By: Janet Dawson – Head of Audit and Risk

To: Governance and Audit Committee – 16 September 2009

Subject: INTERNAL AUDIT PROGRESS REPORT

Classification: Unrestricted

Summary: This report summarises the outcomes of Internal Audit activity.

FOR INFORMATION

INTRODUCTION

1. This report contains the outcome of Internal Audit's work completed during May, June and July 2009 and audits started, or at draft report stage up to 20 August 2009. Assurances are provided in accordance with the definitions of Internal Audit assurance levels shown in Annexe H.

    During this period, 14 audits were completed, 6 draft reports issued, and 11 audits started, these are listed in the table below together with a brief description of the audit.

IRREGULARITIES

2. Since the end of May 2009 two cases of suspected irregularity have been reported, each involving either KCC finances or business processes. No irregularity investigations have been concluded during this period.

PROGRESS REPORT

5.   Key points in the report

    Annex A shows the audits from the 2008/09 audit plan that are at draft report stage and completed. Annex B shows the status of audits from the 2009/10 audit plan as at 20 August 2009.

    Annex D details a summary of each of the audits completed in the period.

    Annex E shows the following:
    - Directorates' progress against the implementation of recommendations made and agreed which were due to be actioned by July 2009.
    - Cumulative progress with the implementation of audit recommendations between April and July 2009.
    - Progress with recommendations due to be implemented between April 2008 and March 2009.

Recommendation

6.   Members are asked to note this report.

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3 September 2009

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW01	Corporate Governance Overview Health Check	Work to include high level review of corporate governance arrangements against best practice and will also consider adequacy of processes underpinning Governance Statement. Include follow-up of prior year report.	Q4	6 Mar 09	21 July 2009			Waiting for information to complete the audit review caused delays in clearing and finalising the review.
AW02	Risk Management	Work to build on the high level review undertaken in 2007/2008 to focus on the adequacy of corporate risk management arrangements and the linkages between; Business planning, Performance appraisal, Budgeting processes.	Q4	16 Mar 09	6 Aug 09			As above
AW04	Contract monitoring and tendering process	Review of tendering procedures and contract monitoring. Scope to include, processes for tender evaluation and selection of suppliers, review of processes to manage key contracts, quality assurance of suppliers processes. The individual contracts that are reviewed will include Building Schools for the Future (BSF)	Q2/3	Apr 09	10 July 09			Delayed at officer request, due to progress of BSF programme

Meeting held with directorate to discuss findings, some further work to be carried out. |

