

By: Roger Gough – Member for Corporate Support Services
and Performance Management
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To: Governance and Audit Committee – 30 April 2010

Subject: **INTERNAL AUDIT PROGRESS REPORT**

Classification: Unrestricted

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

FOR INFORMATION AND DECISION

Introduction

1. This report summarises the progress against the 2009/10 internal audit programme, provides the results from reviews that we have completed in the period since the last report to the Governance and Audit Committee, and reports the achievement against Internal Audit's Key Performance Indicators.

Overview of Progress

2. This report contains the outcome of Internal Audit's work between November 2009 and March 2010 and audits started, or at draft report stage up to 31 March 2010. During this period 11 audits were completed, 23 draft reports were issued, and 34 audits started.
3. Detailed progress against the planned audits for 2009/10 is listed at annex A, and a summary of each of the 11 audits completed in the period is at annex B.
4. The audit programme has progressed well in line with the timetable agreed by the Governance and Audit Committee in March 2009. There have been some adjustments to the timing of individual audits, and some audits have either been postponed at directorates' request or will no longer go ahead. The amendments are detailed at annex C, and show a small overall decrease in the level of work completed. The changes made have all been agreed by the Head of Audit & Risk and the Senior Audit Manager, do not represent any compromise on the independent position of Internal Audit, and still provide the required level of assurance in relation to risks identified. As at the time of this report 90% of the plan was completed. It is anticipated that this figure will increase when the Annual Audit Report is presented to members in June 2010.

5. Other information included in this report is:

- Directorates' progress against the implementation of recommendations made and agreed which were due to be actioned by March 2010 (annex D)
- A summary of the advisory and other work of Internal Audit (annex F)
- A detailed breakdown of Internal Audit Performance Indicators (annex G).

Irregularities

6. Since the end of November 2009 six cases of suspected irregularity have been reported, each involving either KCC finances or business processes. These are currently under investigation. One investigation has been concluded during the period which is summarised at annex E.

Implications for Governance

7. No significant control weaknesses have been identified from the audits completed or the irregularities investigated in the current financial year. All audits are allocated an assurance level which are defined in annex H. Of the 11 audits completed in the current reporting period, none were given the lowest category of assurance (minimal) which could indicate a significant risk for the Council.

Recommendation

8. Members are asked to:

- Consider the report and comment on the
 - progress to date against the 2009/10 audit programme, and
 - changes to the audit programme.

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**Progress Against 2009-10
Audit Plan Quarters 1,2,3
and 4**

Annex A

Ref	Audit	Status	Audit Assurance
AW01 2010	Corporate Governance	Daft report issued 7 Apr 10	
AW02 2010	Risk Management	Drft report issued 7 Apr 10	
AW03 2010	Governance of Partnerships	Draft report issued 1 April 2010	
AW04 2010	Pro-active Fraud work - Contracts	Ongoing	
AW06	Use of Consultants/Consultancy firms	Audit has commenced expected date for issue of draft report 7 May 10	
AW07 2010	Premises Security	Final report issued 16 Sep 2009	Substantial
AW08	Handling Information Risk	Draft report issued 16 Apr 10	
AW09	ISG Management/Strategy	Draft report issued 24 march 2010	
AW10 2010	Use of databases and spreadsheets	Draft report issued 31 March 2010	
AW11 2010	Business Continuity Planning	Draft report issued 5 Feb 2010	
S01	Year End Accounts Closedown	Final report issued 11 June 2009	Substantial
S02	Bank Reconciliations	Draft report issued 19 March 2010	
S03	General Ledger	Final report issued 5 March 2010	High
S04	Imprest Accounts	Draft report issued 23 Feb 2010	
S05	Accounts Payable	Final report issued 29 Dec 2009	Substantial
S06	Accounts Receivable	Draft report issued 6 April	
S07	Treasury Management	Draft report issued 9 Apr 10	
S08	Payroll	Draft report issued 30 March 2010	
S09	Capital Monitoring	Draft report issued 9 April	
S10	Pension Contributions	Final report issued 22 Oct 2009	High
S11	Revenue Budget Monitoring	Draft report issued 31 March 2010	
S12	Partial Exemption	Draft report issued 22 March 2010	
S13	Management Review	N/A	N/A
S14	Overtime Payments	Final report issued 1 Feb 2010	Substantial
CED01	Income – Legal Department	Final report issued 6 Nov 2009	Limited
CED02	Public Service Agreements (PSA)	Completed 26 Feb 2010	N/A
CED03	Property Management System Security	Final report issued 22 Oct 2009	Substantial
CED04	Building Consultants Procurement Framework	Draft report issued April 2010	
CED05	Staffcare Services	Draft report issued 8 Feb 2010	
CED07	Axis Pensions System	Final report issued 25 Aug 2009	Substantial
CFE01	Data Quality	Draft report issued 18 Feb 2010	
CFE03	Child Protection	The audit has commenced expected completion date May 2010	
CFE04	SEN Transport	Draft report issued 26 March 2010	
CFE05	Student Awards Transition Plan	Final report issued 16 March 2010	High
CFE07	Personal Allowances for Looked After Children	Draft report issued March 2010	
CFE08	ContactPoint	Draft report issued 10 Mar 2010	
CFE09	Building Schools for the Future	Final report issued 24 Feb 2010	Substantial
CFE10	Appledore Sub Imprest Account	Final report issued 2 March 2010	Substantial
CFE12	Children's Centre Resource system	Draft report issued 24 March 2010	

