

By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee –
29th September 2022

Subject: **INTERNAL AUDIT ANNUAL REPORT AND OPINION
FOR 2021-22**

Classification: Unrestricted

Summary:

This Annual Report details:

- The overall outcomes and key themes from Internal Audit work undertaken during 2021-22.
- 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 service in delivering this work.

Recommendation: FOR ASSURANCE

1. Introduction

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:
- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
 - A summary of the audit work from which the opinion is derived;
 - Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
 - A comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and criteria;
 - A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
 - Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
 - Disclosure of any impairments (in fact or appearance) or restriction in scope.
- 1.2 Accordingly, the Internal Audit Annual Report is prepared and submitted to both the Executive and the Governance and Audit Committee. Additionally, in year update reports have periodically been provided to the Committee and the Executive detailing key issues arising throughout the year.

1.3 The Annual Report includes the following components:

- Purpose and Background;
- Annual Opinion;
- Summary of Internal Audit work undertaken;
- Analysis of Council Implementation of Agreed Actions;
- Conformance with PSIAS;
- Internal Audit Performance;
- Internal Audit Resources; and
- Disclosure on Impairment and Escalation.

This year, an Annual Counter Fraud Report has been prepared separately, which outlines Counter Fraud activity for 2021-22.

1.4 The issues detailed in the attached report have been considered by the Council in the formulation of the draft Annual Governance Statement for 2021-22.

1.5 The Governance and Audit Committee's Terms of Reference include ensuring that Internal Audit is effective. Sections 6 and 7 of the Annual Report sets out performance information to enable the Committee to continually assess and consider the effectiveness of Internal Audit.

1.6 The proposed formal wording for the relevant declaration into the Annual Governance Statement is as per Section 2 within the Annual Report.

2. Recommendations

2.1 Members are requested to:

Receive and note this report as a source of independent assurance regarding the risk, control and governance environment across the Council, noting the outcomes from 2021-22 Internal Audit work and the resultant '**Adequate**' opinion to the Annual Governance Statement.

3. Background Documents

Appendix A: Internal Audit Annual Report 2021-22.

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September 2022



Kent County Council

Internal Audit Annual Report 2021-22

September 2022

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1 Purpose and Background

- 1.1. This Annual Report provides a summary of the work completed by the Internal Audit service during 2021-22.
- 1.2. Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance to support the Council's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:
 - An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework;
 - A summary of the audit work from which the opinion is derived;
 - Any issue the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
 - A comparison of the work undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and criteria;
 - A statement on conformance with the PSIAS and the result of the Internal Audit Quality Assurance and Improvement Programme;
 - Disclosure of any qualifications to the opinion, together with the reasons for the qualification; and
 - Disclosure of any impairments (in fact or appearance) or restriction in scope.
- 1.3. The purpose of this report is to satisfy these requirements and members are requested to note its content and the Annual Internal Audit Opinion provided.
- 1.4. Additionally, the report highlights key messages and outcomes, issues, patterns, strengths and areas for development in respect of internal control, risk management and governance arising from work undertaken by Internal Audit.
- 1.5. The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:
 - Assurance Opinions from audit assignments;
 - Assessment of audit outcomes against key themes of corporate health (the "Reasonable Assurance" model); and
 - The level of implementation by management of agreed actions to improve internal control and the management of risk.

- 1.6. The “Reasonable Assurance” Model evaluates the outcomes of Internal Audit and Counter Fraud work against the following 8 themes of what a healthy organisation requires to operate effectively.

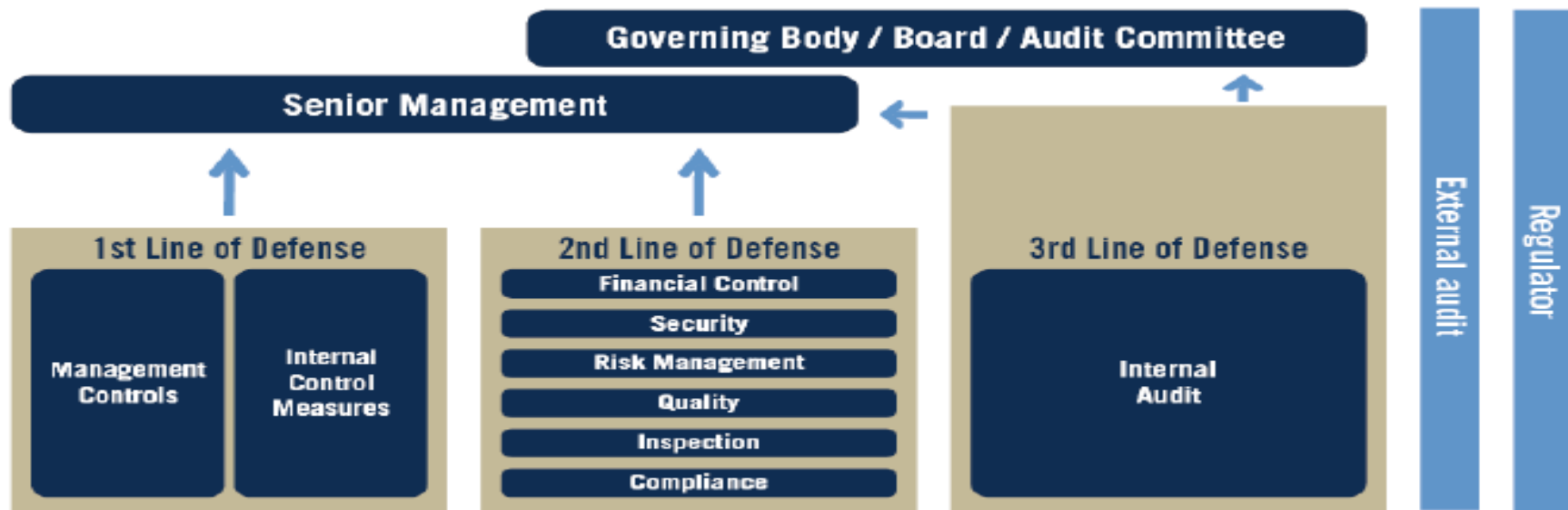
Figure 1: Reasonable Assurance Model:



- 1.7. Internal Audit is guided by the Internal Audit Charter, which is reviewed annually. Internal Audit provides an independent and objective opinion on the Council's control environment through the work based on the Annual Internal Audit Plan agreed by the Governance and Audit Committee.

1.8. The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines of Defence Model:

Figure 2: Three Lines of Defence Model



2 Annual Opinion

Overall Assurance and Opinion

- 2.1. Internal Audit concludes that **Adequate** Assurance can be assigned in relation to the Council's corporate governance, risk management and internal control arrangements.
- 2.2. This opinion is principally based upon the evaluation of the findings, conclusions and assurances from the work undertaken by Internal Audit compared to eight key indicators of corporate health, as set out in paragraphs 3.7-3.9, which concludes "Adequate" assurance for each of the eight indicators. Although there has been an increase in the number of systems, processes or functions assigned a "high" assurance in 2021-22 to 8%, there has been a notable decrease in the assigning of "Substantial" assurance opinions from 2020-21 to 2021-22 from 49% to 26%. There has also been an increase in the systems, processes and functions being assigned "limited" assurance in 2021-22 from 18% to 22%.
- 2.3. The opinion is also based on the evaluation of the implementation by management of actions to address internal control and risk management issues identified by Internal Audit reports. In 2021-22, full implementation rates were broadly stable at 41% compared to 2020-21. The contrast to 2019-20, however, when full implementation rates were at 62% combined with an accompanying increase in the proportion of actions "in progress" is significant. It has been highlighted in Annual Opinion reports since 2019-20 that there was a concerning trend which required improvement and this concern remains.
- 2.4. It should be emphasised that the assignment of an overall "Adequate" assurance opinion in 2021-22 is consistent with the overall opinion in 2019-20 and 2020-21. The "Adequate" assurance opinion should be considered in the context of the unprecedented challenges faced by the Council in the last two years and the significant risks it continues to address.
- 2.5. No incidences of material external or internal fraud have been detected or reported and there was positive external assurance that the Council has effective arrangements in place to manage the risk of fraud.
- 2.6. Areas for further improvement have also been highlighted and reported in the Internal Audit Annual Report and the Council has been receptive to addressing issues raised by Internal Audit.

- 2.7. Internal Audit aims to add value and continues to work collaboratively with stakeholders, senior management and the Governance and Audit Committee to improve governance and internal control arrangements via identifying improvements such as:
- Being a critical friend and trusted advisor for Council projects such as the Strategic Reset programme;
 - Auditing what matters and revising areas of coverage to reflect new risks such as the SEND Transport Lessons Learnt Review and assisting the organisation in times of challenge;
 - Help the Council look back and learn from experiences with clear and targeted reports;
 - Providing insight by evaluating the Council's current state and examining the strengths, weaknesses and maturity of the organisation;
 - Highlighting emerging risks that require monitoring and managing;
 - Championing effective corporate governance, strong risk management, greater efficiency of operations and effective processes and internal controls,
 - Continued coverage of information technology and information governance risks;
 - Attendance at various external groups to share best practice and inform horizon scanning of significant risks;
 - Delivery of an effective proactive and reactive Counter Fraud service;
 - Retention of services delivered to external clients;
 - Promoting and delivering on the ethos of talent management and development of members of the service;
 - Input to Council wide Information Governance and Risk groups; and
 - The provision of an extensive grant certification programme for the Council.
- 2.8. There have been no limitations to the scope of Internal Audit work, but it should be noted that the assurance expressed can never be absolute and as such Internal Audit provides assurance based on the work performed.

3 Summary of Internal Audit Work 2021-22

Delivery Against the Internal Audit Plan

- 3.1 Appendix 1 details delivery against the 2021-22 Internal Audit Plan including amendments and changes. During the year, several planned audits were cancelled or deferred which enabled audit resources to be redirected to high priority audit and advisory work.

Assurance Opinions from Audit Assignments

- 3.2 Assurance levels are assigned to completed risk-based audit reviews based on the criteria in Appendix 2. For the 2021-22 Audit Plan, a total of 49 audit engagements were undertaken of which 28 were opinion based and the assurance levels assigned are set out in Appendix 3.
- 3.3 Overall, 67% of systems or functions have been assigned with “Adequate” assurance or lower with 41% assigned Adequate and 26% assigned Limited or No assurance. This represents a notable decrease in the assigning of “Substantial” assurance opinions in 2021-22 and a continued increase, compared to the previous two years, of the assigning of “Limited” and “No” assurance opinions in 2021-22, as illustrated in Table 1.

