



Kent County Council

Internal Audit Annual Report 2023-24

July 2024

1. Purpose and Background

1.1 This Annual Report provides a summary of the work completed by the Internal Audit service during 2023-24.

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.

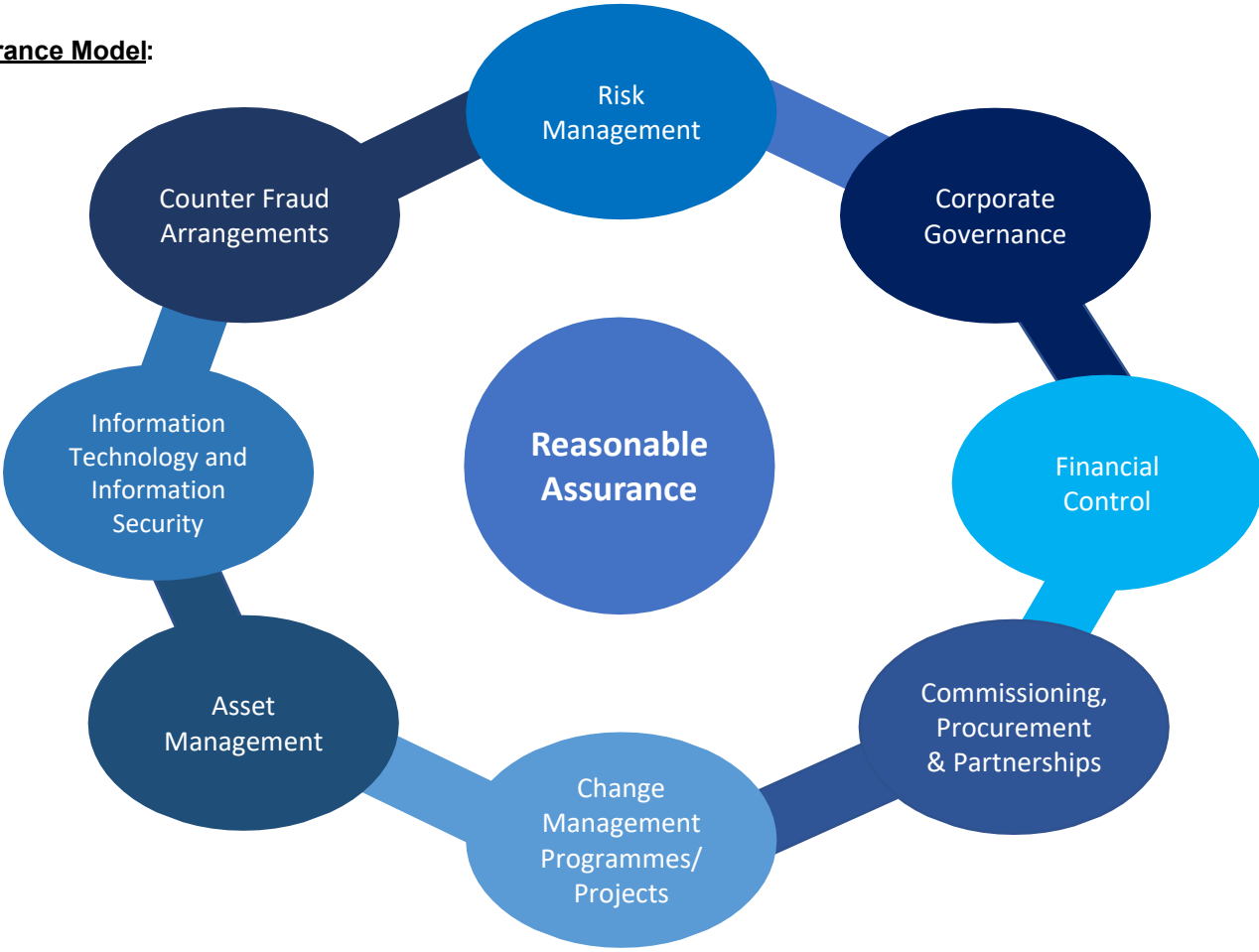
1.5 The Annual Opinion is derived from evaluation of the outcomes of Internal Audit work with specific emphasis upon the following key factors:

- Assurance Opinions from audit assignments;
- The increased use of audit resources on advisory engagements;
- Follow Up reviews of audits assigned as Limited or No Assurance;
- 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.

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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:

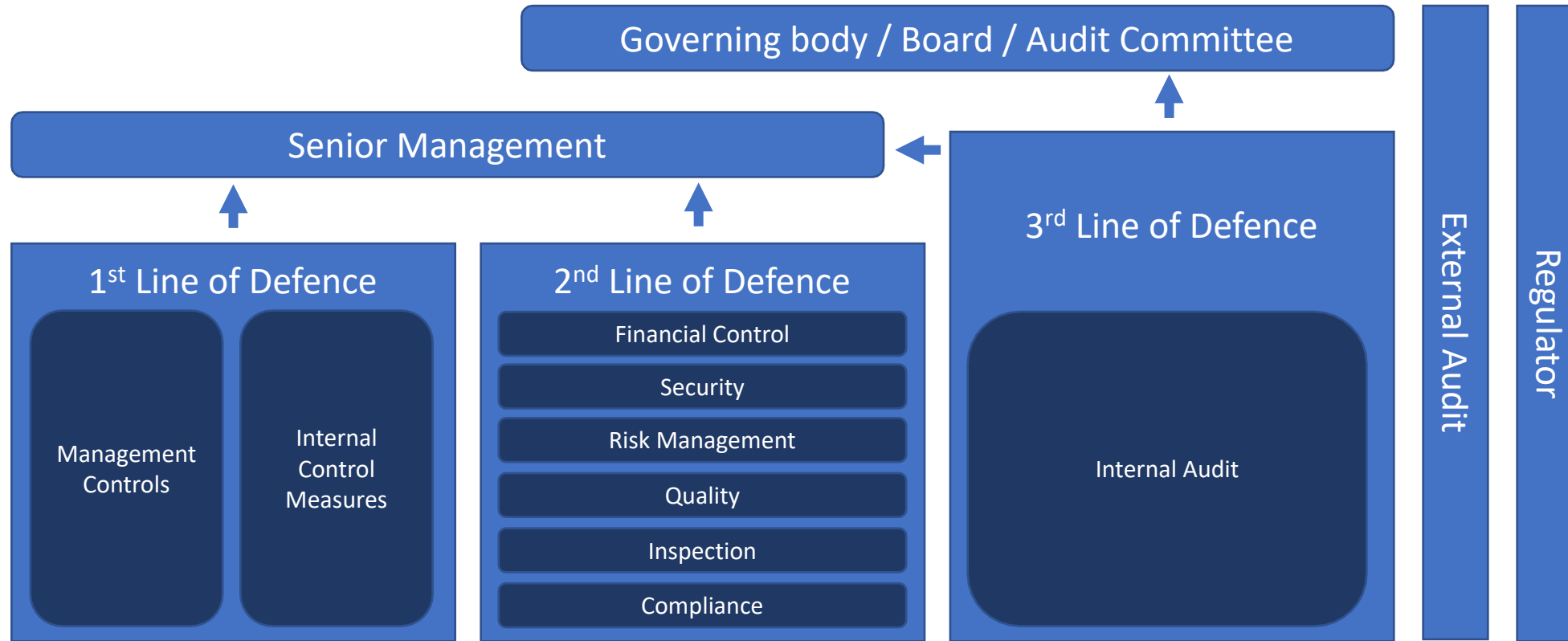


1.7 Internal Audit is guided by the Internal Audit Charter, which is reviewed annually. Internal Audit provides an independent and objective opinion on the Council’s control environment through the work based on the Annual Internal Audit Plan agreed by the Governance and Audit Committee.

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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:



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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 the eight indicators.
- 2.3 There has been a significant improvement and upward trajectory in the proportion of systems, processes or functions which are assigned an assurance level of “Substantial” or High” with 52% in 2023-24 compared to 26% in 2022-23. There was a decrease in the assigning of “Limited” assurance in 2023-24 to 13% from 35% in 2022-23..
- 2.4 Significant level of audit resources cover non- assurance work such as Advisory and Programmed Follow Ups of previous audits assigned “Limited” or “No” assurance. The outcomes from this non-assurance work has highlighted significant issues across 2023-24. Thus, for example, the outcome of the Programmed Follow Up work was that of 29 issues raised, only 45% had been fully implemented.
- 2.5 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 2023-24, full implementation rates decreased to 38% in 2023-24 from 50% in 2022-23. As stated in the Annual Report for 2021-22, 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. This was also highlighted in the External Audit Annual Report for 2021-22, which referred to the level of actions “in progress” , commenting that “... *it will be important that internal audit reports are taken seriously and addressed on a timely basis.*”
- 2.6 It should be emphasised that the assignment of an overall “Adequate” assurance opinion in 2023-24 is consistent with the overall opinion since 2019-20. The Adequate” assurance opinion should be considered in the context of the unprecedented challenges faced by the Council in recent years and the significant risks it continues to address. It is important to emphasise the improvements in audits assigned assurance opinions in 2023-24.

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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 Oracle Cloud programme;
- Auditing what matters and revising areas of coverage to reflect new risks 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 significant 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 2023-24

Delivery Against the Internal Audit Plan

3.1 Appendix 1 details delivery against the 2023-24 Internal Audit Plan including amendments and changes.

Assurance Opinions from Audit Assignments

3.2 Assurance levels are assigned to completed risk-based audit reviews based on the criteria in Appendix 6. For the 2023-24 Audit Plan, a total of 39 audit engagements were undertaken of which 23 were opinion based and the assurance levels assigned are set out in Appendix 6.

3.3 Overall, 48% of systems or functions have been assigned with “Adequate” assurance or lower with 35% assigned Adequate and 13% assigned Limited or No assurance. This represents an increase in the assigning of “Substantial” or “High” assurance opinions (52%) in 2023-24 compared to 2022-23 (26%), as illustrated in Table 1.

Audit Opinion Annual Comparison

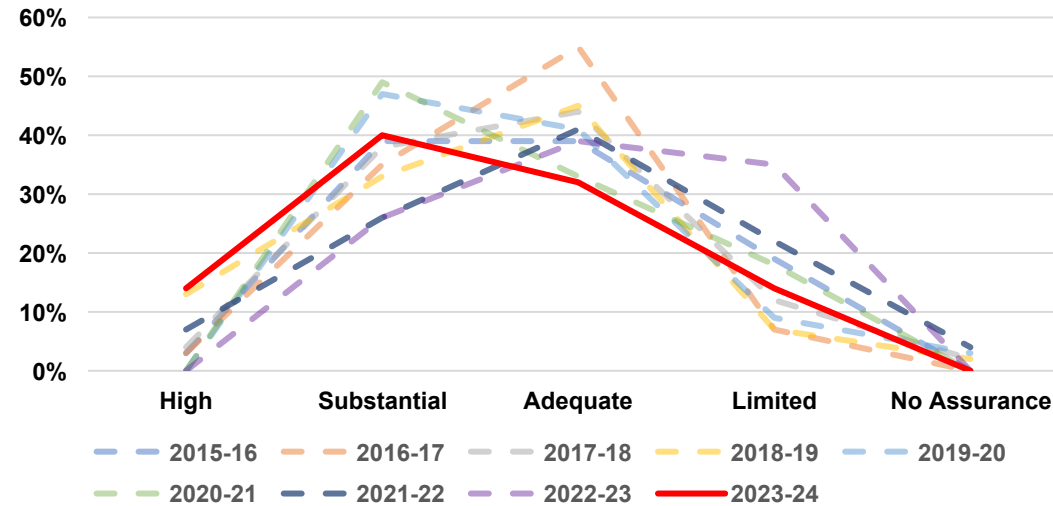


Table 1: Summary of Assurance Opinions 2015-16 to 2023-24

Assurance Level	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
High	3%	3%	4%	13%	0%	0%	7%	0%	13%
Substantial	39%	35%	38%	33%	47%	49%	26%	26%	39%
Adequate	39%	55%	44%	45%	41%	33%	41%	39%	35%
Limited	19%	7%	12%	7%	9%	18%	22%	35%	13%
No Assurance	0%	0%	2%	2%	3%	0%	4%	0%	0%

Substantial or Above	42%	38%	42%	46%	47%	49%	34%	26%	52%
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3.4 Detailed summaries on the outcomes from Internal Audit work completed for 2023-24 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 6.

