

By: The Head of Audit & Risk
To: Governance and Audit Committee – 17 September 2008
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 contains the outcome of Internal Audit's work completed during May, June and July 2008. Assurances are provided in accordance with the definitions of Internal Audit assurance levels shown in Annexe H.

Nine audits were completed in this period, which are listed in the table below together with a brief description of the audit.

IRREGULARITIES

2. Since the end of May three cases of suspected irregularity have been reported, each involving either KCC finances or business processes. Irregularity investigations that have concluded are shown at annex x.

PROGRESS REPORT

5. The format is as follows:
 - The Internal Audit Plan showing the planned start, actual start, progress for each audit and audit assurance. This will enable Members to review Internal Audit's progress against the plan. Annex A
 - Other work carried out, for example pro active fraud work, National Fraud Initiative, fraud awareness training provided, advisory work. Annex B
 - Internal Audit consultancy work to drive continuous improvement – None to report
 - Summaries of reports for all completed audits. Annex C
 - Summaries of audits where control has been assessed as minimal, None to report.

- The directorates' progress against the implementation of recommendations made and agreed - Annex D
- Internal Audit's performance against its Performance Indicators - Annex E
- Information about how and where Internal Audit's time has been spent - Annex F
- Definitions of Internal Audit's Assurance Levels – Annex G

Other Matters – Annex H

- Governance and Audit Committee Self Assessment Questionnaire
- Change in Internal Audit Team

Recommendation

6. Members are asked to note this report.

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Ext: 4614
Xx September 2008

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
07/08	Overtime Payments	To provide assurance that overtime payments are appropriately authorised and paid accurately and promptly	Q1	24 April 2008	23 May 2008			Brought forward form 07/08 plan
07/08	WAMS financial management	An audit of financial controls within the KHS procurement and ordering system (WAMS)	Q1	1 April 2008	15 May 2008			Brought forward form 07/08 plan
AW05	Access to Information	A review of controls in place to ensure council wide compliance with access to information legislation, including freedom of information and environmental regulation requests.	Q1	6 May 2008	19 Aug 08			
AW03	Governance of individual partnerships	Work to build on audit undertaken in 2007/08. Focus to include, follow up on progress made against previously agreed management actions. Assess level of compliance with policies and procedures in a sample of major/significant partnerships.	Q2	7 July 2008				
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	Q2/3					Terms of Reference issued, start date to be agreed

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		of suppliers processes. The individual contracts that are reviewed will include Building Schools for the Future (BSF) and Highways contracts.						
AW09	Business Continuity Planning	A review of Business Continuity Planning and Disaster Recovery arrangements.	Q2/3					This review will take the place of (CED06) the Property Management System Security audit. Terms of Reference agreed.
AW10	ICT Risk Assessment	To map risks and controls in the ICT environment	Q2/3					Terms of Reference agreed meetings being arranged with the Directorates to identify appropriate contacts for each IT system.
S01	Year End Accounting	Assurance that income and payments are accounted for in the correct financial year.	Q1	7 April 2008	9 May 2008	22 July 08	Substantial	
S03	Local Area Agreement Certification	Annual review to validate the completeness and accuracy of LAA spend.	Q1	21 May 2008		June 08	n/a	Review to validate the completeness and accuracy of LAA spend
S09	Insurance Fund	A review to provide assurance on the adequacy, efficiency and effectiveness of controls operating to mitigate the risks within the operation of the Insurance Fund.	Q1	16 June 2008	20 Aug 08			
S05	Accounts Payable	A review to provide assurance that accurate timely payments are made which are only to bone fide	Q2	28 July 08				