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW07	**Information Governance (original title was Data Management Arrangements)**	**Review and assurance over implementation of data quality policy council wide, with a focus on management arrangements of critical/sensitive data, including testing to validate controls in place and review of existing guidance available to staff on acceptable practice for data handling.**	**Q3**	**15 Oct 2008**	**9 April 09**	**30 Jun 2009**	**Limited**	**There were no clear lines of responsibility for this area which was identified during this review and contributed towards the delay in clearing findings and finalising the report.**
AW08	Third party ICT Provision - Procurement	Review the contractual arrangements for the provision of ICT services by third parties to business-critical computer systems. Sample to be agreed with management prior to audit.	Q3	16 Mar 2009				Report being drafted and clearance meetings arranged
AW	**Software Legitimacy**	**An audit to review processes for identifying, recording and tracking of KCC's software**				**30 June 2009**	**Limited**	**Completed**
S04	**Fixed Assets – Property Title Deeds**	**Systems based approach considering key risk exposures. Include mapping of key control areas.**	Q4	4 Feb 2009	9 June 2009	23 July 2009	**Substantial**	**Some delays caused by information on assets not being available. In addition a number of meetings were held after the fieldwork was completed to discuss the findings of the review before the report was issued.**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S08(b)	Payroll Amendments	Substantive "Cradle to Grave" approach, following through samples of payments for example, permanent and temporary changes to pay.	Q4	1 Dec 2008	7 Aug 2009			
CED02/ CED03	**Operating System Security (Windows XP)**	**Review of operating system security, administration, support and maintenance procedures (as extension of network security review 2007/08). This will be done as one audit.**	**Q3**	**19 Jan 2009**	**15 April**	**3 June 2009**	**Substantial**	**Completed**
CED05	**Oracle Review HRMS, Payroll & I procurement**	**Oracle application security controls covering Oracle system embedded controls configured in the system design within selected modules as identified from the previous 0708 Oracle Application Security audit.**	**Q3**	**25 Nov 2008**	**16 March 09**	**9 July 2009**	**N/A**	**Completed**
CED07	**One – Office Application Security**	**One Office application security controls, focussing on users' access rights and segregations of duties.**	**Q4**	**9 Feb 2009**	**1 April 2009**	**19 Aug 2009**	**Limited**	**Completed**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CED10	**Expenditure - Direct Purchases**	**A review to provide assurance that purchasing of direct materials at Commercial Services business units are properly managed, controlled and accounted for.**	**Q4**	**9 Feb 2009**	**29 April 2009**	**20 August**	**Substantial**	**Completed**
CMY05	**Tribal EBS**	Review of operational, support and maintenance procedures system security and data integrity controls.	**Q4**	**11 Mar 2009**	**11 May 2009**	**10 Aug 2009**	**Limited**	**Completed**
CMY07	**Registrars' Income**	**An audit to assess the adequacy of the systems and procedures for recording and accounting for income.**	**Q4**	**17 March 2009**	**5 May 2009**	**11 Aug 2009**	**Substantial**	**Completed**
KASS01	Capital Projects	To examine the planning of capital projects, contracts/estimates and how these are drawn up and the corresponding governance arrangements (i.e. is the authority clearly set out and understood by all parties).	Q4	12 Jan 2009				Delay in completion due to the audit being done as two separate pieces of work and other work taking priority. Reports currently being drafted.
KASS09	**Occupational Therapy Service Equipment**	**Review to assess the controls in place over the assessment of eligibility for occupational therapy equipment and the subsequent monitoring and return to the Directorate.**	**Q4**	**16 Feb 2009**	**2 June 2009**	**29 July 2009**	**Substantial**	**Completed**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
KASS11	**Transitional Arrangements for Learning Disability client group**	**A review to identify the effectiveness of the transitional arrangements for the Learning Disability client group from Health to Social Care.**	**Q4**	**9 March 2009**	**1 May 2009**	**7 July 2009**	**Substantial**	**Completed**
KASS	**Compliance with Adult Protection Procedures – East Kent**	**A review to provide assurance that the framework in place to assist with all stages of the adult protection process is operating effectively and that protocols are adhered to.**	**Q4**			**11 May 2009**	**Limited**	**Completed**
KASS	**Compliance with Adult Protection Procedures – West Kent**	**A review to provide assurance that the framework in place to assist with all stages of the adult protection process is operating effectively and that protocols are adhered to.**	**Q$**			**11 May 2009**	**Limited**	**Completed**
ER08	Local transport plan	Examine system and process for prioritising KCC transport schemes.	Q4	6 April 2009	3 Aug 2009			

Audits highlighted in bold indicate completed audits

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW04	Pro-active Fraud work - Contracts	Review procurement practices in a sample of areas to provide assurance that potential of fraud is minimised.	Q1					This will be on going throughout the year
AW07	Premises Security	A review of premises security including the processes in place for decommissioning premises. Communities directorate in 2009/10	Q1	12 May 2009	10 July 2009			
S01	**Year End Accounts Closedown**	**Assurance that income and expenditure are accounted of in the correct financial year.**	**Q1**	**7 Apr 2009**	**15 May 09**	**11 June 2009**	**Substantial**	**Completed**
S04	Imprest Accounts	A review of imprest accounts in the Authority to assess whether they are operated within approved limits and identify any accounts surplus to requirements.	Q1	29 June 2009				Ongoing
S07	Treasury Management	A review of treasury management arrangements	Q1					This audit will take place in Q3/4 to allow officers to embed changes made recently in the staffing roles & responsibilities.
S13	**Management Review**	**To provide assistance at year end for the 'close down'.**	**Q1**	**8 May 2009**	**N/A**	**N/A**	**N/A**	**Completed**

