the Annual Governance Statement it also highlights key issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from our work.

1.2. This report also details the remaining substantive audit and counter fraud work completed since our last progress report to the G&A Committee in April 2018.

- Appendix 1 provides the detail underlying these audits.
- Appendix 2 details the results of our follow up work and the organisation's track record in implementing agreed actions from audit and counter fraud reports.
- Appendix 3 demonstrates how the audit and counter fraud plan for 2017/18 has been duly completed.
- Appendix 4 provides the definitions underlying our opinions.

1.3. During 2017/18 we completed 48 substantive audits together with reviews of a further 12 establishments and 20 schools. In relation to counter fraud we have completed 126 investigations. The majority of this coverage was resourced and driven from the internal audit and counter fraud plan (previously reviewed by this Committee) selected on the basis of providing an independent and objective opinion on the adequacy of the Council's control environment. Overall, we have examined over an estimated £774 million of KCC turnover.

1.4. In this annual report we highlight the key messages and outcomes arising from our work together with the associated assurance levels. In section 3 we align these audit outcomes against key corporate risks or significant systems.

1.5. In deriving a structured opinion, we have also taken the results from our audit work and aligned them against 11 areas in the 'Governance Health Check'. The overall results from this analysis are shown in the covering paper to this annual report.

1.6. During 2017/18 internal audit remains the appointed internal auditor for current and newly established arms lengths trading bodies, providing independent assurance to their relevant Boards and management teams.

2 Overview

Internal Audit

1.7. The covering paper to this Annual Report provides a graphical distribution of the assurance levels from the totality of the substantive internal audits undertaken during 2017/18. To reprise our covering report, for the work and outcomes derived from this coverage, together with outcomes from the governance 'health check' , reviews of the Annual Governance Statement (AGS) returns and follow up work results in the following summary strengths and areas for development.

1.8. Strengths

- The 42% of services and functions that have been given a substantial opinion or better
- A continuing pattern of general robustness of key financial and non-financial systems – over 60% of audits in this area received a substantial assurance rating or better,
- Confirmation of positive culture backing up risk management systems across the Council
- Generally positive assurance around the Council's ICT systems and preparations for GDPR
- High assurance over the financial monitoring and assistance to schools
- 96% of audit issues raised have been or are being implemented by management (see section 7 of this report)
- Three quarters of functions and services have been judged to have good (or better) prospects for improvement

1.9. Areas for further development relate to:

- The 15% of services or functions that have been given a limited opinion or worse
- Continuing issues with control lapses over commissioning and monitoring of certain contracts. (The work on developing a strong integrated commissioning service will be a clear positive step towards resolving these issues)
- The Council's processes for maintaining its property portfolio and collection of rental income
- Verification issues relating to children's financial allowances (now resolved)
- Ensuring we more effectively learn the lessons from the setup of LATCO's
- The continuing need for consistent and robust devolved financial and non-financial controls in selected establishments – once again we have found a number areas of weak internal controls in certain centres, including issues around safeguarding

Overall Assurance and Opinion

1.10. The breadth of our coverage and outcomes from our work for the year has provided sufficient evidence to support a **Substantial** opinion on the overall adequacy and effectiveness of the Council's system of internal control, which relates to:

- Corporate Governance
- Risk Management
- Internal Control

1.11. There have been no limitations to the scope of our work, but it should be noted that the assurance expressed can never be absolute and as such internal audit provides "reasonable assurance" based on the work performed.

1.12. The formal declaration that will be incorporated into the Annual Governance Statement is shown in Appendix C of the covering paper.

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

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

3.1. Appendix 1 provides detailed summaries on the outcomes from internal audit work completed to the end of the financial year but which has not yet been reported to the G&A Committee. 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. As such the following patterns of audits emerge against the County Council's key risks:

Management of demand – Children's Services

3.2. During the year 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**	
Young People's Semi-	Limited	Good	High: 2	All accepted

independent Accommodation	(Provisional)	(Provisional)	Medium:4	(provisional)
Children's Allowance Review Team	Limited	Adequate	High: 1 Medium:3	One medium priority not accepted
No recourse to public funds	Adequate	Good	High: 0 Medium:1	All accepted

3.3. In the final part of the year we examined young people's semi-independent accommodation which has a spend of approximately £4 million per annum. The issues identified were mainly concerned with contracting. This is mainly short term in nature and with no over-arching contractual arrangements and no formal performance monitoring. Safeguarding issues were generally satisfactory with accommodation being quality checked and the voice and views of young people being a key thread in their progression to independence.

3.4. The overall distribution of assurance levels in this category is disappointing with weaknesses generally relating to lapses or shortfalls' in financial and assessment systems.

Management of demand – Adult Social Care

3.5. We undertook no new work during this period but as a reminder previous work has consisted of :

	Assurance Level	**Prospects for Improvement**	**Issues Raised**
Discharge to Assess	Limited	Adequate	Agreed by CMRG

3.6. This was reported in full to the April 2018 meeting of this Committee where we highlighted commissioning and monitoring shortfalls with such contracts linked to short term funding from central Government.

3.7. We also undertook special investigation work relating to a significant domiciliary care provider and compliance with contracted call out conditions - this was reported to the January 2018 Committee.

Identification, planning and delivery of financial savings

3.8. Clearly associated with the above risk is the delivery of the Council's transformation plans (including the creation of trading companies for selected services). During the final part of the year we looked at the preparations for the BSC (now Cantium) moves towards an arm's length company:

	Assurance level	Prospects for Improvement	Issues Raised	
BSC - Change	Substantial	Adequate	High: 0 Medium: 2	All accepted
Change Capacitry and Knowledge Transfer	Substantial	Good	High: 0 Medium: 1	Partially accepted
Revenue Budget Monitoring	Substantial	Good	High: 0 Medium: 0	n/a
Programme Management and Corporate Assurance	Adequate	Adequate	High: 2 Medium: 4	All accepted
GEN2 Governance (Client side)	Substantial	Good	High: 0 Medium: 3	All accepted
Learning Lessons from LATCO's	Limited	Good	High: 1 Medium: 1	All accepted

3.9. The foundations being laid for the creation of the new LATCO were generally sound. The business case was realistic and subject to considerable challenge. It was also based on a track record of securing past business. Timely shadow company governance structures had been set up linked to clear project management structures. We identified several lower level issues including the need to improve risk identification.

3.10. With the exception of learning lessons from LATCO's, the overall judgments from this section have been generally good with the Council taking positive steps to lay the foundation for better capacity and monitoring of its change programmes. The outcomes from the BSC work would also suggest that lessons are being learnt from the formation of past LATCO's.

Information Governance – including General Data Protection Regulations

3.11. We have undertaken no new IT audit work in the final period, but as a reminder the outcomes from previous work have been:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
ICT Asset Management	Substantial	Good	High: 0 Medium:1	Accepted
ICT Cloud Navigation Deep Dive	Substantial	Good	High: 0 Medium:1	Accepted
Information Governance Toolkit	Adequate	Good	High: 1 Medium:2	High priority issue partially accepted
ICT Strategy and Governance	Substantial	Good	High: 0 Medium:1	Accepted
ICT Cloud Navigation Programme	Limited	Good	High: 2 Medium:3	All accepted
Data Protection - GDPR	Adequate	Good	High: 0 Medium:7	All accepted
ICT Mobile Working	Adequate (Proivisional)	Good (Provisional)	High: 1 Medium 2	Accepted
Cloud Navigation Follow Up	Substantial	Good	No new issues raised.	N/A

3.12. In general IT audit work has resulted in positive outcomes and with an improved assurance rating compared to the previous year. We found preparations for GDPR were generally sound and our follow up of the Cloud Navigation project has shown a marked improvement in controls.

Safeguarding – protecting vulnerable children

3.13. There has been no new dedicated work undertaken in this period, but two audits had associated links to safeguarding:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
Young People's Semi-independent Accommodation	Limited (Provisional)	Good (Provisional)	High: 2 Medium:4	All accepted
Outdoor Education Centres	Adequate	Good	47 issues raised across the 4 sites visited	All accepted
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
Young Carers Contract Management	Adequate	Good	High: Medium:	All accepted

3.14. As detailed above, the safeguarding results from our review of semi-independent accommodation were generally positive. Conversely, we did find a small number of lapses at outdoor education centres – particularly health and safety issues, security and lapses in key documentation.