3.6 Overall, 84% of systems or functions have been assessed as having good, or better, prospects for improvement. This is a slight increase from the previous year, as illustrated in Table 2. Though there is an increase in prospects for improvement opinions for 2023-24, it is clear that this does not align to subsequent implementation levels. Therefore, the criteria for prospects for improvement will be adjusted for 2024-25 to consider the services track record for implementation of management actions.

PFI Annual Comparison

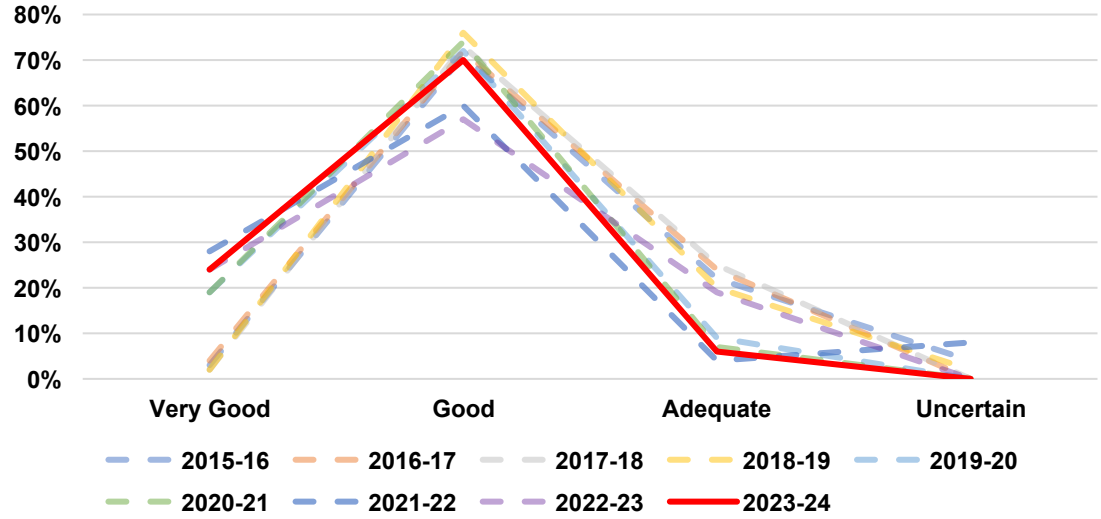


Table 2: Summary of Prospects for Improvement 2015-16 to 2023-24

Prospects for Improvement	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Very Good	3%	4%	2%	2%	19%	26%	27%	24%	21%
Good	71%	72%	73%	76%	72%	65%	61%	57%	63%
Adequate	22%	24%	25%	20%	9%	6%	4%	19%	16%
Uncertain	4%	0%	0%	2%	0%	3%	8%	0%	0%
Good or Above	74%	76%	75%	78%	91%	91%	88%	81%	84%

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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				
Direction of Travel				
NO LIMITED ADEQUATE SUBSTANTIAL HIGH ➔				
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
40	RB13-2024 – Home to School Transport Follow-up	ADVISORY	N/A	November 2023 GAC
1	ICT02-2024 - Artificial Intelligence	ADVISORY	N/A	February 2024 GAC
2	ICT01-2024 - Single Data Platform	ADVISORY	N/A	February 2024 GAC
5	RB29-2024 - Highways and Transportation Communications	ADEQUATE	GOOD	February 2024 GAC
21	CR03-2024 - Enterprise Business Capabilities (Replacement of Oracle)	ADVISORY	N/A	May 2024 GAC
26	RB18-2024 - Loan Approval for Schools	LIMITED	TBC	
36	RB12-2024 - Business Planning Process	SUBSTANTIAL	ADEQUATE	July 2024 GAC
35	RB02-2024 - Performance Management	HIGH	VERY GOOD	July 2024 GAC
28	RB27-2024 - Climate Change - Net Zero Follow-up	ADVISORY	N/A	July 2024 GAC

1. Corporate Governance



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
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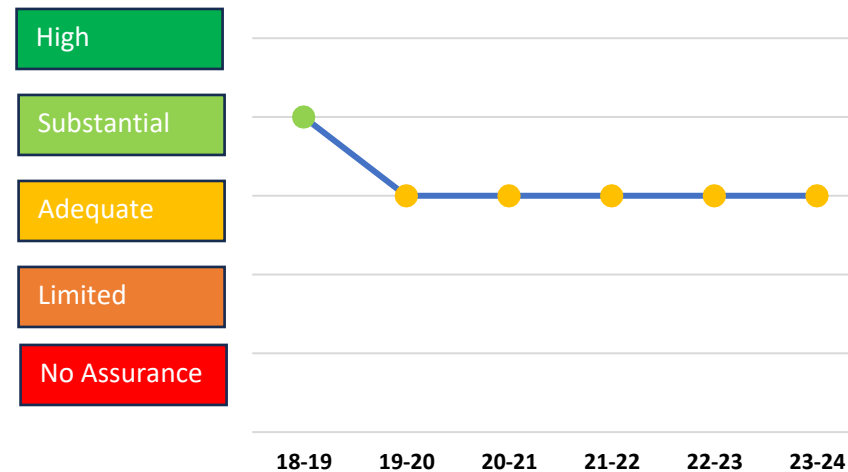
A Governance Recommendation Improvements Plan (GRIP) is in place which tracks identified improvements from Internal and External Audit, AGS and associated reports. In addition, changes to how key decisions are made are currently being piloted which forces advice at an early stage from Finance, Procurement and Legal through utilisation of an app.

For the reviews of Artificial Intelligence (AI) and Single Data Platform, it was found that there was appropriate governance arrangements in place.

The Follow-up review of Home to School Transport identified that 1 of the seven issues relating to cross directorate governance and communication had been implemented while the remaining 6 action plans remained in progress.

Internal Audit continue to provide embedded assurance on the Enterprise Business Capabilities project which will continue into 24-25. Initial observations found that there is a refreshed governance structure which oversees the whole Programme and a newly appointed Senior Responsible Officer. There are clear roles, responsibilities and accountabilities and Terms of Reference for each project team / group.

Corporate Governance Direction of Travel



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2. Risk Management



Direction of Travel



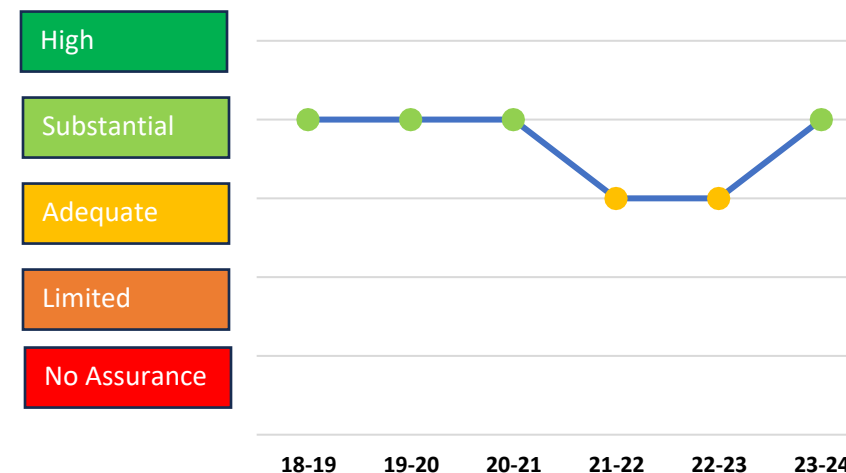
No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
4	ICT04-2023 - Disaster Recovery	ADEQUATE	GOOD	February 2024 GAC
6	RB04-2024 - Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers	SUBSTANTIAL	VERY GOOD	February 2024 GAC
11	RB07-2024 - Public Health Assurance Map	ADVISORY	N/A	May 2024 GAC
12	RB26-2024 - Asset Management & Risk Prioritisation	ADEQUATE	GOOD	May 2024 GAC
33	CA02-2024 - Risk Culture	SUBSTANTIAL	GOOD	July 2024 GAC
37	RB23-2024 - Complaints	SUBSTANTIAL	ADEQUATE	July 2024 GAC

Review of IT Disaster Recovery identified that a Corporate Business Impact Assessment had been undertaken which summarises the key information relating to the Councils most critical functions and classifies them in accordance to risk/ severity of the outage event. Some areas for improvement were identified however, the service recognise where these are required and were already in progress with addressing these.

The audit of Safeguarding (ASCH) found there to be a robust risk management practices In place along with well-documented policies tailored to adult safeguarding.

The Corporate Risk Register and Strategy have been Committees throughout the year And have been scrutinised by Members and provide a fair reflection of the current risk Landscape facing the Council.

Risk Management Direction of Travel



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3. Financial Control



Direction of Travel

NO

LIMITED

ADEQUATE

SUBSTANTIAL

HIGH



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
8	CS01-2024 - Budget Savings Follow-up	N/A	N/A	February 2024 GAC
9	RB29-2023 - Unregulated Care Placements	HIGH	VERY GOOD	May 2024 GAC
13a	RB30-2024 - Sundry Debt Recovery – Debt Recovery	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024 - Sundry Debt Recovery – Cancellation of Invoices	LIMITED	GOOD	May 2024 GAC
15	RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	N/A	N/A	May 2024 GAC
17	RB05-2024 - Hospital Discharge	ADEQUATE	GOOD	May 2024 GAC
18	RB45-2024 - Gypsy Traveller Service Follow-up	N/A	N/A	May 2024 GAC
19	RB25-2024 - Income and Fees uplift, Client Benefit Analysis and Better Care Fund	SUBSTANTIAL	GOOD	May 2024 GAC
20	RB34-2024 - S117 Aftercare Payments	N/A	N/A	May 2024 GAC
22	RB20-2024 - No Recourse to Public Funds – Specific Case Review	ADVISORY	N/A	May 2024 GAC
26	RB18-2024 - Loan Approval for Schools	LIMITED	TBC	
25	RB10-2024 - Support Living Payments	ADVISORY	N/A	July 2024 GAC
27	RB19-2024 - Schools Financial Services – Contract Management	SUBSTANTIAL	GOOD	July 2024 GAC

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3. Financial Control



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No.	Audit	Opinion	Prospects for Improvement	Summary to committee
28	RB27-2024 - Climate Adaptation (+Net Zero Follow-up)	ADVISORY	N/A	July 2024 GAC
38	RB31-2024 - Helping Hands Support Scheme – Business Workstream Phase 1	LIMITED	TBC	July 2024 GAC

Significant progress was found in relation to the implementation of the issues identified as part of the Gypsy and Traveller audit with now all issues now considered closed.