Progress Against 2009-10 Audit Plan quarters 1 and 2   Annex B

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CED01	Income – Legal Department	Provide assurance that all income due is completely recorded, invoiced and collected in a timely manner.	Q1	15 June 2009				Report being drafted
CED03	Property Management System Security	Property management application security controls, including users' access rights, web access and segregations of duties.	Q1	16 July 2009				Ongoing
CED07	Axis Pensions System	A review of application controls, security and management of the operation of the Axis Pensions system	Q1	18 Aug 2009				
CFE01	Data Quality	An audit to assess controls the Directorate rely upon to ensure the accuracy of the information used to complete DCSF statutory returns.	Q1	19 Aug 2009				
CFE12 2010	Asylum Imprest Account	A follow up to the work undertaken in 2008/09 to confirm that the imprest account is managed and accounted for correctly	Q1/2	18 June 2009				Ongoing
CFE12	Children's Centre Resource system	Review of project management or review of the design of the application controls within the system.	Q3/4	6 May 2009				Ongoing – providing pro active input to the project

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CMY03	Business and Project Risk Identification	An assessment of the processes that enable the Directorate to identify and respond to key risks.	Q1					This was a management request, but the directorate has decided that they have processes in place to identify risks as part of heir business risk assessments. Another audit will be substituted, still to be agreed.
CMY05	Coroners' Imprest Accounts	A follow up audit to review the progress of the implementation of recommendations made.	Q2	10 Aug 09				
CMY07 (a)	Key Training	A review of the processes for forecasting and managing the budget. Part (b) will review the effectiveness of action plans to address the budget deficit.	Q2	9 July 09				These audits replace CMY06
KASS01	CRB - Volunteers	Follow up audit of controls relating to CRB checks on volunteers used in KASS	Q1	10 June 09				Ongoing
KASS09	Swift – Client Billing	Post implementation review	Q1	6 May 09				Report being drafted
ER01	Kent Highways Service	Evaluation of costings	Q1					Will now take place in Q3/4

Audits highlighted in bold indicate completed audits

National Fraud Initiative

- Collation and submission of data sets to the Audit Commission as part of the National Fraud Initiative (NFI) has been completed and reports of potential matches (ie matches with other data sets) have been received. A number of the reports for matched data have been investigated resolved and are still ongoing. The data matching exercise also involves liaison with other local authorities, providing information and investigating matches for them as required.

Advisory Work

- Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support, Oracle R12.

Irregularities

- Working on a number of investigations. (See also the Irregularity report on concluded investigations).

AW – Information Governance (Data Management Arrangements)

Scope

To review the Information Governance framework in place across the Authority by considering the following areas of control:

- Policies and procedures for the classification of information, including the risk assessment process to identify the sensitivity / importance of information sets
- Information security policies and training programmes in place to raise awareness and provide guidance to staff on their roles and responsibilities
- Policies and procedures for the copying, sharing and disposal of information, including the protocols for sharing information with third parties
- Technical controls to secure the information held by the Authority and to ensure information being copied and transferred is protected appropriately.

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Overall Assurance - Limited

The audit found there was no clear Information Governance lead to set the tone across the Authority, which directorates / business units could then follow in terms of strategic direction or guidance on the types of policies and procedures that are / should be in place. A clearly defined set of policies needs to be established across the Authority that formally defines the processes that must be followed when identifying, classifying, sharing, encrypting and disposing of information. In some instances policies do exist; however, these have often not been communicated or reviewed for a considerable period of time to ensure they still meet the Council's needs. A formal training programme to raise staff awareness of information governance / security is required,

although it is recognised a number of initiatives have already been undertaken and ISG is already supporting directorates as they address this area.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified

AW – Software Legitimacy

Scope

The objective of the audit was to review processes for the identification, recording and tracking of KCC's software and to ensure compliance with relevant software copyright law.

Overall Assurance - Limited

The audit confirmed that there are policies and guidance in place to notify KCC's employees and Members using KCC systems of their responsibilities and the legal implications of using unauthorised or unlicensed software. However, the Authority does not maintain detailed software inventories and there is no clear requirement, accountability/responsibility to maintain inventories. The main area of risk arises from the software used by the individual directorates, rather than software used by ISG. The overall risk to which KCC is exposed is likely to be low, however, until a review has been undertaken by each directorate to ensure they have an accurate record of the software in use and the licensing arrangements in place, it is difficult to determine the overall level of risk that is faced. There are strong mitigating controls through the Technology Refresh Programme (TRP) process and the restrictions of procurement and installation of

software. Two recommendations have been made which have been accepted by management.