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		creditors for goods and services received by the Council.						
S10	Revenue Budget Monitoring	Directorate revenue budget monitoring in KASS. To provide assurance that revenue budgets are well controlled.	Q2	28 August 08				<i>This audit to start in Q2 rather than Q3 as originally planned</i>
CED04	Kent Public Service Network (KPSN) Project Part 2	A review to assess the project management processes and procedures in place to manage system development activities to ensure the successful delivery of the new KPSN.	Q2	30 July 08				
CED08	Members Code of Conduct – Locally Managed Framework	A review against the Standards Board checklist for the implementation of the locally managed framework of compliance with the Members Code of Conduct. Timing of this audit will depend on receipt of government regulations and SBE guidance.	Q1	Not yet started				<i>Audit delayed as timing depends on receipt and implementation of government regulations and SBE guidance. Likely to take place in Q4</i>
CED09	Rebate Income	A review of the process to ensure that all rebate income due has been correctly identified, collected and accounted for.	Q1	23 June 2008	11 Aug 08			
CFE01	Allocation of Cluster Funding	An audit of the processes in a sample of Clusters to provide assurance that the funding allocated to the Clusters is spent by them following an appropriate	Q1	1 May 2008	9 July 08			

Progress Against 2008-09 Audit Plan quarters 1 and 2

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Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		bidding and evaluation process linked to objectives and that records are maintained to enable management to monitor the expenditure and evaluate the results.						
CFE02	Family Group Conferencing	Assurance that controls achieve compliance with referral policy and that funding is adequate to provide accreditation training.	Q1	21 April 2008	17 July 08	7 Aug 08	Substantial	
CFE03	School Funding	A review of how funding for schools is determined and how it is distributed to meet the objective. Support the raising of educational achievement by ensuring that funding is allocated to support national and local initiatives allowing schools to focus on their responsibilities in the knowledge that all strategic support functions are similarly focused.	Q2	18 June 08				
CFE04	School Meals	<i>Review of the support to schools to assist with the falling meal uptake rates which is presenting a risk to the meals subsidy.</i>	Q2					<i>Audit has been substituted for work carried out to assist directorate with various issues in relation to schools.</i>
CFE05	Student Awards	In preparation for the transfer of the student awards to the Student Loan Company a	Q2					Terms of Reference agreed, audit to commence in September.

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		review of the adequacy of the transition plan.						
CFE09	Children Resource Centre Network	Assess whether are adequate project management arrangements in place for the delivery of the new Children Resource Centre Network.	Q2	22 Aug 08				
CMY01	Adult Education Budget Management	<i>To provide assurance that budgets are set effectively with a clear link with spending and income sources. Variations are managed effectively (in particular when courses are running at a surplus or deficit). This will be a joint piece of work by Internal Audit and Communities Directorate staff, timed to inform the directorate budget planning process.</i>	Q1	Not yet started				<i>Audit Owner has requested that this audit is substituted by CMY06 Use of Coroners' imprest accounts.</i>
CMY02	CRB checks for volunteers	A follow up on the findings of a 2007/08 audit, which gave minimal assurance that volunteers working with clients are appropriately checked.	Q2					Terms of Reference agreed, work to take place during September and October
CMY05	Tribal EBS System	Review of operational, support and maintenance procedures system security and data integrity controls	Q2					<i>Directorate have requested delaying start to later in the year.</i>

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CMY06	Use of Coroners' imprest accounts	To ensure payments made through the imprest account are properly authorised and appropriate.	Q2					This audit replaces (CMY01) Adult Education Budget Management
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).	Q1	Not yet started				Revised ToR issued, audit to take place in Q3.
KASS02	Public Involvement	Focus on the process to continually seek improvement in the methods used to engage the public and service users.	Q2	1 July 08	5 Sept 08			
KASS03	Financial Assessments	Evaluation for the system for undertaking financial assessments of clients and the role of the specialist finance teams.	Q2					Terms of Reference agreed work due to commence in September/October
KASS05	Care Management Process	A follow up to the interim review that took place in 2007/08. A comprehensive audit to include eligibility assessment through to the delivery of care. Work to include progress against recommendations raised in interim report.	Q3	11 Aug 08				Audit commenced in Q2 at request of Directorate