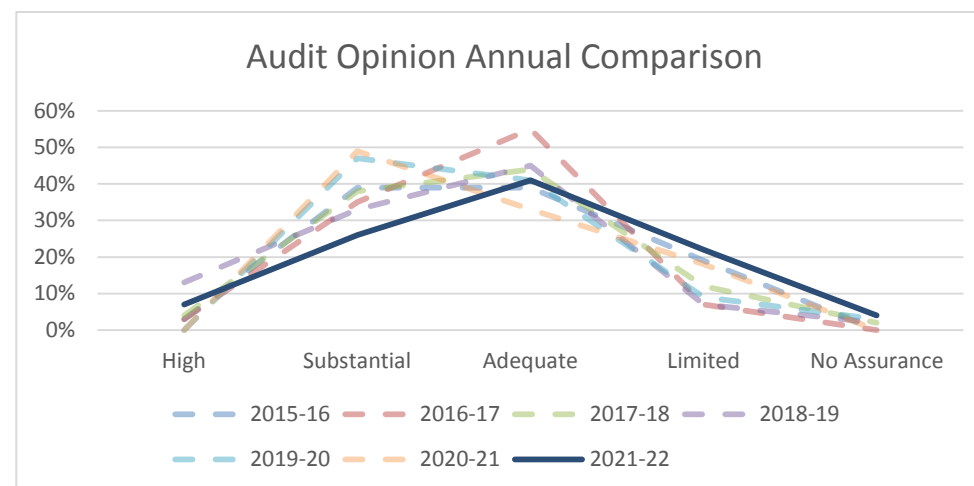


Table 1: Summary of Assurance Opinions 2015-16 to 2021-22

Assurance Level	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
High	3%	3%	4%	13%	0%	0%	7%
Substantial	39%	35%	38%	33%	47%	49%	26%
Adequate	39%	55%	44%	45%	41%	33%	41%
Limited	19%	7%	12%	7%	9%	18%	22%
No Assurance	0%	0%	2%	2%	3%	0%	4%
Substantial or above	42%	38%	42%	46%	47%	49%	34%

- 3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2021-22 Audit Plan have been reported in Progress reports to the Governance and Audit Committee throughout the year.

Prospects for Improvement

- 3.5 On the conclusion of each audit assignment, an assessment of the prospects for improvement is provided in the respective audit report. This is based on the criteria set out in Appendix 2.
- 3.6 Overall, 88% of systems or functions have been assessed as having good, or better, prospects for improvement. This is broadly similar to the previous year, as illustrated in Table 2:

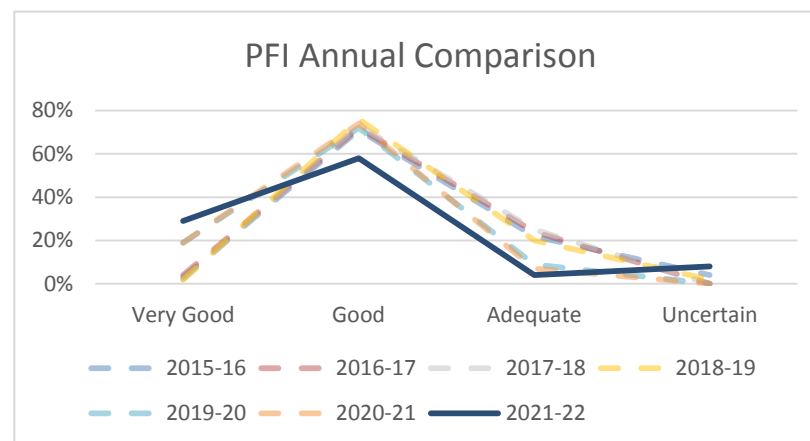


Table 2: Summary of Prospects for Improvement to 2021-22

29%	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Very Good	3%	4%	2%	2%	19%	26%	27%
Good	71%	72%	73%	76%	72%	65%	61%
Adequate	22%	24%	25%	20%	9%	6%	4%
Uncertain	4%	0%	0%	2%	0%	3%	8%
Good or above	74%	76%	75%	78%	91%	91%	88%

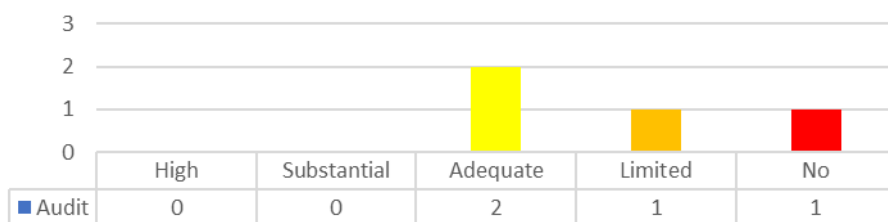
Reasonable Assurance Methodology Analysis

- 3.7 Evaluation of Internal Audit outcomes from audits undertaken utilising the Reasonable Assurance Model (as referred to at paragraph 1.6) provides focus on those audits which both assign an opinion and make audit conclusions and observations in management letters on the 8 themes of corporate health. Thus, this analysis forms the key component of the derivation of the Head of Internal Audit Annual Opinion.
- 3.8 In planning to be able to conclude an opinion on the whole risk management, governance and internal control framework, Internal Audit work is assessed around the 8 key lines of enquiry. Internal Audit assessments for each theme is summarised in Table 3:

Table 3: Audit Outcomes Evaluated on Reasonable Assurance Model

1. Corporate Governance				2021-22 Assessment: ⬇
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
15	RB11-2022 – Strategic Reset Programme – Programme Governance	Adequate	Good	GAC April 2022
21	RB01-2022 – Declaration of Interest (Members)	Adequate	Good	GAC April 2022
	CA01-2023 – Annual Governance Statement	In Progress		
	CA02-2022 – Corporate Governance	N/A	N/A	GAC July 2022
41	CA03-2022 – Equalities Act 2010 Duties	Limited	Good	GAC September 2022
	CR02-2022 – Annual Governance Statement (Consultancy)	N/A	N/A	GAC July 2022
22	RB27-2022 – Traveller Service – Site Allocation and Pitch Fee Collections	No	Uncertain	GAC April 2022

Corporate Governance Opinions

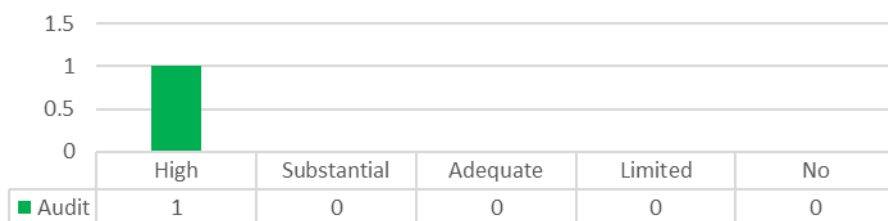


The work undertaken in respect of Traveller Site Allocation and Pitch Fee Collections highlighted that relevant policy had not been reviewed for 9 years which had been highlighted during the course of initial work undertaken during 2020-21.

The significant findings from the SEND Transport Lessons Learnt Review in relation to governance and decision making contributed to the evaluation for this theme.

2. Risk Management				2021-22 Assessment:
				<div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
19	CA07-2022 - Risk Management (Position Statement)	N/A	N/A	GAC April 2022
29	RB19-2022 – Accommodation for Young People / Care Leavers Follow-up	N/A	N/A	GAC July 2022
31	RB20-2022 – Business Continuity Planning (CYPE)	High	Very Good	GAC July 2022


Risk Management Opinions

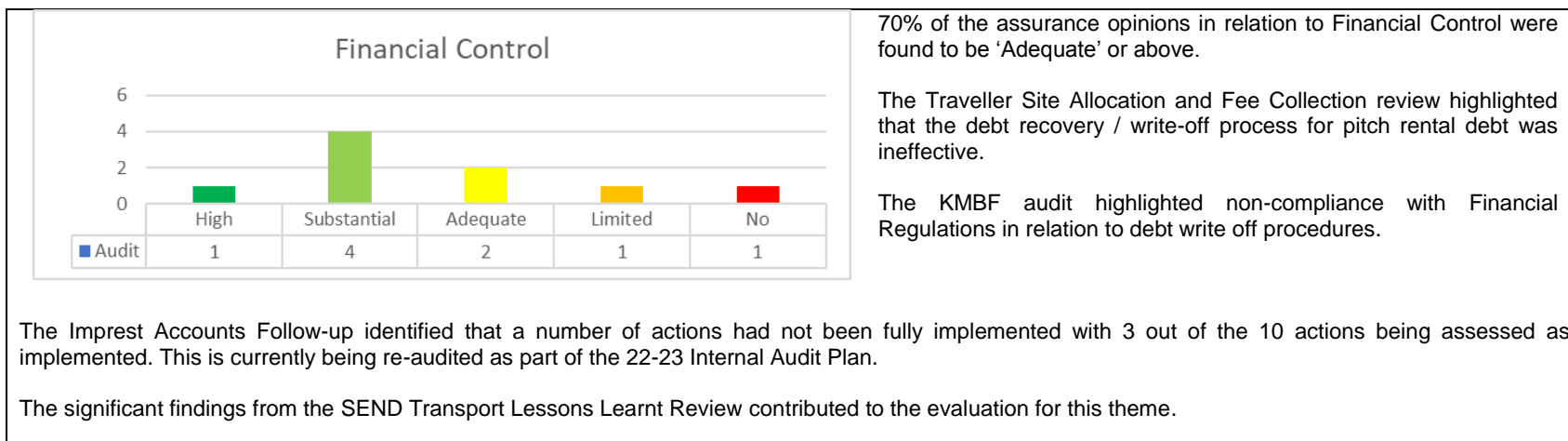


A position statement for Risk Management was completed on the basis of previous assessments of Risks Management assurances.

Business Continuity Planning arrangements were found to be operating effectively with strong governance arrangements established and clearly defined roles and responsibilities.

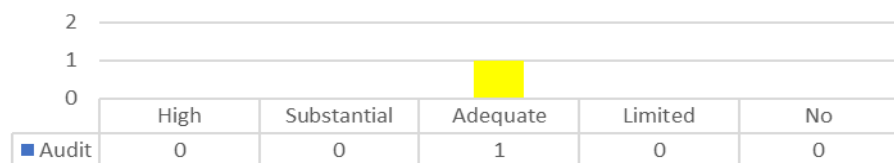
The significant findings from the SEND Transport Lessons Learnt Review in relation to risk management contributed to the evaluation for this theme.