CED – Fixed Assets – Property Title Deeds

Scope

The objective of the audit was to ensure that KCC has the 'rights and obligations' for all properties in its books of accounts.

Overall Assurance – Substantial

We were able to provide assurance that KCC has the rights and obligations for all properties in its books of accounts. However, we found that the system in place for tracking the movement of deed packets within Legal Services is not always adhered to by the officers working on the packets and files are not always kept up to date. There is a risk that deed packets may be lost and not be available to prove KCC's title to its properties.

Capita One Unix (ICS Operating System) Review

Scope

To review key controls over the security and operation of the Unix operating system underpinning the Capita One integrated children's social car system.

Overall Assurance - Substantial

The audit found there was a robust control framework in place to manage user access to the information held by the system,

control changes in terms of the configuration and operation of the system, resolve operational problems when they occur, and ensure data is backed up appropriately. Some areas for improvement were identified, for instance, where the user activity could be monitored more closely and some of the systems logical security parameters could be further strengthened.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified. Some of t

CED - Oracle - HRMS, Payroll and iProcurement Review

Scope

The first part of this review was to consider whether there were any system features that could be used to reduce the level of manual processing activity and realise some of the benefits of the Oracle e-Business suite in automating existing processes and controls.

The second part of the review was to focus upon the Oracle iProcurement module, which is being used less than had originally been expected. Users had provided feedback that the system was not user friendly and the anticipated benefits to be achieved through the automation of the processing of purchase orders and invoices were not being realised. Therefore, the review was also to consider the way in which the iProcurement module was being used.

Overall Assurance –Audit opinion not required

The Authority uses the Oracle e-Business Suite to provide an integrated financial management system including: Purchasing, Accounts Payable, iProcurement, Accounts Receivable, Cash Management, Human Resources, Payroll, Learning Management, Fixed Assets, Lease Management, General Ledger, and System Administration modules.

The audit found that the HR / Payroll modules had been heavily customised during their implementation to meet the needs of the Authority as the standard functionality was unable to handle the number of different remunerations that were operated. The Personnel Information Systems Development Team are currently reviewing these as the Authority moves toward Oracle R12 to reduce the level of customisation, make more use of the newly available standard functionality, and address some of the ongoing problems that have been encountered, such as difficulty in recording staff absences and calculation of maternity pay without system errors occurring. There is also an opportunity to reduce the number of processes and systems used to record staff time.

The purchasing approval hierarchy also needs to be reviewed within the iProcurement module to ensure it is aligned to the agreed levels of delegated authority, after a number of users with significant purchase approval limits were identified, and instances where staff are allowed to approve their own purchase orders need to be reviewed to ensure this is appropriate. Furthermore, a total of 23,000 suppliers were identified as being active on Oracle against which purchase orders can be raised, which needs to be rationalised if the use of iProcurement is continued.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified.

CED – Year End Accounts Closedown

Scope

The objective of the audit was to ensure that all expenditure and income, particularly that occurring at the end of the 2008/09 financial year, is accounted for in the final accounts of the correct financial year.

Overall Assurance – Substantial

We found that the majority of invoices were accounted for in the correct year, appropriate creditor/debtors had also been set up to ensure invoices were correctly accounted for. A few errors were identified and these were corrected when queried with the relevant directorates, who made the necessary corrections. Recommendations from previous audits have been satisfactorily implemented and there were no recommendations arising from this audit.

CED – OneOffice system

Scope

To review One Office application security controls, focussing on users' access rights and segregations of duties.

Overall Assurance – Limited

The OneOffice system is used by Kent Commercial Services (KCS) to manage the sales process for the educational and office supplies it provides, including warehouse management, stock movement management and order processing.

Formal policies and procedures for problem management (problems / issues), or managing the roll-out of changes to OneOffice are not in place, although these are in the process of being developed. Furthermore, the system backup and disaster recovery procedures also need to be documented, to ensure all of the information required during the recovery of OneOffice is available in the event of system disruption. Areas were also identified where the access controls over OneOffice can be improved, to reduce the risk of unauthorised users gaining access to the information held, or segregations of duties being breached and unauthorised transactions being processed.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified.