The review of Unregulated Care Placements found there to be positive assurance surrounding financial controls with the accuracy of payments for invoices and portal submissions confirmed, excluding block payment process. In addition, the process for ceasing payments for unregulated care placements aligns with financial practices.

Grant Certification on a wide range of funding received by the Council has confirmed that funds had been spent in accordance with the respective conditions of the grants.

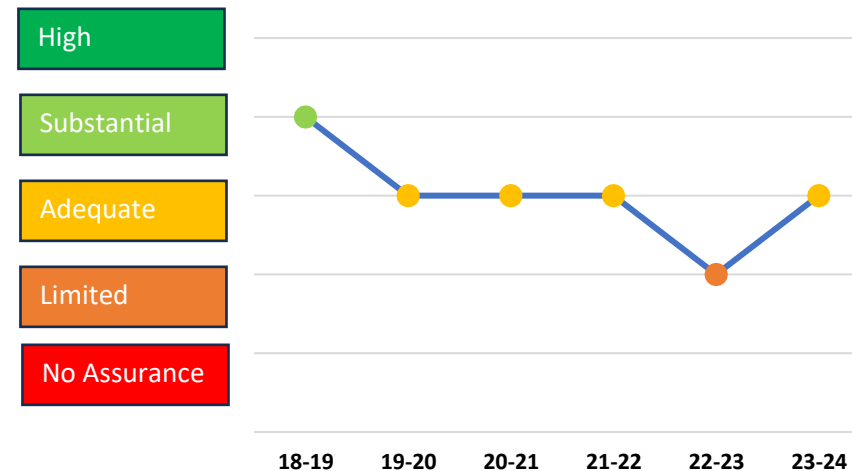
The follow-up of budget savings audit identified that there was partial implementation of the two issues originally identified. The reporting of savings has improved. However, the non-delivery of savings targets continued in 2023-24. The significant spending pressures the Council is facing means that the process for identifying alternative savings and management actions for overspends will require ongoing review and continuous improvement to ensure maximum resilience.

Embedded assurance work on the Enterprise Business Capabilities project found that financial monitoring requires enhancement with greater detail and reporting of the budget position into the project board.

Though adequate processes were observed in relation to Sundry Debt Recovery, issues in relation to the cancellation of invoices were identified resulting in £12.6 million in invoice cancellations.

In respect of the Follow Up audit of a Limited Assurance audit report on Individual Contracts with Care Providers, there was no evidence to support implementation of the actions identified as part of the original audit.

Financial Control Direction of Travel



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4. Change, Programme and Project Management



Direction of Travel



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10	RB09-2024 - Sevington Inland Border Posts	SUBSTANTIAL	GOOD	May 2024 GAC
21	CR03-2024 - Enterprise Business Capabilities (Replacement of Oracle)	ADVISORY	N/A	May 2024 GAC
29	RB28-2024 - Highways Term Services Commissioning Programme	SUBSTANTIAL	N/A	July 2024 GAC
38	RB31-2024 - Helping Hands Support Scheme – Business Workstream Phase 1	LIMITED	TBC	July 2024 GAC
40	RB13-2024 – Home to School Transport Follow-up	N/A	N/A	February 2024 GAC

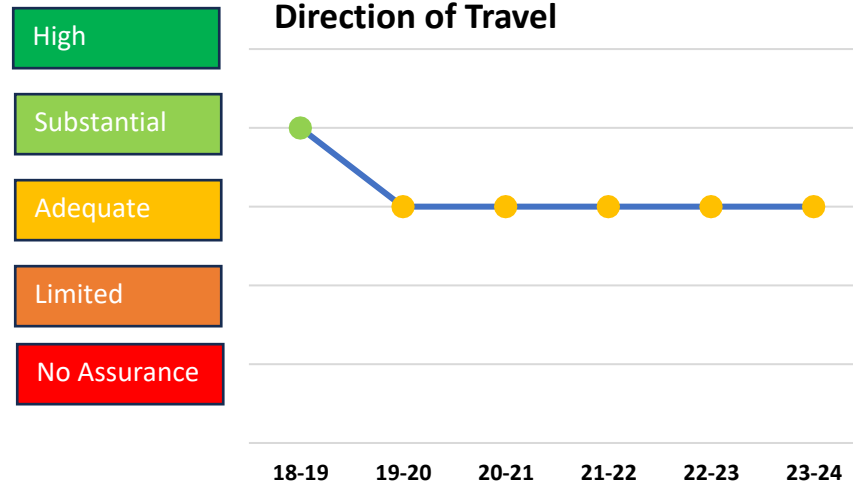
Internal Audit continue to provide ongoing embedded assurance on the Enterprise Business Capabilities project (now renamed the Oracle Cloud Programme). A report on the project was issued to May GAC which highlighted the revised governance structure in place, timelines being defined for phase 1 and 2 of the project and strong communication across the whole EBC Programme Team. 16 actions were identified for improvement which Internal Audit are monitoring progress against.

Review of Sevington Inland Border Posts found that the project was completed to agreed timescales and that payments were monitored closely and challenged where appropriate. 5 issues were raised as part of the review which are now deemed as closed.

The Follow-up review of Home to School Transport identified that 50% of the 6 issues relating to Project and Change Management had been implemented with 5 other actions in progress at the time of the report being issued in Autumn 2023.

Change, Programme and Project Management

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5. Procurement, Commissioning and Partnerships



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9	RB29-2023 – Unregulated Care Placements	HIGH	VERY GOOD	May 2024 GAC
11	RB07-2024 - Public Health Assurance Map	ADVISORY	N/A	May 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
16	RB08-2024 - Individual Contracts on Care Providers Follow-up	N/A	N/A	May 2024 GAC
17	RB05-2024 - Hospital Discharge	ADEQUATE	GOOD	May 2024 GAC
20	RB34-2024 - S117 Aftercare Payments	N/A	N/A	May 2024 GAC
23	RB35-2024 - Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	ADVISORY	N/A	May 2024 GAC
29	RB28-2024 - Highways Term Services Commissioning Programme	SUBSTANTIAL	N/A	July 2024 GAC

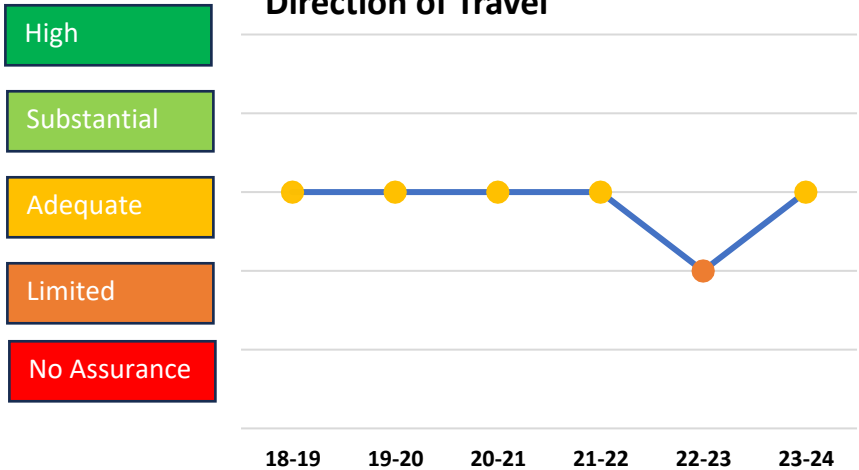
The follow-up audit of Individual Contracts with Care Providers found that there was no evidence of implementation of the actions from the original audit. The original audit identified limited due diligence checks being undertaken prior to setting up a contract, issues with the accuracy and completeness of the SharePoint Indi contract referral forms which increases the risk of fraud and error, contracts not being signed by providers and been returned as signed by the provider. There was also a lack of ownership of the monitoring of Individual contracts and consequently no monitoring is performed.

For the review of Unregulated Care Placements, Commissioning demonstrated the children within our sample were placed on the Council's Approved Provider List; across all guidelines there were links and advice for staff using Approved Provider lists.

The audit of Supply Chain Cyber Security identified that there are not currently any standard contract clauses in place to define and document suppliers' responsibilities around reporting a cyber or data breach to the Council.

Restructure of commissioning function was undertaken during 23-24 resulting in a Commercial Procurement Team being established. Spending the Councils Money was also updated during the course of 23/24. Greater emphasis in 24-25 on Procurement, commissioning and partnerships related audits will be completed including the follow-up on several previous audits including procurement and contract extensions.

Procurement, Commissioning and Partnerships
Direction of Travel



6. Information Technology and Information Security



Direction of Travel



No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
1	ICT02-2024 - Artificial Intelligence	ADVISORY	N/A	February 2024 GAC
2	ICT01-2024 - Single Data Platform	ADVISORY	N/A	February 2024 GAC
4	ICT03-2024 - Disaster Recovery	ADEQUATE	GOOD	February 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
39	RB36-2024 - Data Security and Protection Toolkit (DSPT)	HIGH	VERY GOOD	July 2024 GAC
31	ICT04-2024 - Movers, Joiners & Leavers	ADEQUATE	TBC	
30	RB16-2024 - Freedom of Information	ADEQUATE	ADEQUATE	July 2024 GAC

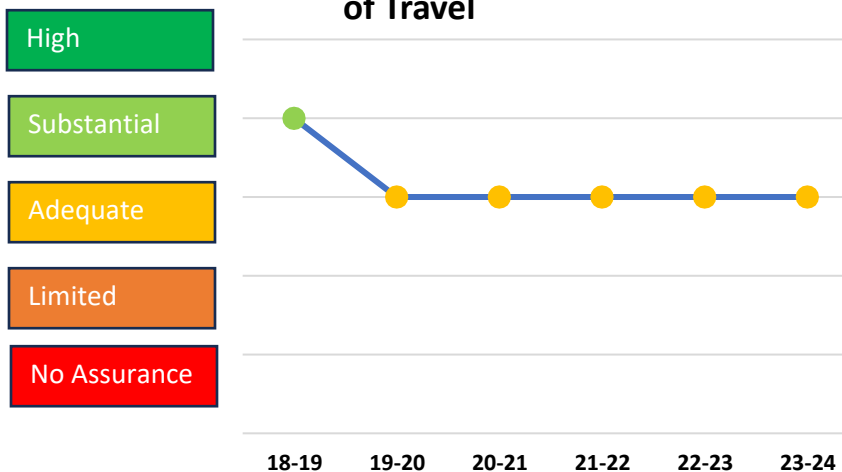
For the reviews of Artificial Intelligence (AI) and Single Data Platform, it was found that there was appropriate governance arrangements in place. However, for AI some areas to be considered moving forward were suggested namely around the risk appetite for data sharing and the evaluation of AI output and correction of bias.

Review of Disaster Recovery arrangements found that a Corporate Business Impact assessment exercise had been undertaken and that for the areas for development identified that the service had an understanding of the required enhancements with action being taken to address.

The audit of Supply Chain Cyber Security identified several positives including a risk assessment process is used to assess and review potential suppliers Cyber Security controls against the National Cyber Security Centre's (NCSC's) cyber security principles. However, a number of enhancements to the Councils processes were also observed.

Awareness of Information Governance was raised through the annual Information Governance week which was attended by many Officers across the organisation. Oversight of Information Technology is undertaken by Corporate Information Governance Group and Information Governance Cross Directorate Working Group.