3.15. Overall, from our testing this year the results and outcomes from safeguarding related issues were mixed, but with one exception, there were no major issues.

Safeguarding – Protecting Vulnerable Adults

3.16. There has been no new dedicated work during this period. The outcomes from previous work have been :

	Assurance Level	**Prospects for Improvement**	**Issues Raised**	
Protection of Property	Adequate	Good	High: 2 Medium:4	All accepted
Safeguarding framework – Adults – Follow Up	Substantial	Good	High: 1 Medium:4	4 of 5 actions implemented
Deprivation of Liberty (DOL's)	Adequate	Adequate	High: 4 Medium:1	3 of 4 high priority actions implemented 1 medium priority in progress

3.17. Overall these results provide satisfactory assurance over adults safeguarding, with the improvement in the monitoring frameworks in social care to 'substantial' being particularly positive.

Contingencies and resilience

3.18. Ensuring that the Council works effectively to recover from potential emergencies and service interruption is becoming increasingly important with rising threats including cyber-attacks. In response to this risk we examined business continuity arrangements, with the following outcomes:

	Assurance Level	Prospects for Improvement	Issues Raised	
Business Continuity – 'deep dive' review	Adequate	Good	High: 0 Medium: 7	All accepted

3.19. As part of our in depth testing we looked at adult social care Business Continuity plans. We found them generally fit for purpose, being correctly linked to business impact assessments, risk assessments through to recovery strategies. Overarching governance arrangements were in place with health services. The system resilience plan is regularly tested, but service level plans are not. There was also a need to receive assurance on third party provider / contractor arrangements to ensure these are integrated with in-house plans.

Access to resources to aid economic growth

3.20. As assurance against this corporate risk we undertook an over-arching governance review of the Council's economic development function, with the following outcome:

	Assurance Level	Prospects for Improvement	Issues Raised	
Economic Development	Adequate	Good	High: 1 Medium: 4	All accepted

3.21. We reviewed the vision, leadership, financial governance, commissioning and performance management of this function which costs a (net) £4.2 million per annum with 59 staff and which is responsible for administering and securing considerable invested resources.

3.22. In general, a clear vision and plan for the Division has been developed that aligns with the Council's strategic aims, the only exception being the omission of the 'Culture and Creative Economy' Team from such plans. Vetting and risk assessment of funding decisions are clear and for Regional Growth Funds (RGF) the innovative re-cycling system for repaid loans has now been further amended and helped reduce operating deficits. For RGF loans, defaults also remain low. We considered that KPI's for the service were not truly representative of the wide range

of aims and outcomes being achieved and, in some instances, there is an absence of robust 'exit strategies' for certain projects, running the risk of resources being tied up in legacy projects.

Financial and Operating Environments – Critical Systems and Functions

3.23. 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. The following topic was examined during this final period:

	Assurance level	**Prospects for Improvement**	**Issues Raised**	
Schools Financial Services – Compliance Visits	High	Good	High: 0 Medium: 0	N/A
Revenue Budget Monitoring	Substantial	Good	High: 0 Medium: 0	N/A
Apprenticeship levy	Substantial	Good	High: 0 Medium: 2	All accepted
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
Property Income Management	No	Adequate	High: 2 Medium: 1	All accepted
IR35	Adequate	Good	High: 1 Medium: 2	All accepted
KCC Payroll	Substantial	Very Good	High: 0 Medium: 1	All accepted
Grants Follow Up	Adequate	Adequate	High: 3 Medium: 2	Reported to CMT and risks accepted

3.24. Our annual review of the system of school compliance visits operated by Schools Financial Services was again positive. We can confirm that during 2017/18 the team completed its target of 100 schools to a high standard using a comprehensive 'work book' system and that the outcomes are moderated and subsequently followed up.

Other Audit Assurance – including Governance Functions and Controls

3.25. During this last period, we have undertaken work in a miscellany of areas including our annual governance coverage of areas such as risk and performance management:

	Assurance Level	**Prospects for Improvement**	**Issues Raised**	
Annual Governance Statement and Returns	Adequate	Good	High: 1 Medium: 1	All accepted
Risk Culture	Substantial	Good	High: 0 Medium: 3	All accepted
Performance Management	Substantial	Good	High: 0 Medium: 1	Accepted

Adult Social Care Governance	Adequate (Provisional)	Good (Provisional	High: 0 Medium:8	All accepted
Health and safety	Adequate	Good	High: 2 Medium:0	All accepted
TFM Helpdesk (Follow up)	Substantial	Adequate	No new issues identified, residual issues still not fully addressed, but good progress being made.	
TFM Contract Management (Follow up)	Adequate	Adequate	No new issues identified, residual issues still not fully addressed, but progress made.	
Schools Payroll and Income	Substantial	Adequate	High: 0 Medium:4	All accepted

3.26. Overall controls in these areas were generally satisfactory

3.27. Our audit of the systems and departmental returns that underpin the Council's annul governance statement has been assessed as 'adequate' this year because the Council has yet to formally adopt and review its processes against the revised CIPFA / SOLACE code issued in 2016. A non-conformance statement will be necessary to this year's AGS, but on a positive it is planned to adopt the new code in July 2018. With this exception we determined that the Council continues to have robust and well-established processes within each Directorate for managing the AGS returns process.

3.28. The focus of our risk management assurance this year was around the culture surrounding systems and controls. We followed the model prescribed by the Institute of Risk Management (IRM). We determined there was a generally positive culture towards risk across the Council. The tone set form the top was positive with active engagement and support from senior management. Concerns raised were supported and the methods and forums to review and consider risks were open and transparent. Feedback indicated that KCC is mature as an organisation in learning form adverse experiences outside the organisation, but less so when dealing with internal bad news. Officers felt more training would be desirable and at the time of the review e-learning modules were being updated.

3.29. As part of our annual review of performance management we tested corporate performance indicators. Overall, we found that the KPI's were aligned to business objectives, supported by a robust definition framework, accurately calculated and subject to management review. We found two minor non-conformances around reporting on greenhouse gas emissions and waste landfill.

3.30. The largest review undertaken in this period related to Adult Social Care governance. Overall, we found there was strong leadership and a good 'tone from the top'. There was cohesive management team working following a clear strategy linked to the Council's outcomes with good risk awareness. There were some issues over the consistency of messages to some middle management levels and a lack of awareness at certain levels of the financial impact of operational decisions. Although KPI's are regularly challenged and monitored, some service targets are being missed and there are sometimes difficulties in sustaining performance management in these areas. The relationship between social care and commissioning still needs to be clarified including ownership of certain processes and contracts and links to social care statutory responsibilities.

3.31. Our audit of the corporate Health and Safety team was positive with the team working through a 3-year action plan with an investment in new IT and streamlined processes. Unfortunately, the assurance judgement was lowered due to issues outside the control of the department, more particularly difficulties in uploading accident / incident reports due to IT problems and the inability to enforce certain H&S training within schools despite inherent and recent risks.

3.32. During the final part of the year we re-visited progress on managing the TFM contract and the associated helpdesks. On a positive, substantive progress is now being made on the customer facing service with an increasing proportion of calls and associated jobs now being performed within prescribed timescales. Despite one contractor being unable to provide evidence that they were following the KCC complaints process, it was evident that overall the quality of the helpdesk service is improving. In contrast the management of the TFM contracts still requires improvement with continuing issues over incomplete site visits, backlogs to work and delays in applying deductions for poor performance.

Establishment Audits

3.33. During this period, we completed our themed establishment work through visiting 4 OEC services (each of which received a dedicated audit report). The following overall judgement was made:

	Assurance level	Prospects for Improvement	Thematic Issues Raised	
Outdoor Education Centres – overarching opinion	Adequate	Good	High: 0 Medium: 2	All accepted

Individual OEC	Assurance level
Bewl Water	Substantial
Kent Mountain Centre	Substantial
Horton Kirby	No assurance
Swattenden	Adequate

3.34. Overall, we found sound financial controls across the centres particularly around income and cash controls and safeguarding checks and IT controls were good. Conversely, we found common lapses in health and safety issues and at one site we concluded a 'no assurance' over significant H&S matters that were referred on to the corporate H&S unit. We understand these issues have now been rectified.

3.35. In terms of purchasing and supplies, value for money was not being consistently secured and the procurement team was not being utilised.