**Progress Against 2009-10
Audit Plan Quarters 1,2,3
and 4**

Annex A

Ref	Audit	Status	Audit Assurance
CFE13	Cluster Funding	The audit has commenced expected completion date to draft report 30 Apr 10	
CFE15	Cage Green School	Final report issued 23 Dec 2009	Substantial
CFE16	Use of Corporate Purchase Cards in Schools	Draft report issued 25 March 2010	
CFE17	West Kent Learning Federation	Draft report issued 29 March 2010	
CMY02	Thanet Gateway Plus	Final report issued xx Dec 2009	N/A
CMY04	Turner Contemporary Charitable Trust	Draft report issued 8 April 2010	
CMY05	Coroners' Imprest Accounts	Final report issued 6 Oct 2009	Limited
CMY06	Libraries – IT Renewal Project	The audit has commenced expected completion date 31 May 10	
CMY08 (a)	Key Training	Final report issued 27 Aug 2009	N/A
CMY08 (b)	Key Training	Final report issued 8 march 2010	N/A
CMY09	Apprenticeship Scheme	Final report issued xx	N/A
KASS01	CRB - Volunteers	Second draft report issued 22 Feb 10	
KASS02	Residential Payments	The audit has commenced expected completion date 31 May 10	
KASS03	Direct Payments	Draft report issued 2 March 10	
KASS05	Performance and Data Quality	Daft report issued 16 Apr 10	
KASS06	Client Billing Process	Draft report issued 8 April 2010	
KASS09	Swift – Client Billing	Final report issued 20 Nov 2009	N/A
ER01	Review of Kent Highways Services	Draft report issued 16 March 2010	
ER02	Kent Thameside Regeneration	Draft report issued 23 Dec 09	
ER03	Ashford Regeneration	Expected completion date to draft report stage 16 April 2010	
ER05	Kent Freedom Pass	Expected completion date to draft report stage 16 April 2010	
ER06	Performance and Data Quality	The audit has commenced expected completion date 9 Apr 10	
ER08	Kent Highways Services – Road Work Permit Scheme IT System	The audit has commenced expected completion date 23 April 10	
ER07	Allington Incinerator	Final report issued 22 Feb 2010	Substantial

Audits highlighted in bold indicate completed audits

S03 – General Ledger

Scope

A review of the adequacy of input controls including feeder system interfaces into the General Ledger and reconciliation of control and suspense accounts.

Overall Assurance – High

The audit found that there are good controls over input, access and data transfers into the General Ledger and that there is regular monitoring to ensure that input is accurate, valid and complete. One area for improvement was identified which related to a large number of journals being input under a single journal reference in the Communities Directorate. A recommendation has been made that journal entries should be posted separately with unique reference numbers. This recommendation has been accepted by management.

S05 – Accounts Payable

Scope

The audit reviewed the processes in place to ensure that accurate, timely payments are made to *bona-fide* creditors for goods and services provided for the benefit of the council.

Overall Assurance - Substantial

The audit found that there is a process in place to identify any duplicate account details set up in Oracle in order to identify

potential duplicate suppliers. A report should be produced on a quarterly basis. At the time of audit this report had not been completed for the past two quarters and we were advised that this was because of staffing changes and that the report would be completed shortly.

The audit confirmed that there are good procedures in place to check that duplicate payments have not been made.

Exchequer Services staff carry out a monthly check for validity of authorisations on a randomly selected sample of 50 invoices.