Information Technology and Security Direction of Travel



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7. Asset Management



Direction of Travel

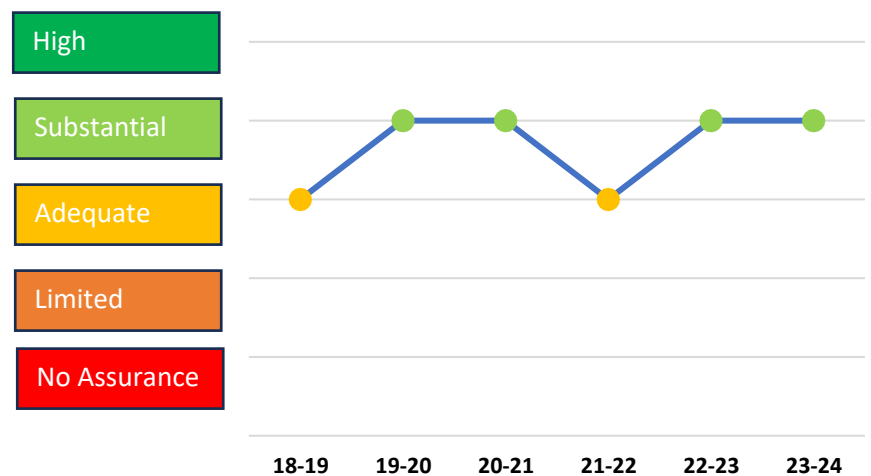


No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
3	RB24-2024 - Functions and Processes Transferred to KCC from Gen2 – f/up	ADVISORY	N/A	February 2024 GAC
5	RB29-2024 - Highways and Transportation Communications	ADEQUATE	GOOD	February 2024 GAC
12	RB26-2024 - Asset Management & Risk Prioritisation	ADEQUATE	GOOD	May 2024 GAC
36	RB12-2024 - Business Planning Process	SUBSTANTIAL	ADEQUATE	July 2024 GAC

Follow-up review of Functions and Processes Transferred to KCC from Gen2 found that all agreed management action plans have now been fully implemented.

The review of Asset Management and Risk Prioritisation found that there were a number of Controls in place to support the maintenance of highways assets including a works programme which balances renewing assets and the preserving of existing roads to extend their life. However, key person dependencies were identified, and actions have now been determined to mitigate this risk.

Asset Management Direction of Travel



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8. Counter Fraud Arrangements



Direction of Travel

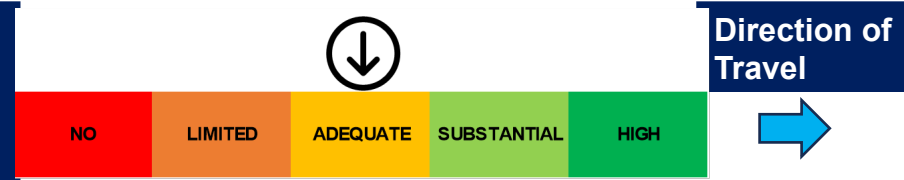


No.	Audit	Opinion	Prospect for Improvement	Summary to Committee
7	RB32-2024 - Task and Finish Group – New Provider Setup and Change of Provider Details	ADVISORY	N/A	February 2024 GAC
13a	RB30-2024 - Sundry Debt Recovery – Debt Recovery	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024 - Sundry Debt Recovery – Cancellation of Invoices	LIMITED	GOOD	May 2024 GAC
14	ICT03-2024 - Supply Chain Cyber Security	ADEQUATE	GOOD	May 2024 GAC
15	RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	N/A	N/A	May 2024 GAC
19	RB25-2024 - Income and Fees uplift, Client Benefit Analysis and Better Care Fund	SUBSTANTIAL	GOOD	May 2024 GAC
22	RB20-2024 - No Recourse to Public Funds – Specific Case Review	ADVISORY	N/A	May 2024 GAC
23	RB35-2024 - Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	ADVISORY	N/A	May 2024 GAC
38	RB31-2024 - Helping Hand Support Scheme	LIMITED	TBC	July 2024 GAC
34	RB01-2024 - Gifts & Hospitality	ADEQUATE	GOOD	July 2024 GAC
25	RB10-2024 - Supported Living Payments	ADVISORY	N/A	July 2024 GAC
41	CFT01-2024 – Mosiac Payment Portal – Invoicing	N/A	N/A	October 2024 GAC

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8. Counter Fraud Arrangements



Financial controls were found to need improving within the way providers invoice for services within the Supporting Living Contract in Adult Social Care, in that there is a lack of relevant business records on the level of services delivered (care records / rotas) when submitting invoices for payment, therefore no reconciliation on services being delivered can be done on receipt of the invoice.

The review of Sundry Debt Recovery identified control weaknesses in the cancellation of invoices with a lack of guidance on when a cancellation of an invoice request is submitted which has led to £12.6m of invoice cancellation over the period 01/04/2023 to 05/03/2024.

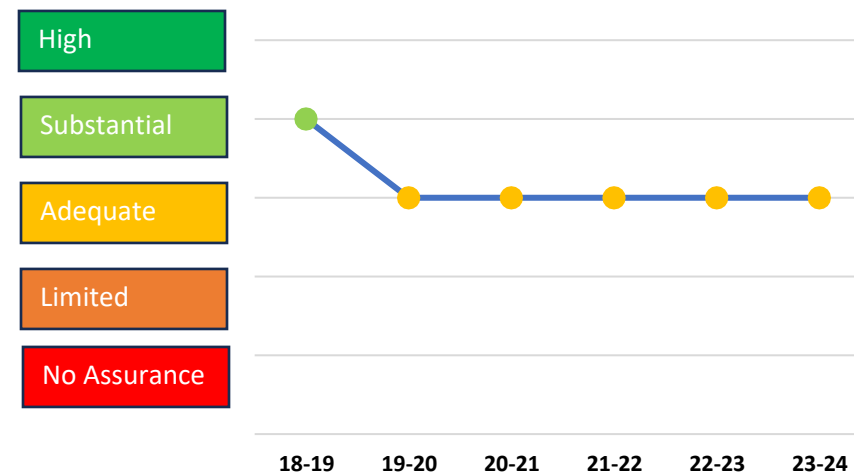
Some progress was identified on open actions relating to the 22-23 audit of Data Quality – LAS System – Risk of Overpayments was found with overpayments now being sent to the Counter Fraud. Of the 4 issues, 2 remain open linking to oversight of manual payments and Lack of control for Ending Services and Lack of Verification of Actual Hours.

Improvements were identified in the audit of Supply Chain Cyber Security audit to enhance current practices/ processes with the Councils providers.

As part of the advisory review of New Provider setup and change of provider a fraud risk assessment was undertaken which identified several risks. Strengths were identified as part of the review including provider due diligence checks and bank account verification.

The [Annual Counter Fraud Report](#) was presented to May Governance and Audit Committee which identified an increase in the number of irregularity referrals and total losses due to fraud an error of £2,832,520 for 2023-24. This is, in part, due to greater awareness within the services of the reporting requirements into Internal Audit.

Counter Fraud Direction of Travel



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Appendix 3 - Extract of KCC Significant Risks









Appendix 4 - QAIP

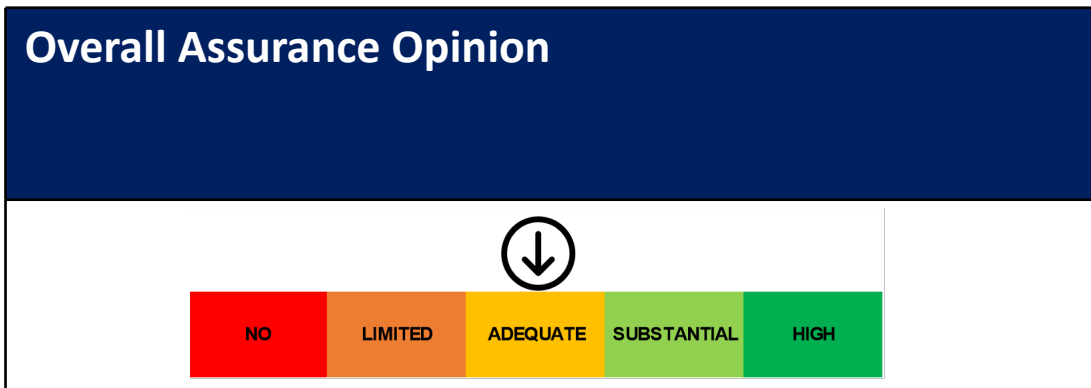
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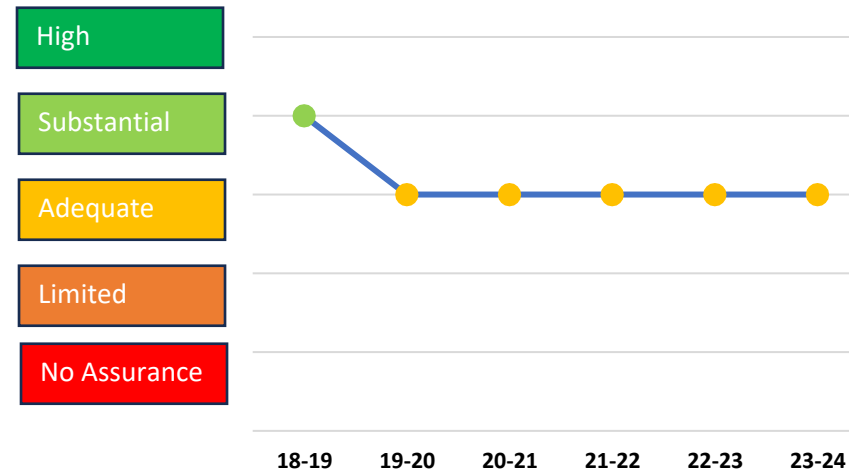
Table 4: Audit Opinion based on Reasonable Assurance Model

No.	Theme	Overall Opinion
1	Corporate Governance	 
2	Risk Management	 
3	Financial Control	 
4	Change Programme and Project Management	 

No.	Theme	Overall Opinion
5	Procurement, Commissioning and Partnerships	 
6	Information Technology and Information Security	 
7	Asset Management	 
8	Counter Fraud	 



Overall Opinion Direction of Travel



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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:

- 52% of systems and functions that were assigned a High or Substantial Assurance opinion.;
- The Overall Opinion assigned to the Risk Management, Financial Control and Procurement, Commissioning and Partnerships themes of Corporate Health have improved in 2023-24; and
- Adequate arrangements in place to manage the risk of fraud.

Areas for further development:

- As stated in the previous Annual Reports for 2021-22 and 2022-23, the level of full implementation of agreed actions to address internal control and risk management issues identified by Internal Audit remains a significant concern.
- There is not a correlation between the “Prospects for Improvement” assigned at the end of each audit and the actual full implementation of agreed actions.

Assessment against Significant Risks at KCC

3.10 Appendix 3 details the significant risks with a risk rating of 25 at KCC as reported to the Governance and Audit Committee in May 2023 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 2, 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.

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. For example, on review of CQC inspections though ratings across all services were assessed as "Good" the majority were undertaken between 2017 to 2020 and therefore due to the age assurances on these could not be utilised.

3.13 During the course of the 2023-24 Internal Audit plan, Ofsted undertook a review of [Children's Services](#) reviewing the Council's arrangements for 'front door'. The main areas identified in the related to:

Key Headline findings	Identified for improvement
<ul style="list-style-type: none"> Most children referred to the 'front door' service receive a timely and appropriate response. Managers and social workers demonstrate a clear understanding of risk. Thresholds are applied appropriately, with regular and effective management oversight. Decisions are informed by children's voices and needs, and consideration of family history and circumstances. 	<ul style="list-style-type: none"> The quality and impact of management oversight and supervision. Work with health partners to improve their contribution to decision-making meetings regarding safeguarding.