3.36. As a reminder the outcomes from our previous review of OPPD day centres and Nurseries was:

	Assurance level	Prospects for Improvement	Thematic Issues Raised	
Establishments – OPPD Day Care	Adequate	Adequate	High: 2 Medium: 1	All accepted
Establishments – Nurseries	Adequate	Good	High: 0 Medium: 2	All accepted

4 Other Audit Work including Grant Certification

4.1 We continue to independently review Troubled Families funding claims, of which four were submitted for the 2017/18 financial year and all were found to be substantially compliant, as well as certifying numerous grant claims (required by funders) relating to Social Care, Transport, Highways and EU grants.

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' function for Kent Commercial Services, Gen2, Invicta Law and to the future companies (The Education People and Cantium Business Services)
- Appointed auditor to 12 Parish Councils
- Appointed auditor to the 'Mytimeactive' leisure Trust / charity
- Support to a number of Academies in their preparations for GDPR
- 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
- Input towards the Kent Intelligence Network (KIN) counter fraud data matching hub

5.Counter Fraud and Corruption

Fraud and Irregularities

5.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year. In total 160 suspected financial irregularities were reported to the Counter Fraud Team. A total of 126 irregularities have been concluded during this period. The potential value of these irregularities at the time they were reported was £773,966. Of the cases closed the total value of fraud was £98,253. Over the year £96,269 has been recovered from those cases and a further £103,541 has been prevented from being lost.

5.2 The Adult Social Care and Health Directorate accounted for two thirds of the counter fraud team's referrals. The most common type of referral was misuse relating to the Blue Badge scheme. In 2017/18 the counter fraud team recorded 80 irregularities relating to Blue Badge misuse and fraud.

5.3 The second most reported type of fraud is recorded as "Social Care" which includes Direct Payment misuse, deprivation of capital, financial abuse by a third party and financial assessment form fraud.

5.4 The number of 'no recourse to public funds' referrals sent to the counter fraud team by Social Care has remained at a level comparable to that of 2016/17. The potential value of the 15 referrals received equates to £194,000. This is calculated by using the average value of accommodation and food for six months.

3.37. Whilst the number of referrals from Social Care may seem concerning, we are confident that the level of referrals from this directorate is in response to a good awareness of fraud risks and how to manage them. We have undertaken some informal benchmarking with other county councils who have confirmed they manage a similar level of referrals from their Social Care services. In 2018/19 we will be undertaking a thematic review of historic Direct Payment misuse with the aim of identifying common themes and trends that we will seek to address in the future and reduce misuse.

Kent Intelligence Network (KIN)

3.38. At the end of 2017 the Governing Board of the KIN decided to re-procure the data matching software rather than extend the existing contract and to recruit a full-time manager to re-invigorate the project. As a result data matching activity was put on hold for the remainder of the 2017/18. Both recruitment and procurement are nearing completion and the KIN will re-launch in September 2018.

Fraud and Irregularity tables:

Table CF1 - Number of Irregularities Reported by Month

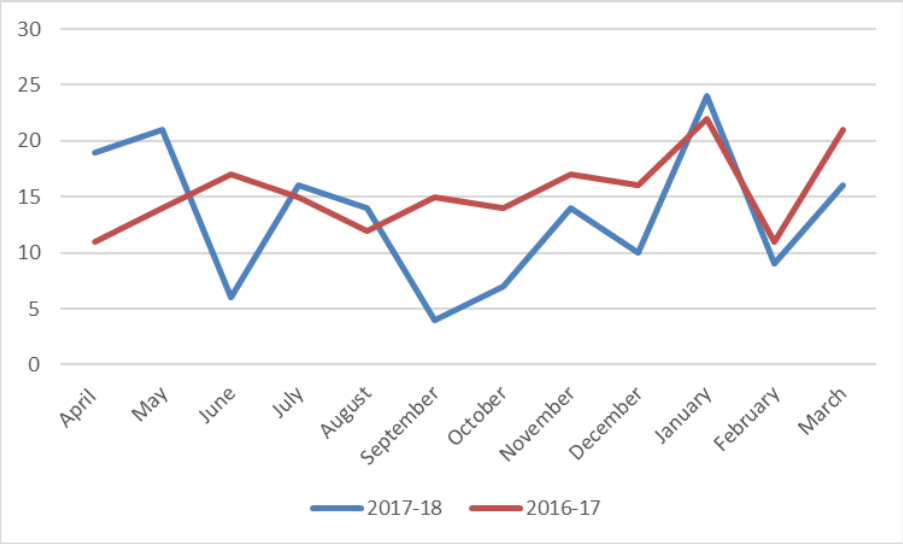


Table CF2-Irregularities by Type - 2017/18

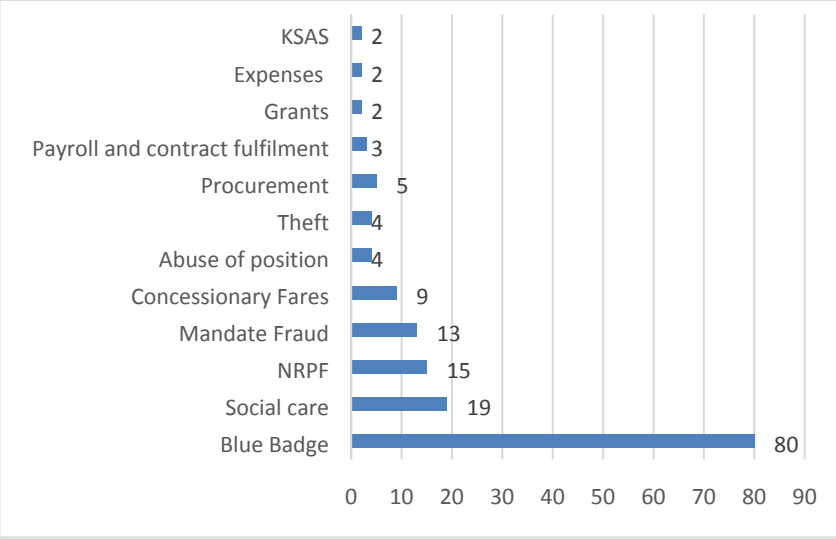


Table CF3 -Irregularities by Directorate

2017/18

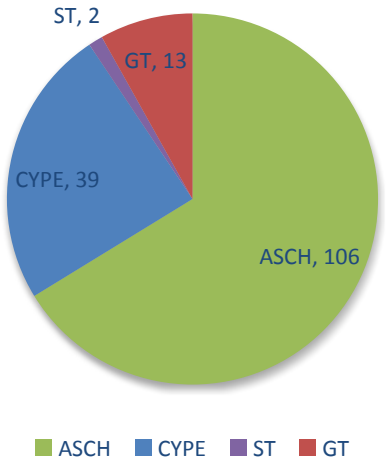
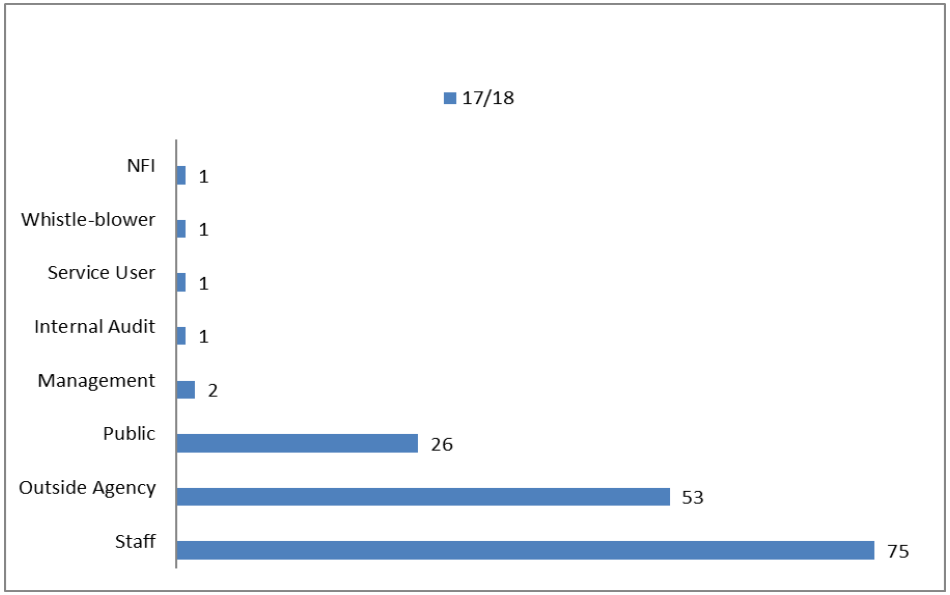


Table CF-4 Source of Irregularities



6 Follow Ups

6.1 The integrated follow up work has been described in the covering report including in depth reviews and six monthly overviews using a self-assessment methodology involving departments.