Our testing showed that payments are made within 20 working days (unless there were genuine reasons why they could not be). Processes are in place to ensure that payments are made within KCC's specified timescales.

We have made two recommendations regarding the checking of authorising signatures and access controls on the Foster Payments System. The recommendations have been accepted by management.

S14 – Second Follow Up - Overtime Payments

Scope

The scope of the audit was to review the progress of the implementation of the recommendations made in the 2008/09 audit.

Overall Assurance – Substantial

Following the first follow up review, the Employee Services Manager prepared a detailed and comprehensive action plan to complete the recommendations. This audit confirmed that satisfactory action as been taken on all of the outstanding issues.

The Director of Personnel and Development has taken action to ensure that managers are informed through the Policy Group and Joint Rewards Implementation Team of the need for effective action to monitor and control overtime to ensure that directorates comply with the Working Time Directive (WTD). Revised guidance and reminders have been issued and action is being taken to review areas where excessive working hours are identified.

Three further recommendations have been made which have been accepted by management.

CFE05 – Student Awards Transition Plan

Scope

The scope of the audit was to review the transition plan which has been put in place to ensure that the directorate is able to retain staff and maintain service levels up to March 2011 when responsibility for assessing and paying student loans transfers to the Student Loans Company.

Overall Assurance – High

The audit found that there are contingency plans in place should staffing levels become insufficient to maintain service levels. This includes the use of temporary staff from Kent Top Temps.

Throughout the transition period workloads will continue to be monitored by managers. Performance indicators for 2009/10 were achieved and the Awards Manager is confident that based on expected workload and complement of staff that they will be achieved ahead of schedule during 2010/11.

The Awards Manager has been asked to provide two updated transition plans taking into account staffing levels as well as any other changes in circumstances that may affect the department.

No recommendations have been made for this audit.

CFE09– Building Schools for the Future

Scope

The scope of the audit was to carry out a review of the governance and projects and programme management arrangements for the delivery of the capital programme and to review the financial management arrangements associated with delivery.

Overall Assurance – Substantial

The audit found that there were satisfactory financial and contractual management arrangements in place. The roles, responsibilities and accountabilities for managing key elements of projects and programmes were clear and there were governance arrangements for managing the contractor/delivery partner relationships.

Three recommendations were made relating to strengthening programme level risk and issue management; the format and completeness of programme level monitoring and reporting should be improved; and a review should be undertaken of resourcing needs and roles of the programme going forward.

These have been accepted by management.

CFE10 – Appledore – Sub Imprest Account

Scope

The scope of the audit was to review the use, monitoring, reconciliation and reimbursement of the account.

Overall Assurance – Substantial

All payments sampled for the audit were considered to be appropriate for the usage of the imprest account, although it was difficult to always determine if expenditure had been appropriately authorised as it was not always obvious who the 'authorising' signature belonged to. The audit identified that staff do not always sign to confirm that they have received amounts of cash. Segregation of duties operates well, with CFE finance staff performing the reconciliation and reimbursement of the account. At the time of the audit all records from the sample were up to date.

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

CFE15 – Follow Up - Cage Green School

Scope

The scope of the audit was to review the progress of the implementation of the recommendations made in the 2008/09 audit.

Overall Assurance – Substantial

Twenty-six recommendations were made in the previous audit report. At the time of the follow up audit, four were still outstanding. These relate to the following:-

- Improving controls around the receipt of goods;
 - Committing expenditure to financial records at the time orders are made;
 - Recording the school's non ICT assets in the assets register; and
 - Investigating queries and issues regarding the voluntary fund.
- Management have agreed to implement the recommendations.

CMY08 – Key Training Second Tranche

Scope

The scope of the audit was to review the Key Training action plan which has been put into place to recover the 2008/09 deficit.

Overall Assurance – Not Applicable

The 2008/09 £211k deficit has been identified in the 2009/10 budget. Part of the reason for the deficit was that expected income was not received from the Learning Skills Council and therefore, income is now being closely monitored. The directorate has also put in place a planned profile of income from the Learning Skills Council, with estimates made using the 2008/09 income profile, together with forecast based on current performance.

We reviewed the five point action plan, although there was still work to be completed on the action plan at the time of the audit, it is currently in process and progressing well.

KASS – Swift Client Billing Post Implementation Review

Scope

The objective of this audit was to assess the adequacy and effectiveness of controls operating to mitigate the risks within the client billing process, such as the controls within the Swift client billing module, the interface between Swift and the Corporate Oracle finance system and the process by which Oracle is used to generate invoices.