Progress Against 2008-09 Audit Plan quarters 1 and 2

Annex A

Ref	Audit	Description	Planned Start	Audit in progress	Draft Report issued	Final Report Issued	Audit Assurance	Comments
ER01	Health and Safety	Review of the Councils mechanism for ensuring compliance with Health and Safety Legislation for Public Rights of Ways and Country Parks.	Q1	5 June 2008	12 Aug 08			
ER02	Kent Thameside	Review of how the engagement strategy is being applied in practice for the Kent Thameside project. Review also to assess the adequacy and effectiveness of the reporting and governance arrangements for the projects.	Q2	27 Aug 08				Directorate have requested that this audit is deferred until Q3
ER03	KHS Restructure	Review to focus on the adequacy of the governance arrangements in place following the restructure.	Q2					Terms of Reference issued audit due to commence in September.
ER05	Household Waste Recycling Contracts	Evaluation of the control environment of the recently re-let contracts. Scope to include contract management and monitoring. Adequacy of the KPIs of quality of service. Ensuring that the Council is getting VFM from the service.	Q2					Terms of Reference agreed audit due to commence September/October.
ER10	Kent Downs AONB	Audit of financial controls	Q2/3					Audit to take place September/October at request of directorate in advance of inspection

Audits highlighted in bold indicate completed audits

Audits in italics indicates changes to the original plan

National Fraud Initiative

- Preparation of letters to pensioners advising of data matching exercise as part of the National Fraud Initiative and responding to queries.

Advisory Work

- Joint working with CFE with regards a school with a potential deficit budget. Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support
- Audit of Classcare Accounts
- Management review to assist with the closedown of the 2007/08 accounts.

Irregularities

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

Pro Active Fraud Work

- As part of Internal Audit's programme of pro active fraud work, fraud awareness training delivered to KASS and Communities teams during this period.

KASS - Health Debts

Scope

The objective of this audit was to ensure that debts raised for Health (ie Primary Care Trusts - PCTs) are managed appropriately. In particular to ensure that invoices are only raised with evidence to support the debt, that debts are identified and that there are processes in place to 'chase' and collect debts.

Overall Assurance - Substantial

The audit confirmed that the majority of invoices raised are appropriately authorised by the correct manager, and with supporting detail. Outstanding debts are chased on a regular basis with good success rates. There are still occasions when invoices are raised without supporting evidence, however, these relate to care arrangements that have been in place over a long period of time.

Management have agreed with the findings and developed an appropriate action plan to address the issues identified.

KASS - Interim Review of Compliance with Care Management Processes

Scope

The objective of this interim review was to examine the 'care management' process from the eligibility criteria through to financial assessments to ensure that relevant information and documentation is recorded and held appropriately.

Overall Assurance – Not Applicable

The audit found that there was not always evidence that the expected processes had been properly recorded either in the individual client file or within SWIFT, the care management system. We acknowledge that SWIFT is still in its early stages and that teething problems have meant that not all staff have fully embraced its use. We have arranged to carry out a follow up audit in 2008/09.

Management have agreed with the findings and developed an appropriate action plan to address the issues identified.

CF&E - Schools' Payroll

Scope

The objective of the audit was to review a sample of schools to gain assurance that expected systems and processes were in place and operating effectively.

Overall Assurance – Substantial

The sample of 30 schools visited included those managing their own payroll service and those using external providers. The audit confirmed that payroll services are generally well monitored and that payments are only made to bona fide employees. Payments are also made on time, and any overpayments made are chase up and recovered. The audit found that some of the payroll reports provided to schools do not always contain sufficient information to allow schools to check, overtime, expenses etc.

Each school was provided with a list of recommendations and in our overall report, two recommendations were made which management have accepted and agreed to implement.