6.2 From the monitoring of implementing agreed actions the results are extremely positive, with the most recent data showing only 4% of agreed actions have not made progress – and of these, half are because the actions have been superseded by other events or re-organisations.

6.3 In association with the above, our in-depth follow up audits of six selected areas have also evidenced improvement with a high number now moving to 'substantial' assurance.

7 Internal Audit and Counter Fraud Performance

Internal Audit

7.1 Performance against our targets to the end of the financial year are shown below:

Performance Indicator	Target	Actual
Outputs		
90% of Priority 1 audits completed (by year end)	90%	97%
20% of Priority 2 audits completed	20%	19%
Draft audit reports issued within agreed date on the engagement plan	60%	49%
Outcomes		
% of high priority / risk issues agreed	N/A	100%
% of high priority / risk issues implemented	N/A	22% (68% in progress)
% of all other issues agreed	N/A	99%
% of all other issues implemented	N/A	52% (45% in progress)
Client satisfaction	90%	95%
Value for money / efficiency savings identified	N/A	£200,000

7.2 In general, the outputs were in line with our plans for 2017/18.

Counter Fraud Transparency Measures

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

Counter fraud transparency measures	**2017/18**
Total number of employees FTE undertaking fraud investigations	2.8
Total number of professionally accredited counter fraud specialists	2.8
Amount spent on investigation and prosecution of fraud (Note 1)	£155,210
No of incidents investigated (Note 2 and 3)	160
Total No of occasions on which (a) fraud and (b) irregularity was identified	(a) 90 (b) 36
Total monetary value of (a) and (b) detected (Note 4)	(a) £201,794 (b) £7,118
Total monetary value of (a) and (b) recovered (Note 5)	(a)£96,269 (b)£7,118

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

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

Note 3- 34 cases still remain open.

Note 4 - The values include £103,341 value of attempted fraud where the loss was prevented and therefore no actual loss was incurred, and no recovery is required.

Note 5 - Recovery remains ongoing in some cases.

8 Internal Audit and Counter Fraud Resources

8.1 Resources are appropriate in terms of staff numbers and qualifications to provide adequate audit and counter fraud coverage and assurance to the Council. Management have been supportive of the unit and a particular positive has been the approval to increase the size of the counter fraud function during 2018 because of the increasing levels of fraud referrals.

9 Conformance with Public Sector Internal Audit Standards (PSIAS)

10.1 As detailed in the covering paper, the unit has been independently assessed by the Institute of Internal Auditors (IIA) as compliant to all 56 standards and has been awarded their highest grading.

10.2 Backing up these independent assessments have been the periodic 'business as usual' quality assurance checks and improvement programmes that the unit undertakes throughout the year. During the year we were a finalist in the IIA's 'Outstanding Team – Public Sector' awards.

10 Conclusion

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

Appendix 1 – Summary of Individual 2017/18 Internal Audits issued end March 2018

Young People's Semi-Independent Accommodation

Audit Opinion	**Limited (Provisional)**
Prospects for Improvement	**Good (Provisional)**

While reviewing working practices it was identified that current working practices could be improved in terms of the formalisation of follow up actions for quality assuring work on providers. Verification of DBS details are not retained after completion of checks of providers. There are concerns whether the time allocated for support to the young person is being fully delivered by the providers. There is reduced availability of placements due to embargos imposed on 4 providers. Procedures in place are a short-term solution until the new system is in place. Due to the nature of spot purchase contracts there are no overarching contractual arrangements such as KPI's in place.

Key Strengths

- Prices quoted by accommodation providers are challenged where the quotes received are higher than anticipated.
- Discounts have been secured with providers who provide accommodation to a number of young people.
- All accommodation had been checked prior to moving in.
- Payments are made in accordance with the agreed level of support.
- All placements had been reviewed. The voice and views of the young person is a key thread in this process.
- The needs of the young person are documented and reconciled throughout the process.
- Placements selected best meet the needs of the young person.
- Social Worker notes on Liberi were found to be clear and concise.
- Individual Placement Agreements had been consistently completed.
- Structured process in place for engaging with the young person
- Contingency and back-up plans are in place to provide further support to help the young person achieve their outcomes.

Areas for Development

- Action plans for providers do not allow for updates and sign off once actions have been completed.
- No verification process of provider support.
- Verification of DBS checks performed are not retained.
- Availability of placements reduced due to embargos.
- Procedures in place are short term fixes.
- No KPIs for spot purchase contracts with no overarching contract arrangement in place.

Prospects for Improvement

- There are plans for the 18+ Care Leavers to work collaboratively with the 16/17 team which will allow for greater cohesion between the different services, better joint funding and easier transition from when the young person moves into adulthood.
- In recognition of the high cost and unregulated nature of service a report was produced to move Semi-Independence into shared accommodation as a formal contract arrangement by the beginning of the next financial year.
- 18+ team resources to increase so able to deliver on growing demand.
- Pilot of drop-in centres in East Kent for young persons to discuss housing and housing benefit.

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	4	4	0
Low Risk	0	0	0

BSC - LATCo Preparations

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

Our analysis has shown that extensive work has been carried out in readiness for this decision and for the Go Live date to be achieved, however there are still several key actions that have yet to be fully completed.

The Go/ No Go decision is supplemented by a detailed plan and timetable which is reviewed by the Shadow Board monthly.

One key area which requires further attention is contract management and novation. We were initially unable to ascertain what progress had been made on this and have concluded that further work needs to be carried out to complete this aspect of preparation for the Business Services LATCO.

Key Strengths

- The foundations for the new LATCO being created from the BSC appear sound.
- There is a detailed Business Case which has gone through several review and challenge processes and consultations.
- The BSC had a good track record of getting new business to date and this has added to the credibility of the business case.
- Timely company governance has been developed - the shadow Board has been in operation from January 2018.
- The Shadow Board timeline details all key actions, endorsement and approvals needed prior to the LATCO going live.
- There is a system in place to track progress and budgets against the project plans and timelines.
- There is evidence that lessons learned from the setup of other LATCOs have been considered and this has been detailed in presentations to KCC Boards.

Areas for Development

- The Shadow Board meetings are minuted and actions are captured. However, at present there is no formal follow up or monitoring of agreed actions to determine whether they have been implemented.
- At the time of the audit the risk register included several risks which had not been updated to show their current state. This has since been updated but needs to be reviewed on a regular basis.
- It is unclear what work has been undertaken with regards to supplier contract novation and who this has been assigned to within the BSC and/or the Strategic Commissioning Team. Details have also not been provided as to what contracts the BSC currently has and who is responsible for the management of key contracts.

Prospects for Improvement

- Management have agreed with the issues that have been identified during this audit and are keen to take action to address these,
- Project planning/management is closely monitored.
- The business plan is still being developed 4 weeks before 'Go Live'.
- Extensive resources are being put into the formation of the LATCO at a considerable cost, the agreed setup budget of £1.89million.
- The break-even in Year 5 is dependent on retaining current customers and winning new, profitable business.
- Previous LATCos introduced by KCC have not performed as initially expected. Although the BSC could be an exception the future is unknown.

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	1	1	0

Outdoor Education Centres – Themed Review

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

We visited 4 Outdoor Education Centres and carried out wide-ranging audits covering financial and non-financial control areas. The overall results of these 4 audits were:

Establishment	Assurance Level
Bewl Water	Substantial
Kent Mountain Centre	Substantial
Horton Kirby	No Assurance
Swattenden	Adequate

The individual Establishment audit reports should be referred to for specific findings, the recommendations made, and the actions agreed, all of which were reported to the Head of Service and the relevant Centre Managers. A total of 47 recommendations were made of which 7 (15%) were high priority, 23 (49%) medium priority and 17 (36%) low priority. No incidences of suspected fraud or irregularities were found.