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 it is intended that they will be refreshed as part of the 2024-25 Audit Plan. The maps currently completed are as follows in Table 5:

Table 5: Summary of Assurance Mapping

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Risk	Last Reviewed	Risk Register		1 st Line of Defence				2 nd Line of Defence				3 rd Line of Defence					
		Current	Tolerance	Policies & Procedures	Training	Mgmt. Info	Self Assess Process	Compliance/ Financial Control	Quality	Internal Groups	Risk Mgmt.	3 rd Parties	Partners	Regulators	Internal Audit	External Audit	Other
Information Governance	2021-22	High	Medium	Some Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	N/A	Assurance Available	Assurance Available	N/A	N/A	Some Assurance Available	Assurance Available	N/A	N/A
ICT	2021-22	High	Medium	Some Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	N/A	Assurance Available	Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	Assurance Available
Safeguarding Children	2020-21	Medium	Medium	Assurance Available	Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	Assurance Available	Assurance Available	N/A	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	N/A
Safeguarding Adults	2020-21	Medium	Medium	Assurance Available	Assurance Available	No Assurance Available	Some Assurance Available	Assurance Available	No Assurance Available	Assurance Available	Assurance Available	No Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	N/A
Simultaneous Response, Recovery & Resumption	2022-23	Medium	Medium	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	Some Assurance Available	N/A	Some Assurance Available	Some Assurance Available	Some Assurance Available	Some Assurance Available	N/A	N/A
Fraud & Error	2022-23	Medium	Low	Assurance Available	Some Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Assurance Available	Some Assurance Available	Assurance Available	N/A
Public Health	2023-24	Medium	Low	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	Some Assurance Available	Some Assurance Available	Assurance Available	N/A	N/A	N/A	Assurance Available	N/A	N/A	N/A

Legend	No Assurance Available	Some Assurance Available	Assurance Available	N/A
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3.15 The assurance mapping exercises to date have highlighted a number of areas for further review from Internal Audit such as Patch Management which was reviewed as part of the 2022/23 Audit plan and found to be operating adequately. More broadly, the maps have highlighted there are internal working groups to provide oversight for each risk reviewed in most instances reviewed. Risk management is also present for each area. The Simultaneous Response, Recovery and Resumption assurance mapping exercise found some assurance is available across each line of defence however, a review of Business Continuity Planning will be undertaken during 2024-25 to provide further assurance.

4. Implementation of Agreed Actions

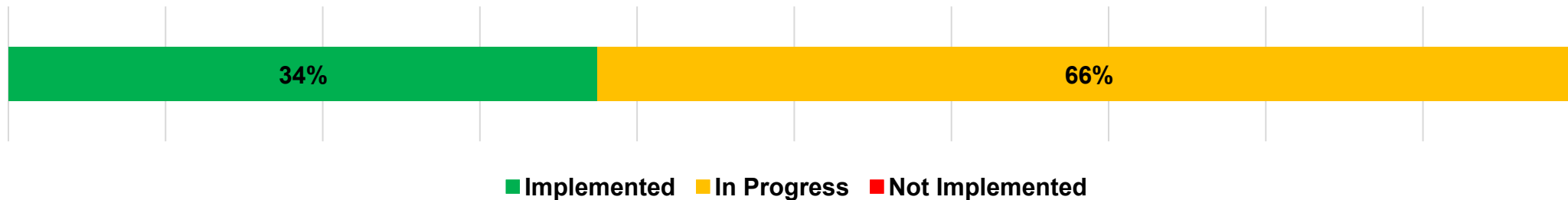
4.1 Details of the year end position on the implementation of actions from Internal Audit reports is set out in the below section. The implementation status of 56 due actions categorised by the age of actions assigned to the original report. Summary of the details reported to July GAC are contained within this section of the report.

4.2 The status of implementation is summarised in Table 6:

Table 6: Summary of Action Implementation

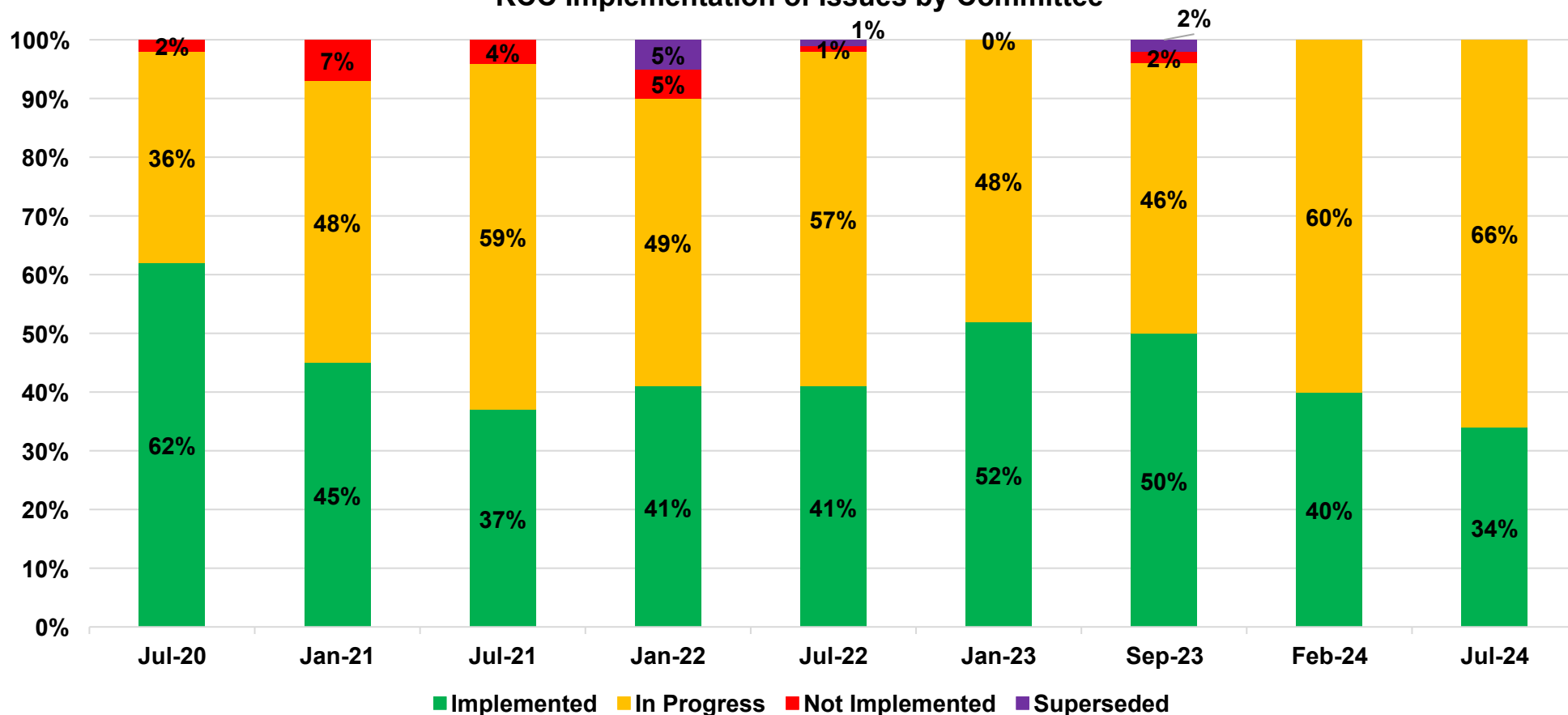
	Total Number Open Issues		Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	51	71	19	37	4	15	15	22	0	0	0	0
Total %					21%	41%	79%	59%	0%	0%	0%	0%

Overall Implementation of Management Actions



- 4.3 The analysis of the implementation of actions to address internal control and risk management actions following Internal Audit reports, highlights a decline position from 2022-23 as shown in the graph from 50% to 34% full implementation.
- 4.4 Internal Audit have identified key points of contact for each Directorate moving forward for 2024-25 which regular discussion will be undertaken throughout the year to monitor progress against open management actions.
- 4.5 In addition, Internal Audit are in process of implementing new audit management software in which the potential to enhancing the follow-up process will be explored.

KCC Implementation of Issues by Committee



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Programmed Follow Ups

4.5 Programmed Follow Ups, undertaken as part of the 2023-24 Internal Audit Plan, were reported to July GAC which included, three 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 2023-24

Audit	Previous Opinion	Number of Issues Previously Raised		Implemented		In Progress		Not Implemented		Superseded	
		High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
CS01-2024 - Budget Savings Follow-up	LIMITED	2	0	1	0	1	0	0	0	0	0
RB07-2023 – Climate Change – KCC's Net Zero Action Plan	LIMITED	3	2	0	0	2	2	1	0	0	0
RB15-2024 - Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	LIMITED	3	1	1	1	2	0	0	0	0	0
RB24-2024 - Property Infrastructure – Functions and Processes Transferred to KCC from Gen2 – Follow-up	LIMITED	2	1	2	1	0	0	0	0	0	0
RB45-2024 - Gypsy Traveller Service Follow-up	NO ASSURANCE	7	2	6	1	0	0	0	0	1	1
RB08-2024 – Individual Contracts on Care Providers – Follow-up	LIMITED	4	2	0	0	3	2	1	0	0	0
Total		21	8	10	3	8	4	2	0	1	1

4.6 There has been some progress in the full implementation of agreed actions with 45% fully implemented while 41% remain in progress and a further 14% have now been deemed as superseded/ Not Implemented. Follow-ups of Gypsy and Traveller Service and Property Infrastructure had made significant progress against the agreed actions which all are now considered closed. 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.

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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 2023-24, Internal Audit audited / certified 56 grants to the value of €3.7m Euros and £69m.

The breakdown of the 56 grants was:

- 16 EU Interreg grant returns;
- 1 Department for Digital Culture, Media & Sport
- 1 Department of levelling up, Housing & Communities
- 1 Department for Environment, Food & Rural Affairs
- 3 Office for Health Improvement & Disparities
- 1 Sport England grant; and
- 4 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 2023-24, including:

- Commercial Services Group (CSG) – 26 companies including, Invicta Law, The Education People and Cantium Business Solutions;
- Appointed auditor to 11 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.

Income within the outturn budget for 2023-24 was £451k, which is a 16% increase since 2021-22 and a 45% increase from 2018-19. The income in 2023-24 contributed to the outturn position being £151k under budget, which assists the Council financially.