3. Financial Control				2021-22 Assessment:
				
				<div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
2	CS01-2021 - Imprest Accounts Follow-up	N/A	N/A	GAC November 2021
3	CS08-2021 - ACCESS Pool	Substantial	Very Good	GAC November 2021
11	CS02-2022 - General Ledger	Substantial	Good	GAC April 2022
12	CS06-2022 - Urgent Payments Follow-up	N/A	N/A	GAC April 2022
14	CR04-2022 – Provider Invoicing	Limited	Good	GAC January 2022
22	RB27-2022 – Traveller Service – Site Allocation and Pitch Fee Collections	No	Uncertain	GAC April 2022
23	RB06-2022 – New Grant Funding	Substantial	Good	GAC April 2022
24	Ashford Sevington Grant Certification	N/A	N/A	GAC April 2022
25	CS01-2022 – CIPFA Financial Management Code	In Progress		
27	CS04-2022 - Payroll	Substantial	Good	GAC July 2022
33	RB09-2022 – Public Health – Covid 19 Ring Fenced Grants	High	Good	GAC July 2022
38	RB25-2022 – School Themed Review – Corporate Credit Cards	Adequate	Good	GAC September 2022
39	RB30-2022 – Kent and Medway Business Fund (KMBF)	Adequate	Good	GAC September 2022



4. Change Programme and Project Management				2021-22 Assessment: ↓
				<div style="display: flex; justify-content: space-around; width: 100%;"> No Limited Adequate Substantial High </div>
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
15	RB11-2022 - Strategic Rest Programme – Programme Governance	Adequate	Good	GAC April 2022
40	RB05-2022 – KCC Estates Review – Strategic Reset Programme	N/A	N/A	GAC September 2022
42	RB28-2022 – Highways Term Maintenance Contract	N/A	N/A	GAC September 2022
43	RB15-2022 – Making a Difference Every Day (MADE) Assurance Board – Strategic Reset Programme	N/A	N/A	GAC September 2022
44	RB21-2022 – Change for Kent Children – Strategic Reset Programme	N/A	N/A	GAC September 2022

Change Management and Project Management Opinions



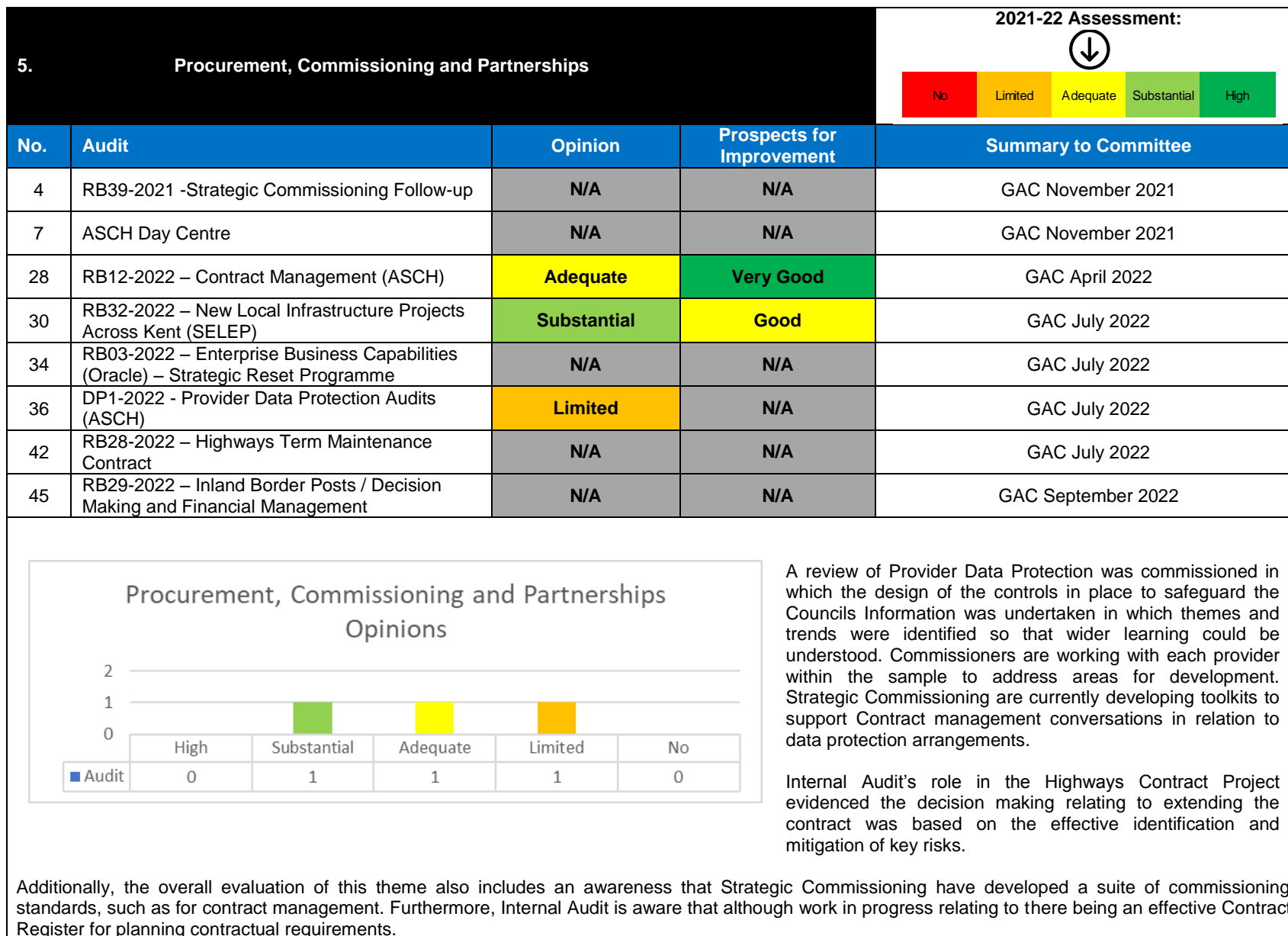
The Strategic Reset Programme Board established a dedicated Strategic Reset Programme (SRP) Team, whose members collectively have the skill sets needed to support the 13 programmes as they navigate through stakeholder management and the SRP's interdependencies. A Strategic Outline Case has been or will be prepared for each of the individual programmes. However, some lack robust rationales to support the required investment.

Internal Audit have conducted on-going consultancy work on the Making a Difference Everyday (MADE) Programme Board.


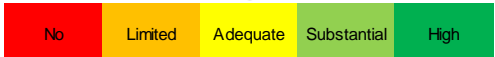
There are clear governance structures in place for the MADE programme, with operational progress meetings for individual projects and clear reporting to the MADE Board, which is led by the Corporate Director for Adult Social Care and Health (Senior Responsible Officer).

Internal Audit's role in the Highways Contract Project evidenced the decision making relating to extending the contract was based on the effective identification and mitigation of key risks.

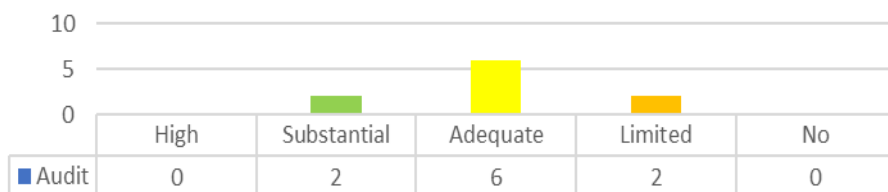
The significant findings from the SEND Transport Lessons Learnt Review in relation to change and project management contributed to the evaluation for this theme.



The significant findings from the SEND Transport Lessons Learnt Review in relation to procurement making contributed to the evaluation for this theme.

6. Information Technology and Information Security				2021-22 Assessment:  
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
1	RB24-2021 - School Themed Review – Cyber Security	Adequate	Good	GAC November 2021
4	ICT03-2021 - Cyber Security – Management of Backups for Applications, Data and Active Network Devices	Adequate	Very Good	GAC November 2021
6	CA03-2021 - Records Management	Limited	Good	GAC November 2021
8	CA05-2022 – Information Governance Assurance Mapping Update	N/A	N/A	GAC November 2021
9	ICT05-2022 – Prevention of ICT Data Centre Outages Follow-up	N/A	N/A	GAC November 2021
10	AD02-2022 - Searchlight – Data Breaches	Adequate	Good	GAC November 2021
13	RB13-2022 – Data Protection (ASCH)	Adequate	Very Good	GAC January 2022
16	RB04-2022 – Information Governance – DSP Toolkit Audit	Substantial	Good	GAC April 2022
17	ICT01-2022 – Cyber Security Assurance Map Update	N/A	N/A	GAC April 2022
20	ICT03-2022 – IT Cloud Strategy, Security and Data Migration	Adequate	Uncertain	GAC April 2022
35	RB23-2022 – Information Governance (CYPE)	Substantial	Very Good	GAC July 2022
36	Provider Data Protection Audits – Themed Report	Limited	N/A	GAC July 2022
37	ICT04-2022 – IT Data Security Audit for DSP Toolkit	Adequate	Adequate	GAC September 2022

Information Technology and Information Security Opinions



The majority of audits undertaken relating to elements of Information Technology and Information Security received 'Adequate' assurance (60%). There is a continued importance for robust controls to be in place with the continued prevalence of cyber security risks.

The increase in data breaches across the Council has been considered in the opinion assessment.

Other sources of assurance to support assessment include the Internal Audit attendance at Information Governance forums during the course of 21/22, Information Governance Assurance and Cyber Security Assurance Maps.

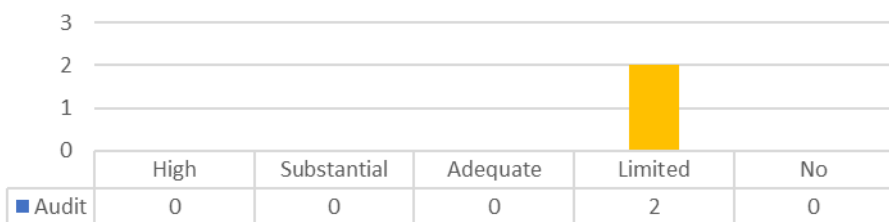
The Information Governance Assurance map identified that there are a broad range of controls and sources of assurance in place to mitigate IG Risks to the Council. Similarly, the Cyber assurance map highlighted that there are a number of sources of assurance available however, the risks surrounding Cyber security are ever changing and will need to remain at the forefront of future Audit Plans.

Internal Audit have attended and contributed to Information Governance forums such as the Corporate Information Governance Group across the 21-22 financial year. An Information Governance Dashboard has been developed and potential to utilise the Information Governance Assurance Map moving forward to focus work of the group on areas of significant risk to the Council.

The issues identified in the Prevention of Data Centre Outage/ Lessons Learnt Review surrounded the project management of the consolidated plan however, since the review a Director of IT has now been appointed to the Council and this area will be followed up further during the course of the 22/23 Audit Plan.

7. Asset Management				2021-22 Assessment: ↓
				No Limited Adequate Substantial High
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
15	RB07-2022 – People Strategy – Strategic Reset Programme	N/A	N/A	GAC April 2022
26	RB08-2022 - Property Infrastructure – Functions and Processes Transferred to KCC from Gen2	Limited	Good	GAC July 2022
32	RB18-2022 - Supervision of Social Workers	Limited	Very Good	GAC July 2022
40	RB05-2022 – KCC Estate Review – Strategic Reset Programme	N/A	N/A	GAC September 2022

Asset Management Opinions



Two audit assurance opinion audits were undertaken both receiving 'Limited' Assurance.