Overall Assurance – Not Applicable

A number of problems have occurred within the Swift client billing process since it went live in November 2008, such as charges being incorrectly shown on the statements issued to client or statements being issued where care is no longer being provided. These errors have been in part due to the bespoke nature of the process that is used to generate client statements; for example,

standard Oracle functionality is not used due to the fact clients are billed on a four weekly cycle to match the benefit payment cycle. A sustainable process needs to be established by reducing the number of sources of potential error that can occur during the billing run.

A number of recommendations have been made which have been accepted by management and an action plan is in place to address the issues identified. These include considering the use of standard Oracle functionality to improve the accuracy of the statements issued to clients

CMY02 - Thanet Gateway Plus Post Completion Review

Scope

The scope of the audit was to carry out a post completion review of the Thanet Gateway Plus project, so that the critical success factors can be captured and applied to future projects.

Overall Assurance – Not Applicable

The review was carried out at the request of Communities management and considered the various stages of the project and the factors that contributed to the success of the project, i.e. that it was completed on time, within budget and achieved its objectives. The following factors were considered as follows:-

- The establishment of objectives;
- The project approval process;
- Project planning and management;
- Partnership working;

- Project Monitoring;
- Risk Management;
- Budget management; and
- Decision making;

The above contributed towards the success of the project. All deliverables were achieved and good project management processes were applied through the life of the project. Partnership working was successful as partners understood the objectives of the project and were able to focus on it and arrive at a consensus that was to the benefit of the customer.

EHW07 – Allington Waste to energy Plant

Scope

To review the processes and systems in placed used to support the operation of the waste to energy plant.

Overall Assurance - Substantial

The audit found that the contract with Kent Enviropower Ltd (KEL) is monitored effectively. There is good liaison between KCC Waste Management and KEL to control and record access to the site and controls on vehicle approvals are operating correctly. The invoice certification at KCC Waste Management provides an independent check on vehicle details by matching the information on the billing list to the master list of approved vehicles. However, tonnage details collated independently by KEL are not used to confirm tonnage processed and claimed on the invoice. We have made three recommendations to improve controls which have been accepted by management.

Amendments to the 2009/10 Audit Programme

Annex C

The following table details the amendments to the 2009/10 audit plan and shows audits that will no longer go ahead and new audits or pieces of work, together with the deleted and additional days. The text in blue / **italic** is to highlight the changes since the December report.

Ref	Planned Audit	Comments	Impact (Days)
<i>AW05</i>	<i>Use of interim and temporary senior managers</i>	<i>It has proven difficult to identify a valid "population" for the Audit to assess. Work in on-going to find a means to enable the audit to proceed.</i>	<i>-30</i>
CED06 2010 Commercial Services	Cheque Payments	Originally a management request, however, only a few payments processed by cheque, therefore audit will no longer go ahead.	-20
CED08 2010	Routewise	This audit will be incorporated into the audit of SEN Transport (CFE04)	-20
CFE02 2010	Post 16 Education	The timescale for the streamlining of funding and commissioning for post 16 education has been delayed by the Department for Children, Schools and Families (DCSF)	-30
<i>CFE06</i>	<i>Partnerships</i>	<i>Incorporated into authority wide partnership audit.</i>	<i>-30</i>
CFE09 2010	ContactPoint	This audit has been incorporated into CFE08 2010 which was a review of IT controls	-25
CFE11 2010	ICS Capita One	The audit was to review interface/application controls for a Foster Payment system, but the system is not being implemented.	-20
CMY03	Business and Project risk Identification	Originally a management request, but assurance was provided as part of the Risk Management audit.	-25
CMY01	Adult Education Budget Management	Directorate in the process of reviewing budget reporting arrangements, substituted audit of Key Training.	-20
KASS02	Transaction Data Matching	The directorate are in the process of introducing a number of changes to the process and this audit has been deferred until	-30