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6. Conformance with Public Sector Internal Audit Standards (PSIAS)

- 6.1 The Public Sector Internal Audit Standards (Standards) are mandatory for all public sector internal audit functions. The Standards require Internal Audit functions to maintain a Quality Assurance and Improvement Programme (QAIP), which should include both internal and external assessments of compliance against the Standards.
- 6.2 The last external quality assessment (EQA) was completed in February 2021. The EQA concluded that the service 'Generally Conforms' with the Public Sector Internal Audit Standards, which is the highest possible assessment available and was in line with our own internal self-assessment. The outcomes from this EQA were reported to Committee in September 2022 and all actions from the EQA were fully implemented.
- 6.3 The internal self-assessment for 2023-24 has been completed and has confirmed the Internal Audit function continues to be generally conformant with the Standards. It also confirmed that all internal audit work completed during 2023-24 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard:1300 – Quality Assurance and Improvement Programme.
- 6.4 The Institute of Internal Auditors' (IIA) Global Internal Audit Standards has recently been updated. Compliance with the new Standards is required by 9th January 2025. A self-assessment against the new Standards is planned during 2024-25. The outcomes from this self-assessment and further details of the new Standards will be reported to the Governance and Audit Committee later in the year

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Table 9: Conformance with PSIAS

		Generally Conforms	Partially Conforms	Does Not Conform
Definition of Internal Auditing				
Reference	Code of Ethics			
1	Integrity	✓		
2	Objectivity	✓		
3	Confidentiality	✓		
4	Competence	✓		
Reference	Attribute Standards			
1000	Purpose, Authority and Responsibility	✓		
1010	Recognising Mandatory Guidance in Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Programme	✓		
1310	Requirements of the Quality Assurance and	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the QAIP	✓		
1321	Use of Conforms with the International Standards	✓		

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		Generally Conforms	Partially Conforms	Does Not Conform
Reference	Attribute Standards			
1322	Disclosure of Non-conformance	✓		
Reference	Performance Standards			
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organisational Responsibility	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Planning	✓		
2300	Planning Considerations	✓		
2310	Engagement Objectives	✓		
2320	Engagement Scope	✓		
2330	Engagement Resource Allocation	✓		
2340	Engagement Work Programme	✓		
2400	Performing the Engagement	✓		
2410	Identifying Information	✓		

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		Generally Conforms	Partially Conforms	Does Not Conform
Reference	Performance Standards			
2420	Analysis and Evaluation	✓		
2421	Errors and Omissions	✓		
2430	Use of 'conducted in conformance with...	✓		
2431	Engagement Disclosure of Non-conformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Resolution of Senior Managements Acceptance of Risks	✓		

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7. Internal Audit Performance

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 10 below:

Table 10: Internal Audit Performance 2023-24

A. Strategic Alignment

Basis

For Internal Audit to be relevant, its coverage must be aligned to the Council's main risks

Measured By

Either an Assurance Map on Internal Audit coverage or reporting to the Committee on annual coverage compared to the Corporate Risk Register

Details of how the audit coverage aligns to the Corporate Risk Register is detailed in [Appendix 3](#). Based on this, the majority of significant Corporate risks have been covered within audit coverage during the current year, including increased coverage of financial risks after the Securing Kent's Future was published. However, gaps identified will require consideration in the coming year.

One assurance map has been undertaken in the current audit year relating to public health. This links to [CRR0050 – CBRNE incidents, communicable diseases and incidents with a public health implication](#) on the corporate risk register.

B. Rolling Audit Plan

Basis

Having a Rolling Audit Plan reflects the need for coverage of key risks at the right time

Measured By

a) Number of Relationship Management meetings held to discuss Rolling Audit Plan
b) Stakeholder feedback on the effectiveness of IA coverage

A) During the course of the work to support 2023-24 annual opinion, 76 relationship management meetings were undertaken to discuss the rolling Internal Audit Plan.

B) Stakeholder feedback as set out in [Appendix 5](#) on the effectiveness of IA coverage found that **100%** of responses either **strongly agreed** or **agreed** that Internal Audit has provided an effective service for the Council in 2023-24.

C. Timely Insights

Basis

In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders

Measured By

a) Stakeholder feedback on effectiveness of collaboration
b) Stakeholder Feedback on Embedded Assurance insights

A) Stakeholder feedback as set out in [Appendix 5](#) on the effectiveness of collaboration found that **100%** of responses either **strongly agreed** or **agreed** that Internal Audit collaborates with the Council to assist in achieving the Council's objectives and managing your risks.

B) Stakeholder feedback as set out in [Appendix 5](#) identified that **100%** responded as **strongly agree** or **agree** that Internal Audit provides timely reports which are of a high standard and meets your needs.

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D. Adding Value

Measured By

- a) The proportion of audit coverage providing wider assurance via the use of data analytics
- b) Recording how audit coverage has contributed to the Council saving money.
- c) Documenting how and where IA has provided guidance for improving poor or effective controls.
- d) Documenting how IA has provided embedded assurance advice from the initial stages of strategic initiatives

- a) 48% of the Rolling Internal Audit Plan utilised data analytics as part of the work undertaken.
- b) The revisions taken to GAC in November ensured that coverage of the Rolling Internal Plan had coverage against Securing Kent's Future to ensure that the audits undertaken supported the organisation on the areas where assurance was needed. In addition, paragraph 2.8 highlights the ways in which Internal Audit adds value.
- c) 39 number of audits have been undertaken during the course of 23-24 in which **18 high priority** and **46 medium priority** issues were raised.
- d) IA have also undertaken a number of embedded assurance and advisory pieces of work to enable timely insights which includes reviews of Artificial Intelligence and continued work on the Enterprise Business Capabilities Project (Oracle Cloud).

E. Management Actions

Basis

To determine if there has been actual improvement from Internal Audit reviews

Measured By

- a) % of high priority / risk issues agreed
- b) % of high priority / risk issues implemented.
- c) % of all issues agreed
- d) % of all issues implemented.

% of High Priority Issues Agreed

100%

% of High Priority Issues Implemented

 26%

% of All Issues Agreed

100%

% of All Issues Implemented

 38%

F. Client Satisfaction

Basis

Determining whether value is added

Measured By

- a) Client satisfaction surveys at the end of each audit.
- b) Annual Key stakeholder perception survey (some questions to be amended)

Client Satisfaction surveys at the end of each audit

93%

A) Further details on client satisfaction can be found at paragraphs 7.2 and 7.3

B) Stakeholder feedback as set out in the client perception section of the report and Appendix 5 found that overall a positive view of the Internal Audit Service with 7 out of the 11 questions asked receiving 100% either strongly agree or agree.

G. Audit Efficiency

Basis

In addition to the timeliness of reports, insights should be provided in a timely manner to managers and stakeholders

Measured By

- a) Time from audit planning to draft report being issued.
- b) Completion of all Grant Certifications for the Council/ respective Directorates within set timescales.

Average Number of Days, Audit Planning to Draft Report

60.72 Days

There were 5 audits which impacted on the average number of days which were caused by delays in receiving information and/ or management responses. In addition, agreement of the engagement plan takes 10 working days as per Internal Audits standard practices.

% of all Grant Certifications for the Council/ respective Directorates within set timescales.

100%

Client Satisfaction

7.2 The cumulative result for these surveys was 93% satisfaction, which is a similar position from 2022-23 performance.

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

"The Auditor had exactly the right mix of patience, inquisition and insight that enabled this very complex area to be unpicked and understood and the real issues to be reported on. The process of information transfer whilst intense was also efficient and the use of the teams site made this easy to manage. The audit did find some key risks for the service but the Auditor worked with us to make sure that these could be used as beneficial outcomes rather than a list of things that were 'wrong' and this collaborative approach was very welcomed. "

"We have always enjoyed an excellent relationship with the Deputy Audit Manager, and the auditor was approachable, engaged and responsive throughout the Follow-Up."

"Colleagues were extremely helpful in supporting us throughout this process and producing a useful report."

"The auditor was very professional and clear in the information required. We were involved all the way through the audit."

"The Auditor was very professional throughout and friendly"

"A positive, collaborative experience."

"Auditor very knowledgeable and professional at all times"

"The audit was professionally conducted and the findings were helpful."

Client Perception – Member of Governance and Audit Committee

7.5 In addition to the Client Satisfaction surveys, an annual Perception Survey has been completed requesting views of the Corporate Management Team and the Governance and Audit 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 5 and the key responses were (with comparison to 2022-23):



7.6 The above demonstrates positive direction of travel with all areas covered in the perception survey at either strongly agree or agree.

7.7 Further break down comparison between the views of Corporate Management and Members of Governance and Audit Committee is available in [Appendix 5 – Senior Management Survey](#).

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Committee Views

“...I am confident that you and your team are doing a very competent job in attempting to give visibility to the most significant risks. I think the biggest challenge is in understanding and communicating the whole internal audit process in what is a very 'busy' area and over the next year would appreciate some further meetings. In summary, as someone who has spent the last 20 years of my professional life preparing for (on both sides) and undertaking internal and external audits in the commercial sector I do think you do a very good job in keeping the KCC team focused on the objectives of the organisation. I am also impressed with the links to the financial audit where the public sector is along way a head of the private sector. I do worry about the 'resources' that you have available and the reliance on the competence of the auditors - however these are concerns that I suspect all those who are involved in the auditing process do reflect on from time to time!”

“Internal Audit continues to provide the Committee with a comprehensive and sound service, ensuring that members focus on the key challenges and risks facing the Council. The working relationship between the Committee and Internal Audit is excellent and adds to members' confidence in their reports.”

“The quality of this service is outstanding, given the limited resources the audit team are working under. Well done”

“I welcome this survey and I think that KCC is well-served by its Internal Audit Service. It reaches quite deep into the organisation in my view and fleshes out the core issues in its reports. Quality of staffing is consistently high in my experience. My only small niggles are in timeliness of reports (we all want them quickly!) and in Q9 (benchmarking) which I think happens but this really is a question for managers to assess the good practice ideas. But a good and effective Internal Audit Service - to be confirmed in the upcoming accreditation exercise”

- 7.8 Internal Audit welcome the views of the Governance and Audit Committee members.
- 7.9 From the comments made, there are several relating to the resources of Internal Audit however, to provide assurance to members of Governance and Audit Committee that if this was to present an issue moving forward this would be flagged to both Senior Officers and Members of Governance and Audit Committee.
- 7.10 In relation to the point for benchmarking, Internal Audit utilise points of practice requests as one angle to facilitate benchmarking exercises. However, this can be challenging to undertake and Internal Audit will continue to seek opportunities in the audits that are undertaken to add value to the organisation.

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8. Internal Audit Resources

- 8.1 In accordance with professional standards, members of the Committee need to be appraised of relevant matters relating to the resourcing of the Internal Audit function.
- 8.2 Although there has been some staff turnover during the course of the year, albeit more limited than in 2022-23, the service has conducted successful recruitment exercises in a challenging market and excellent new colleagues have joined the team.
- 8.3 As reported in the 2022-23 Annual Report, a Business Case to increase the capacity and resilience of the service was approved by the Corporate Management Team in June 2023. This then led to resources been provided within 2023-34 to amend the team structure to promote staff retention and career progression and decrease reliance upon agency and bought in services.
- 8.4 This resourcing, however, was not built into the salary base budget for the Internal Audit service for 2024-25 and this is an issue that had to be communicated to the Corporate Statutory Officers of the Council, who have agreed to cover appropriately for 2024-25 and address for the 2025-26 budget.
- 8.5 It is important that all parties are fully aware of the need for sufficient resources to be available constantly for an Internal Audit service that commercially supplies services to nearly 30 other organisations, which is a significant source of income to Kent County Council.
- 8.6 It is also concluded that there have been no limitations of scope which adversely impacted upon the ability to provide an annual opinion.

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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, Chief Executive, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Governance and Audit Committee.
- 9.4 There has been no significant restrictions on the scope of Internal Audit work findings during 2023-24. In any instance where there is a potential or perceived impairment to independence, for example when delivering critical reports within the Division where Internal Audit is within the Council structure, then such matters are addressed with management accordingly.
- 9.5 Consequently, although there are periodic challenging factors, 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 2023-24.
- 9.6 The new Global Internal Audit Standards require reviews of elements that impact upon the independence of Internal Audit, which include the role that an Audit Committee should have in relation to aspects such as the budget for Internal Audit and measuring the performance of the Head of Internal Audit.
- 9.7 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.