This included the Supervision Arrangements for Social Workers which highlighted a number of supervision agreements had become out of date.

The second 'Limited' opinion related to the transfer of property functions back to KCC which found that performance management activity had not been established.

Internal Audit also undertook advisory work surrounding the Council's People Strategy which found that its success will be determined not only by the Strategy itself but by the individual and collective accountability taken by Leaders and Managers to deliver their roles in a way that reinforces inclusive practice, connects to the strategic themes and provides clarity and ownerships for decisions and actions taken. It is intended to build on KCC strengths, learn from one another and support the future goals of the organisation by retaining and attracting talented individuals, who are celebrated for their unique contribution.

Internal Audit's review of KCC Estate Management found that there is adequate governance, internal control, and management of risk, given where they are respectively in their development.

8. Counter Fraud Arrangements				2021-22 Assessment: ↓
				<div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
No.	Audit	Opinion	Prospects for Improvement	Summary to Committee
10	AD02-2022 – Searchlight – Data Beaches	Adequate	Good	GAC January 2022
11	CS02-2022 – General Ledger	Substantial	Good	GAC January 2022
12	CS06-2022 - Urgent Payment – Follow-up	N/A	N/A	GAC January 2022
14	CR02-2022 - Provider Invoicing	Limited	Good	GAC January 2022
21	RB01-2022 – Declaration of Interests - Members	Adequate	Good	GAC April 2022
22	RB27-2022 – Traveller Service – Site Allocation and Pitch Fee Collections	No	Uncertain	GAC April 2022
23	RB06-2022 – New Grant Funding	Substantial	Good	GAC April 2022
27	CS04-2022 - Payroll	Substantial	Good	GAC July 2022
33	RB09-2022 – Public Health Covid-19 Ring-Fenced Grants	High	Good	GAC July 2022
38	RB25-2022 – School Themed Review – Corporate Credit Cards	Adequate	Good	GAC September 2022

39	RB20-2022 – Kent and Medway Business Fund	Adequate	Good	GAC September 2022
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Counter Fraud Arrangements Opinions

	High	Substantial	Adequate	Limited	No
Audit	1	3	4	1	1

40% of the audits linked to Counter Fraud arrangements were found to be adequate in relation to controls. One of the audits highlighted as adequate linked to an investigation following data breaches.

Arrangements in respect of the Counter Fraud Team in place to support the organisation in meeting its objectives are Substantial. This is based on the Peer Review completed in April 2021 that provided assurance that the learning and development of Counter Fraud Staff is at the forefront of the counter fraud function. This has resulted in Counter Fraud Specialists being “grandfathered” into the Governments Counter Fraud Profession. The Counter Fraud Profession requires members to demonstrate their ability to meet nine standards of competency, including stakeholder engagement, multi-track investigations, legislation and departmental policies and quality performance and capability.

Counter Fraud Arrangements in place within the organisation (1st & 2nd Line of Defence) to prevent and detect fraud is Adequate. This is based on a review of a number of audits within the 2021- 22 Audit Plan that have an identifiable or inherent fraud risk. There was high assurance for Public Health Covid-19 Ring-Fenced Grants, substantial assurance for Payroll administration, General Ledger, New Grant Funding and New Local Infrastructure Projects Across Kent, however it is noted that in particular with the grant schemes, management had not completed a fraud risk assessment on these new initiatives as required by the Anti-Fraud and Corruption Strategy.









There was adequate assurance on the School Themed Review of School Purchase Cards, Searchlight, Declaration of Interests – Members and Kent and Medway Fund.


Limited assurance was provided in Provider Invoicing, which identified a high-risk issue on the provider invoice and reconciliation process which is a key control to mitigate the risk of false or duplicate invoices going undetected. The follow up audit on Urgent Payment identified that management have implemented all the management actions identified in the previous audit that had a limited opinion, however an increased risk on email hacks changes the dynamics of the fraud risks associated to the process.

Given this basis, it is concluded that there are adequate provisions in place across the Council to manage the risk of fraud and corruption. .

This assessment of Audit outcomes indicates an overall opinion of “Adequate Assurance” as summarised in Table 4:

Table 4: Audit Opinion based on Reasonable Assurance Model

No.	Theme	Overall Opinion
1	Corporate Governance	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
2	Risk Management	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
3	Financial Control	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
4	Change Programme and Project Management	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
5	Procurement, Commissioning and Partnerships	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
6	Information Technology and Information Security	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
7	Asset Management	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
8	Counter Fraud Arrangements	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>

Overall Assurance Opinion	 <div> <div>No</div> <div>Limited</div> <div>Adequate</div> <div>Substantial</div> <div>High</div> </div>
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Strengths and Areas for Development

3.9 The annual review of audit outcomes has highlighted the following key strengths and areas for development:

Strengths:

- 33% of systems and functions that were assigned a Substantial Assurance opinion or better;
- 88% of systems and functions assessed as having good or better prospects for improvement; and
- Adequate arrangements in place to manage the risk of fraud.

Areas for further development:

- The prioritising of governance improvements including compliance with expected Council arrangements and for it to be a continual process.
- Enhanced commitment and actions for the full implementation of agreed actions to address internal control and risk management issues identified by Internal Audit reports; and

Assessment against Significant Risks at KCC

- 3.10 Appendix 4 details the significant risks with a risk rating of 25 at KCC as reported to the Governance and Audit Committee in July 2022 with identification of relevant Internal Audit work undertaken against these risk areas. Reliance is placed against the work undertaken by the Corporate Risk Team in the identification of, assessment, recording and reviewing of risk mitigations, updating and monitoring of and their regular reporting of the Corporate Risk Register to the Governance and Audit Committee during the course of the year.

Other Sources of Assurance

- 3.11 In line with Institute of Internal Auditors' Practice Guidance, there is a criteria, summarised in Appendix 5, which should be utilised for Internal Audit to be able to place reliance upon other assurance providers, which maybe either internal or external sources of assurance. An extensive review of recent assurance sources will be undertaken during the course of 2022-23 and fed into the Annual Opinion for 2022-23. This may include reviews in relation to Care Quality Commission inspections, Ofsted and ISO certifications for various services.
- 3.12 All sources of assurance identified are taken at a point in time and, based on the criteria, absolute assurance for the vast majority of other assurances cannot be derived from these pieces of work undertaken.
- 3.13 This collating of assurance sources will provide the basis for the development of a more rigorous evaluation to draw conclusions from other assurance providers for 2021-22.
- 3.14 In order to identify gaps in assurance, prevent duplication in the assurance process and record the outcomes of the assessment of the adequacy and effectiveness of the service's internal control, risk management and corporate governance arrangements, assurance mapping processes are undertaken each year to ensure it reflects developing processes and procedures. A number of assurance mapping exercises have been undertaken across the Council by Internal Audit and will be refreshed as part of the 2022-23 Audit Plan. The maps currently completed are as follows in Table 5:

Table 5: Summary of Assurance Mapping

Risk	Last Reviewed	Risk Register		1st Line of Defence				2nd Line of Defence				3rd Line of Defence						Legend
		Current	Tolerance	Policies and Procedures	Training	Mgmt. Info	Self assess Process	Compliance	Quality	Internal Groups	Risk Mgmt.	3rd Parties	Partners	Regulators	Internal Audit	External Audit	Other	
Information Governance	2021-22	High	Medium															No Assurance Available
ICT	2021-22	High	Medium															Some Assurance
Safeguarding Children	2020-21	Medium	Medium															Assurance Available
Safeguarding Adults	2020-21	Medium	Medium															N/A

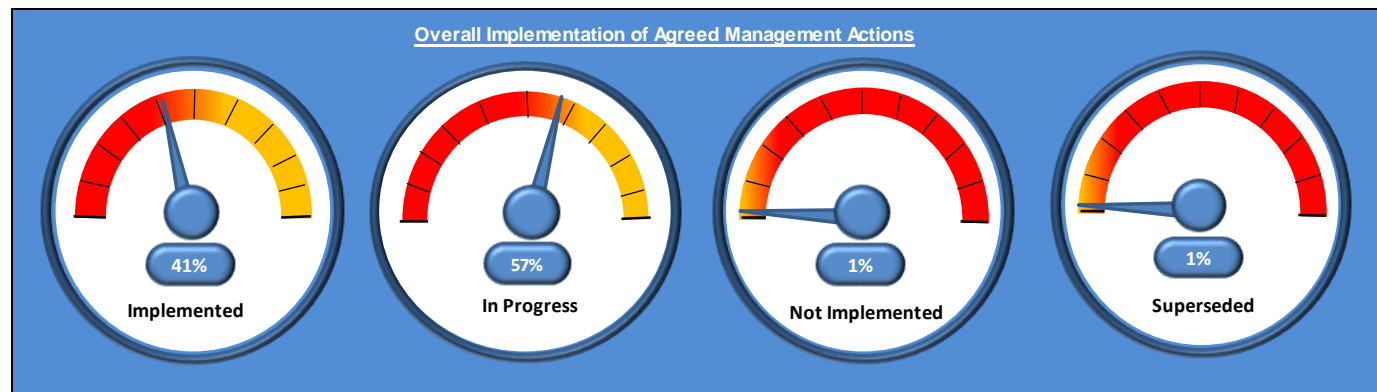
- 3.15 The assurance mapping exercises to date have highlighted a number of areas for further review from Internal Audit such as Patch Management and Records Management. More broadly, the maps have highlighted there are internal working groups to provide oversight for each risk reviewed. Risk management is also present for each area however, greater focus around the management of ICT associated risks will be picked up as part of the 2022-23 Audit Plan which was deferred from this year's Audit Plan.

4 Implementation of Agreed Actions

- 4.1 Details of the year end position on the implementation of actions from Internal Audit reports was reported to July GAC. This set out the implementation status of 78 actions categorised by the age of actions assigned to the original report. Summary of the details reported to July GAC are contained within this section of the report.
- 4.2 The status of implementation is summarised in Table 6:

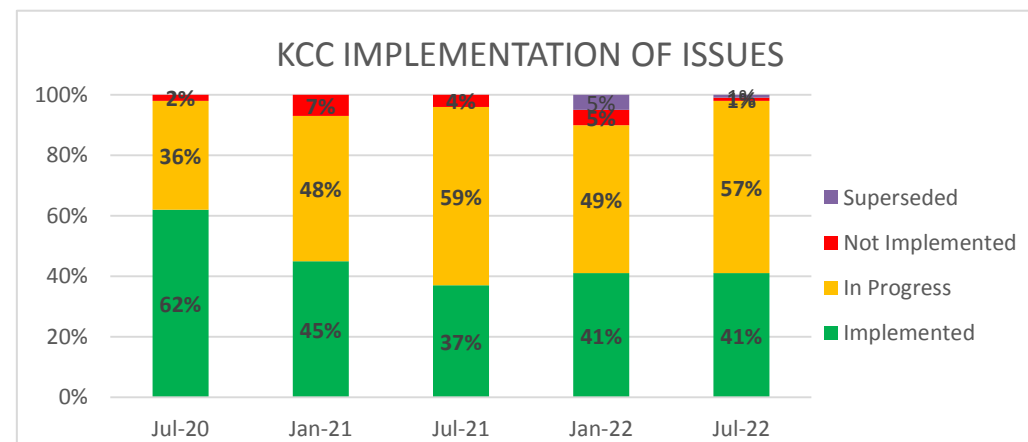
Table 6: Summary of Action Implementation

	Total Number due for implementation		Implemented		In Progress		Not Implemented		Superseded	
Risk Priority	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	22	56	10	22	11	33	0	1	1	0
Total %			41%		57%		1%		1%	



4.3 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, highlights a more stable position in 2021-22 for the majority of implementation indicators compared with the previous financial year as shown in the graph.