CED – Expenditure – Direct Purchases

Scope

The objective of the audit was to review the processes in place for 'direct purchases' (where delivery to the customer is made directly from the supplier), to ensure that orders are processed correctly and that customers are invoiced on a timely and accurate basis.

Overall Assurance - Substantial
The audit found that there are controls to ensure that only valid and correct suppliers are on the Commercial services database. Customer orders are processed correctly and checks are made with customers for high value orders to ensure delivery has been made. Our testing confirmed that corresponding customer invoices had been raised accurately for all supplier invoices

received raised, although there were delays between receipt of the supplier invoice and input to OneOffice (system used by Commercial Services) which resulted in the sales invoices being delayed. This issue is now being addressed. There is an issue regarding the segregation of duties within OneOffice, but this has been addressed and recommendations made as part of the audit of the system.   Therefore, we have not made any recommendations for this audit.

CMY – Registrars' Income

Scope

The objective of the audit was to review the processes in place for identifying, recording, collecting and banking income (fees) for the Registrars' Service.

Overall Assurance – Substantial
The audit identified that whilst some fees are statutory, others are decided by the Authority, although these fees are reviewed and approved on an annual basis, the fees charged for ceremonies have not been calculated to ensure that they cover all reasonable costs for several years.
We found from our sample tested that income had been recorded and banked promptly and accurately and had also been recorded on Oracle.
In two of the offices visited we found that access to the strong room was not adequately restricted. We also found that sealed packs of blank certificates (to be used specifically in the event of a pandemic outbreak) could be removed and would potentially not be identified as missing until the sequentially numbered certificates in that pack were due to be used.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified.

CMY - Tribal EBS system

Scope

To review key areas within the Tribal contract and service level agreement and the controls over the security and operation of the EBS system.

Overall Assurance –Limited

The Tribal EBS system is a web-based student record and management system used by Kent Adult Education Services (KAES) to facilitate the provision, and collection of payments, for educational courses.

The audit found that the service level agreement between KAES and Tribal has not been formally agreed, although a draft agreement is in place. This could make it difficult for KAES to receive the service credits due if the provision of services by Tribal. Furthermore, areas were identified where the security of the EBS system can be improved, to reduce the risk of unauthorised users gaining access to the information held.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified

KASS – Compliance with Adult Protection Procedures East and West Kent areas

Scope

The objective of the audits was to provide assurance that the Adult Protection Protocols 'framework', designed to assist with all stages of the adult protection process was operating effectively.

Overall Assurance - Limited

The audits reviewed a sample of closed case files. In both areas, we identified that the CM31 pro forma (the form used for recording information regarding adult protection cases) information were not always completed, eg decision and action points were not always recorded, details of discussions with other agencies not recorded etc. We also identified that a proportion of staff that had involvement with adult protection cases needed to undertake formal training to ensure that they could carry out the roles as required for Investigation Officer and Designated Senior Officer.

Recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified.

KASS – Occupational Therapy Service Equipment

Scope

The objective of the audit was to review the processes in place, for carrying out assessments, the partnership arrangements with other bodies (eg Primary Care Trusts, district councils), arrangements for monitoring and maintenance of equipment and achievement of key performance indicators.

Overall Assurance – Substantial

The audit found that the procedures manual was not up to date, but this was because KASS was undergoing a change of structure at the time. One of the key performance indicators for the service is that clients' should be assessed for the provision of equipment within 28 days of referral. Some in our sample did not meet the 28 days target, however, staff are very aware of this requirement and try to comply, however, we have been informed that referrals have increased and outstrip available resources.

We also identified some inconsistency with how staff record referrals, involvement and assessment dates which could lead to inaccurate information for monitoring KPIs.

Five recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified dates.

KASS – Learning Disability Client Transfer

Scope

The objective of the audit was to provide assurance on the processes in place for ensuring that the transfer of clients and associated costs from the Health Service to KASS is being managed effectively.

Overall Assurance – Substantial

The budget team within KASS regularly monitor and compare lists of clients. At the time of the audit the Section 256 agreement between KCC and the primary care trusts had not been signed. This agreement is needed to ensure that any expenditure incurred on this client group can be recovered from Health.