Amendments to the 2009/10 Audit Programme

Annex C

Ref	Planned Audit	Comments	Impact (Days)
		2010/11. However it has been substituted by an audit of residential payments.	
<i>KASS04</i>	<i>Swift – implementation of V24 and AIS</i>	<i>Because of timing of the implementation this will be carried out in 2010/11 as part of application controls</i>	<i>-25</i>
<i>KASS06</i>	<i>Client Billing</i>	<i>Substituted for work on the IT interfaces for client billing.</i>	<i>-25</i>
<i>KASS07</i>	<i>Procurement exc social care</i>	<i>Majority of procurement is around social care so no longer considered to be a high risk area. Substituted for A&I.</i>	<i>-30</i>
<i>KASS08</i>	<i>Voluntary Organisations</i>	<i>Changes to be introduced as part of self directed support (SDS) in the next few months, therefore, audit to be deferred.</i>	<i>-35</i>
ER04 20101	Manston Development	Work was carried out in 2008/09 on governance arrangements. There has been no further developments and this audit has therefore, been deferred.	-25
<i>ER08</i>	<i>KHS Road Works Permit Scheme</i>	<i>Scheme has not been in place long enough for there to be sufficient data to audit – deferred until 2010/11, although audit reviewing IT system to support the Permit Scheme has been substituted for this.</i>	<i>-25</i>
Total days removed from plan			415

Amendments to the 2009/10 Audit Programme

Annex C

Ref	Planned Audit	Comments	Impact (Days)
AW	Financial Controls Matrices	Development of matrices identifying risks and controls in financial systems.	25
AW	IT Needs Assessment	IT Needs Assessments – identifying infrastructure, framework and applications	10
AW	National Fraud Initiative - Data Matching	Additional time spent following up and investigating matches.	30
CED	Overtime Payments	2 nd follow up to review completed action, including compliance with Kent Scheme of Overtime and local agreement and working time directives.	10
CED	Classcare Accounts	Audit of Classcare accounts	5
S04 2010	Imprest Accounts	Additional scope for this audit. A review of six months' returns for 115 imprest accounts, to identify the use of accounts, type of expenditure.	48
CFE04	SEN Transport	This audit now incorporates the Routewise audit (CED08)	15
CFE09 (2009)	Building Schools for the Future	Additional work to look at changes to governance arrangements	10
CFE15	Cage Green School	Follow up audit to review financial controls at a school	10
CFE16	Schools	A management request to review the use of purchase cards at a selection of schools.	10
CFE17	Pupil Referral Unit	A management request – reviewing purchasing arrangements	10
CFE	ContactPoint	Advisory work to facilitate support to partners and the annual certification	5
CMY08 (a)	Key Training	A review to identify the processes and controls for forecasting and managing the budget (phase 1).	15

Amendments to the 2009/10 Audit Programme

Annex C

Ref	Planned Audit	Comments	Impact (Days)
CMY08 (b)	Key Training	To evaluate progress against the action plan that has been put in place to recover the 2008/09 deficit (phase 2).	15
CMY09	Apprenticeship Scheme	Evaluations of the costings by Key Training for delivering the Apprenticeship Scheme (management request)	15
KASS	Residential Homes	A review of data and payments for residential care home.	20
<i>KASS</i>	<i>Self Directed Support (SDS)</i>	<i>Internal Audit facilitated a control risk self assessment workshop (CRSA)</i>	<i>10</i>
<i>KASS</i>	<i>Advisory work</i>	<i>Additional advisory work</i>	<i>10</i>
<i>EHW08</i>	<i>KHS Road Works Permit Scheme IT System</i>	<i>A review of the IT system that will be used to support the Road Works Permit Scheme</i>	<i>25</i>
E&R	KHS	Advisory work.	25
Total days added to plan			323
Total change in audit plan			-92

**Directorates Progress with the Implementation of Audit Recommendations
(Covers November, December 2009, January, February and March 2010)**

The tables on the following pages provide information on the directorates' progress with the implementation of agreed recommendations. All of the findings that the recommendations relate to are given a risk rating of either; Critical, High, or Medium. All of the recommendations that had a 'critical' rating have been implemented.

Table 1 – This details the recommendations that were due to be actioned between November 2009 and March 2010. 68 'actions' were due to be in place by the end of March 2010; 62 have been implemented and 6 actions are outstanding; revised dates for implementing the outstanding recommendations have been provided.

Table 2 – This details the cumulative total of recommendations that were due to be implemented between April 2009 and March 2010. In total 127 recommendations were due to be implemented of which 121 have been implemented and 6 are outstanding. Revised dates have been provided for implementing these. The 6 outstanding actions are included in table 1.

Table 3 – This provides details of the outstanding actions and the reason for non completion.

Table 4 – This provides information of the outstanding actions from 2008/09. In total 99 recommendations were due to be implemented, of which 96 have been implemented and 3 are outstanding. However, these have now all been superseded by further work completed by Internal Audit, or are considered to be low risk/priority.

All recommendations from 2007/08 have been implemented.