4.4 Implementation of issues has remained stable, however, and the overall full implementation rate of 41% leaves room for significant improvement. A dashboard of outstanding actions has been developed and shared with Directorates to aid implementation toward the suggested improvement.



Programmed Follow Ups

4.5 Programmed Follow Ups undertaken as part of the 2021-22 Internal Audit Plan were reported to July GAC which included, two in depth follow ups were undertaken of areas where, mainly, in the previous year audit opinions had been Limited, with the following results:

Table 7: Programmed Follow Ups 2021-22

Audit	Previous Opinion	Number of Issues Previously Raised		Implemented		In Progress		Not Implemented	
		High	Medium	High	Medium	High	Medium	High	Medium
Urgent Payments	Limited	3	3	3	3	0	0	0	0
Accommodation for Young People / Care Leavers	Limited	3	2	3	1	0	1	0	0
Total		6	5	6	4	0	1	0	0

*Includes updated position following additional follow-up work undertaken and also awaiting evidence / evaluation at the time of this draft report.

4.6 The Urgent Payments Follow Up audit highlighted that there had been significant progress since the original audit including completion of all management actions for the 3 high and 3 medium priority issues that were raised.

4.7 There has been good progress in the full implementation of agreed actions with 91% fully implemented. Revised audit opinions have not been given for these audits because of the limited scope of the follow-up, which focussed only on the areas where issues were raised in the previous report. Where action remains outstanding, revised dates for implementation have been agreed and these will be followed-up to their conclusion.

5 Other Audit Work including Grant Certification

- 5.1 Internal Audit perform a vital service for the Council in the auditing of grant claims to evidence spend is in accordance with grant terms and conditions. Thus, in 2021-22, Internal Audit audited / certified 52 grants to the value of £126.5m and €4.1m Euros.

The breakdown of the 52 grants was:

- 42 EU Interreg grant returns;
- 1 Bus grant returns
- 1 Sport England grant; and
- 8 Department for Transport grants.

- 5.2 The work undertaken in the grant certifications undertaken did not highlight any material inaccuracies or control weaknesses.

- 5.3 The increase in the volume of grant certification work undertaken by the Internal Audit service for the Council has continued to be challenging in respect of providing core assurance work and has utilised a greater proportion of Internal Audit resources.

- 5.4 The diversification of Internal Audit by offering a proportion of our services to other public sector related or associated bodies has continued throughout 2021-22, including:

- KCC LATCos and Kent HoldCo – including Kent Commercial Services, Invicta Law, The Education People and Cantium Business Solutions;
- Appointed auditor to 10 Parish Councils;
- Internal audit of Kent and Essex Inshore Fisheries and Conservation Authority;
- Internal audit of Kent and Medway Fire and Rescue Service; and
- Management of the audit and fraud service at Tonbridge and Malling Borough Council.

6 Conformance with Public Sector Internal Audit Standards (PSIAS)

- 6.1 All internal audit work completed during 2021-22 has been conducted in accordance with the Standards, our Internal Audit Manual and our Quality and Assurance Improvement Programme.
- 6.2 The Standards require all public sector internal audit functions to be externally assessed on a five-yearly basis, to assess conformance with the Standards. In 2021, an independent assessor was appointed to complete the External Quality Assessment (EQA). The EQA assessed that the service “Generally Conforms with the Public Sector Internal Audit Standards”. This was the highest possible assessment available and reconciled with our own internal self-assessment.
- 6.3 The EQA report recognised a number of areas of existing Good Practice and in addition, some issues were raised for consideration regarding continuous improvement. KCC Internal Audit prepared an Action Plan to address the recommendations and suggested enhancements identified in the EQA.
- 6.4 In summary, good progress has been made with 19 of the 21 actions now considered to be ‘complete’. The remaining 2 actions are ‘in progress’ and a way forward has been determined to ensure that all actions are embedded into Internal Audit processes.

Table 8 EQA Action Plan Status

Category	Recommendations Raised	To Review	To Consider
Resources	3	1	2
Competency	5	4	1
Delivery	5	3	2
Enhancements for Consideration	8	N/A	8
Total	21	8	13

	Complete	In Progress	Total
Status at September 2022	19	2	21

- 6.6 There has been continual review against the Internal Audit Quality Assurance and Improvement Programme (QAIP) in 2021-22. This has confirmed that the quality standards continue to be generally complied with. Significant progress against recommendations made as part of the EQA has also been made which was reported to April 2022 GAC. Some areas for improvement have been identified and will be addressed through staff training sessions over the coming months. The key features of the QAIP are set out in Appendix 6.

7 Internal Audit Performance

Internal Audit

7.1 The performance of the Internal Audit Team is measured and monitored throughout the year and the year-end position is shown in Table 9 below:

Table 9: Internal Audit Performance 2021-22

Performance Indicator	Target	18-19	19-20	20-21		21-22		Performance Against previous Period
Outputs				Original Plan	Revised Plan	Original Plan	Revised Plan	
90% of audits completed (by year end)	90%	97%	93%	67%	96%	69%	100%	
Outcomes								
% of high priority / risk issues agreed	N/A	100%	100%	100%	NA	100%	NA	
% of high priority / risk issues implemented	N/A	56%	57%	34%	NA	45%	NA	
% of all other issues agreed	N/A	100%	100%	100%	NA	98%	NA	
% of all other issues implemented	N/A	55%	34%	46%	NA	39%	NA	
Client satisfaction	90%	91%	97%	98%	NA	95%	NA	

Plan Delivery

7.2 Table 9 highlights performance in respect of the Audit Plan, reflecting a challenging year in respect of delivering the Original Audit Plan, which has been reported to the Committee at previous meetings.

Client Satisfaction

- 7.3 At the end of each audit review, a client satisfaction questionnaire is sent to the auditee. The cumulative result for these surveys was 95% satisfaction, which is above target and shows similar position from 2021-22 performance.
- 7.4 The survey also requested any additional comments and comments received are replicated below:
- *“The Auditors approach was open and pragmatic throughout the course of the audit and in the backdrop of a challenging set of circumstances at service level. The final report provides the incoming Head of Service a comprehensive plan to address a series of well documented operational issues. It has also significantly increased the level of awareness and involvement of senior management and Elected Members in the immediate and medium-term issues facing the service which require deliverable solutions.”*
 - *“The Auditor was very professional, friendly and knowledgeable throughout the whole process. The Auditor quickly learnt KCC and ASCH processes and ensured I was kept up to date on report / audit progress and ensured my opinion was sought to ensure findings had been accurately reflected.”*
 - *“The Auditor is extremely professional and undertook the audit in the timescales agreed. The Auditor also provided some very helpful guidance and information.”*
 - *“The auditors were very clear on their intentions and requirements and worked with our team very well, showing an understanding of our business pressures and providing flexibility where necessary. Response times were excellent and everything ran to anticipated timescales.”*
 - *“The Auditor was as professional as always and sought to offer constructive challenge and improvement. It was particularly good to have Audit’s engagement at such an early stage of development.”*

Client Perception

- 7.5 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of senior management and the Chair of the Committee on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses, with the comments received, will be utilised as part of the continuous improvement for the service. The results are detailed in Appendix 7 and the key responses were:
- 100% strongly agree / agree that Internal Audit understands the Council, its needs and objectives;
 - 89% strongly agree / agree that Internal Audit works with the Council to assist in achieving its objectives;
 - 100% strongly agree / agree that Internal Audit demonstrates competence and due professional care;
 - 89% strongly agree / agree that Internal Audit adds value;
 - 88% strongly agree / agree that Internal Audit is insightful, proactive and future focused;
 - 67% strongly agree / agree that Internal Audit promotes and supports organisational change and transformational change;
 - 89% strongly agree / agree that Internal Audit provides timely reports which are of a high standard and meet the readers’ needs;
 - 45% strongly agree / agree that Internal Audit enables benchmarking and the sharing of good practice;

- 100% strongly agree / agree that Internal Audit demonstrates quality and continuous improvement; and
- 89% strongly agree / agree that Internal Audit provided an effective service in 2021-22.

7.7 The survey also requested any additional comments and comments received are replicated below:

- *“A very effective and responsive service.”*
- *“Internal Audit reports should be and are independent and uncompromising, reflecting both positives and negatives within the organisation. The focus is on improving current risk management as well as recognition and management of future risks within the Council.”*
- *“KCC Internal Audit and Counter Fraud is well led, very competent and a pleasure to work with.”*
- *“Audit have had an outstanding year and the team is unrecognisable from a few years back. It has been a joy to watch a number of the team really hit their straps and develop and the value they add is considerable. Two small thoughts. Firstly, it is important that audit receives the resources it needs to map up against the organisation's current risk profile and operating environment. Secondly, on some areas it is important to remember context. In many cases those being audited are under pressure and do not have the time they once did to keep things under review. The same challenges and pressures felt by internal audit over the past year are also the experience of those being audited. That context is key and a kindness in delivering robust audit opinions will help keep the organisation safe and learning valuably from the work that audit do.”*

8 Internal Audit Resources

- 8.1 In accordance with the PSIAS, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. During 2021-22, the restructure initiated in February 2021 was implemented, which included the recruitment of trainees to the team and an emphasis upon increasing the level of qualified auditors. There has, however, been challenges with some aspects of implementing the required resources, for example Council pay grades being insufficient to attract a permanent in-house specialist I.T Auditor within a challenging market.
- 8.2 During 2021-22, the in-house team has been enhanced by additional capacity from a contracted provider, fixed term and agency recruitments, albeit on a significantly reduced scale to 2020-21.
- 8.3 The resourcing of the service, which includes the needs of delivering services for external clients, has therefore continued to be challenging in 2021-22, which was evident when resources were insufficient to undertake all agreed audits within the Audit Plan in addition to undertaking the SEND Transport Lessons Learnt Review. This review could only be undertaken via deferring 8 planned audits, all of which were important areas where assurance was required for the Governance and Audit Committee.
- 8.4 Conversely, the redirection of resources into the scope of the SEND Transport Lessons Learnt Review has ensured that coverage has been sufficient to enable an annual Internal Audit opinion to be derived. Therefore, with reference to the CIPFA Guide on Head of Internal Audit Opinions, issued in November 2020, which relates to the ability of Internal Audit to deliver sufficient assurance, it is concluded that there was no limitation of scope which adversely impacted upon the ability to provide an annual opinion.
- 8.5 Although there has been insufficient time to analyse in detail the resourcing requirements and prepare a revised Business Case, several factors have been identified to be considered to ensure the resources of the Internal Audit service can remain as “fit for purpose.” This aims to provide the necessary level of assurance service to reflect current risks faced by Council and to ensure there is sufficient level of resources to meet demand for assurance and consultancy services within the Council and its external clients to continue to deliver assurance and income to support the maintenance and retention of an experienced skills base.
- 8.6 The short-term priority, following the completion of the SEND Transport Lessons Learnt Review, which has led to the suspension of various areas to improve the Internal Audit service in 2022-23, is, therefore, to prepare a Business Case on required resources for consideration which aims to facilitate the continuous development of the service.