Key Strengths across the OECs

- There are good controls around petty cash, income is correctly invoiced and cash & cheques are held securely and routinely banked.
- Authorisation levels are in line with the delegated authority matrix.
- All relevant Centre staff have a current enhanced DBS check
- Staff are aware of data protection requirements.
- The Centres visited are kept clean and clutter free.
- Customer feedback is received and reviewed, and processes are in place for handling complaints.
- All sites generate income from visitors and provide wide variety of educational and recreational activities.

Key Areas for Development across the OECs

- Evidence of fire drills and weekly fire tests is not routinely retained at all Centres and a fire door at one Centre was blocked.
- Building signing in and out sheets are not regularly completed and at one Centre access to restricted areas is poorly controlled.
- Risk assessments are not completed for all.
- Health & safety posters are not consistently displayed, or details are out of date. Evidence of health & safety inspections are not always retained.
- The Tactical Procurement team is not being consistently utilised.
- Delivery notes for purchases are not routinely checked and signed off.
- Stock records are not consistently performed across the centres.
- Lack of evidence of staff completing all essential and mandated training.
- Up to date declarations of interests have not been completed by all staff.
- There is a general absence of standardised policies and procedures across all sites – in particular for finance processes.
- There is potential to make more use of the positive customer feedback received to support the OEC marketing strategy and grow income.

Prospects for Improvement

- A completed action plan has been received for Swattenden
- For Bewl Water and action plan has been developed.
- A detailed progress update was received from Horton Kirby stating that the vast majority of recommendations have been implemented.
- Several areas of strength and good practice were identified at Kent Mountain Centre.

Summary of Management Responses to Thematic Issues raised

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

Business Continuity – Social Care focus

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

Adult Social Care business continuity plans were generally fit for purpose; they were supported by a Business Impact Assessment, risks had been identified, priorities had been determined and recovery strategies had been drawn up that reflected this analysis. The overarching System Resilience Plan is regularly tested.

However, processes in place to receive assurance on the adequacy of provider arrangements and to ensure these are fully integrated with the in-house plans need to be strengthened. There were also some discrepancies between Adult Social Care plans and corporate procedures. We also have concerns over wider governance and ownership issues with no reporting or review to DMT for at least 12 months.

Key Strengths

- There was considerable evidence of integrated working with the Clinical Commissioning Groups and the Directorate's System Resilience Plan aligns to NHS England's OPEL Framework
- The Directorate System Resilience Plan has been regularly tested in conjunction with the NHS
- The contact list for the System Resilience Plan is regularly maintained and is up to date
- The service carried out a comprehensive training gap analysis for the System Resilience Plan in
- There was a Business Impact Assessment (BIA) in place for all service plans that we tested.
- Minimum Service Levels, Maximum Tolerable Period of Disruption and Recovery Time Objectives had been defined and communicated
- Plan owners felt that the BC Plans covered the key risks and generally felt confident that they would be able to keep the service running in the event of business disruption

Areas for Development

- Testing identified some specific areas where the Adult Social Care approach differed from the corporate template
- The System Resilience Plan has not been reviewed and approved by the current Strategic Commissioner
- In practice, governance arrangements have lapsed in the past financial year; no reports have, for example, been presented to DMT
- The BIA has not been reviewed and then approved by DMT since 2012
- 7/11 Service Plan owners had not received any business continuity training and the remaining 4 received training some years ago
- There was a lack of real ownership of the Plans at service level
- Service level plans had not been tested
- Links between service plans and provider plan, particularly where frontline services are reliant on commissioned provision, are insufficiently clear
- There are currently no mechanisms in place for identifying providers at risk of failure although have been advised that this work has started

Prospects for Improvement

- The Adult Social Care and Health Directorate has dedicated resource to focus on Business Continuity
- Detailed action plans have been created for all issues raised
- Some changes for example with regard to suppliers are to an extent cultural and therefore will take a while to embed

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	7	7	NA
Low Risk	0	N/A	N/A

Economic Development

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

Governance controls within Economic Development are generally operating appropriately to ensure strategic and operational aims are met.
In general, a clear vision has been developed which has been translated into the 2017/18 Divisional business plan that aligns to the Council's strategic aims.
In terms of measuring impact and outcomes, there are some areas for development. In particular some KPIs are not representative and feedback is not effectively captured from organisations and communities that receive funding.
Part of the Division includes the Hardelot Outdoor Education Centre. The reason for this residing within Economic Development is unclear and at the time of our audit concerns were raised over the centre's governance and operation of bank accounts. This needs to be resolved as a matter of urgency.

Key Strengths

- Governance Boards are in place and there is pro-active attendance by senior officers to support communication of strategic aims and links to ED operational activity and outcomes.
- There was evidence of wider engagement with key stakeholders across the remit of ED.
- Good use is made of the DECA (Devereux Calculating) scoring mechanism and project management tools to ensure all projects and commissioning activity is captured and risk assessed.
- There is appropriate oversight by GET Directorate Management Team on projects and resources.
- Regular and robust budget and effective budget management
- Attendance at the Brexit working group and Infrastructure working group to understand economic impact and resource requirements.

Areas for Development

- Some key elements of the activity of Economic Development were excluded from the Divisional Business Plan
- The outcomes captured for some Key Performance Indicators are not representative of the aims and objectives of Economic Development
- The Creative and Culture operational plan does not clearly link with the Kent Culture Strategy
- The employment arrangements within Produced in Kent require review to ensure the employment status for self-employed people is correctly applied
- Although effective engagement with stakeholders was demonstrated, there was a lack of feedback on the quality of service from those receiving funding
- Exit strategies/ sustainability plans have not been developed for projects when they become 'business as usual' tasks
- During the course of the audit considerable concern was raised with the governance arrangements for Hardelot Outdoor Education Centre.

Prospects for Improvement

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

- ED management engaged fully with the audit throughout the process.
- Action plans have been drawn up to address all issues raised in this report.
- Progress had already been made in implementing the management actions to address the issues raised. Two issues have been agreed as being fully addressed at the time this report was finalised.

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	4	4	0
Low Risk	5	5	0

Schools Financial Services – School Compliance Visits

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

The Returns and Compliance Team (R&CT) has developed a comprehensive work book which is completed for each school compliance visit and covers all areas relating to the Schools Financial Value Standard (SFVS). The work book is formatted to ensure all questions are completed and the resulting risk ratings and recommendations are consistent.

A thorough review of the work book is carried out annually and it is updated to continually improve the process.

Audit sample testing confirmed that the workbook is being fully completed and the results moderated internally before reports are issued to schools. The process to follow-up on the implementation of recommendations raised is now fully embedded, and changes have been made to make the process more efficient by performing follow-up site visits at schools.

All issues raised in pervious audits of the Schools Compliance Visits process have now been closed off as remedial actions have been completed where appropriate.

Key Strengths

- There is a comprehensive work book which is regularly reviewed and updated.
- All school compliance reviews are moderated by experienced staff to ensure the quality and consistency of work and the resulting reports to schools.
- The process to follow up on previous recommendations is now embedded.
- Reports are issued to schools promptly.
- Performance of the R&CT is monitored through a series of Performance Indicators.
- The team completed its target of 100 schools in 2017/18

Areas for Development

- None identified in this audit. No issues raised.

Prospects for Improvement

- All issues identified in previous audits are now implemented and closed.
- The R&CT continually looks for ways to improve all aspects of their processes.
- The compliance workbook is proven to be a reliable tool and is regularly reviewed and updated.

Annual Governance Statement

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

At the time of the audit, the AGS for 2017/18 was again being progressed against the old 2006 framework, rather than the revised 2016 CIPFA/ SOLACE framework. In the spirt of good corporate governance and transparency, the Council must address this, or add a suitable non-conformance statement to their overall AGS for 2017/18.
In our 2016/17 audit report we advised that a disclaimer should be added to the Council's overall AGS return advising that the Council had not reported against. This was not done.
Services have all signed their Statements of Assurance confirming that they continue to have the right resources and have complied with the Financial Regulations and Constitution, even though budget pressures and resource constraints continue to be raised as issues. We also note that a number of issues raised in prior years remain ongoing as directorates continue to look at ways to reduce spend and improve processes.

Key Strengths

- There are robust and well established processes within each directorate for managing the AGS returns process.
- The Corporate Risk Team have undertaken a mapping exercise to Corporate and Directorate risk registers and concluded that the returns are a fair reflection of risks in the Council.
- For CYPE, the returns are comprehensive with a good level of detail provided, including that for the SCS division which transferred into the directorate during the reporting period.
- For ASCH, the returns were received timely, although the level of detail is not as in-depth as for CYPE
- All relevant issues from the former Strategic Commissioning division when part of Social Care had been captured in the Strategic Commissioning return with detailed supporting commentary.