KASS is ensuing that good records are maintained of clients that transfer and is lobbying Government to try to persuade funding to be made on the basis of client numbers rather that through the formula.

One recommendation has been made which has been accepted by management.

Directorates Progress with the Implementation of Audit Recommendations
(Covers May, June and July 2009)

Directorate	Total actions due to be in place by end of July 2009	Actions in place	Priority of outstanding actions as at 31 July 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
Authority wide and S151	2	1		1		Payroll – other allowances	General variances are monitored, a report is in the process of being created to identify market premium This will be in place for the October payroll run	October 2009
	1	1				Data Protection – CFE	The information audit in CFE is now complete. The audits in other Directorates are due to be completed at a later date	
	1				1	Accounts Receivable	Written evidence of the correct and up to date delegation from the Heads of Finance, for approving debt write-offs above £3,000, has been provided to the Exchequer Services Manager by E&R, CFE and Communities. Response awaited from CED	
Chief Executive's Department	0							
Children, Families & Education	3	3				Eligibility for Foster and Adoption Allowances	All recommendations on this audit have been completed	
Kent Adult Social Services	4	4				Review of procedures supporting care management – East Kent	All recommendations on this audit have been completed	
	4	4				Review of procedures supporting care management – West Kent	All recommendations on this audit have been completed	

Directorates Progress with the Implementation of Audit Recommendations   Annex E
(Covers May, June and July 2009)

Directorate	Total actions due to be in place by end of July 2009	Actions in place	Priority of outstanding actions as at 31 July 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
Environment and Regeneration	2				2	Securing Adequate Funding	Awaiting a response - Member of staff on annual leave.	
Communities	5	0		4	1	Internet Access by the Public – KEY Training	Progress has been made on all the recommendations and an action plan has been put in place to implement policies, procedures, internet monitoring forms and website filtering to prevent inappropriate use of KCC computers	July 2009
	2	0		1	1	Health and Safety – Direction of travel	Work has been started on training for conducting Health and Safety audits and induction booklets will be distributed to all new starters from September 2009 onwards	December 2009
	2	1		1		Internet Access by the Public – Libraries	Work has been started on translating information into languages other than English, and will be in place by September 2009	September 2009
	5	5				Internet Access by the Public – Youth Services	All recommendations on this audit have been completed	
TOTAL	31	19	0	7	5			

Cumulative Progress with the Implementation of Audit Recommendations (April to July 2009)

Directorate	Number of recommendations due to be implemented April 2009 – July 2009			Number of recommendations implemented			Number of recommendations still outstanding		
	Critical	High	Medium	Critical	High	Medium	Critical	High	Medium
Chief Executive's Department									
Kent Adult Social Services	6	2		6	2				
Communities	1	9	4	1	4	1		6	2
Environment & Regeneration			2						2
Children, Families & Education		3			3				
Authority Wide & S151		3	1		2			1	1
Totals	**7**	**17**	**7**	**7**	**11**	**1**	**0**	**7**	**5**

Progress with recommendations due to be implemented between April 2008 and March 2009

Directorate	Actions due to be implemented	Actions in place	Actions still outstanding	Date actions will now be implemented	Audit title
Chief Executive's Department	14	11	2	August 2009	Microsoft Exchange
			1	November 2009	Payroll – Appointment to Payment of new employees
Kent Adult Social Services	23	21	2	Work in progress	SWIFT System Review
Communities	7	5	2	December 2009	Health and Safety – direction of travel
Environment & Regeneration	6	5	1	October 2009	Landfill Allowance Trading Scheme
Children, Families and Education	22	21	1	August 2009	School Funding
Authority Wide and S151	27	18	3	August 2009	Schemes of Delegation
			1	October 2009	Purchase cards
			2	Partially completed - ongoing	Property Rent Income
			1	March 2010	Data Protection
			1	December 2009	Governance of Partnerships
			1	Partially completed and ongoing	Accounts Payable
TOTAL	99	81	18		

Internal Audit performance

The following table is designed to provide Members with Internal Audit's performance against Key Performance Indicators.