9 Disclosure on Impairment and Statement of Independence

- 9.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note).
- 9.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority makes arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
 - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 9.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Leader of the Council, Head of Paid Service, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Governance and Audit Committee.
- 9.4 There has been no restriction on the scope of Internal Audit work findings during 2021-22. In any instance where there is a potential or perceived impairment to independence, such matters would be addressed with management accordingly.
- 9.5 Consequently, it is confirmed that the independence of the Internal Audit and its ability to form an evidenced audit opinion has not been adversely affected in 2021-22.
- 9.6 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.

Appendix 1 – Delivery Against Internal Audit Plan 2021-22

Ref	Audit	Status as at 20/09/22	Assurance	Prospects for Improvement	Summary to Committee
CA01	Annual Governance Statement	Draft Report	TBC	TBC	
CA02	Corporate Governance	Complete	N/A	N/A	
CA03	Equalities Act 2010 Duties	Final Report	Limited	Good	GAC September 2022
CA04	Future of Sessions House HQ	Deferred to 2022/23			
CA05	Information Governance Assurance Mapping Update	Final Report	N/A	N/A	GAC November 2021
CA06	Records Management Follow-up	Deferred to 2022/23			
CA07	Risk Management	Final Report	N/A	N/A	GAC April 2022
CA08	Strategic Commissioning	Deferred to 2022/23			
CS01	CIPFA Financial Management	Final Report Subsequent work in progress	N/A	N/A	GAC April 2022
CS02	General Ledger	Final Report	Substantial	Good	GAC January 2022
CS03	Imprest Accounts Follow-up	Deferred to 2022/23			
CS04	Payroll	Final Report	Substantial	Good	GAC July 2022
CS05	Pensions Scheme Admin	Deferred to 2022/23			
CS06	Urgent Payment Follow-up	Final Report	N/A	N/A	GAC January 2022
CR01	Annual Audit Opinion	Complete	N/A	N/A	GAC July 2022
CR02	Annual Governance Statement	Complete	N/A	N/A	GAC July 2022
CR03	Information Governance Steering Group	Complete	N/A	N/A	
CR04	Provider Invoicing	Final Report	Limited	Good	GAC January 2022
RB01	Declaration of Interests (Members)	Final Report	Adequate	Good	GAC April 2022
RB02	Engagement of Consultants	Deferred to 2022/23			
RB03	Enterprise Business Capabilities (Oracle) – Strategic Reset Programme	Complete	N/A	N/A	GAC July 2022
RB04	Information Governance – DSP Toolkit	Final Report	Substantial	Good	GAC April 2022
RB05	KCC Estate Review – Strategic Reset Programme	Complete	N/A	N/A	GAC September 2022

Ref	Audit	Status as at 20/09/22	Assurance	Prospects for Improvement	Summary to Committee
RB06	New Grant Funding	Final Report	Substantial	Good	GAC April 2022
RB07	People Strategy – Strategic Reset Programme	Final Report	N/A	N/A	GAC April 2022
RB08	Property Infrastructure – Functions and Processes Transferred from Gen2	Final Report	Limited	Good	GAC July 2022
RB09	Public Health – Covid 19 Ring Fenced Grants	Final Report	High	Good	GAC July 2022
RB10	Schools Financials Services	Deferred to 2022/23			
RB11	Strategic Reset Programme – Programme Governance	Final Report	Adequate	Good	GAC April 2022
RB12	Contract Management (ASCH)	Final Report	Adequate	Very Good	GAC July 2022
RB13	Data Protection (ASCH)	Final Report	Adequate	Very Good	GAC January 2022
RB14	Individual Contracts with Care Providers	Deferred to 2022/23			
RB15	Making a Difference Every Day (MADE) Assurance Board	Complete	N/A	N/A	GAC September 2022
RB16	Provider Failure Assurance Map	Deferred to 2022/23			
RB17	Safeguarding Assurance Map (ASCH)	Deferred to 2022/23			
RB18	Supervision of Social Workers	Final Report	Limited	Very Good	GAC July 2022
RB19	Accommodation for Young People / Care Leavers Follow-up	Final Report	N/A	N/A	GAC July 2022
RB20	Business Continuity Planning (CYPE)	Final Report	High	Very Good	GAC July 2022
RB21	Change for Kent Children – Strategic Reset Programme	Final Report	N/A	N/A	GAC September 2022
RB22	Foster Care – Transition to Shared Service	Deferred to 2022/23			
RB23	Information Governance (CYPE)	Final Report	Substantial	Very Good	GAC July 2022
RB24	Safeguarding Assurance Map (CYPE)	Deferred to 2022/23			
RB25	School Themed Review – Corporate Credit Cards	Final Report	Adequate	Good	GAC September 2022
RB26	SEN Assurance Map	Deferred to 2022/23			
RB27	Traveller Service – Site Allocation and Pitch Fee Collection	Final Report	No Assurance	Uncertain	GAC April 2022
RB28	Highways Term Maintenance Contract	Final Report	N/A	N/A	GAC July 2022
RB29	Inland Border Posts / Decision Making and Financial Management	Final Report	N/A	N/A	GAC September 2022
RB30	Kent and Medway Business Fund	Final Report	Adequate	Good	GAC September 2022

Ref	Audit	Status as at 20/09/22	Assurance	Prospects for Improvement	Summary to Committee
RB31	Kent and Medway Energy and Low Emission Strategy	Deferred to 2022/23			
RB32	New Local Infrastructure Projects Across Kent (SELEP)	Final Report	Substantial	Good	GAC July 2022
ICT01	Cyber Security Assurance Map Update (EXEMPT)	Final Report	N/A	N/A	GAC April 2022
ICT02	Information Technology Risk Management	Deferred to 2022/23			
ICT03	IT Cloud Strategy, Security and Data Migration	Final Report	Adequate	Uncertain	GAC April 2022
ICT04	IT Data Security Audit for DSP Toolkit	Final Report	Adequate	Adequate	GAC September 2022
ICT05	Prevention of ICT Data Centre Outages Follow-up	Final Report	N/A	N/A	GAC November 2021

B. Work Carried Forward From 2019-20:

Ref	Audit	Status as at 6/4/2021	Assurance	Prospects for Improvement	Summary to Committee
1	School Themed Review – Cyber Security (EXEMPT)	Final Report	Adequate	Good	GAC November 2021
2	Imprest Accounts Follow-up (EXEMPT)	Final Report	N/A	N/A	GAC November 2021
3	ACCESS Pool	Final Report	Substantial	Good	GAC November 2021
4	Strategic Commissioning Follow-up	Final Report	N/A	N/A	GAC November 2021
5	Cyber Security – Management of Backups for Applications, Data and active Network Devices (EXEMPT)	Final Report	Adequate	Very Good	GAC November 2021
6	Records Management	Final Report	Limited	Good	GAC November 2021

C. Additions:

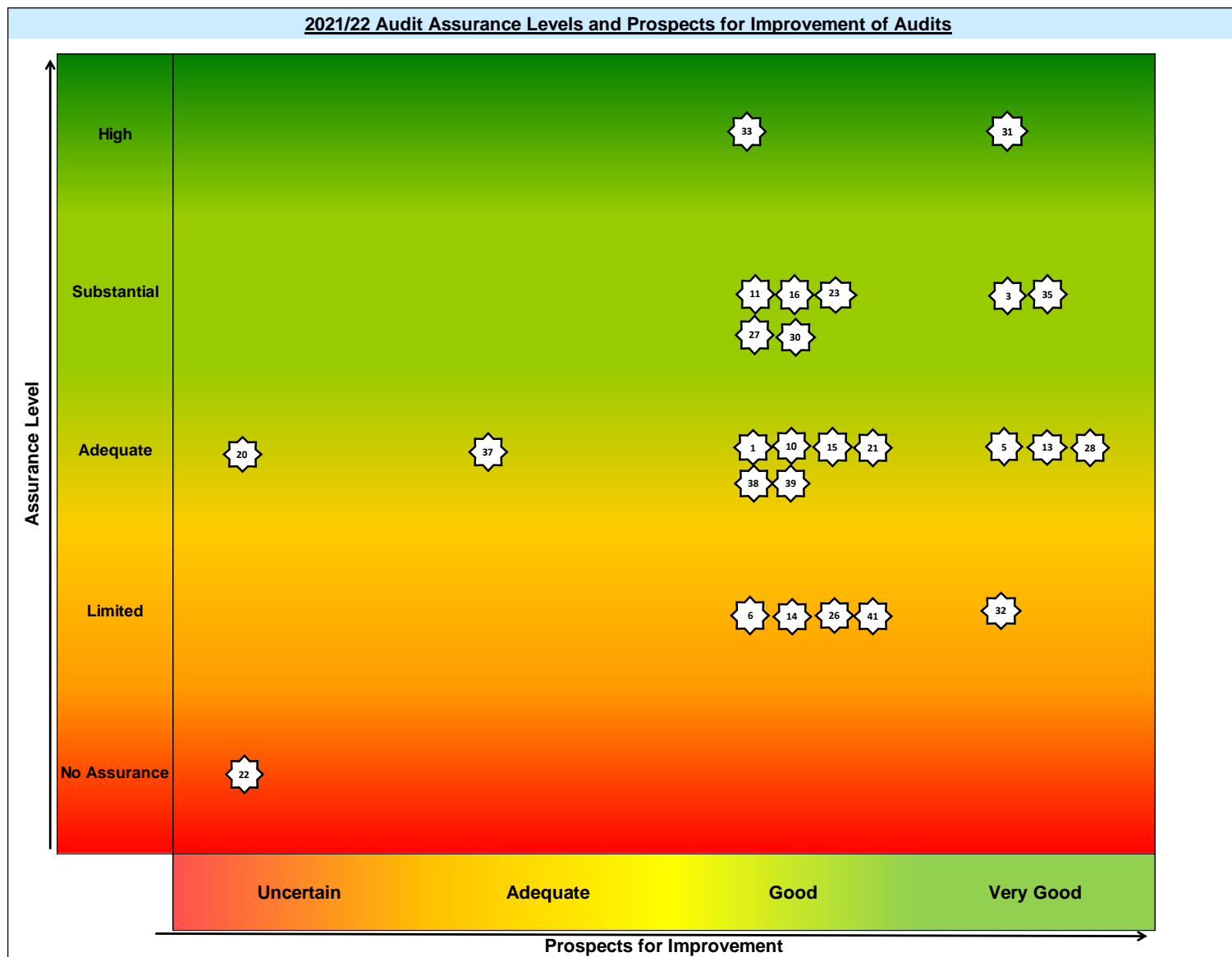
Ref	Audit	Status as at 6/4/2021	Assurance	Prospects for Improvement	Summary to Committee
1	ASCH Day Centre Review	Final Report	N/A	N/A	GAC November 2021
2	Sessions House Data Centre Failure – Lessons Learnt Review (EXEMPT)	Final Report	N/A	N/A	GAC November 2021
3	Searchlight – Data Breaches	Final Report	Adequate	Good	GAC January 2022
4	Provider Data Protection Themed Report (ASCH)	Final Report	Limited	N/A	GAC July 2022
5	SEND Transport	Final Report	N/A	N/A	GAC September 2022