CF&E – Family Group Conferencing Service (FGCS)

Scope

The objective of the audit was to assess the system in place for the FGCS to achieve its aim of assisting in the prevention of children becoming 'looked after' and/or missing their education.

Overall Assurance – Substantial

The audit found many strengths in the system to ensure achievement of the Family Group Conferencing Service, for example clear policies, a good training programme, well documented operational and administrative policies. The only significant area for improvement was that of performance monitoring.

Management have agreed with the findings and developed an appropriate action plan to address the issues identified.

CF&E Children's Centre Financial System Follow up audit

Scope

The objective of the audit was to follow up on recommendations made in the original audit which was given a minimal assurance to ensure that agreed management action plans were in place and operating effectively.

Overall Assurance – Substantial

Considerable progress has been made to ensure Round 1 Children's Centres have sound financial controls, robust service level agreements and accurate monitoring arrangements. These processes have evolved throughout 2007 following the appointment of a dedicated Children's Centre Project Officer. Detailed project plans and monitoring arrangements have been put in place for the Children's Centres Round 2, which will be ongoing. Two recommendations remain outstanding which relate to the signing of the SLA with Health and the absence of some supporting documentation for salary expenditure

Two further recommendations have been made which have been agreed by management.

CMY Health and Safety – direction of Travel

Scope

The objective of the audit was to provide assurance on the 'direction of travel' of the development of the Health and Safety function within the Communities Directorate.

Overall Assurance – Substantial

Due to the diverse nature of the units and divisions that make up the Communities Directorate, the H&S team had initially identified inconsistencies in H&S systems applied across the Directorate. Processes have now been put in place to address this, including carrying out risk assessments in the form of annual 'audits' in order to identify low risks and high risk areas that need to be monitored and addressed.

The Directorate's H&S business plan includes clear goals, is reviewed quarterly to show progress to date further action to be completed with the expected timescale and name of the member of staff with responsibility for implementing the action

Management have agreed the finding and developed an appropriate action plan to address the issues identified.

CED – Property Contract Monitoring

Scope

The objective of the audit was to assess the adequacy of the framework agreement that it is place to deliver estates management services for KCC.

Overall Assurance - Substantial

In 2007/08 work to the value of £850,000 was placed through the framework agreement. The audit found that service delivery is achieved in line with clear contract specification, that there is good monitoring of the contracts through regular progress meetings. This ensures that the directorate clients receive information on the progress of the jobs and the budget. There were a few instances where the accuracy and completeness of information held could be improved

Management have agreed the findings and developed an appropriate action plan to address the issues identified.

CED – Follow up to Payroll Audit

Scope

The objective of the audit was to follow up on recommendations made in the original audit which was given a minimal assurance with regards recruitment and CRB checks, to ensure that agreed management action plans were in place and operating effectively

Overall Assurance – Substantial

The audit found that a number of initiatives designed to strengthen the processes for dealing with CRB disclosures have been put in place by the Employee Services Manager. Information is now collated in the HR and Payroll (Oracle) system and each position/post requiring a CRB check has been identified and marked accordingly. A retrospective review by Employee Services has been completed on all employees to identify cases where required CRB checks had not been obtained. A new policy on CRB disclosures is presently in draft and is expected to be approved shortly

Improved administrative procedures have been introduced to ensure that the necessary recruitment documents needed for al new appointments managed through Employee Services are quality checked.

Two further recommendations were made which have been agreed by management who have developed an appropriate action plan to address the issues identified.

CED – Fixed Assets

Scope

The objective of the audit was to ensure compliance with the relevant protocols for the acquisition and disposal of assets.

Overall Assurance – Substantial

The audit confirmed that generally property and vehicle, plant and equipment (VPE) purchases and disposals during the financial year 2006/07 were properly authorised. Areas requiring improvement relate to the improvement of documentation for acquisitions and disposals of property to demonstrate that all the requirements of protocol are being met. For acquisitions Directorates need to ensure that they prepare a proper business case for the Property Group defining the requirement as well as carrying out a financial evaluation of the proposals to acquire a property.