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32	CA01-2024	Annual Governance Statement	Fieldwork				
33	CA02-2024	Risk Culture	Complete	SUBSTANTIAL	GOOD	July 2024 GAC	
21	CR03-2024	Enterprise Business Capabilities (Oracle)	Ongoing	ADVISORY	N/A	May 2024 GAC	
8	CS01-2024	Budget Savings Follow-up	Complete	ADVISORY	N/A	January 2024 GAC	
34	RB01-2024	Gifts and Hospitality	Complete	ADEQUATE	GOOD	July 2024 GAC	
35	RB02-2024	Performance Management	Complete	HIGH	VERY GOOD	July 2024 GAC	
	RB03-2024	Joint Funding & Governance (NHS) NHS Joint Working & Pooled Budgets	Deferred				
6	RB04-2024	Safeguarding (ASCH) – Risk Management Principles & Practices, Unregistered Staff and Designated Senior Officers	Complete	SUBSTANTIAL	VERY GOOD	February 2024 GAC	
17	RB05-2024	Hospital Discharge	Draft Report	ADEQUATE	GOOD	May 2024 GAC	
24	RB06-2024	Direct Payments / Abuse of Kent Card	Fieldwork				
11	RB07-2024	Public Health Assurance Mapping	Complete	N/A	N/A	May 2024 GAC	
16	RB08-2024	Individual Contracts on Care Providers Follow-up	Complete	N/A	N/A	May 2024 GAC	
10	RB09-2024	Highways & Transport – Sevington Inland Border Post	Complete	SUBSTNTIAL	GOOD	May 2024 GAC	
25	RB10-2024	Supported Living Payments	Draft Report	ADVISORY	N/A	July 2024 GAC	
	RB11-2024	Project Management	Deferred				
36	RB12-2024	Business Planning Process	Complete	SUBSTNTIAL	ADEQUATE	July 2024 GAC	
40	RB13-2024	Home to School Transport Follow-up	Complete	ADVISORY	N/A	November 2024 GAC	

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	RB14-2024	Domestic Abuse	Deferred			
15	RB15-2024	Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	Complete	N/A	N/A	May 2024 GAC
30	RB16-2024	Freedom of Information	Complete	ADEQUATE	ADEQUATE	July 2024 GAC
	RB17-2024	Strategic Reset Programme (Governance)	Deferred			
26	RB18-2024	Loan Approval to Schools	Draft Report	LIMITED	TBC	
27	RB19-2024	Schools Financial Services – Contract Management	Complete	SUBSTANTIAL	GOOD	July 2024 GAC
22	RB20-2024	No Recourse to Public Funds – Specific Case Review	Complete	ADVISORY	N/A	May 2024 GAC
	RB22-2024	School Themed Review – Safeguarding	Deferred			
37	RB23-2024	Complaints	Complete	SUBSTANTIAL	ADEQUATE	July 2024 GAC
3	RB24-2024	Property Infrastructure – Functions and Processes Transferred to KCC from Gen2 – Follow-up	Complete	ADVISORY	N/A	February 2024 GAC
19	RB25-2024	Income and Fees uplift, Client Benefit Analysis and Better Care Fund	Complete	SUBSTANTIAL	GOOD	May 2024 GAC
12	RB26-2024	Asset Management Approach & Risk Prioritisation	Complete	ADEQUATE	GOOD	May 2024 GAC
28	RB27-2024	Climate Adaptation (+Net Zero Follow-up)	Complete	N/A	N/A	July 2024 GAC
29	RB28-2024	Highways Term Services Commissioning Programme	Ongoing	SUBSTANTIAL	N/A	July 2024 GAC
5	RB29-2024	Highways and Transport Communication	Complete	ADEQUATE	GOOD	February 2024 GAC
13a	RB30-2024	Sundry Debt Recovery	Complete	SUBSTANTIAL	GOOD	May 2024 GAC
13b	RB30-2024	Sundry Debt Recovery	Complete	LIMITED	GOOD	May 2024 GAC
38	RB31-2024	Helping Hands Support Scheme – Business Workstream Phase 1	Complete	LIMITED	TBC	July 2024 GAC
7	RB32-2024	Task & Finish Group – New Provider Set-Up & Change of Provider Details	Complete	ADVISORY	N/A	February 2024 GAC
	RB33-2024	Equalities Act Follow-up	On Hold			
20	RB34-2024	S117 Aftercare Payments	Ongoing	ADVISORY	N/A	May 2024 GAC

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23	RB35-2024	Re-Letting of Key Contracts (ASCH Commissioning & Transformation)	Ongoing	ADVISORY	N/A	May 2024 GAC
39	RB36-2024	Data Security and Protection Toolkit (DSPT)	Complete	HIGH	VERY GOOD	July 2024 GAC
	RB37-2024	Contract Management	Deferred			
	RB38-2024	Compliance With Financial Regulations Follow-up	On Hold			
	RB42-2024	Local Transport Bus Market (BSIP) & Sustainability of Public Transport	Deferred			
18	RB44-2024	Gypsy Traveller Service Follow-up	Complete	N/A	N/A	May 2024 GAC
1	ICT01-2024	Single Data Platform	Complete	ADVISORY	N/A	February 2024 GAC
2	ICT02-2024	Artificial Intelligence	Complete	ADVISORY	N/A	February 2024 GAC
14	ICT03-2024	Supply Chain Cyber Security	Complete	ADEQUATE	GOOD	May 2024 GAC
31	ICT04-2024	Joiners, Mover and leavers	Draft Report	ADEQUATE	TBC	
4	ICT04-2023	Disaster Recovery	Complete	ADEQUATE	GOOD	February 2024 GAC
9	RB29-2023	Unregulated Care Placements	Complete	HIGH	VERY GOOD	May 2024 GAC

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Appendix 3 – Extract of KCC Significant Risks

The detail below shows Internal Audit projects against high-risk areas from the Corporate Risk Register

CR0003			
Securing resources to aid economic recovery and enabling infrastructure			High (25)
Ref	Audit	Opinion	PFI
RB28-2024	Highways Term Services Commissioning Programme	Substantial	N/A

CR0009			
Future financial and operating environment for local government			High (20)
Ref	Audit	Opinion	PFI
CS01-2024	Budget Savings Follow Up	Advisory	N/A
RB12-2024	Business Planning Process	Substantial	Adequate
RB30-2024	Sundry Debt Recovery	Limited	Good
RB25-2024	Income & Sales	Substantial	Good
RB44-2024	Re-Letting Key Contracts	Advisory	N/A

CR0014			
Cyber and information security resilience			High (20)
Ref	Audit	Opinion	PFI
RB36-2024	Data Security and Protection Toolkit (DSPT)	High	Very Good
ICT03-2024	Cyber Security	Adequate	Good
ICT04-2023	Disaster Recovery	Adequate	Good
ICT02-2024	Artificial Intelligence	Advisory	N/A

CR0015			
Managing and working with the social care market			High (20)
Ref	Audit	Opinion	PFI
RB08-2024	Individual Contracts on Care Providers Follow-up	Advisory	N/A
RB15-2024	Data Quality – Lifespan Pathway – Risk of Overpayments Follow-up	Advisory	N/A
RB32-2024	New Provider Setup	Advisory	N/A
RB10-2024	Support Living	Advisory	N/A

CR0042			
Border fluidity, infrastructure and regulatory arrangements			High (20)
Ref	Audit	Opinion	PFI
RB09-2024	Sevington Inland Border Posts	Substantial	Good

CR0052			
Impacts of Climate Change on KCC Services			High (20)
Ref	Audit	Opinion	PFI
RB27-2024	Climate Change - Net Zero Follow-up	Advisory	N/A

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CR0053			
Capital Programme affordability			High (25)
Ref	Audit	Opinion	PFI

CR0056			
SEND Delivery Improvement and High Needs Funding shortfall			High (25)
Ref	Audit	Opinion	PFI
RB13-2024	Home to School Transport – f/up	Advisory	N/A

CR0045			
Maintaining effective governance and decision making in a challenging financial and operating environment			High (20)
Ref	Audit	Opinion	PFI
RB12-2024	Business Planning Process	Substantial	Adequate

CR0059			
Significant failure to bring forecast budget overspend under control within budget level assumed			High (25)
Ref	Audit	Opinion	PFI
CS01-2024	Budget Savings f/up	Advisory	N/A
RB12-2024	Business Planning Process	Substantial	Adequate
RB30-2024	Sundry Debt Recovery	Limited	Good
RB25-2024	Income & Sales	Substantial	Good

CR0063			
Capacity to accommodate and care for Unaccompanied Asylum-Seeking (UAS) Children			High (16)
Ref	Audit	Opinion	PFI

CR0064			
Risk of Failing to Deliver Effective Adult Social Care Services			High (20)
Ref	Audit	Opinion	PFI
RB44-2024	Re-Letting Key Contracts	Advisory	N/A
RB04-2024	Safeguarding (ASCH)	Substantial	Very Good
RB10-2024	Supported Living	Advisory	N/A

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Appendix 4 – 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.
- **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 2023-24, the following Improvement areas were addressed:

Improvement Issue
Identify and implement further improvements in the use of Data Analytics.
Define agile principles and methodology and extend the use of the agile auditing approach.
Continue reviewing report formats with the aim of reducing report length and increasing the use of visualisations.
Identify the audit opportunities to be implemented from the use of AI.
Ensure the greater effectiveness of non-assurance reporting such as Management Letters including the tracking of suggested improvements.
Prepare for the new Global Internal Audit Standards, including advising the GAC of its new requirements.
Review the Follow Up audit process.
Continue to develop wellbeing support and approaches for the team.