Appendix 2 – 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 only - no overall opinion provided.

Prospects for Improvement	Definition
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.
Not Applicable	Internal audit advice/guidance only - no overall opinion provided.

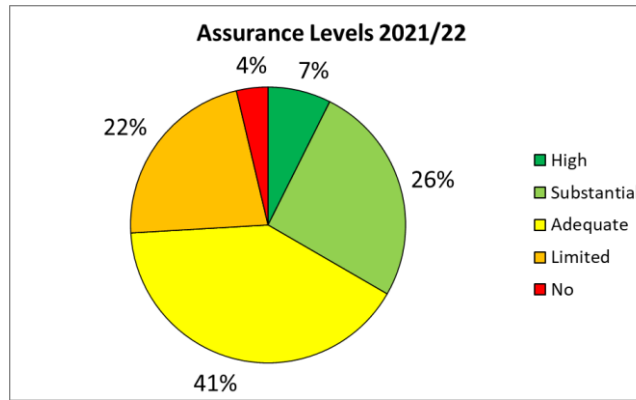
Appendix 3 – Distribution of Internal Audit Assurances 2021-22



Audit Opinion October / November G&A Committee				Audit Opinion January G&A Committee			
No	Audit	Assurance	Prospects for Improvement	No	Audit	Assurance	Prospects for Improvement
1	Schools Themed Review - Cyber Security (RB24-2021)	Adequate	Good	10	Searchlight - Data Breaches (AD02-2022)	Adequate	Good
2	Imprest Accounts Follow Up (CS01-2021) EXEMPT	N/A	N/A	11	General Ledger (CS02-2022)	Substantial	Good
3	ACCESS Pool (CS08-2021)	Substantial	Very Good	12	Urgent Payment - Follow-up (CS06-2022)	N/A	N/A
4	Strategic Commissioning - Follow Up (RB39-2021)	N/A	N/A	13	Data Protection (ASCH) (RB13-2022)	Adequate	Very Good
5	Cyber Security - Management of Backups for Applications, Data and Active Network Devices (ICT03-2021) EXEMPT	Adequate	Very Good	14	Provider Invoicing (CR04-2022)	Limited	Good
6	Records Management (CA03-2021)	Limited	Good				
7	Laineys Farm	N/A	N/A				
8	Information Governance Assurance Map (CA05-2022)	N/A	N/A				
9	Sessions House Data Centre Failure - Lessons Learnt Review	N/A	N/A				
Audit Opinion April G&A Committee				Audit Opinion July G&A Committee			
No	Audit	Assurance	Prospects for Improvement	No	Audit	Assurance	Prospects for Improvement
15	Strategic Reset Programme (RB11-2022)	Adequate	Good	27	KCC Payroll 2021-22 (CS04-2022)	Substantial	Good
16	DSP Toolkit (RB04-2022)	Substantial	Good	28	Contract Management (ASCH) (RB12-2022)	Adequate	Very Good
17	Cyber Security Assurance Map (ICT01-2022)	N/A	N/A	29	Accommodation for Young People Follow Up (RB19-2022)	N/A	N/A
18	People Strategy - Strategic Reset Programme (RB07-2022)	N/A	N/A	30	New Local Infrastructure Projects Across Kent (SELEP) (RB32-2022)	Substantial	Good
19	Risk Management (CA07-2022)	N/A	N/A	31	BCP (CYPE) (RB20-2022)	High	Very Good
20	ICT Cloud Strategy, Security & Data Migration (ICT01-2021)	Adequate	Uncertain	32	Supervision of Social Workers (RB18-2022)	Limited	Very Good
21	Declaration of Interest (Members) (RB01-2022)	Adequate	Good	33	Public Health C19 Funding (RB09-2022)	High	Good
22	Gypsy & Traveller Service - Site Allocation and Pitch Fees Collections (RB27-2022)	No	Uncertain	34	Enterprise Business capabilities (Oracle) (RB03-2022)	N/A	N/A
23	New Grant Funding (RB06-2022)	Substantial	Good	35	Information Governance (CYPE) (RB23-2022)	Substantial	Very Good
24	Ashford Sevington	N/A	N/A	36	Provider Data Protection Themed Report (DP1-2022)	Limited	N/A
25	CIPFA Financial Management (FM) Code Management Letter	N/A	N/A				
26	Property Infrastructure - Functions and Processes Transferred to KCC from Gen2 (RB08-2022)	Limited	Good				

<u>Audit Opinion October / November G&A Committee</u>			
No	Audit	Assurance	Prospects for
37	IT Data Security for DSP Toolkit (ICT04-2022)	Adequate	Adequate
38	School Themed Review - Credit Card (RB25-2022)	Adequate	Good
39	Kent & Medway Business Fund (RB30-2022)	Adequate	Good
40	KCC Estate Review (RB05-2022)	N/A	N/A
41	Equalities Act (Duties) 2010 (CA03-2022)	Limited	Good
42	Highways Term Maintenance Contract (RB28-2022)	N/A	N/A
43	Making a Difference Everyday Programme (MADE) (RB15-2022)	N/A	N/A
44	Change for Kent Children (RB21-2022)	N/A	N/A

Assurance Level	No	%
High	2	7%
Substantial	7	26%
Adequate	11	41%
Limited	6	22%
No	1	4%



PFI	No	%
Very Good	7	27%
Good	16	61%
Adequate	1	4%
Uncertain	2	8%

Appendix 4 - Extract of KCC Significant Risks

The detail below shows Internal Audit projects against the Corporate Risk Register reported to July GAC

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0002	Safeguarding - Protecting Adults at Risk	High (20)	Medium (15)	At Target	RB15	Making a Difference Every Day (MADE)	N/A	N/A
					RB18	Supervision of Social Workers	Limited	Very Good

Risk response is Treat

A quality assurance framework has been developed and is ready to go live in the coming months, to aid analysis and evidence quality of practice. At the end of February 2022 safeguarding teams were realigned into four locality teams moving away from the previous specialisms, to improve the safeguarding pathway. The rest of the locality model is due to be implemented towards the end of 2022, which is expected to lead to further improvements in safeguarding practice. The Kent and Medway Adults Safeguarding Board have developed a strategic plan for 2022-2025 to support the achievement of the overall ambitions.

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0003	Securing resources to aid economic recovery and enabling infrastructure	High (20)	High (16)	3+ Years	RB30	Kent and Medway Business Fund	Adequate	Good
					RB32	New Local Infrastructure Projects Across Kent (SELEP)	Substantial	Good

Risk response is Treat

The medium-term timescale reflects the time it will take to introduce, but more importantly, embed the necessary relevant strategies, policies etc

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0004	Simultaneous Emergency Response and Resilience	High (20)	Medium (15)	3+ Years	RB20	Business Continuity Planning (CYPE)	High	Very Good

Risk response is Treat

The controls continue to be implemented however there continues to be

pressure on resources with the ongoing response requirements which are resourced from KCC, as well as pushing 'business as usual' forward

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0009	Future financial and operating environment for local government	High (20)	High (16)	1-2 Years	CS01	General Ledger	Substantial	Good
					CS05	Urgent Payment Follow-up	N/A	N/A
					RB06	New Grant Funding	Substantial	Good
					CA09	CIPFA Financial Management	TBC	TBC
Risk response is Treat								
There has been a recent Government commitment to a 2-year spending review for local government, although the medium-term picture is still unclear and therefore difficult to state a timescale to achieve target at this point. The one-year settlement previously received means greater risk.								

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0014	Technological resilience and information security threats	High (20)	High (16)	1-2 Years	ICT01	Cyber Security Assurance Map (Exempt)	N/A	N/A
					ICT03	IT Cloud Strategy, Security and Data Migration	Adequate	Uncertain
					ICT04	IT Data Security Audit for DSP Toolkit	Adequate	Adequate
						Cyber Security - Management of Backups for Applications, Data and Active Network Devices	Adequate	Very Good
						Sessions House Data Centre Follow-up	N/A	N/A
Risk response is Treat								
A plan is being developed to bring risk to target level (risk will always be high and changes all the time - hence high target) by gradual and incremental improvements over the next 1-2 years. Of key importance are the robustness and continual reviewing of controls, with constant work required to keep pace with the threat. Changes have been made with our key supplier to support the approach to the security environment management.								

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0015	Managing and working	High	Medium	1-2 Years	CR04	Provider Invoicing	N/A	N/A

with the social care market

(20) (15)

RB12 Contract Management (ASCH)
Strategic Commissioning Follow-up

Adequate	Very Good
N/A	N/A

Risk response is Treat

The recently approved Adult Social Care Strategy 2022-2027 sets out the future direction of travel, as well as development of our commissioning strategy with underpinning delivery plans to support, grow and develop the market in line with strategic direction

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0039	Information Governance	High (20)	Medium (12)	TBC	RB04	Information Governance - DSP Toolkit	Substantial	Good
					CR02	Information Governance Steering Group	N/A	N/A
					RB23	Information Governance (CYPE)	Substantial	Very Good
					RB13	Data Protection (ASCH)	Adequate	Very Good
					CA05	Information Governance Assurance Map	N/A	N/A
						Searchlight - Data Breaches (Exempt)	Adequate	Good
						Records Management	Limited	Good

Risk response is Treat

Timescale to target to be discussed at next Corporate Information Governance Group meeting 27/07.