Areas for Development

- At the time of this audit, the 2017/18 AGS was again being progressed against the old 2006 framework rather than the updated 2016 CIPFA/SOLACE Good Governance Framework. There are clearly reputational as well as good governance risks in not adopting or following a National code.
- Two operational areas with ASCH that have high inherent risks in the Corporate Risk Register transferred during 2017/18 to their Corporate Directors Office for which there is no detailed service AGS return (known as Part B) return. Reference is made to these risks in the overall directorate AGS return (known as Part A), however going forward a Part B return should also be completed so that actions can be tracked through the AGS governance process in line with the procedure laid out by the General Counsel.

Prospects for Improvement

- However, the General Counsel remains committed to ensuring that the AGS process is robust, transparent and in the spirit of good corporate governance.
- It is the opinion of the General Counsel that the updating and approval of the Constitution at July's County Council is the first steps to enable a refresh of the AGS process for 2018/19 beyond, and this is underway.

Summary of Management Responses

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

Risk Culture

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

Overall we have concluded that the risk culture influencing Kent's risk management is Substantial. This is based on the outcomes of the IRM criteria where we have assessed 6 of the 8 criteria as 'green' and the remaining 2 as amber.

Key Strengths

- Overall feedback identified that the views on managing risk at Director level and above was consistent, clear and communicated through to senior leadership. It was felt that management actively engage in the risk management process.
- The forums available to discuss the management of risk are seen as a positive.
- There was a feeling that those raising concerns were supported with no legacy issues when returning to business as usual.
- The process surrounding reviewing and updating KCC's registers was felt to be transparent.
- Feedback indicated that KCC are mature as an organisation with dealing with bad news outside of KCC such as Northamptonshire
- Officers felt that the risk function had sufficient access to Senior Management and had the credibility within the Council to be able to deliver its remit. They felt that the function provided good value with the limited resources that they had available.

Areas for Development

- A number of themes have been identified from the responses obtained which KCC may want to consider such as communication of bad news outside of management reporting lines, the Council's openness to innovation, risk and decision making and whether risk interdependencies are properly determined.
- At the time of audit the e-learning content available for a risk management was under review and not available for Officers to complete.
- From review of a sample of decisions from the previous 12 months we found that the risks were not clearly stated within accompanying reports, while we found these to be implicit in reports the risks associated with the decision may not be fully understood.

Follow-up

Testing found that all management actions had been addressed relating to the outstanding issue from the previous year's risk management audit.

Prospects for Improvement

- Management actions from the previous risk management audit have been implemented.
- Refreshed eLearning now in place and being communicated
- Management actions have been developed for all of the issues raised

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	2	2	NA

Performance Management

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

All the Corporate KPI's tested are aligned to business objectives and had been correctly RAG rated. KPI's are supported by Performance Indicator Definition forms (PIDs) which state the rationale and process to generate the KPI. PIDs are in place for all KPIs and accurately reflect the procedures required for the calculation and reporting of each KPI.
All of the KPI's tested were found have been accurately calculated using data from known and reliable sources. Detailed checks are made to confirm the accuracy of data being relied upon for the calculation of each indicator. All KPI's are subject to appropriate management review within their respective services and directorates prior to being reported to elected members.
We did however identify 2 indicators where additional data is available, but not being considered in the calculation of the indicator.

Key Strengths

- All KPIs reviewed were aligned with key priorities or operational actions stated in directorate business plans.
- Indicator Definition forms accurately detail the sources of data and method of calculation for each KPI.
- All indicators tested were found to be correctly calculated in accordance with Indicator Definition forms.
- Reported performance and targets are consistently reported to all managmeent within Directorates and to elected members.
- Information reported to mangement and elected members is timely, considering the time need to collect and verfy the data in some instances

Areas for Development

- There are a number of sources of greenhouse gas emissions which are not being collected and included in the calculation of greenhouse gasses produced by the KCC estate.
- Around 12,000 tonnes of waste produced by the process of converting waste to energy which is sent to landfill is not currently being considered and reported in the indicator reporting overall amount of waste diverted from landfill.

Prospects for Improvement

- Officers are taking steps to reduce areas where greenhouse gas emissions data is not being collected.
- Key performance indicators are directly related to service objectives.
- Well established procedures in place for the collection and checking of performance data.
- Date is checked internally with each service/ directorate prior to being reported to members.

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

Adult Social Care Governance

Audit Opinion	**Adequate (Provisional)**
Prospects for Improvement	**Good (Provisional)**

The Directorate displayed a clear, outcome-based vision for the current and future provision of ASH services however there are numerous factors that could impact on achieving this. This includes dependencies on partner organisations, particularly the NHS, and providers.
This audit was undertaken at a time of significant change. As a result we may not have seen the 'business as usual' position, however this also means opportune timing to consider audit findings to help inform changes going forward. It was noted that there was good and consistent awareness at senior level of issues faced and changes needed and work has commenced to review governance and supporting structures such as the positioning of risk, programme management and change.

Key Strengths

- A good over-arching Directorate business plan with a clear strategy and vision that is linked to KCC's outcomes framework.
- The introduction of the Wider Leadership Team and a core DMT was universally supported allowing Assistant Directors a strategic role
- Management meetings throughout ASH are well organised and structured, with key risks and issues being discussed
- The Interim Corporate Director is very risk aware and examples were seen of horizon scanning and proactively addressing impending issues
- Work on integration continues to progress and overall engagement with partners was sound
- Top level Member involvement and support is good
- Good challenge of 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

Areas for Development

- The format of Divisional business plans was standardised for 2018/19 however there were inconsistencies in relation to detail around actions.
- There was some lack of clarity below Director level about reporting from DivMT to DMT and consistency of the messages to each division
- Relationships with some providers need remedial action, although this may now sit in the remit of Commissioning
- Clarity is needed over reporting lines for the Independent Chair of the Adults Safeguarding Board to ensure that independence is not compromised
- The Adult Social Care Committee Terms of Reference have been withdrawn & needs to be reinstated to ensure clarity over Committee responsibilities
- There is some evidence of a lack of awareness at certain levels of the financial impact of operational decisions
- DMT and DivMTs focus on poor performing areas, however maintaining improvement is difficult if actions are not sustained.

Prospects for Improvement

- Strong leadership and good "tone from the top", with a can do attitude for addressing future challenges.
- Plans to develop a consistent governance model across ASH
- Cohesive team working within the core DMT and WLT.
- Good continuing focus on service users and other stakeholders.
- The Directorate faces increasing demands and budget pressures

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	8	8	0
Low Risk	1	1	0

Health and Safety

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

The H&S team has developed a 3-year action plan, the outcomes of which are being actively progressed, monitored and reported upon. The restructure in January 2017, the investment in a new IT system and streamlined processes all contribute to ensuring the wider Council have adequate advice and guidance on all H&S related matters.

Key Strengths

- A skills matrix is in place within the team and all advisers are professionally qualified and engaged with Continued Professional Development.
- Priorities of the H&S team are well embedded with effective mechanisms in place to monitor progress.
- There is adequate H&S guidance and signposting available on KNet and Kelsi sites.
- Procedure notes supporting the H&S team's own processes were present for the majority of processes and were easily accessible.
- LATCOs are managed by an overarching SLA which defines the EODD related services, including H&S.
- The H&S team engage regularly with Learning & Development to ensure H&S training remains appropriate.
- Suitable arrangements are in place within the H&S team to stay abreast of changes in legislation.
- The programme of H&S audits for schools was completed in April 2018, and all Local Authority maintained schools have now been subject to such an audit within the last 4 years
- H&S audits are now conducted using a newly purchased audit system which has automated much of process, producing RAG ratings, recommendations and reports based on the responses input.

Areas for Development

- Since January 2018, the uploading of accident/ incident reports has been intermittent due to associated IT problems. This issue is receiving management attention.
- The H&S Team attempted to make certain H&S training (Asbestos, Legionella, and Fire Safety) within schools' mandatory following the Landsdown case and themes arising from school H&S audits. This was not progressed, however, on the basis that schools operate under delegated authority. We have raised an audit issue to track progress as H&S are best placed to advise, support and escalate this issue.
- A review of the H&S team's central spreadsheet for policies, procedures and guidance, confirmed that it was not being consistently used.
- A review of the H&S team's own working procedures identified a small number of areas for improvement.