**Directorates Progress with the Implementation of Audit Recommendations
(Covers November, December 2009, January, February and March 2010)**

Table 1 - Recommendations that were due to be actioned between November 2009 and March 2010

Directorate	Total actions due to be in place by end of March 2010	Actions in place	Priority of outstanding actions as at 31 March 2010			Comments on recommendations		
			C	H	M	Audit		To be completed by
Authority wide and S151	5	5				Premises Security	All recommendations completed	
	3	3				Governance of Partnerships (2008)	Audit superseded by ongoing Partnership audits	
	4	4				Governance of Individual Partnerships (2009)	Audit superseded by ongoing Partnership audits	
	3	3				Schemes of Delegation	All recommendations completed	
	3	3				Third Party ICT Service Provision (Procurement)	All recommendations completed	
	1	1				Data Protection	Audit superseded	
Chief Executive's Department	1	1				Payroll – Appointment to payment of new employees	Low risk, so recommendation closed	
	2	2				Microsoft Exchange	All recommendations completed	
	2	1			1	Property Management System Security	A planned change to the Enterprise application in May 2010 will mitigate the risks identified in the audit.	May 2010
Children, Families & Education	2	2				Effectiveness of Financial Management	All recommendations completed	
	26	22		2	2	Cage Green School	Four recommendations were still outstanding after the follow up audit, which were Deliveries, Commitments, Asset Register and Auditing of the	May 2010

**Directorates Progress with the Implementation of Audit Recommendations
(Covers November, December 2009, January, February and March 2010)**

Directorate	Total actions due to be in place by end of March 2010	Actions in place	Priority of outstanding actions as at 31 March 2010			Comments on recommendations		
			C	H	M	Audit		To be completed by
							Voluntary Fund. Please see table 3 for more information.	
Kent Adult Social Services	1	1				LD Transfer	All recommendations completed	
	2	2				Payments to Voluntary Organisations	No longer applicable	
	2	2				Swift Client Billing	Audit superseded	
Environment, Highways and Waste	2	2				Household Waste Recycling Contracts	All recommendations completed	
Communities	1	1				CRB checks for volunteers – follow up	All recommendations completed	
	4	4				Coroners' imprest accounts	All recommendations completed	
	2	2				Health and Safety – Direction of Travel	All recommendations completed	
	2	1		1		Internet Access by the Public – KEY Training	The software 'zamzam' was sourced to filter websites, however it was discovered that it was not adequate for use. Alternative software is currently being sourced.	July 2010
TOTAL	68	62		3	3			

C= Critical

H = High

M = Medium

**Cumulative Progress with the Implementation of Audit Recommendations
(April 2009 to March 2010)**

Annex D

Table 2 - cumulative total of recommendations that were due to be implemented between April 2009 and March 2010

Directorate	Number of recommendations due to be implemented April 2009 – March 2010			Number of recommendations implemented			Number of recommendations still outstanding		
	Critical	High	Medium	Critical	High	Medium	Critical	High	Medium
Chief Executive's Department		2	7		2	6			1
Kent Adult Social Services	13	6	12	13	6	12			
Communities	2	16	6	2	15	6		1	
Environment, Highways & Waste	1	1	8	1	1	8			
Children, Families & Education		13	15		11	13		2	2
Authority Wide & S151		10	15		10	15			
Totals	16	48	63	16	45	60		3	3

The outstanding High risk recommendations relate to Cage Green School and Internet Access by the Public - KEY Training. Please see Table 3 for more information on the outstanding recommendations

95% of agreed recommendations have been implemented.

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

Annex D

Table 3 - Details of the outstanding actions and the reason for non completion

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
Communities	Internet Access by the Public – KEY Training	Internet activity monitoring logs and attempts to access blocked sites should be reviewed periodically and any violations should be highlighted and appropriate action should be taken. Evidence of the checks performed should be retained.	The software 'zamzam' was sourced to filter websites, however it was discovered that it was not adequate for use. Alternative software is currently being sourced.	July 2010
Children, Families and Education	Cage Green School	Goods received should be checked for quality and quantity to delivery notes and copy orders to ensure that all items ordered are received and that the delivery is complete. The documentation should be signed and dated by the checking officer to clearly show the checks carried out.	<p>A review of delivery notes and testing of a sample of purchase orders showed that delivery notes are now being checked and signed. However, they are not always dated and the relating order form is not always ticked to confirm that the order and delivery match.</p> <p>The Finance Administrator will check all deliveries received and sign and date the delivery note if applicable. The delivery will then be checked to the original order and items received will be marked on the order.</p>	May 2010
		The value of all orders, including those placed over the phone, via the internet, or using companies' own order forms, should be committed to financial records as they are raised.	Whilst some orders are committed to the system, the majority of non Kent County Supplies orders are not. Occasionally orders are still being placed on company order forms. Whilst we understand there may be rare occasions where it may not be possible to commit expenditure at the time of order we saw examples of orders that should be committed at the time of ordering, e.g. coach hire for a school trip (£500).	May 2010