Performance Indicator	Target	Actual (Apr – July)
Effectiveness		
• % of recommendations accepted	98%	100%
• % of recommendations implemented	90%	61%
• CPA/CAA Score for Internal Control	Level 4	3*
Efficiency		
• % of plan delivered –	95%	20%
• % of available time spent on direct audit work	80%	89%
• % of draft reports completed within 10 days of finishing fieldwork	80%	87%
• Preparation of annual audit plan	By March	March
• Periodic reports on progress	G&AC meetings	G&AC meetings
• Preparation of annual report and Annual Governance Statement	By May	May
Quality of Service		
• Average Client Satisfaction Score –	70%	97%

* Percentage of plan delivered as at 31 July 2009

Team Structure
Number of staff 11 FTE
Qualified 6
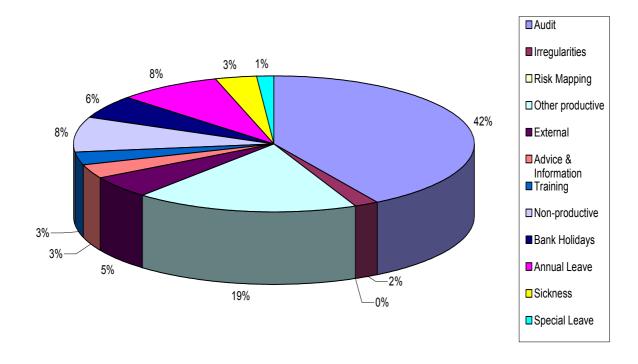Number of staff training 3

* Performance Assessment (CPA) in 2007/08 was assessed by the Council's external auditors. The Council was scored 3 for each aspect of the internal control judgment. A summary of external audit's key findings that prevented achievement of the target score of 4 are summarised below:
- There has been no risk management training for Cabinet Members other than those who serve on the Governance and Audit committee. Due to the role that the Cabinet has in making key policy and strategic decisions, risk management training is regarded as key for all Cabinet Members
- All strategic policy decisions and PID's include a risk assessment. However, the documents do not include a 'sustainability impact appraisal' section. Despite being identified as an area for improvement in the previous year's Corporate Assessment report, the action to address this recommendation was not undertaken until June 2008 and hence outside the assessment year
- The Council demonstrated how partnerships are monitored by managers during 2007/08, but this did not specifically cover the governance arrangements. Therefore, the external auditors could not satisfy themselves that Council subjects partnership governance arrangements to regular review and updating
- Whilst the Council holds copies of the business continuity plans for key partners and major contractors, there was only limited evidence of review of the viability of these plans
- There is a high level of awareness of fraud raised by Internal Audit through presentations and Irregular Happenings publications. However, it is difficult to demonstrate how staff have acknowledged and accepted their responsibility at all grades across the whole Council

- The external auditors were not satisfied that sufficient steps had been taken by the Council to demonstrate that its staff and contractor organisations had confidence in its whistle-blowing procedures.

Actions to implement recommendations are in progress, for example risk management training is included in the financial training modules available to members. Although not all of the 2007/08 Use of Resources judgments translate exactly to the new Continuous Area Assessment regime, work will be undertaken as far as possible by the external auditors in 2008/09 to assess the extent of progress made.

CAA – The organisational assessment scores for 2008/09 are due on the 19 October 2009.

Breakdown of all time in Internal Audit
April 2009 to July 2009

Legend:
- Audit
- Irregularities
- Risk Mapping
- Other productive
- External
- Advice & Information
- Training
- Non-productive
- Bank Holidays
- Annual Leave
- Sickness
- Special Leave

Percentages shown: 42%, 2%, 0%, 19%, 5%, 3%, 3%, 8%, 6%, 8%, 3%, 1%

Assurance Level	Summary description	Detailed definition
High	Strong controls in place and complied with.	The system/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.
Substantial	Controls in place but improvements beneficial.	There is some limited exposure to risk of error, loss, fraud, impropriety or damage to reputation, which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.
Limited	Improvements in controls or the application of controls required.	The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review e.g., error, loss, fraud/impropriety or damage to reputation. This is because, key controls exist but they are not applied, **or** there is significant evidence that they are not applied consistently and effectively.
Minimal	Urgent improvements in controls or the application of controls required.	The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control, **or** there is evidence that there is significant non-compliance with key controls.