Prospects for Improvement

- The team, supported the Head of H&S, are knowledge and professional in their approach and all showed a willingness to improve should issues be found.
- Introduction of quarterly reporting to the Education Management Team of outstanding recommendations to schools.

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	0	0	0
Low Risk	2	2	0

TFM Helpdesks – Follow-Up

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

Progress has been made with all the issues raised in the 2015/16 audit with two high risk issues now implemented and closed for all three helpdesks. Three issues (two high and one medium) remain open with further action required and residual risk significantly reduced. This improvement has had a positive impact on the quality of service, although customer perception is hard to change.

Key Strengths

- Audit testing found 83/90 (92%) tasks sampled across the helpdesks had the correct priority applied.
- All 3 helpdesks perform internal checks on the priority allocated and Gen^2 also complete dip tests on a sample of tasks raised.
- All helpdesks can and are reporting on the number of calls which have been answered outside of the 60 second SLA. The number of calls answered after 60 seconds is low.
- There has been a decrease in the number of tasks identified from audit testing that failed to meet their SLAs. All helpdesks are monitoring tasks that have failed their SLAs.

Areas for Development

- There is inconsistent use of priority codes and a minor CCN has not yet been issued to formalise the process of the use of J codes.
- The timescales used to determine when a task is a repeat request is different for all three helpdesks.
- All three helpdesks raised concerns that complaints often bypass the helpdesks altogether and are dealt with within the service - for example by approaching a cleaning supervisor directly. Therefore, there is no accurate picture of the level of complaints being raised.
- For Amey there were several instances in the period September 2017 to February 2018 where we could not reconcile the data provided by the helpdesks to the KPI performance mechanisms. We understand this is because false negatives have been flagged up but not recorded. Gen^2 and Amey have now agreed to add a column on the performance mechanism with this information.
- For Kier we were unable to reconcile the data provided to the performance mechanism for SLA failures (in September and November 2017) and calls answered within 60 seconds (for September 2017 and January 2018).

Prospects for Improvement

- Although somewhat delayed, significant progress has been made against all issues raised with two of five issues fully implemented and the residual risk of the remaining issues significantly reduced.
- KCC, Gen^2 and the helpdesks have full cooperated with all requests during the audit process.
- Amendments to processes were made during the audit as a result of testing.

Summary of Management Responses

	Number of issues raised	**Management Action Plan developed**	**Risk accepted and no action proposed**
High Risk	4	2	2
Medium Risk	1	0	1
Low Risk	0	N/A	N/A

TFM Contract Management – Follow-up

Audit Opinion	Adequate
Prospects for Improvement	Adequate

This audit reviewed the five remining medium priority issues which remined open form the previous follow-up.

Our follow up work found there has been a lack of progress in resolving issues raised during the last internal audit. Further audit sample testing and enquiries demonstrate that the five medium priority issues raised in the previous audit report have not been fully addressed therefore further actions have been agreed. In particular site visits were extremely limited, backlogs of CCN's persist and KPI deductions still remain to be agreed.

Key Strengths

- Works order logs are in place for each of the providers in the form of commitment sheets.
- There has been work to reduce the backlog of CCNs and retrospective authorisation of with efforts being made to fix variations which had been applied incorrectly.
- A new process for authorising variable cost works gives Property Commissioning final authorisation and hence better oversight of the variable budget. KCC commissioners have not rejected any works orders since the start of this process, demonstrating that current Gen^2 challenge of whether works are required is robust. We were informed that since the audit a revised authorisation process has been implemented where commissioners undertake monthly dip testing.
- There is a new Head of TFM who recognises the need to standardise working practices across the three areas and is making some progress in this aim.

Areas for Development

- Site visit schedules are not in place for all areas. The East Kent schedule still needs to be developed as it has not been maintained. There is a site visit schedule for Mid Kent and West Kent areas but due to staff vacancies site audits have been inconsistent.
- There is a significant backlog on CCNs.
- A number of KPI deductions for Mid-Kent have yet to be applied and collected.
- There has been instability of the officers in place to oversee the FM contracts; for example, during the course of the audit we have been in discussions with three Heads of TFM. There are also three relatively new contract managers in post and contract manuals and guidance are not up-to-date to ensure learning and continuity

Prospects for Improvement

- There is a new Head of TFM and senior managers demonstrate a track record on reinstating and improving processes and controls.
- There are a number of continuing staff vacancies which is affecting the ability. to manage the contract sustainably and effectively.
- There are inherent risks in operating a self-monitoring contract as the providers are financially incentivised to report positive performance.
- Gen^2 are currently managing a contract in which they are not party to
- Evidence has been provided for two of the four outstanding issues since issue of the draft report.

Summary of progress in resolving issues

	Number of issues raised	Issue now addressed	Further action proposed
Medium Risk	5	1	4

Appendix 2 – Internal Audit and Counter Fraud Follow Ups on Implementation of Agreed Actions

Limited assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Grants	31/05/16	3	1	2*	1*	1			*Management accepts the risk*	Amber
PCI DSS	19/06/15		1		1*					Amber
Member & Officer Expenses Follow-up	09/08/16	1		1*						Amber
Mental Capacity Act & Deprivation of Liberty Assessments	08/06/16	1		1						Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
The Old Rectory	18/08/16		1		1					Amber
Cloud Navigation Programme Governance	03/08/17		1		1					Green
Safeguarding Framework (Adults)	21/06/16	1	3	1	3					Green
Contract Management Themed Review	25/04/16	1		1						Green
Total Limited Audits		7	7	3 3*	5 2*	1	0	0		

Adequate assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Unaccompanied Asylum Seeking Children (UASC)	05/08/15	1		1*						Amber
Bribery and Corruption Follow-up	03/07/17	1		1*						Amber
Business Continuity	24/05/17		6		3 3*				Found as part of the business continuity audit	Amber
Public Health Governance	01/03/16	1				1			Issue is no longer applicable due to recent restructures	Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Business Planning	17/01/17		1		1*					Amber
Members Induction and Training	09/10/17	1	1	1*	1*					Amber
SWIFT – Adult SC ISO27001	02/09/16		2		2					Green
Better Care Fund	02/02/16		3		3					Green
Property – Disposal of Assets	11/05/17		1		1*					Amber
Enablement (KEaH) Service	28/07/15	1		1*						Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
OP Residential & Nursing Contract Re-Lets	16/12/15	1	1	1*	1*					Amber
Elective Home Education	21/08/17	2	4	2*	1 3*					Amber
National Driver Offender Retraining Scheme – Phase 2	04/04/17	2	2	2*	2*					Amber
Risk Management	19/07/17		1		1				*Found as part of the Risk Culture audit*	Green
Programme Management & Corporate Assurance Functions Follow-up	07/01/16		7		3 4*					Amber
No Recourse to Public Funds	14/09/17		3		3					Green

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Young Carers – Contract Management	16/02/18	1	2	1*	1		1		*Project relating to this issue has been put on hold*	Amber
Safeguarding – Education and Early Years	10/03/17		5		4 1*					Amber
Highways – Public Rights of Way	02/09/16		2		2					Green
Transformation and Change – Transport including SEN	28/06/16	1	2	1	1 1*					Amber
Adult Learning Disability Day Centres	29/05/17		2		2					Green
Grants Administration Follow-up	26/02/18		1				1		*Management accepts risk*	Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Mobile Working	29/01/18		1		1					Green
Total Adequate Audits		12	47	1 10*	27 18*	1	2	0		

Substantial assurance reports

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Community Learning and Skills	09/09/15		1		1*					Amber
Children Centres Themed Review Follow-up	05/09/17		3		1 2*					Amber
Schools Improvement Team	03/01/16		1		1*					Amber
ICES and Telecare Contract Management	12/01/17		1		1*					Amber
Quality Assurance Framework - Safeguarding Children / Online	06/11/15		1		1*					Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Case file audit										
Medium Term Financial Planning	03/01/17		1		1*					Amber
ICT Strategy and Governance	26/07/17		1		1*					Amber
KCC/ KMPT Partnership Agreement & AMHP (Approved Mental Health Professional) Service	18/07/16		1		1*					Amber
Tender Specifications	11/12/17		4		4					Green
Information Governance	18/03/15		1		1*					Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Change Capacity and Knowledge Transfer	26/02/18		1		1					Green
TCP Process	17/11/16		2		1 1*					Amber
Apprenticeship Levy	20/03/18		1		1					Green
KCC Payroll	14/11/17		1		1*					Amber
Public Health Governance Follow-up including Clinical Governance	21/08/17		1		1*					Amber
NEET Strategy	24/04/17		1		1*					Amber