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

Annex D

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
			Staff have been reminded that green order forms are required for all commitments including school visits. The Financial Administrator will input orders at the start of the financial year for monthly items e.g. Rates and utilities. All orders will be committed to financial records at the time they are placed.	
		All valuable and desirable items should be included on the asset register, including leased equipment. The register should contain sufficient information (i.e. make/model and relevant serial numbers) to ensure that each item can be sufficiently identified. All assets should be visibly security marked.	A room-by-room register has now been completed in conjunction with the existing ICT register. However, although items such as musical instruments have now been included some items, such as the mini-bus, have still not been included on the asset register. The Premises Committee will ensure all assets over £100 will be added to the asset register.	May 2010
		The voluntary fund, which has not been audited for three years, should be audited as a matter of priority. The Governing Body should ensure that the account is audited annually by an appropriately qualified person, who is completely independent of school personnel and the operation of the school's financial systems.	The Headteacher had requested that the Voluntary Fund be audited by KCC. The staff who were asked to audit the fund refused to sign it off for several reasons, including lack of evidence of reconciliation of bank statements, no evidence of receipts issued and lack of evidence of authorisation of payments. The Headteacher has been asked to complete an investigation regarding this. The Headteacher has completed an investigation into the voluntary fund. The Bank account has been closed and all funds are processed through the school bank account.	May 2010

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

Annex D

Directorate	Audit	Outstanding recommendation	Reason for non-completion	Date to be completed by
Chief Executive's Department	Property Management System	<p>The password settings enforced within the Enterprise system should be formally documented and reviewed by management, to determine whether they are considered appropriate to mitigate the potential impact of unauthorised users gaining access.</p> <p>Management should consult the system provider to determine whether it is possible to strengthen the current password parameters to align them with the current corporate standard. For instance, enhancements may be included within future upgrades that will be applied as part of the system maintenance process or there may be alternative solutions available to strengthen them. It is recognised that management may need to consider the level of risk exposure against additional cost to determine whether changes are considered essential.</p>	A planned change to the Enterprise application in May 2010 will mitigate the risks identified in the audit.	May 2010

**Cumulative progress with the Implementation of Audit
recommendations outstanding April 2008 – March 2009**

Annex D

Table 4 - the outstanding actions from 2008/09

Directorate	Actions still outstanding	Date actions will now be implemented	Audit title
Chief Executive's Department	1	November 2009	Payroll – Appointment to Payment of new employees
Authority Wide and S151	1	March 2010	Data Protection
	1	December 2009	Governance of Partnerships

All outstanding recommendations that were due to be implemented between April 2008 and March 2009 have been implemented, with the exception of the audits shown above. These audits have now been superseded by further work completed by Internal Audit or are Low Risk. Please see Table 1, where these audits are shown.

Irregularities: Investigations completed (November 2009 to March 2010)

Annex E

Ref	Directorate	Details of Irregularities	Value if applicable	Details and Outcome
xx790	KASS	Theft of cash/goods	£170	<p>A day centre has had seven separate occasions when cash and goods have been stolen, this included a forced entry over a weekend. The police were informed and a surveillance camera installed.</p> <p>Internal Audit have suggested a number of actions to improve controls including:</p> <ul style="list-style-type: none"> • the use of a purchase card to reduce the amount of cash held on the premises; • regular changing of the lock key safe code • regular reconciliation of records to cash held. <p>Since the above actions were implemented there have been no further reported incidents of theft.</p>

Advisory Work

The Internal Audit team is involved in a range of advisory work across the Authority, including:

- Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support, Oracle R12.
- Development of matrices for financial systems, identifying risks and controls.
- Providing advice to the ContactPoint team in preparation for the annual certification.

Internal Audit facilitated a Control Risk Self Assessment Workshop (CRSA) in KASS for Self Directed Support (SDS). This type of workshop works well for new and changing processes/systems. The workshop involves stakeholders identifying risks and existing controls and actions to mitigate risks.