For disposals of property, the Property Group need to ensure that there is a supporting 'Declaration of Surplus Property' form from directorates' as well as ensuring member consultation process is carried out properly in every case.

Management have agreed with the findings and developed an appropriate action plan to address the issues identified.

CED – Year End Accounting

Scope

The objective of the audit was to ensure that expenditure and income was properly accounted for in the correct financial year.

Overall Assurance – Substantial

The audit confirmed that in general the procedures for processing year end payments and income were operating effectively. All batches had been processed in the correct financial year, however, the report produced in previous years by the Payments Team Leader to check this during the closedown period had not been undertaken. Without this report there is a risk that batches may be input to the incorrect year and not identified.

Other areas requiring improvement are around the invoices processed via the i-procurement system. These invoices are automatically accounted for in the period in which staff receipt the goods in the system, which should ensure they are accounted for in the correct financial year. However, there were instances where goods had been receipted in the 'new year' even though they were received or related to the 'old year'. Further analysis also found that approximately £120,000 of expenditure had been accounted for in the incorrect year.

Management have agreed with the findings and developed an appropriate action plan to address the issues identified.

CED – Kent Public Service Network Review

Scope

The objective of the audit was to assess the adequacy of the processes and controls in place for the selection of the KPSN solution.

Overall Assurance - Substantial

Network services are supplied to the public sector bodies across Kent by a number of service providers and the scale of coverage provided by these networks is significant. KCC for example, has implemented a number of networking solutions to support its operational activities delivering services to the community and people of Kent. It is anticipated that as the contracts for these services lapse, network renewals will be achieved via the establishment of the 'Kent Public Services Network' (KPSN) procured by KCC in co-operation with the other public service bodies such as the Kent Connects Partnership, Kent Community Network (schools), Higher and Further Education and Health.

It was evident that the risks surrounding confidentiality, availability and integrity have been actively considered throughout the project, along with the requirements to be met by the successful supplier. Three recommendations were made as a result of the review for consideration, once the KPSN contract had been signed with the chosen supplier, which related to the set up of the incident management process, implementation of IT service continuity plans and the ongoing monitoring of the information security and access management process.

CED – Accounts Receivable

Scope

The objective of the audit was to ensure that monies owed to the Council is billed for accurately and promptly and that outstanding debts are properly identified and chased.

Overall Assurance – Substantial

The audit confirmed that there are processes in place to ensure that monies due to the Council is identified, billed for promptly and that there are procedures to ensure outstanding debts are identified, chased and collected.

Some areas for improvement relate to :-

Invoice requests are not always submitted promptly by directorates to Exchequer Services to be processed;
Requests are not always submitted with the necessary information to Exchequer Services.

There is no clear policy between directorates and Exchequer Services defining who is authorised to write off debts.

CED - Wireless Networks Review

Scope

The objective of the audit was to assess the effectiveness and adequacy of the controls in place to ensure the security of the wireless networks used by the Authority.

Overall Assurance – Limited

Wireless access to the KCC network was implemented at the beginning of February 2008 at a number of locations, including County Hall, Kroner House, Oakwood House, Kings Hill and Clover House. KCC was also investigating the roll-out of public wireless internet access for the whole of the council; this would typically be accessible from within the council libraries and all council office buildings (including reception, canteens, etc). The review resulted in three recommendations being made.

Risk assessments are undertaken for each IT project during their implementation and a strategic risk register is in place for ISG. However, there are currently no IT risk registers in place that outline how specific risks are being addressed, such as those created by the use of wireless networks, and these need to be implemented. Furthermore, a set of information security policies has been established by ISG; however, the current wireless access policy still needs to be finalised and issued to users. Finally, the process of documenting the configuration of the wireless access points needs to be completed to enable it to be monitored and reviewed on an ongoing basis.