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Schools Themed Review	10/05/17		2		1 1*					Amber
Integrated Community Safety Function	24/07/17	1	1	1	1*					Amber
ICT Asset Management	08/02/17		1		1					Green
Total Substantial Audits		1	26	1	10 16*	0	0	0		

Other types of engagement including consultancy

Audit	Date	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded	Comments	Overall Opinion on Actions R.A.G.
		High	Medium	High	Medium	High	Medium			
Enablement Expenses	19/01/17	1		1*						Amber
Safety Camera Partnership and Speed Awareness	21/11/16	1		1*						Amber
Total Other Engagements		2	0	2*	0	0	0	0		

	Total due to be Implemented		Implemented/ In Progress*		Not Implemented		Superseded
	High	Medium	High	Medium	High	Medium	
Total All Audits	22	80	5 15*	42 36*	2	2	0

Appendix 3 - Audit Plan 2017/18 End Year Progress

Project	Progress at July 2018	Date to G&A	Overall Assessment	Project	Progress at July 2018	Date to G&A	Overall Assessment
Core Assurance							
Business Continuity	Complete	July 2018	Adequate/Good	Transformation & Change – 0-25 follow up	Postponed to 2018/19		
Performance Management, KPI's/Data quality	Complete	July 2018	Substantial/Good	Transformation and Change – Adults phase 3 - **Advisory**	Complete	N/a – Phase 3 was halted	N/A – advisory only
Risk Management – Risk Culture	Draft	July 2018	Substantial/Good	Transformation & Change – Business Service Centre - **Advisory**	Complete	N/A	N/A – advisory only
Annual Governance Statement	Complete	July 2017	Adequate/ Good	Transformation & Change – Checkpoint Reviews - **Advisory**	As required	N/A	N/A
Information Governance	Complete	April 2018	Adequate/ Good	Transformation & Change – Change capacity and knowledge transfer	Complete	April 2018	Substantial/ Good
Learning the lessons of LATCO's	Complete	January 2018	Limited/Good	Declarations of Interest ***Priority 2***			
Bribery & Corruption (follow up)	Complete	July 2017	Adequate/ Good	Income generation/ Commercial-isation v business as usual ***Priority 2***			
KCC Corporate Governance	Complete	July 2018	Substantial	Data Protection (including General Data Protection Regulations) **GDPR element – Advisory** ***Priority 2***	Complete	January 2018	Adequate/ Good
Directorate Governance Review – Children, Young People and Education	Postponed to 2018/19 NOTE, replaced by Adults governance review			Service User feedback & engagement (KCC-wide) ***Priority 2***			
Strategic Commissioning – new arrangements - **Advisory**	Deferred to 2018/19 due to restructure			Directorate Governance Review – Adults **Addition to plan in place of CY review**	Complete	July 2018	Adequate/Good

Project	Progress at July 2018	Date to G&A	Overall Assessment	Project	Progress at July 2018	Date to G&A	Overall Assessment
Core Financial Assurance							
Revenue Budget Monitoring	Complete	April 2018	Substantial/ Good	Cashiers & Bank Reconciliations	Complete	November 2017	Substantial/ Good
Schools Financial Services	Complete	July 2018	High/Good	T.D.M. System (for domiciliary care payments)	Cancelled – system being replaced		
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***			
Risk/Priority Based Audit							
Members Induction and Training	Complete	November 2017	Adequate/ Adequate	Young carers - contract management ***Priority 2***	Complete	January 2018	Adequate/ Good
Apprenticeship Levy	Complete	April 2018	Substantial/ Good	Adults and Children's Finance Processes - **Advisory** ***Priority 2***			
Use of Agencies and IR35	Complete	January 2017	Adequate/ Good	Domiciliary Care ***Priority 2***	Replaced by Home Care Contractor investigation	January 2018	N/A
KCC Payroll	Complete	January 2018	Substantial / Very Good	Redesign of 26+ Service – consultancy - **Advisory** ***Priority 2***			
Developer Contributions (section 106 & CIL payments)	Deferred to 2018/19			DCALDMH Service Provision redesign - **Advisory** ***Priority 2***			
TFM Follow-up	Complete	July 2018	Substantial/Adequate	Direct payments analytical review – **Advisory** ***Priority 2***	Merged with 2018/19 audit of Adult Direct Payments		
Health & Safety	Complete	July 2018	Adequate/Good	Residence Arrangements – IFA & Residential – including placements and payments ***Priority 2***	Deferred to 18/19		

Project	Progress at July 2018	Date to G&A	Overall Assessment	Project	Progress at July 2018	Date to G&A	Overall Assessment
Risk/Priority Based Audit (cont)							
Grants Administration Follow-up	Complete	January 2018	Adequate/ Adequate	Troubled Families Returns	Complete	July 2018	N/A – compliance of returns
Property Income Management ***Priority 2***	Complete	January 2018	No/ Uncertain	Education Services Company - **Advisory**	Complete	N/A	N/A – advisory only
KNet and Website – including online payments ***Priority 2***				School Themed Review – Payroll and Income	Complete (Draft Report)	April 2018	Substantial/ Adequate
KCC Recruitment/ entry controls ***Priority 2***				SEN Transport	Postponed to 2018/19	N/A	N/A
Recruitment and retention incentives (Social Care) ***Priority 2***				EY systems Post-implementation	Postponed to 2018/19	N/A	N/A
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	Merged with 2018/19 review to support preparation for CQC inspection			Children's Centres themed review follow-up	Complete	November 2017	Substantial/ Good
LD Lifespan Pathway Post Implementation	Deferred to 2018/19			Youth Justice ***Priority 2***			
Adult Safeguarding Follow-up	Complete	November 2017	Substantial/ Good	Front door - CRU & Triage integrated model ***Priority 2***			
MCA/DoLS Follow-up	Complete	November 2017	Adequate/ Adequate	Economic Development inc Regional Growth Fund	Complete	July 2018	Adequate/ Good
Protection of Property	Complete	April 2018	Adequate/ Good	Local Growth Fund –phase 3 inc Major Highways Project Management ***Priority 2***	Included in Economic Development audit		
Swift replacement project – consultancy - **Advisory**	Ongoing – will continue into 2018/19 in line with implementation dates			Carbon Reduction Commitment – annual review	Complete	January 2018	Compliant

Project	Progress at July 2018	Date to G&A	Overall Assessment	Project	Progress at July 2018	Date to G&A	Overall Assessment
Risk/Priority Based Audit (cont)							
Disabled children - direct payments and managed service	In Progress			BDUK –watching brief – **Advisory**	Ongoing		
Foster Care - dependent on outcomes of service review could inc recruitment of foster carers	Cancelled due to Ofsted outcome			Kent Resilience Team Follow-Up ***Priority 2***			
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	Draft	July 2018	Limited/Good	Street Work Income ***Priority 2***			
Childrens' Allowance Review Team inc SGOs	Complete (Draft Report)	April 2018	Limited/ Adequate	Establishments – OPPD Day Services	Complete (Draft Report)	April 2018	Adequate/ Good
ICT Audit							
ICT Strategy and Governance	Complete	November 2017	Substantial/ Good	Mobile Working ***Priority 2***	Complete	January 2018	Substantial/ Good
Cloud Navigation – Programme Governance	Complete	November 2017	Limited/ Good	Software Licensing ***Priority 2***			
Cloud Navigation – Watching Brief and Project Milestone Deep Dive	Complete	April 2018	Substantial/ Good	ISO27001 – BSC Readiness Assessment ***Priority 2***			
ICT Asset Management	Complete	April 2018	Substantial/ Good	Cloud Navigation – Programme Governance Follow-up	Complete	January 2018	Substantial/ Good
Other							
Discharge to Assess – addition to plan	Complete	April 2018	Limited/d Adequate	Establishments – OPPD Day Care theme	Complete	April 2018	Adequate/ Good
Establishments – Nurseries theme	Complete	November 2017	Adequate/ Good				

Appendix 4 - 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.