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0042	Border fluidity, infrastructure and regulatory arrangements	High (20)	High (16)	1-2 Years	RB29	Inland Board Posts / Decision Making and Financial Management	TBC	TBC

Risk response is Treat

Initial timescale response given by GET DMT

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0044	High Needs Funding shortfall (risk to be merged with CRR0047)	High (20)	High (16)	3+ Years		SEND Assurance Map	Deferred	

Risk response is Treat

KCC are in discussions with the DfE to gain access to the Safety Valve funding to meet some of the High Needs Funding (HNF) shortfall. These discussions need to conclude in the coming months. This will require a firm commitment to change and to delivering better value for money and will be a three-year plan.

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0047	Adequacy of support for children with Special Educational Needs and Disabilities (SEND) – response to Written Statement of Action (risk to be merged with CRR0044)	High (20)	Medium (10)	3+ Years		SEND Assurance Map	Deferred	

Risk response is Treat

This risk is linked to CRR0044 and requires both a redesign and re-configuration of the SEN service. This is currently underway and will form the basis from which the HNF requirements of the Safety Valve programme will be met

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0050	CBRNE incidents,	High (20)	Medium	1-2 Years	RB09	Public Health - Covid 19 Ring Fenced Grants	High	Good

communicable diseases and incidents with a public health implication – KCC response to and recovery from the impacts of the Covid-19 public health emergency

	(15)
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Risk response is Treat

The pandemic was a global emergency and disasters management and aftermath recovery shows that the period of recovery has a long tail.

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0051	Supporting the workforce transition to hybrid working (target level of risk previously raised from 8 to 12)	High (16)	Medium (12)	1 Year	RB07	People Strategy - Strategic Reset Programme	N/A	N/A
					RB11	Strategic Reset Programme - Programme Governance	Adequate	Good

Risk response is Treat

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0052	Impacts of Climate Change on KCC Services	High (20)	High (16)	3+ Years	RB31	Kent and Medway Energy and Low Emission Strategy	Deferred to 22/23	

Risk response is Treat

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0053	Capital Programme affordability	High (20)	High (16)	3+ Years		Inflation	To be completed 22/23	

Risk response is Treat

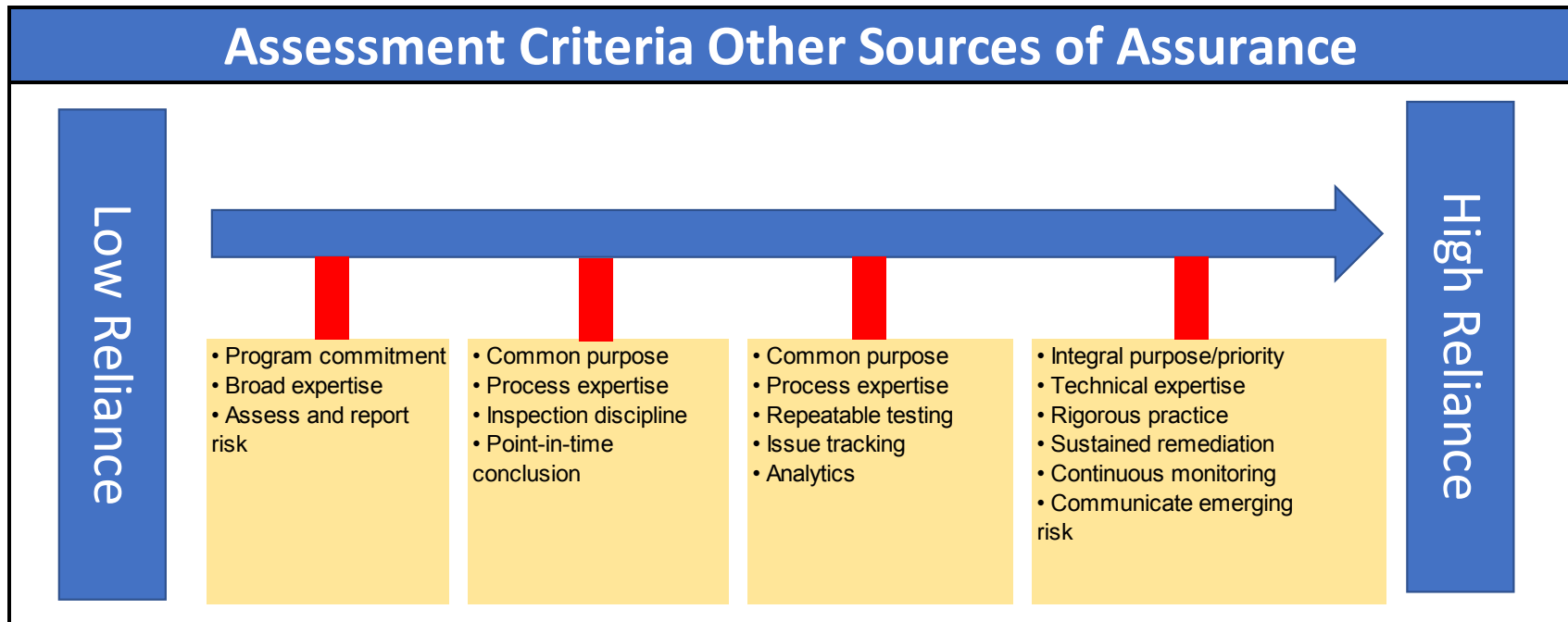
Inflation is having a disproportionate impact on the capital programme.

Risk No	Risk Title	Current Rating	Target Rating	Timescale to Target	Audit Ref	Title	Opinion	PFI
CRR0054	Supply Chain and Market Factors	High (20)	TBC	1-2 Years	RB30	Kent and Medway Business Fund	Adequate	Good

Risk response is Treat

Visibility and access to data across KCC is essential to enable us to treat and mitigate this risk. Directorates are required to populate the central contract register and commissioning pipeline in order for to ensure all information is captured in the first instance. The Commissioning Standards and templates provide information and consideration about sub-contracting arrangements and proportional treatment of risk and reward. Greater emphasis is required on upstream and downstream supply chains within contracts and across KCC to look at trends and cost implications to help reduce costs, improve and maintain logistical arrangements and improve and / or maintain efficiency and collective organisational targets and priorities

Appendix 5 - IIA Assessment Criteria Other Sources of Assurance



Appendix 6 - Quality Assurance & Improvement Programme (QAIP)

The Public Sector Internal Audit Standards (PSIAS) describe the QAIP as:

“A QAIP is designed to enable an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.”

As acknowledged by the External Assessor in 2021, Internal Audit have a robust process for undertaking the QAIP, which includes the completion of the following reviews to confirm compliance with PSIAS:

- **Self- Assessment** - completed for each audit engagement, proactive fraud review and complex investigation.
- **Hot Reviews** - complete for each audit investigation and fraud investigation.
- **Cold Reviews** - carried out annually across all clients using a judgemental sample and least one per individual. In 2021-22, there has been insufficient time to undertake Cold Reviews.
- **Internal Assessment** - competed annually against PSIAS.
- **External Assessment** - completed every 5 years for Audit and Counter Fraud.
- **Customer Feedback** - competed for each audit engagement and proactive counter fraud review.
- **Stakeholder Perception** - completed annually.

During 2021-22, the following Improvement areas were addressed:

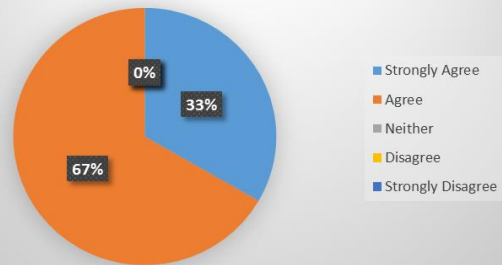
Improvement Issue
Implement Restructure including recruitment
To implement agreed actions from the External Quality Assessment
Review Data Analytics Strategy following training to monitor and enhance utilisation of Data Analytics
Commission bespoke training in Agile Auditing for managers and Principal Auditors to enhance approaches
To refresh IACF team members with Process Mapping training
To refresh IACF team members with Root Cause Analysis training

Improvements required for the service in 2022-23 include:

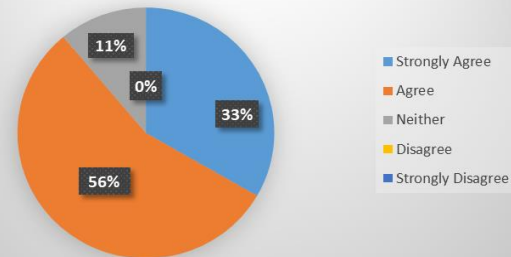
Improvement Issue
Review Assurance Mapping and Reliance on Other Assurances Methodology
Implement a more effective approach to following up Cold Reviews
Develop an Audit Manual procedure note to reflect engagement planning requirements for consultancy reviews
Continue review of report formats on lean principles with aim of reducing report length
Refresh Performance Management system

Appendix 7 – Senior Management Survey

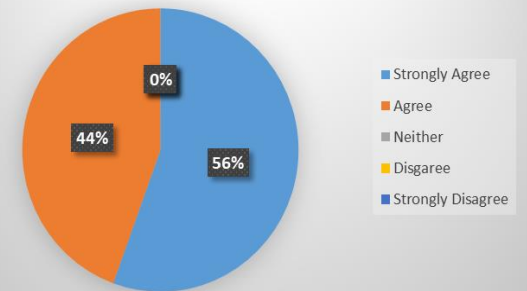
1. Understands the Council, its needs and objectives.



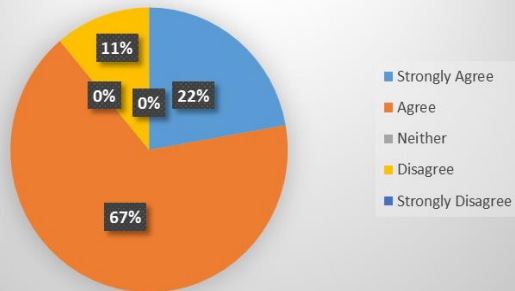
2. Works with the Council to assist you in achieving your objectives and managing your risks.



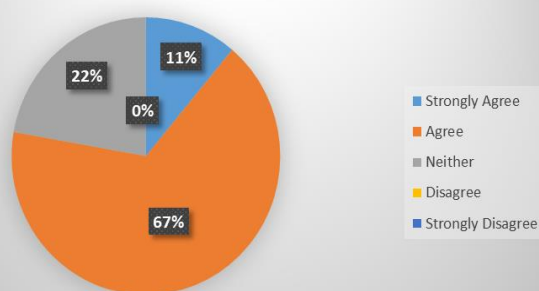
3. Consistently demonstrates competence and due professional care.



4. Adds value with the work delivered.



5. Is insightful, proactive and future-focused.



6. Promotes and supports organisational improvement and transformation.