CED – Network Security Review

Scope

Overall Assurance - Substantial

The objective of the audit was to assess the effectiveness and adequacy of the controls in place to ensure the security of the underlying network infrastructure used by the Authority.

Network security consists of the provisions made in the underlying network infrastructure and the policies adopted to protect the network from unauthorised access, and the effectiveness of these measures combined together. KCC's network is made up of 8 clusters, each with their own local area networks (LAN), and network security at KCC is the combined responsibility of three teams within ISG. An over-arching information security policy is in place for the Authority; however, this was last updated in 2001 and now needs to be reviewed to ensure it addresses any new threats that have emerged. Guidance needs to be included within the policy that outlines how or when security assessments should be performed to ensure the control framework in place remain effective. Information has been circulated to staff and Directorates have issued guidance to staff following the recent HMRC data loss providing advice on the handling of sensitive data, but there is no formally co-ordinated security awareness programme in place to maintain staff awareness of the information security/sharing policies that are in place. KCC also needs to assess the viability of implementing an intrusion detection system that would enable ISG to identify unusual patterns of user activity that may indicate that sustained attack has been launched or malicious software has been installed. Five recommendations have been made to address the issues raised.

**Directorates Progress with Implementation of Audit Recommendations
(Covers period May, June, July and August 2008)**

Directorate	Actions due to be in place in period	Actions in place	Outstanding actions	Progress with outstanding actions	
				Audit	Comments
Authority wide	3	2	1	Data Protection	The Data Protection Management Manual and Control Guidelines for each relevant business unit that has responsibilities for personal data is now in place. The business unit manual and guidelines are also being introduced to all units that do not currently have responsibilities for personal data during September. Data Protection information will now be available in Commercial Services Induction packs from September 08.
	3	2	1	Purchase Cards	During July 08 analysis of purchase card expenditure was completed by the Exchequer Services Manager. Directorate Head of Finances were contacted about recommended changes in limits, based on the individual cards actual expenditure for the year. These recommended limits will be introduced and card holders notified during September, if no response has been received from the Heads of Finance. A further review is scheduled for November/December 08.
	4	3	1	Schemes of Delegation	In the Children, Families, Health & Education Directorate the planned update of the Schemes of Delegation has been purposely delayed until the local children's services partnerships are introduced in September 08.
	7	1	6	Property Rent Income	The outstanding actions relate to <ul style="list-style-type: none"> ▪ Issuing guidance and procedures, ▪ Reviewing processes ▪ Carrying out reviews to ensure information is current and up to date, These are expected to be in place by 30 September 2008.

**Directorates Progress with Implementation of Audit Recommendations
(Covers period May, June, July and August 2008)**

Directorate	Actions due to be in place in period	Actions in place	Outstanding actions	Progress with outstanding actions	
Chief Executive's Department	3	2	1	HR Payroll – Car Expenses Interrogation	Work is currently being done to establish whether any new configuration is needed before the switch off of the Data Flexible Field in Oracle, which is currently used to process mileage rates. The expected implementation date has therefore been slightly delayed until the end of September, with work currently being undertaken on the scope of any over and under payments of mileage claims and legal implications. The Calculation Formula used for mileage rates has been rigorously tested; all fuel, engine size and user types already configured have now been validated as accurate.
Kent Adult Social Services	1	0	1	Health Debts	The formal Section 256 agreements relating to joint funded clients are still being developed with Health Authorities. It is expected these will be completed in the coming months. In the meantime the Directorate continues the practice of invoices only being raised with Health Authorities when the appropriate Finance Manager is satisfied that there is evidence of an agreement to pay.
Environment & Regeneration	2	1	1	Landfill Allowance Trading Scheme (LATS)	All future landfill allowance trades were agreed to be initiated by Waste Management as the 'primary user' of the electronic trade site for LATS, with the final approval for acceptance of these trades completed by a member of staff from Corporate Finance, known as the 'senior user'. A senior user within the Financial Strategy Unit has been nominated and is presently being set up with appropriate authorisation, however no trades have yet been made in this period.
Communities	1	1	0		All actions for the Directorate due for completion in this period have been implemented.
Children, Families, Health & Education	3	3	0		All actions for the Directorate due for completion in this period have been implemented.
TOTAL	27	15	12		