Irregularities

The Internal audit team investigate a number of irregularities each year. These are either identified through our audit programme, or are reported to us. In addition to the two cases reported at annex F, we are currently investigating three other cases. When completed, these will be reported to the Governance and Audit Committee.

Audit work for external clients

Audit work completed on behalf of external customers includes:

- Grant claims
- Parishes
- Kent Fire and Rescue Service
- Review of financial forecasting techniques for the Kent Police Authority

Pro-active fraud work

- Newsletter – The newsletter now includes risk and insurance issues and will be published quarterly from December 2009.
- NFI data matching.

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

Performance Indicator	Target	Actual (Apr 2009– March 2010)
<u>Effectiveness</u> <ul style="list-style-type: none"> • % of recommendations accepted • % of recommendations implemented • CPA/CAA Score for Internal Control 	98% 90% Level 4	99% 95% 3*
<u>Efficiency</u> <ul style="list-style-type: none"> • % of plan delivered – • % of available time spent on direct audit work • % of draft reports completed within 10 days of finishing fieldwork • Preparation of annual audit plan • Periodic reports on progress • Preparation of annual report and Annual Governance Statement 	95% 80% 80% By March G&AC meetings By May	90% 90% 65% March G&AC meetings May
<u>Quality of Service</u> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	70%	90%

Percentage of plan delivered as at 31 March 2010

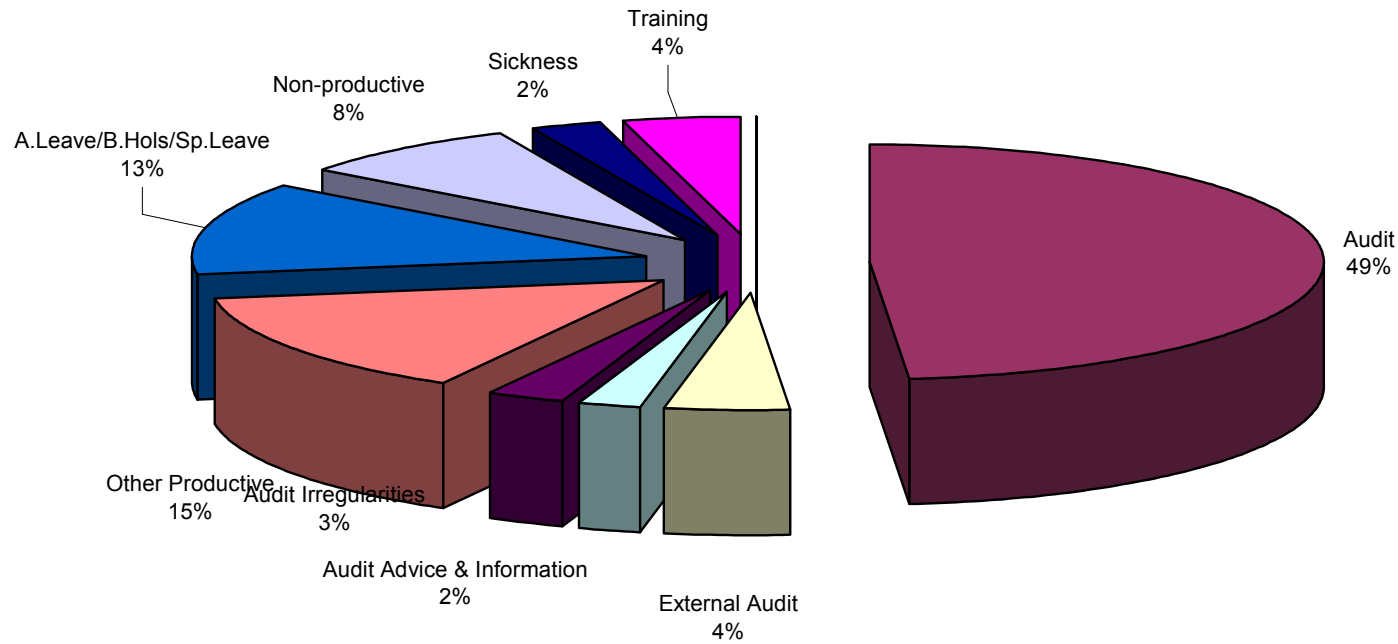
Team Structure

Number of staff 11 FTE

Qualified 6

Number of staff training 4

Breakdown of all time in Internal Audit April 2009 to March 2010



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.	<p>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.</p> <p>This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p>
Minimal	Urgent improvements in controls or the application of controls required.	<p>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.</p> <p>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.</p>