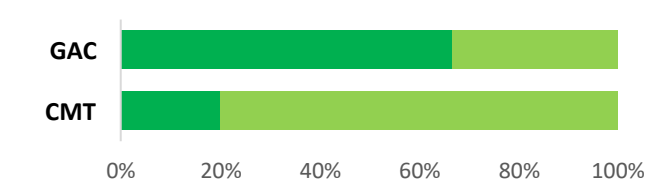
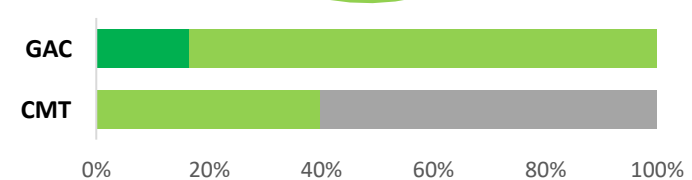
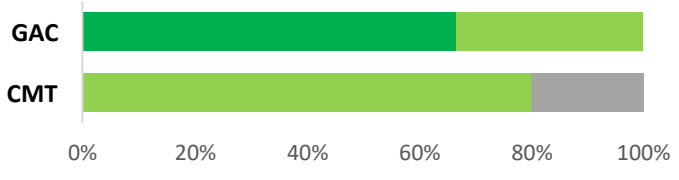
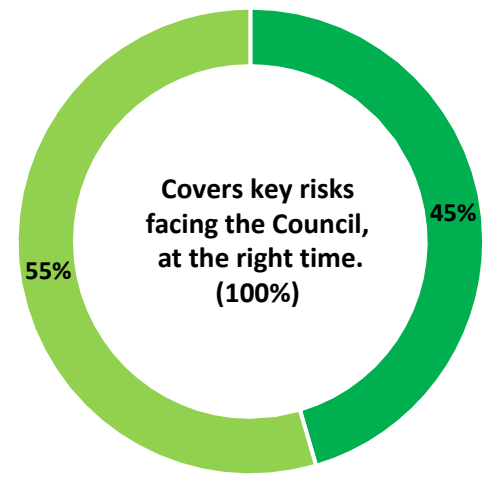
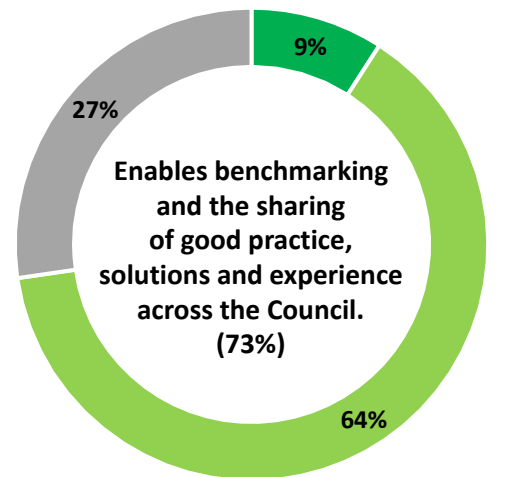
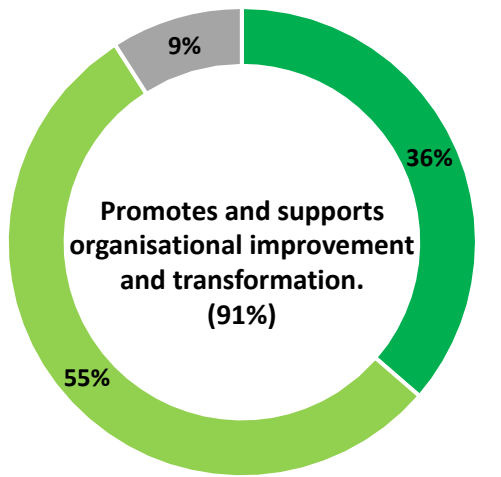
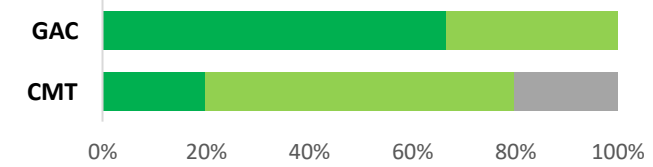
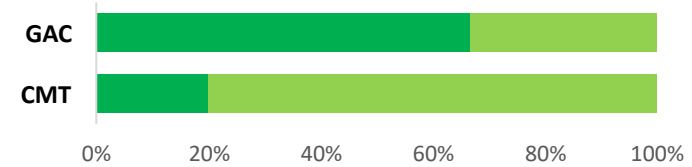
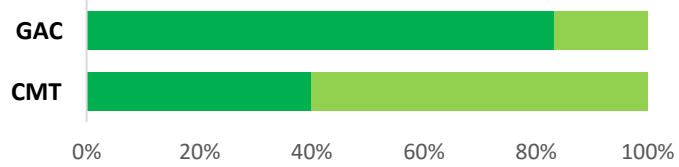
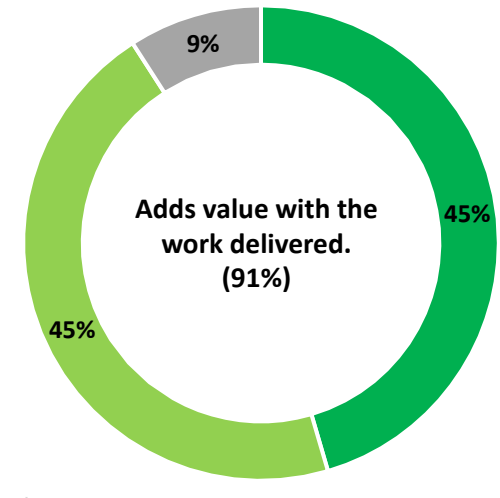
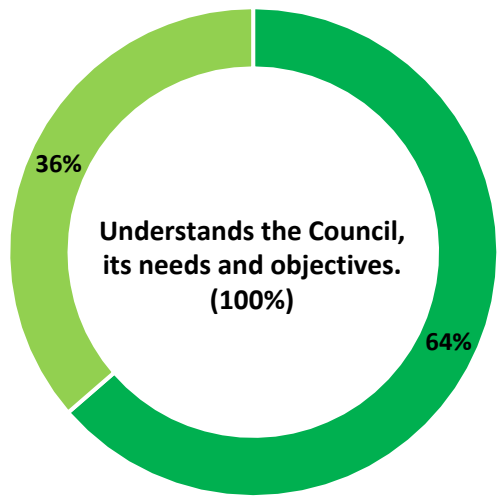
Improvements required for the service in 2024-25 include:

Improvement Issue
Assessment of compliance against new Global Internal Audit Standards and address any areas of non-conformance.
Implemented a more effective approach to following up Cold Reviews.
Integration of new Audit Management software and updating the Audit Manual to align.
Utilisation of artificial intelligence in audit planning.
Implementation of a new follow-up process.
Continue to develop wellbeing, support and approaches for the team.
Implementation of key priorities from Internal Audits Income Strategy.

Appendix 5 – Perception Survey to GAC Members and Corporate Management Team

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Appendix 1 – 2023/24 Internal Audit Plan Status

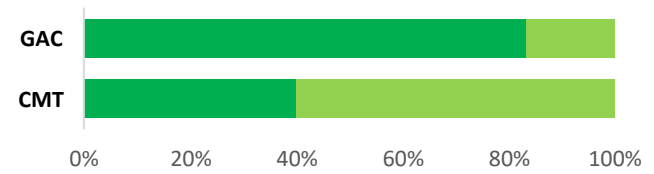
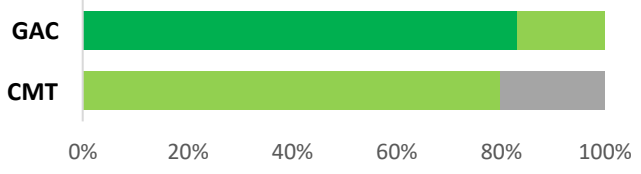
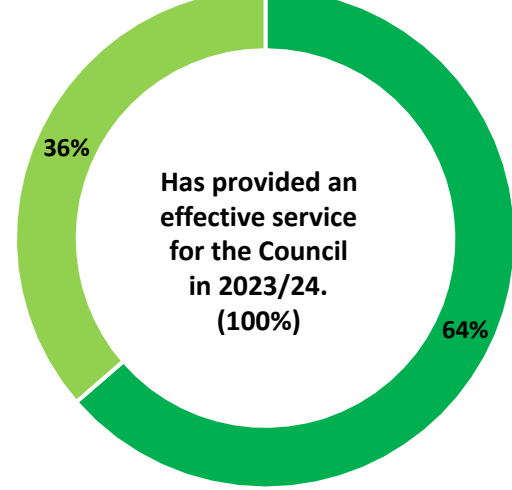
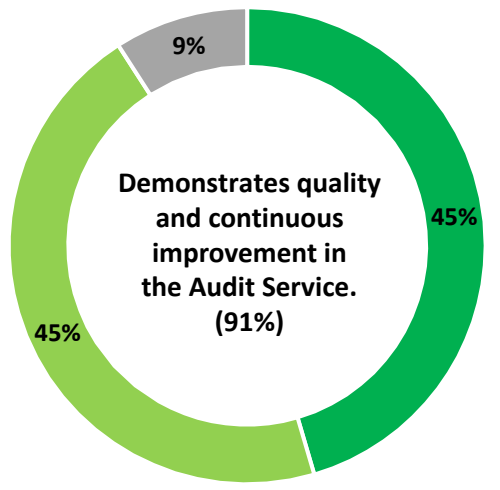
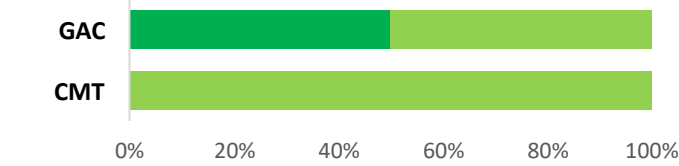
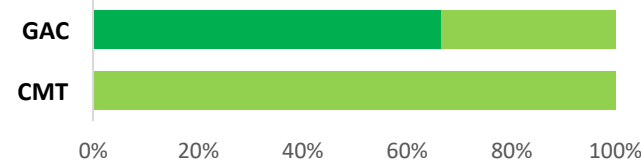
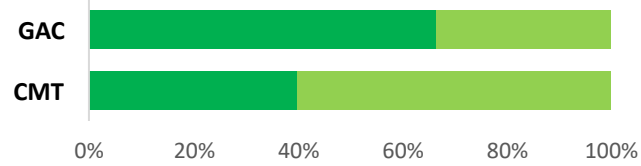
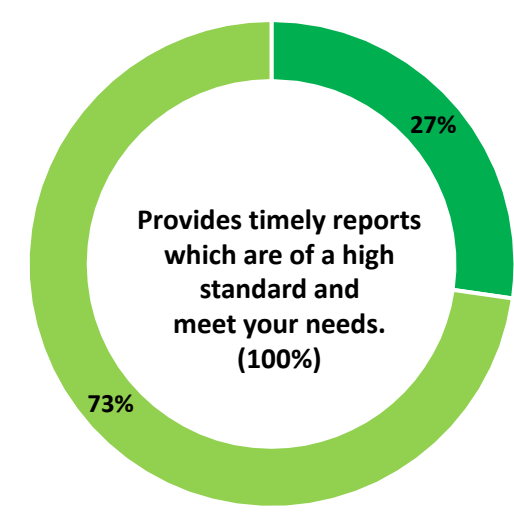
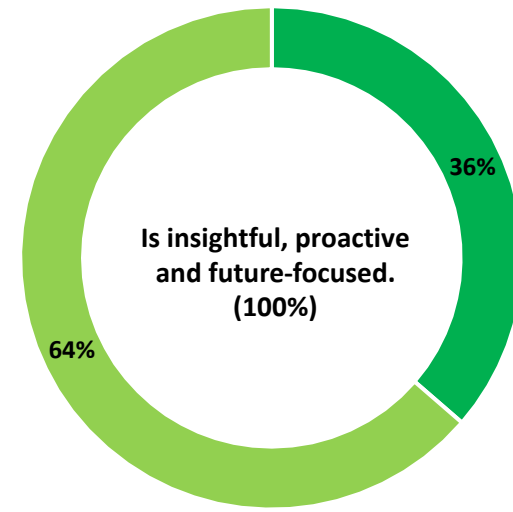
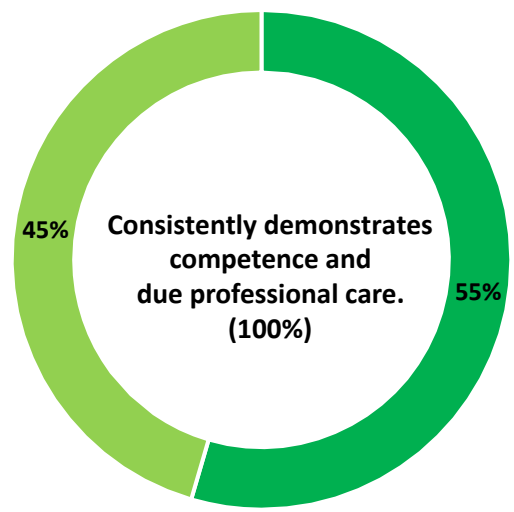
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Audit Opinion

<p>High</p>	<p>Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.</p>	<p>No Assurance</p>	<p>Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.</p> <p>Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved</p>
<p>Adequate</p>	<p>Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

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Prospects for Improvement		Issue Risk Ratings	
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.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
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.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system 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	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
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.		

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