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)
<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	100% *n/a *n/a
<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	28%** 81% 75% March G&AC meetings May
<u>Quality of Service</u> <ul style="list-style-type: none"> • Average Client Satisfaction Score – 	70%	97%

* Implementation date note yet due for 2008/09 audits finalised

** Percentage of plan delivered as at 31 August 2008

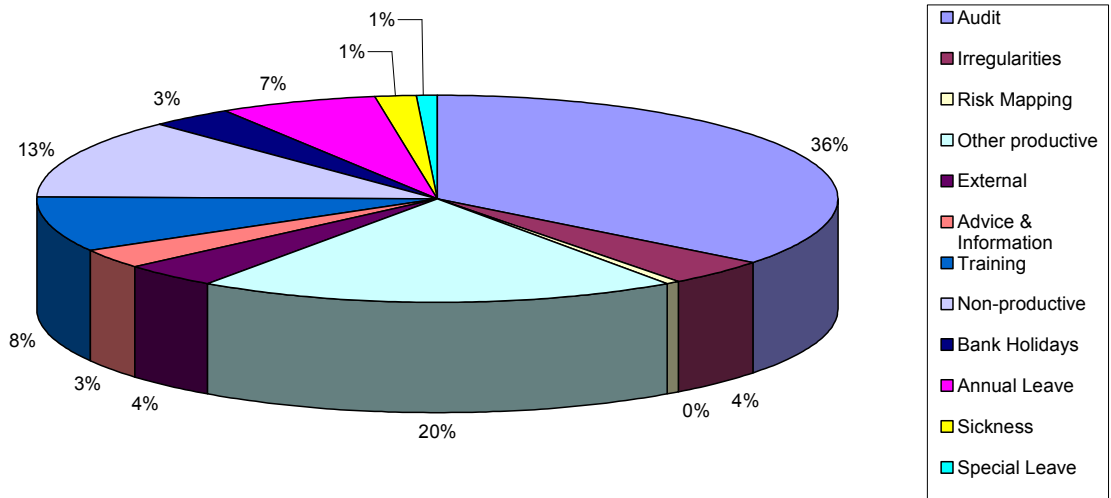
Team Structure

Number of staff 14 FTE

Qualified 8

Number of staff training 3

**Breakdown of all time in Internal Audit
April 2008 to July 2008**



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>

Governance and Audit Committee - Self Assessment Questionnaire

Through a new requirement for local authorities, the review and assessment of Audit Committees' effectiveness is widely considered best practice. Internal Audit submitted to the Audit Committee a self assessment questionnaire at the March meeting and have revised the questionnaire based on the comments at that meeting and now seek gain members views on the revised version. We will hand out the questionnaire at the meeting and would appreciate if member could complete at the end of the committee and return to Andy Tait. Alternatively, please complete and return to Andy Tait no later than 26 September.

Internal Audit will then develop a proposed action plan to address the feedback which will be presented at the December committee meeting.

Change in Internal Audit Team:

Finally, there is a change to the team that will deliver your internal audit services. Sean Rooney, the current Head of Audit and Risk, (with Janet Dawson) is returning to PwC Australia and will be replaced by Simon Davis following this Governance and Audit Committee. We have discussed the change with both management and the Chair of the Governance and Audit Committee to obtain approval.

Simon is a Senior Manager with the firm's Government and Public Sector practice, based in London. He specialises in assurance and has more than 20 years experience in providing audit services in local government and the NHS. His internal audit experience includes strategic partnership working as well as directly outsourced internal audits.